Research on Internal Audit of Cost and Expense--Take Company C as an example

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ABSTRACT
With the rapid development of market economy, the e-commerce industry and Internet industry have been widely concerned by the society, while the wood processing industry has rarely been concerned by the society. Small and medium-sized wood processing enterprises account for the vast majority of all wood processing enterprises. Studying small and medium-sized wood processing enterprises has important reference for understanding the whole wood processing enterprises. According to the actual development of small and medium-sized enterprises in China, this paper expounds. Taking Company C as an example, this paper adopts the method of literature research, looks at the situation of wood processing industry and the relevant theories of cost and expense internal audit, and refers to the suggestions for solving the problems existing in the cost and expense internal audit of other small and medium-sized enterprises, as well as the relevant theories of enterprise cost and expense internal audit and the production and operation characteristics of Company C, so that theory is linked with practice. This paper probes into the problems in the cost and internal audit of Company C, and gives practical suggestions on the problems in the internal audit of cost and expense, hoping to further reduce the operating cost, reduce the investment loss and improve the profit and technical level of the company.

KEYWORDS
Internal audit; Costs and expenses; Woodworking

1. INTRODUCTION
1.1. The Purpose of the Topic and Research Significance
Although China's wood processing industry started late, it has developed very fast and has a good momentum. Now, as the largest producer and consumer of wood processing products in the world, China's wood processing industry has become an important pillar industry of China's forest products industry, especially small and medium-sized enterprises, because the wood processing plants of small and medium-sized enterprises account for the largest proportion of the whole wood processing industry, and the fields involved in wood processing plants are miscellaneous. The problems in the process of internal audit are gradually exposed, because internal audit can independently evaluate the business and system management of enterprises, which is more objective and true, can help enterprises achieve their business goals, and is very important for the future development of an enterprise.

1.2. Research Status at Home and Abroad
In 2020, Zhu Aihua proposed that cost audit, as an important control activity, has a great influence on the future decision-making and development direction of enterprises. By examining the legality,
compliance and rationality of business, enterprises affect the internal control system from the aspects of enterprise control environment, risk assessment, control activities, information communication and supervision. Therefore, if we want to establish a complete enterprise internal control, we must do a good job in auditing costs and expenses. In 2021, Li Xu put forward in "On the Audit Method of Cost and Expense in Enterprise Management" that the cost of an enterprise is related to whether the investment of the enterprise can be allocated and used to the greatest extent. If the enterprise does not realize the importance of cost and expense audit, it will not get the maximum profit and will affect the future development of the enterprise. In 2020, Abbott studies corporate governance and audit quality from the perspective of internal audit outsourcing, and found that the more effective the operation of the audit committee, the lower the probability of internal audit outsourcing. If the audit committee can fire the internal auditor, the possibility of audit outsourcing will be even lower [1]. Based on the above research, this paper mainly focuses on domestic research methods, and also refers to some related research results abroad, analyzes the internal audit of C company's costs and expenses, and puts forward targeted improvement measures and suggestions in combination with a series of problems existing in the internal audit of costs and expenses.

2. THE COST OF INTERNAL AUDIT THEORY OVERVIEW

2.1. The Definition of Internal Audit

Internal audit is one of the three types of audit, and it is an independent and objective economic supervision activity. In accordance with the relevant national regulations and guidelines, internal auditors of enterprises use special, systematic and standard audit methods to review and evaluate the appropriateness and effectiveness of various business activities, internal control and risk management, and promote enterprises to improve their systems, enhance their value and achieve their business objectives.

2.2. Internal Audit of Costs and Expenses

The management of enterprise's cost and expense can help the enterprise to control the corresponding expenditure better. The internal audit of cost and expense can supervise the management of cost and expense. With the help of internal control, it can help the enterprise to improve the management and control of internal audit of cost and expense, make the enterprise's system more perfect, and make the enterprise's period expenses and profits more true and reliable. At the same time, through internal audit, it can find out the problems in the cost and expense subjects, put forward suggestions for improvement, and the enterprise can improve the existing problems again, which will finally enable the enterprise to realize.

3. C COMPANY COST INTERNAL AUDIT ANALYSIS

3.1. Basic Information of the Company

The main work of Company C is a series of wood processing, including wood cutting, wood gluing, wood coating, wood protection, wood modification, etc. When processing wood products, the shape of the blank of the work is drawn on the raw materials with a pen or ink line, then the blank is cut, then trimmed and polished, and finally assembled into finished products with nails, glue, hardware and tenons. The internal organization of Company C is a division system. The advantage of the organizational structure of the division system lies in that on the one hand, the chairman and the board of directors can participate in the specific planning of the whole company, starting from the whole, but also taking care of the parts, on the other hand, it is also convenient to mobilize the competition and progress among departments [2].
The main business of Company C is: processing and sales of forest products, timber cutting, processing and sales, planting and sales of rare trees, consulting services of forest products and technical services of forestry production. Figure 1 shows the operating income and total revenue of Company C from 2019 to 2021. It can be seen from the figure that the operating income and total income of Company C are on the rise during 2019-2021, especially the rising trend of total income is more obvious.

Company C belongs to the financial department under the internal audit. The organizational structure mode of the enterprise is the leadership mode of the financial department, and there are seven departments under the financial department, as shown in Figure 2.

3.2. C Company's Internal Audit of Costs and Expenses.

3.2.1. The objectives of the company's internal audit of costs and expenses

There are three main objectives for C company to carry out internal audit of costs and expenses. First, the compliance objective is to standardize expense reimbursement procedures and examination and approval procedures, such as travel expenses, loading and unloading fees, transportation fees, etc., which must be ensured to meet the corresponding regulations when accounting treatment is carried out; The second is the financial goal, which is to supervise the completeness, authenticity and accuracy of the reimbursement data of various items related to costs and expenses in the production and operation process of Company C to ensure that there are no errors in each item. For example, when loading and unloading timber, the handling fee, the electricity fee generated when processing timber, the sales expenses generated when retailing timber, etc. all need relevant credentials to be reimbursed, and complete information needs to be provided; Third, the business objectives, C company can know more timely whether the current system conforms to the company's regulations and the wood processing market, whether it can bring greater competitiveness to the enterprise, and whether there are unreasonable places under the system, so as to put forward suggestions for improvement in time and realize the ultimate goal of the enterprise-profit maximization [3].

3.2.2. Cost and expense internal audit process

The internal audit process of C company's cost and expense mainly includes the early audit preparation stage, making an audit plan for implementation, sorting out data, analyzing and issuing an audit report, and the subsequent audit stage. Before preparation, it is necessary to specify specific cost and expense audit items of C company for approval, and the audit proces [4].

3.2.3. C Company's internal audit process of costs and expenses

In the implementation stage of internal audit of company C's costs and expenses, there are mainly the following tasks: determining the relevant expenses, checking the basis of original accounting vouchers, determining the responsibility of internal control for actual operation, and thus determining the true effectiveness of internal control. When checking the vouchers, it is necessary to check whether the reimbursement of expenses has been approved by relevant personnel, whether there are original documents, and sampling some costs and expenses to see if there is any over-expenditure. For example, for the internal audit of transportation expenses, first of all, we need to check whether the examination and approval procedures are perfect and true, and check the transportation expense reimbursement form, gasoline expense list, invoice, etc. Taking September 2021 as an example, the total amount of air tickets that all departments of Company C need to pay to the air service company in September is 40,698 yuan, of which 8,546 yuan is the amount that the sales department needs to bear, accounting for 21% of the total amount of air tickets in September, compared with 3,582 yuan spent by the sales department in August, accounting for 9% of the total amount of air tickets. By checking the invoice information, business trip application form, whether the procedures have been approved or not, and whether there are excessive expenses.
3.2.4. C company cost control test

Control test is to test the effectiveness of control operation, and the cost control test program of Company C has these steps: the first step is to check how the relevant rules and regulations of Company C are designed and whether the budget related to costs and expenses has been compiled; The second step is to check whether Company C has implemented the separation of cost and responsibility; The third step is to check whether the authorization and approval system of accounting materials has been improved, and some related accounting materials can only be viewed by authorized personnel; The fourth step is sampling inspection. For example, whether the expense reimbursement has been approved, whether the raw materials are collected, whether there is an authorized plan, and whether the relevant original documents are complete; The fifth step is to collect and allocate the amount of the selected cost items and check whether the accounting treatment is carried out according to the regulations; The sixth step is to evaluate the problems in the audit process of spot-checked projects and identify the existing problems.

4. C COMPANY COST INTERNAL AUDIT PROBLEMS

4.1. The Internal Audit Process is Not Perfect

During the cost and expense internal audit of Company C, it was found that there were problems in the internal audit system, and the enterprise did not have a complete internal audit process. The internal audit of Company C only relied on the internal audit department without the assistance of the procurement department, which led to the neglect of the key nodes such as the procurement of wood and semi-finished products and the approval of warehousing during the implementation of the audit plan. The reason was that the superior leaders did not pay enough attention to it. Internal auditors have not designed a complete audit process, so there are loopholes in internal audit, and it is very likely that they will miss the opportunity to find problems and deal with loopholes in time. Eventually, the related subjects of cost and expense internal audit will be untrue, which will bring losses to enterprises.

4.2. The Audit Process Did Not Grasp the Audit Focus.

C company's costs and expenses are complicated, involving every link of production and operation. When auditing transportation expenses, overtime pay for employees, repair expenses, warehouse storage expenses, travel expenses, office administrative expenses, communication expenses, etc., it failed to grasp the key points. For example, C company, as a timber processing and sales enterprise, accounts for a large proportion of its timber transportation and warehouse storage expenses in its daily business, but auditors also appear slack in relatively complicated projects. When C company put materials into storage, the purchase price, transportation fees, taxes on purchase price, reasonable loss, etc. all need to be included in the product cost. When the products are put into storage, the authenticity of the labor and cost of storage is not emphatically checked, but for the measurement of product cost, labor and cost are very important measurement standards, and their authenticity must be verified.

4.3. The Lack of Supervision Over the Whole Process of Cost Control

Due to the imperfect internal audit organization of Company C, the shortage of internal auditors, and the overlapping responsibilities, at the beginning of the audit, no clear audit plan was specified, and no detailed audit plan was listed, all of which were verbally directed, without scale and standardization, which led to the fact that most of the project audits of Company C were carried out according to the temporary work needs and the temporary ideas of the leaders, and there was no paper or detailed personnel arrangement, planning time and specific arrangement of the project. This leads
to repeated audits of some projects, and the audit and accounting positions are not completely separated. Almost all the internal audit staff are accountants who hold several positions. In the whole audit process, there is not only a lack of independence, but also no relevant personnel to supervise the audit work of enterprises, which leads to the discontinuous audit work, and some projects are omitted and not audited. In addition, without internal audit supervision, the internal audit work of Company C is in a state of chaos and disorganization.

4.4. The Professional Quality of Internal Auditors is Not High.

Internal audit is an independent and highly professional job, and the cost and expense internal audit, as a part of it, not only requires internal auditors to have a good basic professional quality of internal audit, but also needs to be proficient in accounting, tax law, financial management and other related knowledge. As far as it is concerned, the employees engaged in internal audit in Company C are older, have not obtained relevant certificates and rarely attend relevant training. There is no contact with more systematic and professional audit knowledge, so almost all internal auditors lack internal audit knowledge. Such knowledge reserve is not conducive to internal audit work, and there is still a certain distance for the requirements of internal audit work.

5. COUNTERMEASURES FOR OPTIMIZING THE INTERNAL AUDIT OF C COMPANY’S COST AND EXPENSE

5.1. To Enhance the Management of the Cost of Internal Control Audit Attention.

Conduct regular publicity work in Company C, so that all departments can understand the importance of internal audit work for the company, especially the internal audit department, which plays a guiding role in the operation and management of the enterprise. Actively carrying out publicity work is to make the enterprise pay attention to it from the top management and play a leading role, so that internal auditors can fully realize that the internal audit work carried out by the internal organization of the enterprise is crucial to the good development of the enterprise in the future. It is necessary to strengthen the attention of internal auditors on the internal audit of costs and expenses and realize the importance of internal audit work.

The internal auditors of Company C can make managers pay full attention to the internal audit of costs and expenses by reporting the importance of internal audit of costs and expenses to the leaders on time and regularly. The internal auditors of Company C must eliminate that "the internal audit work is just a process and a situation." The wrong idea makes enterprise managers fully realize that while implementing centralized treasury payment management in accordance with relevant regulations, they can also give full play to the independent supervision role of enterprise internal audit.

5.2. Do a Good Job in Pre-Trial Investigation, Determine the Audit Focus.

Grasp the key points in the internal audit of costs and expenses, such as: subjects with a large amount: if the cost of material warehousing is large, it needs to be carefully checked, and the cost is composed of items. Check the receipt documents, invoices, etc. to determine the accuracy of the current accounts of the subjects with a large amount, and all the subjects with a large amount need to be checked one by one to confirm whether the amount is reasonable and whether there are omissions; As a wood processing and sales enterprise, Company C has many current accounts, mainly including freight, warehouse storage fees and material fees. Therefore, it needs to pay special attention to these subjects when conducting internal audit of company C's costs and expenses. Generally speaking, the subjects with more business transactions also involve large amounts of money, so it needs special attention when conducting internal audit. Subjects that are easy to be manipulated by human beings need to be screened first according to past experience, especially those that involve complicated business and
huge amount of money. There are also some loopholes that often appear when auditors look at relevant professional documents or news. Auditors need to keep pace with the times and often look at relevant information and documents about internal audit, so that they can be handy in internal audit with enterprises and improve the efficiency of audit work.

5.3. The Establishment of the Whole Process of Cost Audit Supervision System

5.3.1. Strictly control the reimbursement of funds.

Internal auditors should strengthen the management of staff expense reimbursement of internal audit departments from the internal control of enterprises, at the same time, they should cooperate with relevant financial personnel of departments, guard the pass of reimbursement review, strictly control when reimbursing enterprise personnel, and the original materials that anyone needs to review and invoices and other related audit materials must be formed to review the expenses of various departments at all stages before, during and after the event, and should focus on social entertainment expenses, travel expenses and transportation during the internal audit process.

5.3.2. All departments cooperate with internal audit.

All departments of Company C should actively accept the inspection of the internal audit department, cooperate with the audit work of internal auditors, and strengthen the supervision and control of related expenses and the audit supervision of the whole process of expense reimbursement during the audit process. For the economic business in which each department violates the provisions of reimbursement, it is necessary to find out the responsibility of the relevant personnel immediately. Internal auditors should follow up the problems in the inspection, analyze and report the results, and ask the staff of relevant departments whether they have fulfilled the suggestions made by internal auditors. After implementing the improvement suggestions put forward by internal auditors, the next audit work can be guaranteed. Follow up the audit according to the inspection report of audit and cost control to ensure that the suggestions given are carried out in a timely and effective manner and relevant inspections and reports are carried out.

Company C carries out internal audit, which is only appointed or directly led by the company's top supervisor, and a special person is set up to supervise. Supervise all departments, and supervise the reimbursement procedures, especially the cost and expenditure, to ensure that the positions of accountants and auditors are separated. Under the current circumstances, some accountants cannot be included in the audit work. Only by achieving the independence of internal audit can the internal audit conclusion be objective and fair, and the internal audit conclusion be true, so that it can play its due role.

5.4. Improve the Professional Quality of Internal Auditors

5.4.1. Actively strengthen the professional training of internal auditors.

Company C should create a good learning environment for auditors, promote mutual communication between auditors, encourage internal auditors to actively obtain relevant certificates, strive to improve their professional quality, keep pace with the times, learn the latest knowledge about forestry, processing and other enterprises, and make themselves more competitive and become better and more professional internal auditors.

5.4.2. Implement an evaluation mechanism for internal auditors

Company C establishes a clear and transparent promotion mechanism for auditors, and evaluates them according to their performance and enthusiasm in practical work. The promotion mechanism should be fair, transparent and open. Through this promotion, auditors with different abilities can realize the principle of not wasting talents in corresponding audit posts, optimize the company's system, create a better working atmosphere and stimulate the work enthusiasm of auditors.
6. CONCLUSION

Based on the analysis of the cost and expense internal audit of Company C, it is concluded that in order to develop steadily in today's fierce market environment, we must pay attention to the cost and expense internal audit, and we need to pay special attention to frequent business, large-sum business and subjects that are easy to tamper with the amount. In the audit process, there is a lack of supervisors, chaotic positions, the company's financial personnel are older, some employees have not obtained relevant certificates, and the implementation of internal audit is irregular. In view of these problems, the following solutions are also put forward: firstly, we should communicate with higher authorities to make managers pay attention to the internal audit of costs and expenses; after making an audit plan and designing an audit procedure, we need to grasp key businesses according to past experience, such as complicated or large-sum subjects; secondly, we should set up special internal audit supervisors, and accountants should be separated from auditors; finally, we need to conduct regular training for auditors, encourage them to actively obtain financial certificates, and communicate with financial personnel more, so as to finally realize the enterprise's goal.

REFERENCES

[5] About the author: Xia Yang, female, born in Mianyang, Sichuan, is a master student in School of Management, Xian Polytechnic University.