

Original Paper

Research on the Path of High-Quality Development of Internal Audit in Real Estate Industry

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Received: February 21, 2024

Accepted: March 22, 2024

Online Published: April 12, 2024

doi:10.22158/ibes.v6n2p222

URL: <http://dx.doi.org/10.22158/ibes.v6n2p222>

Abstract

The internal audit of real estate enterprises is a very important part of the business activities of enterprises, is an important means to effectively control the internal management risk of enterprises, improve the efficiency of operation and management, and reduce costs. High-quality internal audit plays a very important role in the development and growth of enterprises. Based on the present situation of the internal audit of real estate industry, this paper analyzes the problems existing in the internal audit of real estate enterprises, and puts forward the corresponding improvement measures.

Keywords

Real estate industry, Internal audit, High-quality development

1.Introduction

According to statistics, in the past three years, there have been more than 21 large real estate enterprises, from Evergrande, Greenland, Shimao, Sunac to Country Garden, the continuous capital thunder has aroused people's attention to the real estate industry. Recently, the national average interest rate of new personal housing loans was 4.26%, which is the lowest level in history since 2008.

The development of the real estate industry cannot be separated from the support of funds, and the break of the capital chain is likely to lead to serious risks for real estate enterprises, and even threaten the future development of the real estate industry. Therefore, if the real estate development enterprises strictly implement the internal audit system and play the responsibilities and roles of internal audit, these crises may be detected at an early stage, and serious thunderstorms will not occur. Due to the characteristics of long development project cycle, large investment amount and incomplete copy of products, the internal audit of real estate enterprises in the industry becomes more complicated. As one of the important work of the real estate industry, internal audit plays the functions of supervision, inspection, evaluation and consulting services. For the real estate industry, internal audit is an important

part of corporate governance and internal control system, and an important guarantee for strengthening management and enhancing value creation ability, and realizing high-quality development of enterprises.

2. The Importance of Internal Audit of Real Estate Enterprises

Internal audit is a kind of confirmation and consulting activity with independent and objective characteristics. It mainly reviews and evaluates the effectiveness of the organization's business activities, risk management and internal control by means of systematic and standardized methods, so as to promote the organization to optimize the governance model, improve the enterprise value and further improve the operation and development of the enterprise, so as to achieve the enterprise development goals. Internal audit can check and evaluate the effectiveness and adequacy of the internal restraint system, as well as the rationality of the business and the specific operation of the enterprise, so as to ensure the integrity and security of the enterprise assets. High-quality internal audit, on the one hand, can improve management efficiency, on the other hand, can promote the long-term healthy development of real estate enterprises. At present, seeking and establishing a high-quality internal audit system and promoting the implementation of internal audit work are the only way for the real estate industry to prevent financial risks and realize its own value. After the internal audit finds the operation and management risk of the enterprise, the enterprise manager will formulate a scientific and reasonable risk prevention and control plan from the perspective of overall control. The implementation of the plan reduces the occurrence of business risks, expands the operation capacity of the enterprise, and promotes the high-quality development of the enterprise. Studying the high-quality development of internal audit work of real estate enterprises is an inevitable choice for the real estate development industry to seek better and faster development.

3. The Real Estate Industry Internal Audit Problems

3.1 Lack of Internal Audit Environment

At present, real estate development enterprises as a whole have the problem of paying more attention to business expansion and less attention to audit management, which makes the internal audit work of enterprises lack a good and orderly management environment. On the one hand, many management, leaders and ordinary staff of real estate enterprises are not aware of the function and importance of internal audit, and the enterprises lack a complete internal audit system. At the same time, there are certain conflicts and contradictions between auditors and audited personnel, which seriously affects the performance of internal audit functions. On the other hand, the internal audit of real estate enterprises still lacks a certain organizational environment. That is to say, in the development of enterprise internal audit work, there are many behaviors of streamlining internal audit personnel and abolishing internal audit institutions, which have seriously affected the development of internal audit work. There is no good internal control environment in the implementation of the internal audit system, which will

seriously affect the quality of the internal audit report.

3.2 Lack of Independence of Internal Audit Institutions

At present, the leadership of real estate enterprises will pay attention to the business level, pay little attention to internal audit, and ignore the important role of internal audit in the development of enterprises. In practice, the status of internal audit institutions and internal auditors in enterprises is not high, and even the internal audit departments of some enterprises are still subject to the influence and control of the management. Internal auditors find that there is a crisis in the capital and finance of enterprises, but cannot timely point out the crisis due to certain pressure. This will lead to the failure of the internal audit to supervise and control the financial situation of the enterprise, which may eventually lead to the final capital chain break or even bankruptcy of the enterprise.

As of August 14, 2023, there are 42 housing enterprises that have exploded, accounting for more than 40%, including Evergrande, Sunac, Greenland, Shima, Xuhui, Jinke, Zhongnan Land, Yangcheng, Zhongliang Holdings, etc., of which 40 are civilian housing enterprises. Most private real estate enterprises and family real estate enterprises often appoint important posts and important internal business segments to the founders and their relatives and friends, and there is a similar situation in important functional departments including internal audit institutions. This situation often leads to the lack of independence of audit and the inability to play its due supervision function. As the core of audit, audit independence of most real estate development enterprises is the key to maintain objective and fair judgment in internal audit. If the company's internal audit institution lacks independence, it will affect the audit effect, resulting in the failure to perform the internal audit function and the role of internal audit can not be fully utilized, which runs counter to the company's strategic objectives.

3.3 Lack of Compound Talents in Internal Audit

The real estate industry has high standards for internal auditors, but most of the internal auditors actually equipped by real estate enterprises are accountants, and the relevant real estate internal audit experience is not enough to meet the requirements. They are only familiar with the accounting related to real estate enterprises, and their basic knowledge of internal audit is not so solid. I am not familiar with relevant laws and regulations, industry policies and the basic production process of real estate.

With the diversified and complicated business development of real estate development enterprises, the business and audit capabilities of internal auditors of enterprises cannot meet the diversified needs of enterprises, and the system of audit practitioners is uneven, mainly reflected in gender, age, knowledge, professional quality, and employee management. Even for a single group real estate enterprise, the audit project involves many fields, and most auditors are not only unfamiliar with the business and accounting process in different fields of the enterprise, but also have different professional and positions, which makes it difficult for auditors to meet the diversified needs of enterprise development. In addition, the turnover of audit system personnel is large, the audit work intensity is large, and the pay and return are unbalanced, which makes it difficult for the internal audit department of enterprises to stabilize and retain talents, and it is impossible to build a high-quality audit professional team.

3.4 Insufficient Internal Audit Methods and Technical Innovation

The characteristics of cross-regional operation and hidden construction cost of real estate development enterprises make their operational risks difficult to be discovered by conventional financial auditing methods. However, the existing audit work in the real estate industry is still confined to financial audit, and internal audit methods and technologies are backward. The existing internal audit informatization work of enterprises is often limited to the verification of financial information such as financial statements, books and vouchers, and stays in the record summary of a small part of information data and simple calculation and analysis, without the expansion of various contents through audit. The audit of internal control, economic responsibility and management efficiency is not deeply involved, and it is difficult to find risks and problems in the company's operation; The performance of online search, screening and extension audit is poor, and Internet technology and thinking are rarely used in each audit link, it is difficult to grasp the overall audit line and lock the focus, and information technology is not well used to assist internal audit work. At the present stage, real estate enterprises do not have in-depth research on audit methods and technologies, which makes the innovation and development of internal audit slow and difficult to meet the needs of real-time audit, which affects the efficiency and effectiveness of audit work.

3.5 The Audit Supervision Mechanism Is not Perfect

First of all, the execution of audit and supervision is not assigned a balanced legal and political status, and the supervision discretion of auditors is not specific and clear. When enterprises set up the organizational structure, there is no explicit law stipulating the specific power of the audit department to maintain the independence of the department in the organizational structure of the enterprise. Audit results are presented and fed back in the form of audit reports, which are only equivalent to official documents, and the legal binding force of official documents is weak, which makes the audit focus on inspection, but it is difficult to achieve the purpose of comprehensive rectification. Secondly, especially in group companies, all audit work is carried out by the staff of the audit department of the group, and the auditors are easy to ignore the rectification quality because they pursue the completion schedule of the task, and the audit supervision effect is poor, resulting in the internal audit of the enterprise is virtually useless. Finally, the positioning of audit supervision system ignores the premise of risk prevention and prediction, and puts the focus of audit supervision on "finding and exposing problems". However, from the perspective of industrial audit integration, it is necessary for the audit mechanism to consider "preventive problem supervision" as the first step in the implementation of audit work. Before the implementation of audit work, it is more effective to preview and warn the problems that may occur in all aspects of the enterprise in advance, and stop the problems at the front end, which will be more effective than finding problems after the fact and vigorously correcting them.

4. The Real Estate Industry Internal Audit High-Quality Development Path

4.1 Create a Good Internal Audit Management Environment

Following Evergrande and Country Garden Thunder, enterprises have introduced a series of internal control reviews and rectification plans, such as Evergrande has established an internal reporting system to ensure the effectiveness of internal control. Internal auditors of real estate enterprises mainly perform supervision duties, which not only need to audit and supervise the operating financial status of enterprises, but also need to audit many factors such as project reality and project management means. The premise of carrying out these audits is to create a good internal audit management environment. In the new period of the development of the real estate industry, managers of real estate enterprises should attach importance to the implementation of audit management, deeply understand the significance of internal audit in the business development of enterprises, create a good internal audit management environment for enterprise audit work, and support the development of internal audit work.

4.2 Improve the Corporate Governance Structure and Rationally Set up Internal Audit Departments

Only by improving the governance structure, clarifying the responsibilities, powers and checks and balances of each department, can the independence of the internal audit department be better realized. According to the results of domestic and foreign excellent practices, large real estate enterprises can set up an internal audit committee under the board of directors, and the internal audit part is subordinate to the audit committee. The higher the position of the internal audit department, the less likely it is to be affected by other departments, and the higher the independence of internal audit, the more smooth the internal audit work will be carried out. Small real estate enterprises can set up small audit departments directly under the management of leaders. No matter how to set up the internal audit department, it is necessary to ensure the independence of the internal audit department, combined with the characteristics of the enterprise itself, so as to help give full play to the role of the internal audit department. The management of real estate enterprises should effectively maintain the independence and basic positioning of the work of auditors within the enterprise, separate incompatible posts, listen to the work reports of internal auditors on a timely and regular basis, and give corresponding work guidance to internal auditors. Real estate enterprises should pay attention to the effective analysis of the actual situation of their own business development, start from the current situation of business operation, explore ways for the independent development of the audit department of the enterprise, and in the process of independent development of the audit department, they should conduct standardized control of the scope of authority, audit content and supervision methods, so as to ensure that the internal audit department can give full play to its responsibilities and carry out audit management in a standardized manner. Improve audit independence. The internal audit department of an enterprise should take a firm stand, fully fulfill the power granted by the audit standards, adhere to the principles, improve professional quality, and achieve substantive independence in the execution of audit work.

4.3 To Equip Professional Auditors and Build a High-Level Audit Team

The configuration of internal audit team greatly affects the smooth progress of internal audit work. To a

certain extent, internal auditors' understanding of relevant audit content will affect the quality of internal audit work. Therefore, the team of internal auditors should be equipped with talents of various specialties in order to improve audit efficiency and achieve high-quality internal audit. Give full consideration to the macro environment of the integration of industry audit, strengthen the improvement of the composite ability of audit and supervision personnel, further improve the professional ability of auditors, and increase the training of professional ability, and adopt multiple forms such as "going to the business and going to the scene" to train talents for the integration of industry audit and supervision. At the same time, to improve the professional ethics and professional quality of auditors, auditors are required to always be in awe of the audit profession, stand firm, adhere to principles, and clarify the original intention and purpose of the audit profession. Establish an effective incentive mechanism to motivate auditors to work and study. Optimize the selection mechanism of talents in the audit system, and strive to select and employ excellent composite audit talents who are "useful, retained, able to endure hardships and good at tackling tough problems". In the selection and recruitment mechanism of enterprises, we should attach importance to the construction of composite audit talents, attach importance to the coordinated development of professional knowledge and business ability of internal audit personnel, further expand the work orientation and work scope of internal audit departments, and promote the rapid and good development of modern enterprise economic management. We will improve the continuing education system of auditing and formulate supporting policies for auditing talents. As an important means of risk control for real estate enterprises, internal audit can prevent risks and optimize internal control for enterprises. Internal auditors of real estate enterprises should constantly improve their professional skills, improve their self-cultivation, and urge all departments of real estate enterprises to perform their functions in accordance with strategic planning, so as to bring more economic benefits to the enterprise and achieve high-quality development of the enterprise.

4.4 Strengthen Audit Innovation and Improve Information System Construction

The importance of information construction of real estate enterprises is self-evident. In the era of digital intelligence, real estate enterprises should make full use of the efficiency and convenience brought by informatization, help enterprises establish efficient, concise and fast internal audit mechanism, and build enterprise internal audit into value-added and valuable audit institutions with high-quality development as the goal. The information age has given real estate enterprises a broader space for survival and development, and informationization audit has pointed out a new development direction. The internal audit department of enterprises can carry out risk assessment and internal control for real estate enterprises more accurately. Therefore, under the background of big data, real estate enterprises should strengthen the innovation of information system, make full use of the advantages of data analysis and collection, give full play to the supervision function of internal audit, and achieve high-quality development of enterprises.

5. Strengthening the Ranks of Auditors and Supervisors

In order to improve the quality of enterprise audit work, the supervision and management of enterprise internal audit should be standardized and reasonable. On the one hand, the managers of real estate enterprises should first sort out the awareness of the whole process supervision, conduct audit supervision in all aspects of real estate development, such as conducting control in various environments such as bidding, settlement, contract signing and contract implementation, timely discover the risk factors in enterprise production and operation, and formulate corresponding prevention and control plans to ensure the effectiveness of internal audit supervision. On the other hand, we should carry out the all-factor supervision of internal audit, such as audit supervision from the aspects of finance, project expansion, operation development, etc., to realize the comprehensive integration of audit work and enterprise production and operation.

6. Concluding Remarks

The healthy and steady development of Chinese real estate enterprises cannot be separated from their own internal audit optimization. The characteristics of real estate enterprises such as long cycle, cross-regional operation, large capital occupation and multiple internal and external risk factors determine the need to reverse the traditional concept of internal audit. Faced with the reality of poor internal audit environment, insufficient attention, lack of compound internal audit talents, poor internal audit independence, inadequate internal audit methods and supervision, and difficult to guarantee the quality of internal audit, real estate enterprises need to improve the internal audit awareness of management, improve the quality of internal audit team of real estate enterprises, and improve the internal audit system and evaluation mechanism of real estate enterprises. Improve the quality and effectiveness of internal audit and optimize internal audit activities. In order to help real estate enterprises avoid various complex risks, comply with the development requirements of the new economic era, and achieve high development of real estate enterprises.

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