Original Research Article

Research on optimizing internal auditing over state asset disposal in specific institutions

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Abstract: The standardization involved in the disposal of state-owned assets of some specific institutions and the efficiency during the disposal process are closely related to the effectiveness of public resource allocation, and to a certain extent, they also reflect the inefficiency of the governance. At present, there are problems such as ambiguous systems and formalistic processes in the internal audits of the disposal of state-owned assets in some specific institutions. In response to these problems, this paper starts from internal auditing, a key handle of internal control, and considers from three perspectives: systems, processes, and technologies. Combined with the existing relevant laws and regulations on state-owned assets of the specific institutions and the thoughts during the internship process, An operational path for optimizing internal control has been proposed. The research results of this paper will have certain reference significance both in theory and practice for improving the efficiency of state-owned asset disposal in specific institutions.

Keywords: specific institution state-owned assets; state-owned assets; asset disposal; internal control; internal auditing

1. Introduction

Despite specific institution state-owned assets proportion in the total amount of state-owned assets is not high, but its scale has amounted to 64.2 trillion yuan (2023), is critical to public services and financial efficiency. At present, due to the lack of internal audits and the ineffective enforcement of regulations, problems such as violations, loss and waste frequently occur in asset disposal. Although the "Regulations on the specific institution of State-owned Assets" was issued in 2021, it is necessary to strengthen internal auditing to optimize internal control. Based on the perspective of internal auditing, this article analyzes the internal control deficiencies in the disposal process and puts forward improvement suggestions to enhance the efficiency of asset management.

2. Literature review and theoretical basis

2.1. Relevant research on the internal control of state-owned assets

The existing research is mainly based on the theory of public fiduciary responsibility and the COSO framework. Ling Hua et al. (2021) pointed out that the collaboration between government accounting and internal control can enhance the transparency of asset management, and it is necessary to rely on measures such as centralized management and dynamic monitoring [1]. Tang Jiangang et al. (2023) emphasized that the internal control system should be embedded in risk management to avoid being merely a formality [2]. Yan Chunrong (2019) constructed the fixed asset management model by applying the PDCA cycle and proposed a method combining budget constraints, informatization and dynamic evaluation [3]. Tang Dapeng et al. (2019) hold that internal control needs to prevent fiscal risks through division of responsibilities and process optimization. Although the current research has formed a theoretical system, the problem of the disconnection between the system and its implementation remains unsolved.

2.2. Research on the disposal of state-owned assets of specific institutions

The specific institution state-owned assets include free transfer, assignment, scrapping and other methods, but the disposal process has long had problems such as insufficient transparency and unclear ownership. Zhang Yubing (2005) pointed out that the disposal of non-operating assets lacks openness. Hu Rong (2011) discovered that the phenomenon of "possession equals benefit" leads to the loss of state benefits. Zhou Maoqing (2014) emphasized the need to standardize the scrapping standards and prevent low-price transfers. Tan Jing (2015) proposed performance evaluation indicators (such as the approval rate of disposal), Shen Haiping (2009) called for the improvement of legislative supervision, and Ma Zheshi (2009) suggested promoting the on-site trading model. According to the "Basic Standards for Internal Audit" (2023), internal audit promotes the optimization of organizational governance by assessing the effectiveness of internal control. Internal control is the foundation of auditing, while auditing supervises and promotes the improvement of internal control. The two complement each other.

3. Current situation and problems of internal control in the disposal of state-owned assets

3.1. Asset disposal process

According to the "Regulations on the Administration of State-owned Assets of Administrative and Public Institutions" (2021), the disposal process includes declaration, approval, assessment, execution and accounting calculation. Major assets need to be approved by higher authorities, and the assessment is completed by a third party. The disposal methods include transfer, scrapping, etc., and public competition is required. Profits are remitted to the state Treasury as non-tax revenues.

3.2. Current internal control measures and problems

The current system requires job separation, hierarchical approval (for example, if the unit price is over 100,000 yuan, it needs to be approved by the finance department), process transparency and file management. But the problems are prominently manifested in the following aspects. The standards for handling at the institutional level are ambiguous, and the discretionary power of units is too large. The assessment at the implementation level is opaque and the approval process is formalized. In terms of personnel allocation, internal audits rely heavily on the finance department and lack independence. At the technical shortcoming level, the asset and financial systems have not been integrated, and informatization lags behind.

4. Analysis of the role of internal audit in the internal control of state-owned assets disposal

Internal auditing plays three key roles in state-owned asset disposal: supervision (ensuring regulatory compliance), evaluation (identifying process loopholes), and consultation (providing risk warnings). While crucial, current auditing remains limited to financial reviews in most institutions. Effective auditing requires full lifecycle integration, as demonstrated when a university reduced asset losses by 80% after implementing mandatory assessments and third-party supervision. However, most audits still occur post-disposal rather than during critical pre- and mid-process stages where they could prevent violations. Moving beyond reactive checks to proactive, process-embedded auditing is essential for proper asset management.

At present, internal auditing is confronted with multiple constraints: First, there is insufficient independence. Auditing work is mostly concurrently held by the finance department, and the overlapping functions lead to the failure of supervision. There is an urgent need for an independent auditing department dispatched by the higher authorities. Second, there is a lack of professional capabilities. Auditors mainly have a financial background and insufficient understanding of disposal regulations. It is necessary to strengthen legal training and cross-disciplinary knowledge reserves. Thirdly, the informatization lags behind. Relying on manual ledgers makes it difficult to monitor in real time. Efforts should be made to promote the connection between the asset management system and the audit information platform to achieve dynamic data tracking. Breaking through these bottlenecks is the key path to improving the efficiency of state-owned asset disposal.

5. Internal control optimization from internal audit perspective

Internal auditing, as an important supervision and evaluation mechanism for the internal control of the disposal of state-owned assets in the specific institutions, its optimization path can be carried out from three dimensions: system, process and technology.

5.1. Institutional level: Establish an audit supervision system with clear rights and responsibilities

5.1.1. Clarify the position of internal auditing in asset disposal

The internal audit institution maintains independence from other business departments to ensure audit independence. After problems are identified during the audit, the causes of the problems should be analyzed and the internal control system should be evaluated. If the problems identified during the auditing are related to the deficiencies of the internal control system, the audit department should urge the unit to improve and perfect the standardized document machine to ensure that the system is compliant and legal. The "Regulations of the National Audit Office on Internal Audit Work" (2018) is an important part of the internal audit reports of China's auditing authorities. For the disposal of major assets, internal audit opinions can be used as a prerequisite for approval, or the internal audit department can be granted the "veto power" over asset disposal by referring to the above-mentioned "Regulations".

5.1.2. Establish a hierarchical authorization and risk list system

State-owned assets of the specific institutions include various types of assets, such as fixed assets and intangible assets. According to their different types and processing volumes, they can be classified for risks and a risk list can be made. For low-risk assets, the approval process can be simplified. The department head only needs to sign the application form for approval. However, for high-risk assets, special verification by the auditing department and joint approval by the leadership team are required before disposal operations can be carried out. The organization can also formulate a negative list for asset disposal, clearly stipulating certain matters that are strictly prohibited. If the negative list is touched, the corresponding leaders can be held accountable.

5.2. Process level: Embed full-chain audit supervision nodes

5.2.1. Pre-auditing

The specific institutions can have the auditing department get involved in advance to conduct compliance reviews, risk assessments and procedural checks on the assets to be disposed of. Compliance review mainly verifies the application report and supporting materials, checking whether the reasons for handling mentioned in the application report are sufficient and consistent with those in the supporting materials. In the risk assessment stage, auditors are required to identify potential interest transfers, such as related-party transactions and undervaluation of assets. Finally, it is necessary to verify the legal procedures such as public announcement and assessment of the assets to be disposed of to ensure that they have completed these legal procedures.

5.2.2. In-process auditing

During the disposal stage, internal auditing can participate in the selection of third-party assessment institutions, supervise whether the work of third-party assessment institutions is fair, and verify whether the assessment report reflects the fairness of the assessment work. For state-owned assets that need to go through public leasing, auctions, bidding and tendering and other procedures, on-site inspections can be conducted to prevent collusion and bid-rigging.

5.2.3. Post-event auditing

After the assets are disposed of, the internal audit department can organize a special audit to spot-check the disposal archives, verify whether the accounts match the actual disposal gains, and check whether the majority of the disposal proceeds are remitted to the central government in accordance with relevant national regulations. Hold accountable the non-compliant behaviors discovered during audits, compelling units to improve their internal control systems in asset disposal and enhance accountability mechanisms.

5.3. Technical aspect: Promote the intelligence of audit supervision

5.3.1. Build an integrated information system for asset management and auditing

Connect the asset management information system of the Ministry of Finance with the internal audit platform to establish an abnormal data early warning system. When abnormal data appears in the system, automatic alarms will be triggered, and the data will be displayed in the form of visual tools such as tables or pie charts to visually present the efficiency of asset disposal and the risk distribution.

5.3.2. Apply emerging technologies to enhance auditing efficiency

Under the background of Digital China, more and more emerging technologies have emerged. Applying them to the auditing process plays a significant role in enhancing auditing efficiency and improving auditing effectiveness. The most common ones are big data analysis and blockchain technology. Big data analysis can compare historical transaction data to identify abnormal disposal assets that deviate from market prices. Blockchain technology can connect the important links during the processing and put them on the chain, thus ensuring that the data will not be tampered with. The application of blockchain technology in asset disposal involves the entire process of asset disposal, enabling real-time supervision and traceability supervision. This technology can achieve synchronous and real-time data upload, making auditing work more convenient.

6. Conclusion

Based on the perspective of internal auditing, this paper explores the optimization path of internal control auditing for the disposal of state-owned assets in specific institutions. Research shows that by strengthening the audit supervision function, improving the institutional design, optimizing the business process and promoting intelligent construction, the standardization and efficiency of asset disposal can be effectively enhanced. In the future, it is necessary to further explore the application of intelligent auditing tools to better prevent the risk of asset loss and achieve the goal of preserving and increasing the value of state-owned assets.

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