Application of Value-Added Internal Audits—Taking Changan Automobile as an Example

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Abstract. With the updating of auditing concepts and the development of internal auditing, more and more enterprises are focusing on value-added internal auditing. Value-added internal auditing is not only an extension of traditional auditing, but also helps enterprises reduce risks, strengthen internal controls, improve governance structures, and create value for enterprises. Research in this field is of great theoretical and practical importance. This article first explains the concept, characteristics, and ways in which value-added internal auditing adds value to enterprises, and introduces three related theories: stewardship, risk management, and value chain. Next, it analyzes the current status of value-added internal auditing applications in Chinese enterprises, mentioning problems such as insufficient independence, outdated audit methods, and narrow business scope. Based on these, it points out that domestic internal auditing will trend towards value growth. This article uses a case study of Changan Automobile's internal auditing to illustrate how the internal audit team can improve enterprise management by identifying and improving business processes, rules and regulations, risk management, and internal controls, and analyzes its value-added effects. Finally, it summarizes the insights gained from Changan Automobile's internal auditing practices, providing a reference for the improvement and development of internal auditing in domestic automotive and other manufacturing enterprises.

Keywords: value-added internal audit, independent enterprise management.

1. Introduction

Against the backdrop of increasingly fierce global competition, enterprises face a more complex external environment and significantly heightened operational risks and management challenges, placing higher demands on the role of internal audit. Traditional internal audit, primarily focused on financial supervision and compliance checks, is no longer sufficient to meet the needs of modern corporate governance. As the Institute of Internal Auditors (IIA) continuously updates its definition of internal audit, particularly its 2001 "International Framework for Professional Practice in Internal Auditing," which explicitly emphasizes the "value-added" function of internal audit, internal audit globally is gradually shifting towards a more comprehensive, managerial, and value-oriented development path. Since the issuance of the "Internal Auditing Standards" in 2003, my country has also promoted the alignment of internal audit concepts with international standards, gradually making it an important mechanism for corporate risk management, internal control improvement, and business process optimization.

Although international internal audit theory has developed rapidly, and the value of internal audit in corporate governance and internal control has been widely recognized, the internal audit work of most Chinese enterprises remains at the traditional supervisory stage, and value-added internal audit has not yet been fully implemented. In Western countries, internal audit departments play a crucial role in corporate governance systems, optimizing control, enhancing risk management capabilities, and promoting operational improvements. However, Chinese enterprises still face multiple challenges in this area, including insufficient understanding, incomplete mechanisms, and an imperfect talent structure. With intensifying competition and rapid changes in business models, internal audit will inevitably place greater emphasis on value creation and operational support functions in the future. Therefore, exploring the formation mechanism, implementation path, and application effectiveness of value-added internal audit is both necessary and urgent.

Based on this, research on value-added internal audit not only has significant theoretical value but also substantial practical significance. From a theoretical perspective, while domestic research on traditional internal audit is relatively abundant, systematic research on “value-added internal audit” remains insufficient, leaving considerable room for theoretical expansion. This will help promote the development of my country's internal audit field towards a management-oriented and strategic direction. From a practical perspective, by analyzing specific problems in the value creation process of corporate internal audit and combining them with the successful experiences of typical enterprises, we can provide Chinese enterprises with referable paths and improvement solutions for promoting the transformation of internal audit. Therefore, conducting in-depth research on value-added internal auditing is of great significance for improving corporate governance quality, promoting the maturity of internal auditing practices in my country, and driving the standardized development of the market economy.

2. Conceptual Definition and Theoretical Basis

2.1. Definition of Value-Added Internal Audit

Since its founding in 1941, the Institute of Internal Auditors (IIA) has revised its definition of internal audit several times. Initially, in its 1947 “Statement of Responsibilities for Internal Auditors”, the IIA focused on accounting and financial matters, emphasizing its purpose of assisting management in effective governance. Subsequently, in 1971, the IIA expanded the scope of internal audit to include the review of various business activities, emphasizing that auditing work was to help management perform its duties. In 1990, the definition was updated again, this time considering internal audit as the assessment of the appropriateness and effectiveness of an organization's internal control systems, aiming to assist organizational members in effectively performing their duties.

In its 2001 “Standards of Practice for Internal Auditing”, the IIA further developed the definition of internal audit, stating that internal audit should adopt a systematic approach to provide advisory services to improve and strengthen an organization's internal controls and risk management, with the goal of enhancing organizational operations and adding value. This definition explicitly introduced the concept of value-added for the first time, highlighting the advisory function of internal audit and its purpose of serving organizational objectives-points not addressed in traditional internal audit concepts.

The internal audit department, located at the core of the organization, serves the organization through a series of systematic methods. Its ways of increasing organizational value mainly include two aspects: first, by assessing and improving risk management and internal control, it ensures that control measures are effectively implemented, thereby reducing the organization's overall risk level and reducing potential losses; second, it reviews the company's business processes and provides value-adding suggestions at each link of the value chain to improve operational efficiency and reduce costs, thereby promoting the development of corporate strategic management.

2.2. Characteristics of Value-Added Internal Audit

Value-added internal auditing differs from traditional internal auditing in both its connections and specificities. Traditional internal auditing primarily focuses on financial accounting, emphasizing the legality and compliance of financial data and statements, and identifying potential personnel fraud, fulfilling its core supervisory and evaluative functions. In contrast, value-added internal auditing has a broader scope, encompassing not only finance but also organizational operations, internal controls, and corporate governance structures. It aims to provide effective supervision and management while supporting the implementation of corporate strategy. The core characteristics of value-added internal auditing are outlined below:

Independence and Objectivity: As a fundamental principle of internal auditing, maintaining independence is crucial for ensuring audit quality. Internal auditors must always uphold professional ethics, analyzing issues and making recommendations with a fact-based, objective, and impartial attitude. Simultaneously, organizational managers should value the role of the internal audit department and ensure its independence through organizational structure.

Assurance and Consultative Nature: Internal auditors should ensure the reliability of reference standards and the comprehensiveness of audit coverage, ensuring the effectiveness of organizational operations. By providing an independent perspective, internal auditors can assess the organization's operational performance and offer valuable recommendations to other departments.

Adding Value: Value-added internal auditing explicitly defines “adding value” for the first time. As a value-creating entity, any step that does not generate value faces the risk of being eliminated. Although internal auditing, as a supporting role, cannot directly create value, internal auditors, through their professional knowledge and positions, can indirectly generate value by providing improvement suggestions to other departments and operational processes through auditing methods.

Standardized and Systematic Approaches: Compared to traditional internal auditing, value-added internal auditing particularly emphasizes implementation guided by systematic processes to ensure the effectiveness of audit work.

Risk Management, Control, and Governance Processes: In addition to assessing and making recommendations on the value chain, internal auditors should also implement risk management and control, maintaining risk levels within acceptable ranges and ensuring the effectiveness of internal controls to serve the organization's management.

Organizational Objectives: Another important function of internal auditing is to assist in achieving organizational objectives and strategies. This ultimate goal guides the direction of internal auditing, prompting its integration with the organization's production and operational activities, rather than being conducted in isolation. In summary, the value-added internal audit concept is an advancement over traditional internal audit methods. It not only achieves supervision and control of the organization, but also combines audit objectives with organizational objectives, and intervenes in the organization's business processes with professional audit methods to promote the achievement of strategic goals and enhance the organization's competitiveness.

2.3. The relevant theories of value-added internal audit

2.3.1. Fiduciary responsibility theory

With the evolution of corporate organizational structures, the separation of ownership and management is increasingly common in modern enterprises. This means that asset holders typically do not participate directly in the day-to-day management of the company, but instead delegate this power to managers, thus establishing a trust-based economic relationship. In this corporate governance model, information asymmetry may arise, where managers have access to all relevant information, while principals struggle to obtain sufficient information to monitor operations. This information gap can cause principals to worry about asset security, especially when some senior executives intentionally release incorrect or false financial accounting information for personal gain. Due to limited and costly access to effective information, principals often find it difficult to question this information, potentially leading to moral hazard.

To mitigate this risk, reduce principal-agent costs, and protect the rights of asset owners, it is necessary to establish an independent third party to supervise and audit the behavior of managers. This is the origin of internal auditing. The stewardship theory explains the fundamental logic of internal auditing: the internal audit department reviews the company's financial information and records to ensure the legality and standardization of financial information, and whether management aims to maximize organizational profits. Simultaneously, the audit results are reported to relevant information users to protect the interests of both internal and external information users.

2.3.2. Risk Management Theory

Risk management is an emerging management discipline that focuses on identifying, assessing, and responding to various potential internal and external risks in business operations. Through this type of management, the protection of corporate assets can be ensured, and the negative effects of risks can be minimized. In 2004, COSO (Cooperation and Security Administration) updated its enterprise risk management integrated framework, emphasizing that risk management, as a dynamic process, should serve specific business strategies and requires collaboration among team members at all levels. In 2005, the China Internal Audit Association improved its specific standards for internal auditing, emphasizing the core role of risk management in reducing the risk level of projects or the entire enterprise, and specifically highlighting the importance of identifying, assessing, and responding to risks.

In risk management practice, the effective allocation of resources according to the priority of different risks is crucial. High-risk issues should be addressed first, while low-risk issues can be addressed later, with appropriate strategies developed for them. Quantifying various risks is particularly important for the risk management process, as it helps to determine the extent of the adverse effects that different risks may cause. When dealing with risks, enterprises should develop multiple contingency plans to ensure that losses are minimized when risks actually occur.

Risk management plays a crucial role in enterprise development, especially when combined with internal auditing. The concept of modern internal auditing has shifted from a traditional focus on financial risk control to a broader scope. Value-added internal auditing not only focuses on risk prevention but also makes a greater contribution to risk management. This type of auditing work must be integrated with risk management theory to effectively leverage its role in risk prevention.

2.3.3. Value chain theory

In 1985, renowned American management scholar Michael Porter proposed the concept of the "value chain". He argued that businesses create value through various stages, including procurement, logistics, production, supply, marketing, and service. Each stage has its own dedicated process system. Businesses need to optimize these stages according to their development strategies to improve value creation efficiency. Porter categorized business activities into two main types: primary value-added activities and supportive activities. Primary value-added activities directly generate wealth for the company through the production and sale of products and services. Supportive activities, such as human resource management, infrastructure, and product development, while not directly creating value, indirectly support the efficient operation of these primary value-added activities and are indispensable elements of business operations.

For example, internal auditing is a supportive activity. By providing creative suggestions to assist production and operational processes, it indirectly improves the company's efficiency and profits. Although supportive activities do not directly generate value, they can influence the company's profitability by improving overall operational quality. Ideally, improving raw material quality standards can simplify production processes, reduce processing time, and lower defect rates, ultimately improving production efficiency.

To enhance their competitive advantage, companies need to choose strategies suitable for the current environment, such as cost leadership or differentiation strategies. They must also continuously review and improve the value creation efficiency of each link in the value chain. This includes paying attention to suppliers' bargaining power during procurement, considering customer preferences and financial resources during sales, and ensuring that internal audits are integrated into company operations and provide recommendations for improving productivity.

As market competition intensifies, more and more business managers realize the irreplaceable role of internal audits as a link in the value chain in controlling operating losses, reducing costs, and managing risks. Therefore, companies are beginning to adjust the status of their internal audit departments, ensuring the objectivity and independence of their work and strengthening their consulting capabilities to support the implementation of organizational strategies.

3. The current state of internal auditing in Chinese enterprises

In recent years, with the support of the state and the promotion of industry organizations, internal auditing in China has made some progress, and more and more enterprises have begun to recognize the importance of internal auditing and have carried out corresponding conceptual updates and reforms. However, because the history of internal auditing development in China is shorter than that in the West, there are still some shortcomings in practice.

3.1. Lack of independence

The independence of the internal audit department is crucial to ensuring audit quality and the objectivity of results. In China, many companies have not given sufficient importance to internal auditing, failing to grant the internal audit department appropriate power and communication channels within their organizational structure. In many cases, the internal audit department's reporting relationships are complex or it is unable to directly provide feedback to senior management, affecting the authenticity and validity of audit reports. In contrast, Western companies typically allow the internal audit department to report directly to the audit committee, ensuring smooth information flow and establishing corresponding systems to guarantee the status and role of the internal audit department.

3.2. Outdated technology

Regarding auditing methods, most Chinese enterprises still rely on traditional manual methods and have not yet widely adopted computer technology to improve audit efficiency. Information technology is one of the future development directions for internal auditing, especially as enterprises continue to grow and the amount of operational and financial information increases, making manual review inefficient. Surveys show that computer-assisted auditing projects are still quite rare in China. Enterprises should determine the degree of information technology adoption in internal auditing based on their actual circumstances. For large listed companies, introducing computer auditing and developing integrated software to scientifically analyze audit data and improve efficiency is essential.

3.3. Narrow business scope

As the definition of internal audit has evolved, its scope has also expanded. Traditionally, internal audit has focused on reviewing financial and accounting information to assist management in its oversight efforts. However, in many Chinese companies, internal audit work remains limited to this scope, relying on methods such as spot checks and inventory observations to ensure the accuracy of financial information. In modern terms, the scope of internal audit should be broader, encompassing not only financial aspects but also operational activities, organizational activities, and internal controls to improve organizational efficiency. Therefore, Chinese companies need to gradually expand the coverage of internal audit in the future to more effectively fulfill its advisory and evaluative functions.

4. The trend of internal auditing in Chinese enterprises transforming towards value-added models

4.1. Emphasize the role of internal audit in empowering enterprise value creation

Internal auditing not only involves monitoring financial accounting information and asset security, but also assesses the effectiveness of internal checks and balances and helps improve operational efficiency. With the deepening of enterprise reform in my country, the trend of internal auditing towards value-added functions has become increasingly prominent. Simple supervisory functions can no longer meet the needs of enterprise development; managers are paying more attention to improving risk management systems, optimizing business processes, and effective internal controls. The functions of internal auditing are being further developed and explored. For example, in the United

States, over 80% of public organizations' internal audit departments not only conduct financial audits but also cover business and management audits. Facing a globalized economy, Chinese enterprises will pay more attention to other functions of internal auditing, providing consulting and services, and innovating audit methods such as flowcharts, interviews, and balanced scorecards to increase enterprise economic value.

4.2. Continuously enhance the status of the internal audit department

Currently, many companies' internal audit departments lack independence and sufficient authority, making effective implementation difficult. As understanding of internal auditing deepens, companies will establish appropriate organizational models to ensure the status of their internal audit departments. For example, direct management and reporting to the board of directors can effectively ensure independence. Companies should establish suitable organizational models and improve rules and regulations based on their size, strategy, and audit resources to ensure the authority and independence of internal auditing.

4.3. Continuously expand the scope of internal audit services

To adapt to international economic development and seize market opportunities, my country has promoted a number of new economic systems and policies in recent years, improved corporate governance structures, and strengthened internal auditing. The status, resources, and methods of internal auditing have been continuously improved, and its scope of business has gradually expanded, from being centered on finance to being at the core of internal control to comprehensively covering corporate operating processes and risk management. In the future, internal auditing will cover all aspects of organizational activities, helping to reduce risks and maximize value. Methodologically, it will shift from traditional manual auditing to more efficient computer-supported auditing. The requirements for internal auditors are also higher; in addition to financial knowledge, they need to possess management, computer knowledge, and business understanding to adapt to the expanded scope of internal audit work.

5. Case Analysis of Changan Automobile

5.1. Overview of Changan Automobile

Changan Automobile Co., Ltd. was listed on the Shenzhen Stock Exchange in 1996, with its A-share code 000625. The company's core business covers the research, development, manufacturing, and sales of automobiles and engines. It also provides automotive parts, mold manufacturing and sales services, as well as technology development and engineering consulting services. Changan Automobile offers a diverse product range, including various passenger cars, small commercial vehicles, large and medium-sized buses, light trucks, minivans, and multiple types of engines. Its annual production capacity exceeds one million vehicles, ranking among the top in China's automotive manufacturing industry.

The company's flagship products include the highly regarded CS series SUVs, the Ruicheng and Yidong series sedans, and sedans such as the Yuexiang series. In the commercial vehicle sector, it mainly manufactures the Oulwei, Ounuo, and Changan Star series. Multi-purpose vehicles such as the Oushang are also part of its manufacturing scope. In addition, Changan Automobile has collaborated with other foreign companies to create well-known joint venture brands such as Changan Suzuki and Changan Ford Mazda.

The automotive industry is known for its long management chain and complex processes. As Changan Automobile continues to develop, to withstand the challenges brought about by intensified market competition, the company focuses on strengthening the role of internal auditing. This aims to create a sound internal audit environment that serves the company's business operations and strategic goals, while also supporting the seizing of market opportunities and the expansion of the company's scale. Currently, the automotive industry is in a growth stage, with production capacity gradually increasing, and industry competition becoming a focal point.

Externally, automotive companies face multiple risk factors, including urban environmental remediation, vehicle purchase restrictions, increased environmental awareness, and reduced tariffs on imported vehicles. The faster pace of product updates also presents challenges. Internally, although the technological level of Chinese automakers has improved rapidly, their ability to develop independent brands remains insufficient. Currently, they rely heavily on importing foreign technology and their own assembly capabilities, a model that is difficult to leverage in fierce market competition. Without strengthening independent R&D, optimizing production processes, and formulating appropriate development strategies, companies will find it difficult to break through in the competition.

5.2. Application of Value-Added Internal Auditing in Changan Automobile

5.2.1. Organizational system guarantee

In November 2011, as part of its corporate governance structure improvements, Changan Automobile's Board of Directors revised the “Working Rules of the Audit Committee”, establishing an Audit Committee and a dedicated secretary position. Members are selected from senior company leaders and financial personnel to ensure the effective implementation of all audit tasks. This revision also ensured that the work of the internal audit department was directly linked to the Audit Committee and managed by the head of the Audit Department. Regarding personnel, Changan Automobile particularly values audit talent with multidisciplinary backgrounds, setting higher requirements for the composition and responsibilities of the internal audit team, and emphasizing continuous education and training for internal auditors.

5.2.2. Organizational system guarantee

In exploring internal audit services for corporate governance, Changan Automobile has summarized its past experience and issued multiple management documents, including audit standards, responsibilities regulations, and six operational guidance manuals, establishing a unique internal audit management system.

Changan Automobile has formulated the “Internal Audit Responsibilities Regulations”, clarifying the review authority of the internal audit department to ensure comprehensive audits of the economic activities of all departments, with a focus on the finance, procurement and sales, human resources, and technology development departments. Each year, the company publishes the “Overall Plan for Internal Audit Projects” to ensure the systematic nature of internal audit work, including specific processes for finance, internal control, risk, investment project construction, and organizational structure changes. Simultaneously, the “Audit Work Manual” has been revised to define the job responsibilities and rights of the internal audit department, aiming to provide a standard reference for professional practice, ensuring the compliance and objectivity of audit work, thereby improving the quality of internal audit work.

To implement a highly effective reward and punishment system, Changan Automobile further revised the “Interim Provisions on Audit Supervision and Handling of Penalties” to ensure the effective execution of punitive powers. The provisions specify the internal audit department's specific punitive powers when discovering financial fraud and management loopholes, ensuring that the internal audit department has a basis for action. Simultaneously, the internal audit department is granted a certain degree of reward proposal authority, allowing it to propose rewards for outstanding audit projects, promoting cooperation with other departments, and improving the internal audit's integration capabilities. Internal auditors should ensure the effectiveness of supervision in their daily work, strengthen inspection efforts, and strictly compare against regulations to monitor the standardization of employee behavior and prevent corruption. Furthermore, internal auditors are required to conduct performance evaluations, using the results for promotions and assessments, making these activities more objective and fair, and broadening the scope of internal audit supervision.

Since 2012, the company's management execution rate has consistently exceeded 88%, demonstrating the positive role of internal audit in improving the company's policy execution and management efficiency.

5.2.3. Improve risk management

Changan Automobile's internal audit department actively participates in risk management, focusing on optimizing the risk control system. This process covers all aspects of the company's value chain. For example, in R&D, auditors assess the appropriateness of R&D funding, the reasonableness of R&D cycle length, and the rigor of the acceptance process for R&D results. Audits of the procurement process focus on the appropriateness of procurement costs, the suitability of supplier selection, and potential supply chain risks. In production, the focus includes the rationality of production scheduling, full utilization of capacity, and the achievement of cost control targets. Internal audits of sales focus on the accuracy of sales forecasts, the appropriateness of dealer management, and the timeliness of after-sales service and crisis management. The internal audit team conducts extensive questionnaires covering management and employees, performing in-depth analysis of various aspects to identify and prioritize various company risks, paying particular attention to high-probability risks, and developing and implementing response strategies.

5.2.4. Strengthen internal control

Under the supervision of its internal audit department, Changan Automobile continuously revises its internal control standards and implements its operations accordingly. The internal audit department conducts tests on the effectiveness of internal controls across the entire company's business, including areas such as financial management, operational processes, inventory control, and IT systems. The internal audit team regularly assesses and reviews existing control measures, identifies potential risks in various business operations, and compiles a list. Then, it compares current company policies with established standards, identifies vulnerabilities that could lead to significant risks, and recommends measures to control them. Internal audits not only check whether control measures reduce risks to an acceptable level but also propose improvement measures and verify their effectiveness to ensure the effectiveness of internal controls.

Changan Automobile extends its internal control evaluation beyond its own company to joint ventures, branches, and subsidiaries. Focus areas include related-party transactions, financial and quality management of joint ventures, and procurement processes to ensure the effective implementation of internal control measures in these entities. Internal audits also conduct internal control checks based on the unique characteristics of each branch and subsidiary, encouraging them to continuously improve and optimize their internal control processes and learn from each other, thereby ensuring the management and control of subordinate entities and ultimately ensuring the overall quality of internal controls within the group. Ultimately, the company will prepare an internal control evaluation report and disclose it to the public.

5.2.5. Implement procurement audit

The purpose of corporate procurement is to acquire necessary resources and services from the supply market. In the automotive manufacturing industry, this step is crucial for ensuring production and operation and is directly related to the pursuit of profit maximization. To reduce costs and improve procurement efficiency, internal auditors are responsible for overseeing the rationality of the procurement process and the appropriateness of prices, ensuring that product costs and quality are strictly controlled. Through in-depth analysis of the overall procurement market and meticulous investigation and management of suppliers, the company strives to save costs and avoid problems such as inventory shortages or delivery delays.

To address potential risks, the internal audit department has established a set of evaluation indicators to assist in auditing Changan Automobile's procurement process. This mainly includes assessing the scientific and rational nature of the process and ensuring that each stage of procurement complies with regulations. Auditors will refer to legal provisions and company policies, focusing on key audits of procurement weaknesses, including verifying the basis for determining procurement needs, reviewing tender documents and pricing mechanisms, and ensuring that employees' work follows company rules through inspection and sampling.

During the bidding process, auditors need to monitor the entire process to ensure its fairness and transparency and reduce potential fraud risks. At the same time, internal auditors review pricing to prevent excessively high prices. After procurement is completed, the contract execution and acceptance results will be analyzed to explore the scientific nature and improvement potential of the procurement process, focusing on pricing and strategies, and proposing suggestions for reducing costs and improving quality.

Supplier selection is crucial for optimizing the procurement process. Changan Automobile's internal audit team has restructured its supplier selection process to ensure product quality and timely delivery. Through qualification reviews, on-site investigations, and sample testing, combined with assessments of supplier reputation and capabilities, responsible and reliable suppliers are selected to establish solid partnerships and ensure smooth procurement.

Each year, Changan Automobile's internal audit department conducts focused audits of 3 to 4 major suppliers, rigorously reviewing their pricing and making adjustment recommendations when necessary. When signing procurement contracts, auditors ensure that audit clauses are included to continuously review and control suppliers. Simultaneously, the company regularly checks the implementation status of relevant departments and employees to ensure that supplier management complies with strict policy requirements and has no oversights. By strengthening the audit of the procurement process, not only are costs controlled but procurement efficiency is also improved, providing a solid guarantee for the stable operation of the company's production and business.

5.3. Analysis of the Value-Added Effect of Internal Audit at Changan Automobile

5.3.1. Increased profitability

Table 1. Changan Automobile's Profitability Indicators

Years	Gross profit margin (%)	Net profit margin (%)	Return on equity (%)
2014	18.23	14.21	29.53
2015	20.02	14.86	29.04
2016	17.89	13.08	23.70
2017	13.31	9.01	15.18
2018	14.65	1.09	1.56
2019	14.68	-3.75	-6.03
2020	14.30	3.88	6.15
2021	16.64	3.43	6.45
2022	20.49	6.39	13.07
2023	18.36	6.28	16.55

According to Table 1, from 2014 to 2023, Changan Automobile's overall profitability trend was initially downward followed by a rebound. In 2017, due to adjustments in the new energy vehicle subsidy policy, Changan Automobile suffered a temporary impact, resulting in a loss of profitability. The 2018 financial report also explicitly stated that the company increased sales expenses to boost sales volume, reflecting the intense market competition. In 2019, Changan Automobile suffered a huge loss, its first loss since listing, which the company attributed to “the overall low level of production and sales in the automotive industry, leading to a significant decline in the company's overall performance.” Starting in 2021, profitability indicators showed a significant improvement, indicating that the company's profitability continued to strengthen and that it held a more advantageous position in the competition, demonstrating the initial effectiveness of the internal audit department's audit measures.

5.3.2. Increased operational capacity

Table 2. Changan Automobile's operational capability indicators

Years	Total asset turnover	Receivable turnover	Inventory turnover
2014	0.76	69.73	6.58
2015	0.75	76.27	6.57
2016	0.74	52.40	8.83
2017	0.75	44.28	14.87
2018	0.71	47.04	11.51
2019	0.72	84.21	17.84
2020	0.70	39.49	12.14
2021	0.78	62.76	12.79
2022	0.86	51.12	15.21
2023	0.90	55.22	12.81

As shown in Table 2, from 2014 to 2023, Changan Automobile's inventory turnover rate increased significantly, indicating a decrease in its inventory-to-equity ratio and improved liquidity. The total asset turnover rate rose slowly, suggesting improved asset utilization efficiency. The accounts receivable turnover rate decreased between 2019 and 2020, indicating that the company faced significant challenges in credit sales and weakened collection capabilities that year, but the situation improved afterward, and the company's collection ability strengthened. These indicators reflect Changan Automobile's continuous optimization in operational management. Although there is still room for improvement, the company's operational capabilities are gradually strengthening. This indicates that the internal audit department has improved the supervision of construction projects, strengthened monitoring and management, and reduced inventory holdings, freeing up more capital for the company to enhance its value.

6. Case Insights

6.1. Enhance awareness of the value-added role of internal audit

With the advancement of internal audit concepts, value-added internal auditing has gradually become a new trend in corporate internal auditing. This trend not only improves corporate management efficiency but also plays a crucial role in risk prevention and assessment of organizational control systems. Taking Changan Automobile as an example, the company's internal audit practices have demonstrated a positive impact on improving business operations, enhancing operational efficiency, and strengthening risk management. Therefore, some insights can be drawn from this, and these suggestions may be valuable for the internal audit reform of other enterprises in my country:

First, senior management must deepen their understanding of internal auditing as a value-added service and emphasize its role in corporate development. Ensuring that internal auditors are actively engaged in their work is crucial for the successful transformation of internal auditing. For example, Changan Automobile's management attaches great importance to internal auditing and has adjusted the company's organizational structure accordingly, increasing the independence of the audit department and supporting the quality and effectiveness of auditors' work.

Second, all departments need to recognize the positive impact of internal auditing on corporate operations and its necessity. In my country, many enterprises still do not receive the attention they deserve for internal auditing, and lack standardized systems to protect the rights of internal departments. Auditors often need to review the work of employees in other departments and offer suggestions, which frequently leads to role conflicts. To overcome these difficulties, the internal audit team should proactively strengthen communication and cooperation with employees in other departments, increase the promotion of internal audit services and consulting functions, and help employees in other departments understand the importance of internal audit, thus encouraging their cooperation.

Finally, the internal audit department itself should enhance its understanding of the value-added internal audit concept and actively adjust its positioning and functions. The internal audit department should not only ensure the compliance of the company's financial data but also be able to identify problems within the organization and provide valuable recommendations. As a link in the corporate value chain, internal audit should strive to reduce costs, save resources, and create value for the company, thereby promoting the achievement of corporate strategic goals.

6.2. Ensure the independence of the internal audit department

In my country, many companies' internal audit departments lack sufficient recognition and status, leading to difficulties in understanding and cooperation for auditors, thus affecting audit efficiency and effectiveness. Observing this phenomenon, Changan Automobile, drawing inspiration from Western companies, reformed its organizational structure by establishing an audit committee under the board of directors. This allows the internal audit department to report directly to the committee, bypassing other departments. This change clarified the audit department's reporting relationships and scope of responsibilities, enhancing the objectivity and independence of internal audit work. In contrast, in many listed companies in my country, the affiliation of internal audit departments is ambiguous, with unclear reporting paths and management authority, resulting in a lack of actual internal audit managers. Furthermore, the independent director system has not been effectively implemented, leaving internal audit departments lacking independence, with limited authority and low status. Therefore, for other companies committed to developing internal audit work, it is crucial to ensure that internal audit departments receive appropriate status and to improve the company's organizational structure to support their work and ensure its effectiveness.

6.3. Expanding the scope of internal audit functions

Traditionally, internal auditing has focused on reviewing financial and accounting matters and exercising its supervisory role through the assessment of past events. However, with the increasing complexity of the business environment, the model of simply reviewing financial issues is no longer sufficient to meet the needs of modern enterprises. For example, at Changan Automobile, the internal audit team has proven effective in helping the company manage risk by identifying problems in business processes and controlling and improving internal control mechanisms. Therefore, internal audits should not be limited to examining financial issues but should extend to other relevant areas.

An enterprise's internal control mechanism ensures the effective implementation of business strategies through a series of measures, while internal auditing plays a role in managing and evaluating these measures. Internal auditors can conduct effectiveness tests on internal controls, identify and examine deficiencies, ensure smooth communication channels, provide improvement suggestions, and urge timely corrections. Therefore, the scope of internal auditing should broadly cover the enterprise's internal control system, aiming to control and reduce internal control risks, striving to reduce risks to an acceptable level, and continuously helping to improve and perfect the internal control system through systematic means, thereby improving the company's operational efficiency.

Risk management is a crucial aspect of business operations, permeating all business activities. For internal auditors, improving and enhancing risk management is an indispensable task. Internal auditors should develop a comprehensive risk management methodology, including risk identification, prioritization, control, and mitigation, to scientifically address risks at all levels of the enterprise. Simultaneously, they need to prepare risk response strategies in advance to achieve rapid response and minimize potential negative impacts. Internal auditors should proactively assume responsibility for reducing corporate risk by fostering risk awareness, establishing risk management rules, focusing on high-risk business operations, and improving the company's resilience to risks and adaptability to changing environments, thereby indirectly strengthening the company's competitiveness.

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