

Research on the Relationship between Internal Audit Externalization, Executive Power and Audit Quality

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Abstract: Audit quality is divided into internal audit quality and external audit quality, and the independence of the former has always been weaker than that of the latter. By selecting the two variables of internal audit outsourcing and executive power, combined with the method of empirical research, we compared the above two variables with audit quality. We will study the relationship between them and explore measures to strengthen audit independence from two perspectives, ultimately achieving the effect of improving audit quality. Based on the collation of domestic and foreign literature on factors affecting audit quality, this paper studies the relationship between internal audit outsourcing, executive power and audit quality, defines the concepts respectively, and determines the theoretical basis required for the research. From three Starting from the relationship between variables, a total of three hypotheses were put forward. An investigation was conducted using A-share listed companies in the Shanghai Securities Market from 2014 to 2018 as a research sample. Based on previous research, appropriate methods were selected to quantify the three variables and establish a model. Through empirical analysis, all three hypotheses have been verified. The first conclusion is that executive power is negatively related to corporate internal audit quality, that is, the greater the executive power, the lower the audit quality. The second conclusion is that internal audit outsourcing is positively related to audit quality, that is, the more reasonable the allocation of internal audit outsourcing services, the higher the audit quality. The third conclusion is that internal audit outsourcing will inhibit the negative relationship between executive power and audit quality.

Keywords: Audit Quality; Internal Audit Outsourcing; Executive Power.

1. Introduction

Auditing is an important part of the party and state supervision system and an important measure to maintain the normal operation of the market. Since the audit work is being carried out, it will be interfered by various internal and external factors. Therefore, maintaining audit independence and improving audit quality become audit The top priority at work. There are various measures to improve audit quality. Researchers usually explore from the perspective of influencing factors. Audit quality is affected by many factors, including external factors and internal factors. With the improvement of audit work requirements, domestic and foreign scholars continue to explore These factors are studied to find the best way to improve audit quality.

In recent years, due to the vigorous implementation of anti-corruption policies in our country, people have focused their attention on the management executives of enterprises and governments. The factor of executive power has gradually become the research object of scholars on audit quality. The influence that corporate management experts on audit work the pressure cannot be ignored. Studies have found that the greater the power of company management, the lower the level of audit quality. Therefore, company executives must reasonably allocate power, exert due governance effects, and improve audit quality to meet the needs of accounting information users for high-quality financial services. information needs.

As my country's market transaction system becomes more and more perfect, various forms of auditing are being developed. Among them, internal audit outsourcing stands out and has become a method respected by various enterprises. However, external reviews have mixed reviews. Some people believe that internal audit outsourcing combines the advantages of internal audit and external audit. It not only has

rich audit information that internal audit can obtain, but also has the unique independence of external audit. Some people believe that it can easily lead to the leakage of internal audit data, weaken the power of senior executives, and is not conducive to the internal management of enterprises. But it is undeniable that internal audit outsourcing uses external professional audit resources to make up for the company's internal audit deficiencies, thereby significantly improving the effectiveness of the internal audit function and enhancing the company's core competitiveness. Internal audit outsourcing saves the company's audit fees while maintaining independence, which is in line with the company's pursuit of the best economic profit principles and helps reduce opportunity costs to enhance the company's financial competitiveness.

Audit work provides a powerful supervision mechanism for the normal operation of the national economy, and audit quality is an important criterion for measuring the completion of audit work. Executive power is an important factor affecting audit quality. This article explores the impact of executive power distribution on audit quality. What is the impact of internal audit outsourcing? What is the relationship between internal audit outsourcing and audit quality? Through comprehensive research on the three, this article further studies how internal audit outsourcing affects the level of audit quality through its effect on the distribution of executive power.

This article mainly studies the relationship between the three variables and clarifies the following issues: What impact will the use of internal audit outsourcing have on internal audit quality? Clarifies the relationship between executive power and internal audit quality; What impact does internal audit outsourcing have on internal audit quality? The influence of executive power, how executive power affects internal audit quality, and the role of internal audit

outsourcing in executive power on audit quality are explored. By analyzing and sorting out these issues, we explore the relationship between internal audit outsourcing, executive power, and audit quality, thereby opening up a new perspective for improving audit quality.

2. Theoretical Overview and Research Hypotheses

2.1. Executive Power and Audit Quality

As the state gradually strengthens control measures over enterprises, and some business owners do not have the professional ability to operate independently, most enterprises have begun to adopt an operating model that separates ownership and management rights. As owners of a company, shareholders enjoy the rights to share the company's operating income, select managers, and vote on major matters. As operators who manage the company, they are often more familiar with the company's internal work processes and manage the company's business based on rich information. Since the rights, obligations, and status of owners and operators are different, the goals they pursue are also quite different, and conflicts often arise. The goal of shareholders is to maximize their own wealth. As direct contacts of the company's business, operators pursue increasing remuneration, increasing leisure time and avoiding risks. To measure the relationship between their own interests and the company's wealth, there is an obvious principal-agent relationship.

As an economic organization of collective production, the governance structure of an enterprise is usually represented by a principal-agent relationship. In order to protect its own rights and interests from harm, the principal needs to choose appropriate external professionals to represent the company's business. When the agent participates in the audit work, there are two points that may undermine internal audit independence. First, the agent's goals are inconsistent with those of the principal, who pursues maximizing shareholder wealth. When managers have a certain range of power, they may deliberately conceal or falsify audit information in order to protect their own interests, thereby destroying audit independence and affecting Audit quality. Second, both agents and clients are making efforts to maximize corporate value. Senior executives hope that internal auditors can help companies avoid risks reasonably. On the premise of complying with national rules and regulations, the internal audit system the structure and supremacy of power established by company executives results in a lack of credibility in internal audit quality. From the above two points that affect independence, we can see that the scope of executive power is closely related to the quality of internal auditing. Internal audit work lacks independence because it is affected by the power of company executives. At the same time, under the separation of two powers, when their own or the company's interests may be harmed in the audit work, senior executives will use their power to put pressure on the internal audit work, which is not conducive to the fairness of the audit work and will affect the fairness of the audit work. Serious harm is done to the quality of internal auditing.

Based on the above theoretical analysis, this article puts forward the first hypothesis:

Hypothesis 1: Executive power is negatively related to corporate internal audit quality, that is, the greater the executive power, the lower the audit quality.

2.2. Internal Audit Outsourcing and Audit Quality

Internal audit lacks independence due to the influence of company executives and cannot provide effective investment information. Corporate stakeholders tend to pay more attention to the results of external audits. However, audit work performed by a third party can only obtain limited information, thus losing the resource advantage of the company's internal audit. Therefore, the internal audit outsourcing method emerged as the times require. It combines the rich resources of internal audit with the independence of external audit, greatly reduces corporate costs, allows companies to concentrate on core work, and improves corporate competitiveness.

The key to improving corporate competitiveness lies in the use of internal audit outsourcing. Company executives should reasonably divide the work and choose which work to assign to external audit agencies for auditing. There are many factors that affect the way business is allocated. For example, companies may choose to outsource non-core businesses to prevent the leakage of core resources; senior executives may protect corporate interests and only outsource standardized business to third parties, etc. If the methods and business types of internal audit outsourcing are unreasonable, it will greatly affect the audit quality, and the internal audit outsourcing model will be in vain. If an enterprise decides to outsource internal audit work, managers and the board of directors must choose the outsourcing method reasonably and conduct detailed discussions on the type of outsourcing business to ensure the best quality of outsourcing services and maximize the interests of the organization.

Based on the above theoretical analysis, this article puts forward the second hypothesis:

Hypothesis 2: Internal audit outsourcing is positively related to audit quality, that is, the more reasonable the allocation of internal audit outsourcing services, the higher the audit quality.

2.3. Executive Power, Internal Audit Outsourcing and Audit Quality

For a long time, my country's audit system has not been perfect enough, and internal audit departments of enterprises often face complex environments. Audit work lacks independence, audit quality is compromised, and technical support is lacking. Problems such as this have arisen incessantly, which have seriously affected the supervision and stabilizing role of audit work in the market. Therefore, enterprises have a greater demand for internal audit outsourcing services. Some senior executives of an enterprise will use the power conferred by their positions to interfere with the internal audit work in order to seek their own interests and harm the quality of the audit. The adoption of internal audit outsourcing will effectively disperse the power of senior executives, and the enterprise will selectively Outsourcing non-core business to external professional audit institutions greatly eliminates unreasonable control of audit work by internal personnel of the enterprise.

Accounting firms provide attestation services, which can control irregular behaviors of enterprises in the operation and management process, form audit opinions and make them public, thereby effectively limiting the spread of executive power and playing a certain warning role in society. Based on the perspective of the power of internal corporate executives,

this article finds that internal audit outsourcing increases the cost of corporate violations for corporate executives, eases the conflicts between corporate agents and clients regarding corporate goals and management, and reduces the internal and external pressure of senior executives. Abuse of power.

The internal audit outsourcing model adopted by enterprises will undoubtedly affect the relationship between executive power and internal audit quality. The outsourcing method, outsourcing business type, and executive power may all be factors that affect the relationship between the three. This article mainly focuses on outsourcing business allocation. Conduct research. When conducting internal audit outsourcing work, enterprise management should formulate outsourcing business standards based on the macro perspective of the company's strategic management, analyze which businesses are suitable for outsourcing and which should be audited internally, carefully select outsourcing businesses, and maintain the power and authority of senior executives. The balance between audit independence. Outsourcing audit services does not mean completely blocking the power of corporate management, but limiting the power of senior executives to a certain range, with the purpose of preventing power from interfering with audit independence. Therefore, internal audit outsourcing has a supervisory effect on senior executives' abuse of power that damages audit quality.

Based on the above theoretical analysis, this article puts forward the third hypothesis:

Hypothesis 3: Internal audit outsourcing will inhibit the negative relationship between executive power and audit quality.

3. Research Design

3.1. Variable Setting and Model Construction

3.1.1. Variable Setting

(1) Explained variable: audit quality

Existing research usually uses audit costs or audit opinions as proxy variables for audit quality. Considering that the two methods prefer complete external auditing and ignore the internal role of the enterprise, this article uses the absolute value of the enterprise's controllable accruals (DA) to measure audit quality, which is specifically expressed as the absolute value of the controllable accruals. The lower it is, the higher the audit quality. The process of calculating discretionary accruals (DA) by the modified Jones model is as follows:

$$TA_{it} = \beta_0 \left(\frac{1}{A_{i,t-1}} \right) + \beta_1 \left(\frac{\Delta REV_{it}}{A_{i,t-1}} \right) + \beta_2 \left(\frac{PPV_{it}}{A_{i,t-1}} \right) + \varepsilon_{it}$$

$$NDA_{it} = \beta_0 \left(\frac{1}{A_{i,t-1}} \right) + \beta_1 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{i,t-1}} \right) + \beta_2 \left(\frac{PPE_{it}}{A_{i,t-1}} \right)$$

$$DA_{it} = \left(\frac{TA_{it}}{A_{i,t-1}} \right) - NDA_{it}$$

Among them, TA is the total accruals, which is composed of non-discretionary accruals (NDA) and discretionary accruals (DA). ΔREV and ΔREC represent the change in operating income and the change in accounts receivable respectively; PPE refers to the net fixed assets of the current period; A_{t-1} is the total assets at the end of the previous period,

used to eliminate the scale effect.

(2) Explanatory variable: executive power

Drawing on Finkelstein's (1992) research method on the quantification of executive power, and combining it with my country's actual situation, we analyzed structural organizational power (Org-Power), expert power (Exo-Power), ownership power (Own-Power) and reputational power. (Rep-Power) measures executive power across four dimensions.

This article defines executive power as the power exercised by management. When the general manager as management also holds the position of chairman, the power system will change. Therefore, this article considers whether the general manager and chairman are "two positions in one". as a proxy variable for measuring organizational power. It takes 1 when "two positions are combined into one", otherwise it takes 0. Expert power is usually represented by job promotion. This article uses whether the general manager holds a senior professional title as a proxy variable to measure expert power. If the general manager of the company has a senior professional title, it will be 1, otherwise it will be 0. Ownership power refers to the managerial ownership of part of the company's shareholder rights. This article uses whether the general manager is the company's controlling shareholder as the proxy variable. If the general manager is a shareholder, it takes the value 1. Finally, this paper uses whether the general manager has a part-time position outside the company and holds an honorary title as a measurement variable for reputational power. 1 means that the general manager has other positions outside the company, and 0 if not. Finally, the four dimensions of power variables are added to obtain a continuous variable about executive power.

(3) Explanatory variable: internal audit outsourcing

Internal audit outsourcing is an audit model that involves both within the company and a third-party accounting firm. Outsourcing part of the internal audit can improve the independence of the audit work. Based on domestic and foreign research, there is currently no consistent conclusion on the quantitative method for one of the variables of internal audit outsourcing. There are methods to measure it by the size of the accounting firm, or quantification by audit fee standards, and some scholars believe that it can be measured by the ability of auditors.

Generally speaking, there are differences in the results of audit work performed by accounting firms of different sizes. Large-scale firms often have more complete systems and can obtain more complete audit information. Such firms will also recruit employees. Formulating a more detailed manpower system will have strong advantages in improving the professional capabilities of auditors. Therefore, the size of the firm has a positive correlation with the completion of internal audit outsourcing work to a certain extent. That is, the larger the size of the firm, the higher the quality of the completion of internal audit outsourcing work. Taking into account the domestic audit work environment, this article measures the quality of internal audit outsourcing work based on whether the third-party firm entrusted by the enterprise is one of the "Big Eight" in the country.

(4) Control variables

Based on the existence of some variables that will affect the relationship between the above three, this article does not conduct a detailed verification of the relationship between these variables and the research object. Considering that these variables have a greater impact on the study of audit quality,

they are specially set as control variables. Adjust control variables to clarify the causal relationship between the explanatory variable and the explained variable. This article selects company size (SIZE), asset-liability ratio (LEV),

operating cash flow (CFO), and growth (GRO) as control variables.

The main variables and descriptions of this article are shown in Table 1:

Table 1. Variable definition table

Variable type	Variable name	Variable symbol	Variable description
Explained variable	audit quality	QUALITY	Modified Jones model to calculate the absolute value of discretionary accruals
Explanatory variables	executive power	POWER	Continuous variables measured along four dimensions of power
	Internal audit outsourcing	BIG8	Is the accounting firm one of the “Big Eight” in the country?
control variables	Company Size	SIZE	Take the natural logarithm of the company's total assets for the year
	Assets and liabilities	LEV	Total liabilities/Total assets
	operating cash flow rate	CFO	Net operating cash flow/current liabilities
	Growth	GRO	Main business income growth rate

3.1.2. Model Construction

This article synthesizes relevant research from domestic and foreign scholars, uses controllable accruals as a variable to measure audit quality, divides executive power into four indicators as continuous variables, and takes into account company size, asset-liability ratio, cash flow, Growth, year and industry are set as control variables to construct a multiple regression linear model (1). The model is as follows:

$$DA = \alpha_0 + \alpha_1 \text{Power} + \alpha_2 \text{Size} + \alpha_3 \text{Lev} + \alpha_4 \text{Cfo} + \alpha_5 \text{Gro} + \text{Ind} + \text{Year} + \Sigma_1 \quad (1)$$

Taking the quality of internal audit outsourcing work as the explanatory variable, the size of the firm as the proxy variable for internal audit outsourcing work, and adding the same control variables as the above model, a multiple linear regression model (2) is constructed. The model is as follows:

$$DA = \alpha_0 + \alpha_1 \text{Big8} + \alpha_2 \text{Size} + \alpha_3 \text{Lev} + \alpha_4 \text{Cfo} + \alpha_5 \text{Gro} + \text{Ind} + \text{Yea} + \Sigma_2 \quad (2)$$

On the basis of the above model, after centralizing the intersection of executive power and audit quality, it is embedded in model (2) to form model (3). The model is as follows:

$$DA = \alpha_0 + \alpha_1 \text{Big8} + \alpha_2 \text{Power} + \alpha_3 \text{Big8} * \text{Power} + \alpha_4 \text{Size} + \alpha_5 \text{Lev} + \alpha_6 \text{Cfo} + \alpha_7 \text{Gro} + \text{Ind} + \text{Year} + \Sigma_3 \quad (3)$$

3.2. Sample Selection and Data Sources

3.2.1. Sample Selection

This article selects the listed companies that have

announced internal audit systems among the A-share listed companies in the Shanghai Securities Market from 2016 to 2021 from the Guotai'an database as the initial research sample. The elimination criteria for the total sample are as follows:

(1) Exclude listed companies in the financial and insurance industry; (2) Exclude ST, *ST and PT companies within the sample interval, which have abnormal financial data or have suffered losses for more than two consecutive years; (3) Exclude companies with incomplete data and missing data companies; (4) Exclude companies that issue both A shares and B shares. After screening based on the above criteria, a total of 442 valid samples were obtained.

3.2.2. Data Sources

The data of the explanatory variables come from the CSMAR database, in which the expert power and internal audit outsourcing quality data in the executive power variable are manually sorted. The data of the explained variables come from the CSMAR database. This article uses Excel software to manually organize and summarize the obtained data, and uses STATA17 software for statistical analysis. In order to prevent the interference of extreme outliers from making the calculation results deviate from reality, this article uses WINSORIZ to perform bilateral 1% shrinkage processing on some continuous variables (size, gro, cfo, big8).

4. Empirical Results and Analysis

4.1. Descriptive Statistics

Table 2. Descriptive statistics

VARIABLES	(1) N	(2) mean	(3) sd	(4) min	(5) max
quality	442	0.00230	0.0479	0	1
big8	442	0.0603	0.239	0	1
power	442	0.541	0.576	0	4
lev	442	0.421	0.246	0	10.79
gro	442	0.427	1.132	-0.708	8.079
cfo	442	0.0599	0.369	-1.578	1.544
size	442	0.419	1.122	-0.699	8.079

The average value of the explained variable audit quality is 0.0023. The value is relatively low, indicating that the audit quality of my country's A-share listed companies has room for substantial improvement. The quality of audit work is

generally low, and internal audit outsourcing can enhance audit independence to a certain extent, increase audit quality. Its standard deviation is 0.0479, which is relatively low, which also shows that the overall quality of audit work in my

country is not much different, and most of them are in a stage of poor independence.

Among the two selected explanatory variables, the average value of the internal audit outsourcing variable in the total sample is 0.0603, and the variance is 0.239, indicating that among the selected samples of listed companies, the proportion of companies that choose domestic "Big8" (Big8) for auditing is relatively low. , it can be seen that my country's internal audit outsourcing system is still in its infancy, the quality of internal audit outsourcing needs to be improved, and there is large room for development. Among the rights variables, the mean value of the rights variable representing "two positions in one" is relatively large, indicating that there are a large number of general managers of listed companies who also hold the position of chairman, possessing near-monopoly power, which is not conducive to independent control. For the variable of shareholding ratio, the average value is 0.084. The smaller value indicates that most senior executives of listed companies in my country have limited control rights over the company within a certain range. The average value of executive power (Power) is 0.419, which shows that the power of management in listed companies in my country is too great, there is overlap of internal power functions, and the internal control principle of separation of incompatible responsibilities is not followed. This power system leads to executives facing the temptation of self-interest to issue wrong orders on company operations, which in turn has a negative impact on audit quality.

Among the control variables, the average asset-liability ratio (Lev) is 0.421, indicating that the overall level of asset-liability ratios among companies listed on the Shanghai Stock Exchange from 2015 to 2018 is below 50%, indicating that most companies have good solvency and sufficient capital

chains, the financial environment is conducive to the company's development. The variable that reflects the company's growth is the growth rate of operating income (Gro). After calculation, the average value is 0.427, indicating that my country's A-share listings have been listed in recent years.

The company's company size growth rate has reached 42.7%, with rapid growth momentum. It is already in a relatively stable growth stage and has a large market share. Since it has passed the growth and innovation stage, it should consider the research and development of new products. Mainly through operating activities to increase profits, operating cash flow ratio (Cfo) as a financial indicator can clearly show the proportion of the company's operating activities in all businesses. In the sample selected in this article, the average value of this variable is positive , indicating that there are many listed companies in the economic market with good cash flow, smooth company capital turnover, relatively concentrated development efforts and focus on the operation of the main business, while a smaller standard deviation means that individual companies in the market have smaller differences based on this indicator, and their financial The overall development trend of the market is healthy, and most listed companies use income from operating activities as the source of corporate cash flow. As the last control variable, company size (Size) has a standard deviation of 1.122, indicating that the size of A-share listed companies in the entire market varies greatly. This is the result of free competition and reflects the results of the socialist market economic system adopted by our country. Significantly.

4.2. Correlation Analysis

Table 3. Correlation analysis

	quality	cfo	gro	lev	power	big8	size
quality	1						
cfo	-0.015	1					
gro	0.004	0.017	1				
lev	-0.003	-0.063***	0.008	1			
power	-0.047***	-0.018***	0.004	0.025***	1		
big8	0.018	0.100	-0.071	-0.219***	0.049	1	
size	-0.002	0.01	0.045***	-0.016	0.016	-0.024	1

Note: *** and * refer to the significance levels of $P < 1\%$ and $P < 10\%$ respectively.

Correlation analysis mainly studies the relationship between various variables. Since the variables selected in this article are all related, correlation analysis can be established for judgment. It can be seen from the table that the correlation coefficient between the variables representing audit quality and the internal audit outsourcing variables is 0.018, and the coefficient sign is positive, showing a significant positive correlation at the 1% level. It shows that there is a positive correlation between audit quality and internal audit outsourcing, that is, the implementation of the internal audit

outsourcing system can help improve the quality of audit work. The correlation coefficient between the audit quality variable and the executive power variable is -0.047, and the coefficient sign is negative, indicating that the weakening of executive power helps improve audit quality. This operating result is consistent with the hypothesis of this article.

4.3. Multiple Linear Regression Analysis

4.3.1. Regression Analysis of Executive Power and Audit Quality

Table 4. Regression analysis table of executive power and audit quality

VARIABLES	quality	VARIABLES	quality	VARIABLES	quality
power	-0.012***	gro	0.001	Observations	3,453
	(-2.87)		(0.23)	R-squared	0.090
size	-0.000	cfo	-0.009	F test	0.103
	(-0.13)		(-1.03)	r2 a	0.047
lev	-0.003	Constant	0.064***	F	2.099
	(-0.40)		(7.14)		

Note: *** and * refer to the significance levels of $P < 1\%$ and $P < 10\%$ respectively.

It can be seen from the above table that the explained variable of audit quality has a negative correlation with executive power at the 1% level, indicating that the greater the power of the company's executives, the lower the independence of the company's internal audit work, and the less convincing the audit results are. At the same time, the

audit strength decreases accordingly, which is ultimately expressed as a decrease in audit quality. Hypothesis 1 is established.

4.3.2. Regression Analysis of Internal Audit Outsourcing and Audit Quality

Table 5. Regression analysis table of internal audit outsourcing and audit quality

VARIABLES	quality	VARIABLES	quality	VARIABLES	quality
big8	0.009 (0.32)	gro	0.033** (2.18)	Observations	148
size	-0.007 (-0.40)	cfo	-0.003 (-0.11)	R-squared	0.094
lev	0.079 (1.35)	Constant	-0.036 (-1.07)	F test	0.226
				r ² _a	0.042
				F	1.890

Note: *** and * refer to the significance levels of P<1% and P<10% respectively.

As can be seen from the above table, there is a positive correlation between the variable of audit quality and the variable of internal audit outsourcing. When a company outsources its internal audit work to an independent third party, the fairness of the audit work is increased to a certain extent. Compared with the company's own Auditing oneself and contracting it to auditing institutions in the society can also gain the trust of relevant stakeholders. This regression result shows that the use of internal audit outsourcing system is positively related to audit quality, and hypothesis 2 is established. Among the control variables, company size has a negative correlation with the explained variable, indicating that as the company develops its scale, it will reduce the quality of its audit work to a small extent. There is a positive

correlation between the asset-liability ratio and audit quality, indicating that companies with higher solvency will usually bear greater financial risks for earnings management, and the audit quality will be improved accordingly. Under this regression analysis, it may be that due to the existence of manual statistical data in determining the quantification of the selected variables, a certain degree of deviation is formed in individual variables, resulting in the insignificant significance of the internal audit outsourcing variable and the audit quality variable.

4.3.3. Regression Analysis of Executive Power, Internal Audit Outsourcing and Audit Quality

Table 6. Regression analysis of executive power, internal audit outsourcing and audit quality

VARIABLES	quality	VARIABLES	quality	VARIABLES	quality
power	0.001 (0.08)	lev	0.079 (1.33)	Observations	148
big8	0.010 (0.17)	gro	0.033** (2.17)	R-squared	0.081
powerbig8	-0.001 (-0.03)	cfo	-0.004 (-0.12)	F test	0.441
size	-0.007 (-0.40)	Constant	-0.037 (-1.01)	r ² _a	0.045
				F	1.869

Note: *** and * refer to the significance levels of P<1% and P<10% respectively.

As can be seen from the table above, this regression combines internal audit outsourcing and executive power as a new variable indicator. The regression results show a negative correlation level between audit quality and this new variable, indicating that audit quality can inhibit There is a negative correlation between executive power and internal audit outsourcing, and internal audit outsourcing is directly proportional to audit quality. Therefore, the use of internal audit outsourcing system can inhibit the negative correlation between audit quality and executive power to a certain extent.

5. Research Conclusion

On the basis of establishing the goal of how to improve audit quality, this article selects three variables for research. By combining literature research and empirical research methods, it makes three assumptions about the correlation between the three research objects from different angles.

After empirical analysis, the following three conclusions are drawn:

(1) Executive power is negatively related to corporate internal audit quality, that is, the greater the executive power, the lower the audit quality. According to the quantification of the power of company executives in the empirical analysis part of this article, it is found that the managers of most companies hold the positions of general manager and chairman at the same time. Such a power system may cause the scope of power of executives to be too large, thus affecting the audit work. Interference, violation of the principle of separation of incompatible responsibilities, and destruction of audit independence. Due to the supervisory nature of audit work, there is always a conflict between the interests of senior executives and audit work. Often when faced with the choice between their own interests and fairness and justice, company executives may first protect their own and the company's

interests, and within the scope of their authority Unreasonable requirements for audit work, such as increasing profits, will greatly affect the quality of audit work.

(2) Internal audit outsourcing is positively related to audit quality, that is, the more reasonable the allocation of internal audit outsourcing services, the higher the audit quality. Here we will summarize how the use of internal audit outsourcing systems improves audit quality from two aspects. First of all, external institutions such as accounting firms are usually equipped with auditors with solid professional knowledge and strong comprehensive capabilities, and they all have rich audit experience. They can find experienced CPAs in this industry according to industry requirements, so that the company will partially When the audit business is outsourced, more professional and comprehensive audit analysis results will be obtained. Secondly, because the outsourcing client is an independent institution that has nothing to do with the company and has relatively few interests, the auditors can audit the company with more fair and reasonable procedures and obtain high-quality audit results.

(3) Internal audit outsourcing will inhibit the negative relationship between executive power and audit quality. The above conclusion has clarified the negative correlation between the variable of executive power and audit quality. From the perspective of the third variable, the use of the internal audit outsourcing system will transfer part of the business to the outside of the company, that is, the internal power cannot be controlled. place, thereby decentralizing the power exerted by senior executives in internal audit work and improving audit quality. Entrusting external organizations to conduct audits will also have a positive impact on the audit work that remains within the company. Audit work is a complete and huge process, and each part of the business will inevitably involve the overall audit work. Therefore, during the audit project, external professional institutions will also have a certain supervisory and deterrent effect on the internal audit business that is still under the power of the company's senior executives.

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