

Issues Related to the Internal Control System Analysis

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Abstract: With the strengthen of China's economic reform, social and economic environment have undergone great changes, the internal control as the important means and methods for strengthening the internal management are increasingly affected all aspects of society concern and attention. Internal control is a more rigorous and complete control system developed and implemented by the enterprise in order to improve the quality of accounting information, protect the security and integrity of assets, ensure to implement the relevant laws and regulations. The implementation of the internal control system has a very important role to improve production, strengthen management system, ensure economic efficiency and prevent operational risks. It can be said that the success of a business largely depends on the operation of internal control system. Therefore, improving the internal control system and ensuring the quality of accounting information have a very important significance to improve the corporate governance structure and information disclosure system and protect investors' legitimate rights and interests.

Keywords: Internal control; Control system; Control environment

1. The Relevant Meaning of Internal Control

Internal control is implemented jointly corporate employees at all levels, designed to achieve the control objectives control system, which includes the internal environment, risk assessment, control activities, information and communication and the five elements of internal oversight. The basic objective of internal control is to ensure that unit operating efficiency and effectiveness of activities, asset security, business information and reliability of financial reporting, and promote institutions to achieve development strategy. Establishing and evaluating internal control systems should adhere to a variety of measures in advance error prevention, in the matter to discover vulnerabilities hindsight analysis, and make the appropriate changes to improve the four principles. Good internal control for enterprise development play an important role, but not a panacea, which itself still has some limitations, such as internal control, there are some blind controlled by the limitations of the principle of cost-effectiveness, the subject of morality and capacity constraints and so on.

2. The Existence of Some Internal Control Issues

2.1. Internal Control System is not Perfect

An enterprise must have a viable and sound internal control system in order to achieve standardized accounting practices, ensure the truth of accounting information and protect the safety and integrity of corporate assets. The reality is that the internal control system is not perfect, so it causes much inconvenience for the enterprise's a lot of other work. First, the internal management confusion, there is one invoice seal tubes, one cashier and accounting phenomenon; Second, the enterprise system is not comprehensive, not addressed all aspects of business, all departments, all kinds of issues to work out appropriate rules and regulations, such as payment link to the original document audit as a critical control point, but the supply sector due to fraud or negligence, the purchase of materials which have poor quality and high prices, the accounting department will review the original documents are still correct according to the price paid; Third, implementation of the system is not enough, Even the best system is useless if you do not perform, like internal audit, some enterprises have not established an internal audit organization, has established an internal audit body corporate had not been able to fully play its due role, lack of internal audit work should some attention and support; fourth is imperfect corporate human resources policy for the recruitment of staff and not strictly through assessment, staff relations too, did not form a complete set of training, compensation, performance appraisal and promotion system nor under different circumstances appropriate for workers moral education; Fifth, the lack of ap-

propriate incentive and restraint mechanisms, although most companies have implemented the staff performance appraisal, but just a mere formality, no substance, less than ideal performance evaluation results.

2.2. Lack of Internal Audit and Oversight

Internal audit oversight in the process of internal accounting controls play an important role, it is no longer control of internal control is to ensure equity and corporate accounting information is true and complete important measures. However, the current situation, the internal audit does not really play its proper oversight role. First, the internal audit function to understand there is a deviation, the relevant personnel, including personnel, including internal audit, internal audit functions often understood as a simple accounting supervision, but stressed that "Troubleshooting correct disadvantages", but they ignore the "error-proof Tamper" not well play its role in strengthening internal management. Secondly, most companies are not independent internal audit, some companies did not establish relatively independent audit department, just as an element of the financial work, eventually leading to the organization of internal audit work, the economy cannot be independent, can only rely on in corporate leadership, internal audit objectivity compromised. Finally, the internal oversight functions fail, our most audit department in the unit primarily responsible under the direct leadership exercised internal audit supervision, the unit leaders are responsible and report audit work, there is no internal control establishment and implementation of the supervision and inspection, serious evaluation of the effectiveness of internal controls, and no establishment of internal control deficiencies corrected, improved mechanisms, is likely to result in failure of the internal audit and supervision.

2.3. The Foundation of Corporate Control Environment is Vulnerable

(1) The setting of organization is unreasonable, and accounting information quality is not high. Affected by the impact of the planned economy, many companies have bloated, multi-layers of management, inefficiency and other issues, but the horizontal coordination of rights and obligations is lack of sufficient attention, which leads unsmooth inter-departmental communication. In addition, some companies inflated assets, fictitious business, investment projects cover the potential risks, the use of replacement of assets, related party transactions and other means of arbitrary accounting data transformation, manipulation profit targets, corporate accounting information disclosure can no longer true and complete picture of the business financial condition and operating results.

(2) Corporate executives and accounting personnel quality is not high. The survey found that many business managers and no formal professional education, and have not received professional management training, management

is limited. For accounting personnel, the general lack of professional knowledge and analytical skills, professional standards cannot meet the required knowledge of internal accounting control level, affecting the implementation of the internal control system. No small number of accounting personnel accounting professional ethics from the perspective of business leaders to good relations, but under pressure or motivated not reveal the problem, or even complicit, in violation of relevant laws and regulations.

(3) The design of internal accounting controls and operational costs and benefits are subject to the principle. Managers are considering the cost-effectiveness established on the basis of internal accounting controls, often somewhat ideal internal accounting controls to manage due to the high cost and not used by the authorities, corporate internal accounting controls performed on certain aspects of the control inevitably there will be negligence, cannot cover everything.

3. To Improve Internal Control Recommendations

Internal control system is divided into internal management control systems and internal accounting control system into two categories. Internal management control and assurance is the operating principle of the implementation of decisions, and promote business activities economy, efficiency, effectiveness and operational objectives of the control; internal accounting control refers to the protection of property and the security of supplies, accounting information authenticity and integrity, and financial activities related to the legality control. In order to strengthen the internal control system, you can from these two aspects.

3.1. Establish a Sound and Effective Internal Accounting Control System

"Accounting Law", "Audit Law", "internal accounting control norms" for enterprises to establish a sound system of internal accounting supervision of the unit's regulations and requirements for the development of internal accounting control system specified direction. Each unit shall be guided by these laws and regulations to the accounting system as the basis, combined with the corporate sector or system of internal accounting control provisions, draw up their own business characteristics appropriate to the unit and management requirements of internal accounting control system, and organize the implementation, in order to standardize its financial accounting. At design time, you should pay attention to the integrity of internal accounting controls, from a focus only establish a new system to build the overall framework and seriously implement the shift from remediation based control to prevention-oriented control shifts, so that the real internal accounting controls achieve a proactive role in the post-audit to regular audits and audits combined

with regular or irregular changes in order to truly establish a sound system of internal accounting controls.

3.2. Strengthen Internal Audit and Oversight

Enterprises should strengthen legislation, improve the economic supervision for unit leaders legal system; conduct leading term economic responsibility audit, you can carry out pre-term economic responsibility audit conducted audits and economic audit, thus leading role in the formation of incentive and restraint; reform the current accounting personnel management system, marketing system of appointing and accounting staff to provide practical protection measures to ensure the effective implementation of accounting personnel delegated responsibilities under, so that they get rid of the dependency relationship between units to maintain relative independence, be excluded interference, according to law.

To ensure that the internal control system is effective implementation and to good effect, internal control processes must be subjected to appropriate oversight, supervision is assessed over time the quality of the implementation process, deficiencies in monitoring activities and corrective assessment aspects should follow the following principles: ① constantly in the daily work of supervision and assessment of overall effectiveness of internal control, supervision and assessment of key risks should be part of daily business activities. ② The internal control system should be effective and comprehensive internal audit, internal audit to be carried out independently, should receive appropriate training and are equipped with qualified and competent personnel. ③ Whether business layer, or other control personnel discovered the internal control deficiencies should be promptly reported to the appropriate management, and make it get to deal decisively, to establish full control of consciousness, to improve the internal control system to provide constructive suggestions.

3.3. Deal with the Relationship of Several Internal Controls

(1) Correct handling of internal control and internal accounting supervision relationship. From the narrow point of view, which is essentially internal control internal accounting controls, internal control is the regulatory authority in order to ensure an orderly and effective way to achieve management objectives, including compliance management system to protect the security of assets, prevention and detection of errors and fraud to ensure that

accurate and complete accounting records and timely preparation of reliable financial information and develop management policies and control procedures. From this definition, the content covered can be seen, where the internal control and our understanding of internal accounting controls or internal accounting supervision meaning coincide.

(2) Correct handling of the internal control system and accounting relationship between moral self-discipline. The evaluation requirements and standards between internal control system and accounting moral self-discipline are different. Objectively regulate the internal control system of accounting officers and other parties working behavior, accounting ethics is by ideas, habits, traditions and the power of education to maintain, but to make the internal control system can be implemented, it must rely on moral self-discipline accounting power.

(3) Correctly handle the effectiveness of internal controls and corporate relationships to control costs. And cost effectiveness of internal control should be positively correlated, but not absolute control effect is based on certain internal control personnel costs and other appropriate cost basis, but it is also not the more internal staff, the greater costly, effect of the more good, the key is to be clear internal personnel responsibilities, authority should be clear and be conscientious endeavor.

3.4. Build Highly Qualified Personnel

As an enterprise should develop and introduce a number of high-quality, advanced management methods to master personnel, to improve enterprise management concepts, methods and styles, train staff good ethics, values, and full control of consciousness. As corporate executives and accounting personnel, they should be able to truly take on the task of internal control, update their knowledge, improve the operation of skilled personnel and meet the needs of internal controls through various channels.

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