Research on the Influencing Factors of Internal Control of Small and Medium-Sized Enterprises in China

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Abstract. The recent frequent vicious incidents of enterprises and the short life cycle of small and medium-sized enterprises indicate that the internal control of small and medium-sized enterprises is imperfect, and strengthening the internal control of small and medium-sized enterprises is beneficial to employment security and the stable development of society. This paper focuses on the influencing factors of internal control of small and medium-sized enterprises from the perspective of “the Basic Standards for Internal Control of Enterprises” and “Guidelines for Internal Control of Enterprises” promulgated by the government.

Introduction

With increased competition in the international and domestic environment, if small and medium-sized enterprises want to make themselves in an invincible position in a competitive environment, they must fully consider the company's own institutional setup, strategic planning, supervision setup, human resources and other aspects.

Environmental Impact Factors of Internal Control of Small and Medium-Sized Enterprises in China

The control environment is the basis for the implementation of internal control by small and medium-sized enterprises. In practice, it focuses on the internal environment, which generally includes governance structure, institutional setup and distribution of powers and responsibilities, internal audit, human resources policies, and corporate culture.

Governance Structure

Corporate governance structure refers to a set of institutional arrangements for the supervision, incentive, control and coordination of the company's operations and performance management in order to effectively allocate resources. They divide and work according to the rights, responsibilities, and interests granted by law. small and medium-sized enterprises are limited by technology and scale. They are generally composed of partners and subordinate employees. They do not have a sound governance structure and affect the effective implementation of internal control.

Institutional Setting and Distribution of Powers and Responsibilities

Institutional setup and assignment of authority and responsibility refer to the establishment of the organizational structure of enterprises and the distribution and authorization of responsibilities. The establishment of a suitable organization should be based on the analysis of the characteristics of the company's own production and operation, the quality of the internal staff, the corporate culture and the management habits and style of the management of the company. For the special group of small and medium-sized enterprises, the small scale and the lack of professional and technical personnel are all must be considered by the enterprise managers when setting up the organization.
Human Resources Policy
Human resources are people employed by companies for their daily business activities, including managers and basic employees. People are one of the most important factors affecting the quality of internal control of small and medium-sized enterprises in the internal control environment, because the establishment, implementation, supervision and feedback of the internal control system of the enterprise are all implemented by people. If the employees employed by the company do not have the professional knowledge and professional ethics that match their profession, then the internal control system will not work well.

Internal Audit
Internal audit is a method used to measure the performance of internal control systems and a strategy for evaluating the effectiveness of internal control implementation. If the enterprise does not have a sound audit system, or even if an internal audit system is established, but the internal audit is not independent or authoritative enough, making internal audit difficult to play a role, then the implementation, supervision, evaluation and improvement of internal control can only be an empty talk.

Corporate Culture
Corporate culture is a cultural concept formed by a company in the process of development. It is a measure of value, but this measure of value will influence the employee's code of conduct and determine the way employees behave. The stronger the corporate culture and the stronger the cohesiveness, the stronger the sense of internal control in the organization. On the contrary, if the company lacks a positive and positive corporate culture, it will lead to the lack of cohesiveness and ultimately the lack of competitiveness, which will make the internal control system and activities of the company lose vitality and ultimately affect the effectiveness of the internal control of the enterprise.

Risk Influencing Factors of Internal Control of Small and Medium-Sized Enterprises in China

Risk Identification
Internal risks include: human resources factors such as the professional ethics of directors, supervisors, managers and other senior management personnel, professional competence of employees; management factors such as organization, business methods, asset management, business processes; research and development, technology investment, information technology Use of independent innovation factors; financial factors such as financial status, operating results, cash flow; safety and environmental factors such as operational safety, employee health, environmental protection; and other relevant internal risk factors. External risks include: economic factors such as economic situation, industrial policy, financing environment, market competition, resource supply, legal factors such as laws and regulations and regulatory requirements; social factors such as security and stability, cultural traditions, social credit, education level, and consumer behavior; Scientific and technological factors such as technological progress and process improvement; natural environmental factors such as natural disasters and environmental conditions; and other related external risk factors.

Risk Analysis
Enterprises should adopt a combination of qualitative and quantitative methods, analyze and rank the identified risks according to the probability of occurrence of risks and the degree of impact, and determine the risks of priority and priority control. For risk analysis, enterprises should fully absorb professionals, form a risk analysis team, and work in accordance with strict and standardized procedures to ensure the accuracy of risk analysis results.
Risk Response
Enterprises should determine risk response strategies based on the results of risk analysis, combined with risk tolerance, weighing risks and benefits. Enterprises should reasonably analyze and accurately grasp the risk appetite of directors, managers and other senior management personnel and key positions, and adopt appropriate control measures to avoid causing significant losses to the business operations due to personal risk appetite.

Control Activities
The control activity is based on the risk assessment results and the corresponding control measures are adopted by the enterprise to control the risk within the tolerance.

Job Setting Control
In the establishment of internal control system, in order to fundamentally solve the corporate crisis caused by the inseparability of incompatible positions, it is necessary to clarify the duties and authorities of each position to avoid the same person's right to incompatible positions. In particular, small and medium-sized enterprises, small in scale and single in business, are likely to have incidents in which incompatible positions fall on the same person, resulting in excessive concentration of rights, and major problems in the enterprise cannot be discovered in time, causing a crisis.

Approval Control
Approval control means that an enterprise must conduct authorization and approval according to a certain degree when conducting an economic activity. Authorized approval is not only for mechanical application and approval according to the approval process, but should be subject to different approval processes according to the nature and amount of the approval events involved. This requires consideration of the scope, level, procedures, and responsibilities of the authorization process when establishing the authorization approval process.

Accounting Control
Accounting control mainly refers to an enterprise that needs to control all economic operations that can be measured by its own currency, so as to ensure that the information users of the enterprise provide real and reliable financial information, which helps managers to make correct Decision making helps investors make sound investment decisions. Accounting control mainly includes the allocation of accounting personnel, the division of responsibilities for accounting positions, and the requirements for the work content of accounting personnel.

Property Control
Property control is mainly a series of control measures taken to ensure the safety and integrity of the property. Mainly include: custody of property records, custody of physical objects, and regular inventory and account verification.

Budget Control
Budget control refers to the control of the capital budget required for all economic activities involving the enterprise. Through budget preparation, it is possible to control the allocation of funds and effectively improve the efficiency of the use of funds; through the inspection of the use of the budget, we can find out the reasons for budget overruns or unfinished budgets, and improve and improve the problems found. Budget control mainly includes the determination of budget items and standards, the implementation of budgets, and budget analysis for budget performance evaluation.
Information and Communication

Collection and Delivery
Enterprises should establish an information and communication system, clarify the procedures for collecting, processing and transmitting internal control related information, ensure timely communication of information, and promote the effective operation of internal control. Enterprises should properly screen, check and integrate various internal and external information collected to improve the usefulness of information. Enterprises can obtain internal information through financial accounting materials, business management materials, research reports, special information, internal publications, and office networks. Enterprises can obtain external information through industry associations, social intermediaries, business units, market research, letters and visits, online media, and relevant regulatory authorities.

Communication and Feedback
Enterprises should communicate internal control related information between management levels, responsible units, business links, and related parties such as external investors, creditors, customers, suppliers, intermediaries, and regulatory authorities feedback. The problems found in the process of information communication should be reported and resolved in a timely manner. Important information should be passed to the board of directors, the board of supervisors and the management level in a timely manner.

Summary
This paper starts from the characteristics of small and medium-sized enterprises' mobility, flexibility, excessive concentration of rights, opaque information, high employee turnover rate and lack of professional accounting practitioners and high-level technical talents, combined with the “Basic Standards for Internal Control of Enterprises” and “Intra-Enterprise Control Supporting Guide, focusing on the five factors affecting the internal control of small and medium-sized enterprises - control environment, risk assessment, control activities, information and communication and internal supervision, summed up the specific influencing factors of SME internal control, in order to effectively improve the small and medium-sized The internal control of the company has implications.

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