

# Research on the Effectiveness Evaluation of Internal Control in the Information Environment

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**Keywords:** Informatization, Internal control, Effectiveness evaluation, Research.

**Abstract:** At the present stage, the rapid development of science and technology and the continuous improvement of information level have brought new opportunities for enterprise information management. Under the background of informationization, the development of enterprise management has entered a new stage. However, while facing new opportunities, the internal control of enterprises is also facing a severe test. Based on this, this paper expounds the connotation of the effectiveness evaluation of internal control and internal control, and deeply analyses the problems existing in the effectiveness evaluation of enterprise internal control. On this basis, it further puts forward the strategy to improve the effectiveness of internal control evaluation, hoping to provide a reference for enterprises to improve the quality of internal control.

## 1. Research background

### 1.1 Literature review

With the deepening and reform of market management, internal control has gradually been attached importance to by various enterprises. One of the effective ways for enterprises to strengthen their internal control is to evaluate the effectiveness of internal control. In this regard, scholars have put forward their own views. Xu Yanming and Wang Yang put forward that the basis for an enterprise to make an effective evaluation of its internal control is to determine the evaluation criteria, methods, scope, objectives and subjects. Moreover, to improve the effectiveness of internal control, it is necessary to clearly evaluate the results of internal control (Xu and Wang, 2015). Li Shanda's research found that in different stages of development, enterprises have different degrees of informatization, and the emphasis of internal control effectiveness evaluation is also different. With the continuous improvement of market economy, the quality of internal control of enterprises has gradually improved, and its evaluation system is also approaching the mature stage (Li, 2016). Zhao Ting believes that the improvement of enterprise management level can not be separated from the improvement of internal control quality. At the same time, he discussed the necessity of evaluating the effectiveness of internal control in enterprises, and compared the characteristics of the two methods. Finally, he proposed strategies to improve the quality of internal control in enterprises (Zhao, 2016). Shen Yan put forward that under the background of information age, traditional internal control can no longer meet the development needs of modern enterprises. Therefore, enterprises should integrate internal control and information technology to build an information system of internal control (Shen, 2015). Wu Qing analyzed the broad sense of enterprise internal control, and proposed that the level of information technology is constantly improving, which promoted the improvement of the scientific and effective internal control of enterprises (Wu, 2016).

### 1.2 Purpose of research

With the continuous development of Internet technology, enterprise management has entered a new stage of development. In order to better adapt to the market environment, enterprises need to further innovate and reform their internal control and effectiveness evaluation. Therefore, in the information environment, if an enterprise wants to solve the problems existing in its management, it is necessary to construct an evaluation system for the effectiveness of internal control and internal

control of informatization. By improving the quality of internal control and the level of enterprise informatization, it can effectively enhance the comprehensive strength of enterprise management, and also help enterprises to gain greater competitive advantage in the fierce market competition. However, the current understanding of information technology in enterprises is not comprehensive and in-depth. Moreover, informationization brings great risks to the internal control of enterprises. Based on this, this paper makes a thorough study on the effectiveness evaluation of internal control in the information environment, and puts forward several targeted strategies, which have important reference significance for enterprises to improve their internal control and effectiveness evaluation level.

## **2. Connotation of internal control and effectiveness evaluation of internal control**

The term “internal control” first appeared in the report “internal control - overall framework” issued by COSO Committee in the late 19th century. The report mentions that the enterprise fails to achieve the objectives of asset security, financial reporting reliability, management effectiveness and development strategy in its operation and management, and puts forward the concept of internal control. Internal control consists of five elements and five control objectives. Five control objectives are legitimate compliance, asset security, financial reporting, business management and enterprise development strategy (Liu, 2018). The five elements are internal supervision, information communication, control activities, risk assessment and internal environment. These elements are interrelated, and each element contains three control objectives related to business management and financial reporting. Influenced by the development of internal control theory at home and abroad, China defines the concept of internal control on the basis of COSO report. Specifically, internal control is essentially a process of achieving corporate control objectives (Yan, 2016). In the process of implementing internal control, enterprises need to rely on the joint efforts and cooperation of management, shareholders, all employees and the board of supervisors.

The basic condition for evaluating the effectiveness of internal control in Chinese enterprises is to establish quantitative or qualitative indicators of five elements of internal control within the framework of COSO. In the relevant regulations issued by government departments, the validity of internal control is clearly defined, including the concept of internal control, the constituent elements and the constituent elements. Effectiveness of internal control refers to the degree to which internal control guarantees the realization of control objectives when an enterprise establishes and implements internal control. The effectiveness of internal control mainly includes two parts: the design of internal control and the implementation of internal control. Among them, the design validity of internal control refers to the design validity of control program. The effectiveness of the implementation of internal control refers to the effectiveness of the implementation of control procedures under the premise of the effectiveness of internal control design (Chen, 2016). Both design effectiveness and implementation effectiveness provide guarantee for enterprises to achieve control objectives. Thus, the effectiveness of internal control is not an independent concept, but closely related to the achievement of control objectives. In other words, the effectiveness of internal control is a powerful guarantee to achieve business objectives.

## **3. Existing problems in evaluating the effectiveness of enterprise internal control**

### **3.1 Enterprises lack the relevant guarantee mechanism for evaluating the effectiveness of internal control**

For enterprises, the implementation of internal control and the effectiveness evaluation of internal control can not be carried out independently. In order to give full play to the role of internal control effectiveness evaluation, enterprises need to establish relevant systems and mechanisms to ensure the quality of internal control effectiveness evaluation. Under the environment of accelerating informationization process, it has become an inevitable trend to study how informationization affects the effectiveness evaluation of internal control. With the development of

information technology, the efficiency of internal control effectiveness evaluation has been greatly improved. At the same time, the speed of data processing in enterprises is accelerating, and the speed of information acquisition by management is also increasing. However, the structure of information system belongs to matrix type and has certain particularity. In addition, the process of business development is also constantly updated and developed, and the internal control and effectiveness evaluation of enterprises are facing new problems. Faced with the changing internal and external environment, enterprises still lack the relevant guarantee mechanism for the evaluation of the effectiveness of internal control, which is not conducive to the development of the evaluation of the effectiveness of internal control.

### **3.2 The evaluation criteria for the effectiveness of internal control in enterprises are not uniform yet**

The contents of internal control evaluation of Chinese enterprises mainly include three aspects: integrity, rationality and effectiveness. However, there is no detailed and standardized process for the evaluation of internal control in these three aspects. At present, there are no specific guidelines and regulations for the evaluation of the effectiveness of internal control in China. This directly leads to divergence and controversy in the evaluation of the effectiveness of internal control. There are also some differences in the standards and processes of internal control effectiveness evaluation among different enterprises. There are also some problems in the report of internal control effectiveness evaluation. To a great extent, this hinders the smooth development of internal control evaluation. That is to say, the existing evaluation of internal control effectiveness still needs to be further improved and optimized. Relevant departments also need to issue unified, standardized and legally effective reference guidelines.

### **3.3 The evaluation index of the effectiveness of enterprise internal control covers a small area**

For enterprises, the premise and basis of implementing internal control and evaluating its effectiveness is to cover a more comprehensive evaluation index. Under the background of informationization, the evaluation of the effectiveness of internal control of enterprises needs to take full account of the impact of the continuous advancement of informationization. However, the author found that although most enterprises in China currently have internal control effectiveness evaluation indicators, but these evaluation systems are still not perfect and comprehensive. At the present stage, most enterprises still do not form a reasonable and scientific evaluation index system. For the implementation effect of internal control, there is no comparable and comprehensive evaluation conclusion. Moreover, the enterprise has not carried on a reasonable and scientific design for the adjustment and improvement of the internal control evaluation system under the information environment. This problem will greatly hinder the improvement of internal control quality of enterprises, and is not conducive to a reasonable and comprehensive evaluation of the effectiveness of enterprises.

### **3.4 Business management does not attach enough importance to the evaluation of internal control**

With the rapid development of enterprises, the scale of enterprises is also expanding. In this process, a large part of the enterprise management quality has not been improved, many executives only focus on the immediate interests. With the continuous improvement of the level of information technology, many enterprises began to establish internal control systems and systems, and have a matching evaluation system. However, some managers have problems in their understanding of internal control, which makes it difficult to integrate internal control into daily management. This causes the internal control of enterprises to a large extent has not been implemented, all stay in the form. Moreover, the informatization of many enterprises is still in the formalization stage, which leads to the difficulty of the evaluation of the effectiveness of internal control in the context of informatization, which is not conducive to the long-term development of enterprises.

## **4. Strategies to improve the effectiveness of enterprise internal control evaluation**

### **4.1 Building a Unified Evaluation Standard of Internal Control**

In order to improve the accuracy of internal control quality and effectiveness evaluation results, enterprises should formulate a unified internal control evaluation standard. Specifically, we can start from two aspects. One is to implement general standards and norms. At present, the evaluation of the effectiveness of internal control in Chinese enterprises adopts general evaluation criteria. Enterprises should strictly follow these standards to implement specific work, mainly from the integrity, rationality and effectiveness of three aspects. The second is to establish specific and detailed evaluation criteria. Specific standards need to be based on general standards, and according to the specific situation of internal control design and implementation, improve the relevant evaluation indicators.

### **4.2 Improving the comprehensive quality of enterprise managers**

The establishment of internal control evaluation system is a very systematic work. While improving the management ability of listed companies, the management of listed companies also need to enhance their own awareness of internal control. On the one hand, under the background of informationization, managers should be skilled in the management means of informationization and timely analyze some important informationization data in order to get effective internal control evaluation in time. Moreover, managers should also have a thorough understanding of relevant laws and regulations, and effectively supervise the implementation of internal control. On the other hand, managers should strictly control the information data. They should learn to use information software to control the system access rights of employees at different levels, such as network system access control, password management procedure control, modification procedure control, etc. in order to improve the security of information system.

### **4.3 Establishing a complete evaluation index system**

Enterprises using information technology means for internal control governance can significantly improve the efficiency of their governance structure. Moreover, the information exchange and transmission between different departments and levels of the enterprise is faster, and managers can understand the company's operation more comprehensively and quickly. Therefore, in the context of information technology, the effectiveness evaluation of internal control should start from the following aspects. Firstly, whether the employees in the enterprise have the record of corruption, theft and other bad behavior. Second, whether the employees at different levels of the enterprise have comprehensive qualities in line with the development of the enterprise. Third, whether the enterprise will regularly train its employees on moral values. Fourth, whether employees have basic values and professional ethics when communicating with external personnel. From the above aspects, the establishment of a complete internal evaluation system is conducive to the improvement of internal control quality.

### **4.4 Determining the index weight of internal control effectiveness evaluation**

By calculating the weight of each evaluation index, the best enterprise decision-making scheme can be obtained. Therefore, enterprises should make rational use of the analytic hierarchy process (AHP) to determine the evaluation index of the effectiveness of internal control combined with the logical relationship of the internal components of enterprises. According to the evaluation criteria, members of the evaluation team should compare the evaluation indicators of the same grade. At the same time, the evaluation matrix of internal control under the background of informationization is constructed by using the standard values. By calculating the characteristic vectors, the weight coefficients of each evaluation index in the overall evaluation results are finally obtained. The weight of effectiveness evaluation index is obtained, which is helpful for enterprise management to evaluate the strengths and weaknesses of strategic decision-making.

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