

# On Enterprise Internal Control from the Perspective of Monitoring

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**Abstract:** With the development of economy, internal control system has gradually become the main management mode of modern enterprises. Strengthening the construction of internal control system is the internal requirement of establishing modern enterprise system. However, at present, a considerable number of enterprises do not pay enough attention to the establishment of internal control system, resulting in internal chaos, employees' violations of laws and disciplines often occur, resulting in management out of control, loss of assets, and business failure. Therefore, the establishment and improvement of enterprise internal control strategy is an important issue facing the current enterprise management.

**Keywords:** Monitoring; External Supervision; Internal Control

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## Introduction

Effective internal control can not only make the enterprise's resources reasonably allocated, improve the enterprise's labor productivity and the enthusiasm of employees, but also prevent and timely detect the internal and external fraud of the enterprise in advance, and strangle those behaviors that are not conducive to the development of the enterprise in the cradle in advance. In addition, effective internal control can also prevent the loss of effective resources, funds and information, and promote the healthy development of enterprises in a better environment. However, at present, a considerable number of enterprises do not pay enough attention to the establishment of internal control system, resulting in internal chaos, employees' violations of laws and disciplines often occur, resulting in management out of control, loss of assets, and business failure. Therefore, a complete and effective internal control is conducive to the long-term and healthy development of the enterprise, which is a major problem that the senior management of the enterprise needs to solve.

## 1. Research Status

Alireza Khojasteh; Kazem vadizadeh (2022) studied the role of the internal audit department in the internal control of enterprises. The study found that the main reason for financial fraud in enterprises lies in the management, in which the internal auditors and independent auditors bear important responsibilities for the authenticity of financial reports. The research results show that internal audit should independently review the company's financial reports, which can effectively prevent financial fraud. Ching-Chieh Tsai; Jo-Lan Liu; Jih Siang Su, (2021) studied whether the voluntary establishment of the audit committee and its quality will help improve the quality of the company's internal control and its impact on the company's earnings management. The results show that the higher the quality of the audit committee, the better the effect of internal control, and the more obvious the supervisory role of the company's earnings management. Xu Xinxia and He kaigang (2021) studied the internal relationship between enterprise internal control objectives and elements from the perspective of enterprise internal control elements. The study believes that adding strategic objective formulation elements will not only help eliminate the inconsistency between China's internal control norms at different levels, but also help to promote the coordination between internal control and risk management norms. Li Meng and Wang Jin (2020) took the listed companies that issued bonds from 2013 to 2017 as research samples to investigate the impact of the level of internal control of enterprises on their debt default risk. The study found that the stricter the internal control of enterprises, the lower the risk of debt default. Xu Hong and Lin Zhonggao (2017) took IPO companies on the small and medium-sized board from 2008 to 2014 and gem from 2009 to 2014 as samples to investigate the impact of Venture Capital Governance on the performance change of IPO companies and the regulatory role of internal control in it. The results show that high-quality internal control can weaken the negative impact of venture capital on the performance of enterprises after IPO, and the higher the degree of participation, the more obvious the inhibitory effect.

Strengthening enterprise internal control is a common problem faced by companies all over the world. According to most theoretical and empirical studies, improving the quality of internal control and strengthening corporate governance is of strategic significance to the long-term development of enterprises.

## **2. The effect of monitoring on enterprise internal control**

### **2.1 Internal Monitoring**

Internal monitoring is how to promote, improve and ensure that the management, implementation and implementation are in place after the establishment of the internal control system, so as to make the internal control system operate continuously and effectively. Find, stop and correct problems in time, so as to effectively promote the realization of organizational goals. Internal control is mainly composed of internal audit, accounting department, legal supervision department and management department, among which internal audit is an important part of the company's internal control mechanism. We should strengthen enterprise risk control from the source and do a good job in health care for the healthy operation of enterprises through the combination of pre prediction and control, in-process tracking and investigation, and post audit and investigation. However, an enterprise's internal monitoring work cannot be completed close to the internal audit department. It also needs the cooperation of other departments to effectively monitor the financial and economic problems of the enterprise and formulate effective measures for future monitoring. Therefore, in terms of internal monitoring, it is not something that any department can complete alone. It requires the concerted efforts of all departments to jointly complete the internal monitoring of the enterprise and create a good internal environment for the healthy development of the enterprise.

### **2.2 External Monitoring**

Although many enterprises have set up internal monitoring institutions, their monitoring measures may only serve the enterprise and maximize the value of shareholders. Sometimes they can't well supervise some illegal acts within the enterprise, so there must be external monitoring departments. External supervision and inspection is the re supervision of national audit institutions or social audit institutions on the audit supervision work of internal audit institutions, and it is the diagnosis of the quality defects of internal audit work. External monitoring has a supervisory and guiding role for enterprises. Practice has proved that the supervision and guidance of the national audit institutions have created a good environment for effectively promoting the internal audit work of enterprises, continuously improving the quality of internal audit work, urging enterprise leaders to improve their understanding and promote the positive development of enterprises. In addition, external monitoring plays a diagnostic and evaluation role in internal monitoring. The internal audit of enterprises is affected by some factors, such as the deviation of audit projects, the imperfection of audit schemes, the quality defects of audit reports, and the possible illegal behaviors in serious cases. With external supervision and inspection, it will be easier to put forward solutions and improvement measures to effectively supervise the internal monitoring institutions, so as to improve the quality of internal audit work. In addition, the existence of external monitoring departments is a kind of pressure and driving force for internal regulators. Because the institutionalized external supervision and inspection and random and irregular random spot checks on enterprises put forward relatively strict quality requirements for internal audit work, which, in a sense, also promoted the work efficiency of internal supervision institutions and improved the work quality.

## **3. Measures to strengthen internal control of enterprises from the perspective of monitoring**

### **3.1 Improve enterprises' understanding of their own internal environment**

Enterprise leaders' attention to the enterprise's internal control system is a necessary prerequisite for giving full play to the role of internal control. The person in charge of the enterprise should deeply realize that the implementation of internal control is not only the requirement of the management department, but also an important measure to standardize operation, reduce enterprise risks and improve management efficiency to ensure the smooth realization of enterprise objectives. He must personally organize the improvement of the unit's internal control system and the establishment of monitoring measures. But before that, managers must face up to the problems existing in the enterprise, combine the problems existing in the enterprise with the advantages they have, and find and stop the behaviors detrimental to the development of the enterprise in time by establishing a complete internal supervision and management system and departments. In addition, it is also necessary to establish a leadership responsibility system for internal control management supervision, which combines the quality of internal control supervision and management

of the enterprise with the performance evaluation of the main leaders, and is responsible at all levels to implement the internal control supervision and management work.

## **3.2 Deepen the reform of property rights system and improve the internal monitoring system of enterprises**

Whether internal control can truly become the internal demand of managers, whether it can effectively serve managers and contribute to the development of enterprises, the key is whether the enterprise internal control system is put into practice. To make internal control become the internal demand of enterprises, it mainly depends on whether enterprises can win the trust of society by providing real accounting information. However, many enterprises have not yet done so. Therefore, only through the reform of the property right system, the establishment of a modern enterprise system, and improve the internal control system of the enterprise, to avoid the financial personnel of the enterprise and the managers of various departments from providing and reporting false information, so that the business managers and the rise and fall of the enterprise are closely related, the business managers will actively implement the internal control system, at this time, the internal control system of the enterprise will really play its due role.

## **3.3 Improve the internal control environment**

Control environment refers to various factors that affect the establishment or implementation of a policy, mainly reflecting the attitude, understanding and action of unit managers and other personnel on control. The internal control of an enterprise should be based on a common code of ethics, rather than hoping to supervise and control the behavior of employees through rigid and tough systems. Through such strict supervision measures, employees form fear and dare not take actions detrimental to the enterprise. On the contrary, when formulating internal control systems and implementing supervision measures, enterprises should emphasize communication and emotional exchange, eliminate the gap between managers and the managed, emphasize the enthusiasm of everyone, and form a true sense of team spirit. Only when the enterprise condenses a cultural atmosphere, enterprise values, enterprise spirit, business realm and the ethics and behavior recognized by the majority of employees, can it create a good humanistic environment for the implementation of internal control procedures, and internal control can be more effective.

## **3.4 Strengthen internal supervision**

Enterprise internal control is a process, which is realized by incorporating into management systems and activities. Therefore, to ensure that the internal control system is effectively implemented and the implementation effect is good, it must be supervised. An enterprise should set up an internal audit institution or establish an internal control self-evaluation system, strengthen the supervision and evaluation of the internal accounting control of the enterprise, timely find loopholes and hidden dangers, and timely correct or improve the new problems and situations that arise and the weak links in the implementation of internal control. There are rules to follow, violations must be prosecuted, violations must be punished, rewards and punishments are timely, and rewards are clear.

## **3.5 Strengthen external supervision**

Under the situation that managers' internal accounting and audit control concepts are generally weak, we should give full play to the role of the government in the internal accounting and audit control of enterprises, rely on the authority of the government, and standardize enterprises to establish and improve the internal accounting and audit control system in accordance with relevant laws and regulations, and make it effectively implemented. We should strengthen the implementation. If the enterprise fails to strengthen its own internal accounting and audit control, or violates laws and regulations, resulting in the failure to achieve its goals, the managers should be investigated for responsibility according to law. At the same time, we should further vigorously develop the cause of certified public accountants and certified auditors, give full play to their independent and detached characteristics, and perform the functions of social notarization and supervision. In addition, we can also mobilize all sectors of society to participate in accounting supervision, encourage and support the news media to expose enterprises' violations of laws and disciplines, so as to give full play to the role of new media in social supervision.

## **4. Conclusion**

As the internal mechanism of self-regulation and self-restraint of production and business activities, internal control system has gradually become the main management mode of modern enterprises. Establishing a perfect internal control system and strengthening internal control and management is one of the necessary core competitiveness of contemporary successful enterprises. A dynamic internal control system should be a system to promote enterprise innovation. Only when all employees of the enterprise work together, support and encourage each other, jointly safeguard the interests of the enterprise and improve the efficiency of the

enterprise, can the internal control of the enterprise play its due role.

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