

# Management of Enterprise Internal Control

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## Abstract

**Internal control as a preventative measures, is more and more concerned to executive level in recent years. The managing hierarchy should establish correct internal managing notion and clear responsibility of all departments. Not only that, administrators will fulfill critical work on internal control and management working to achieve enterprise's value maximization.**

## Keywords

**Internal Control; Objective Operation; Value Maximization.**

## 1. Introduction

Perfect internal control management system is foundation on enterprise steady development in a long time. Its implement must through employee follow close to the line of rules and regulation. Internal control can help enterprise complete each target, increase economic benefits, reduce loss and ensure assets security. Beyond that, appropriate human resource policy can promote enterprise's health growing and steady development, it is also a part of the internal control. Generally speaking, internal control management consist of three parts, they are prior, halfway and afterward. They are embodied in beforehand prevention, Mid-event control and supervision after the event.

## 2. The Main Content about Internal Control Management

### 2.1. Beforehand Prevention Management

Beforehand prevention is drawing management control program, include a series with plan, links, details, approval system and process and so on. This stage section is a basic part. It is premise to ensure the whole internal control. Risks issues are eliminated in rudimentary stage through employee strictly follow the rules and regulations. The strict supervision system is, every department has clear responsibility. And it implements the principle of separate incompatible duty. Every post restricts and supervises each other. Incompatible position includes approval, completed business, audit and check and so on. Separate incompatible is a business's approval and operating is done by different people and different department. This way can prevent people's some action, such as fraud, cheat and corrupt. During the whole supervision system, people are the important factor. For example, financial regulation need audit and signature is effective and basic measure for internal control. So upgrade employee overall quality, training staff and improve working quality are the important link. Prevention is mainly part in beforehand.

### 2.2. Mid-event Control Management

Mid-event control is happened during the process of event. The task occur problems in execution, and relative staff analyses how to resolve the problems. Mid-event control is process about checkout beforehand control. It contains to test the setting details, plans and a series of measures on supervision and management. It can correct the plan and measure's shortcoming, for check out the mistakes and correct in time. Mid—event controls also contain deal with

unconventional and unexpected incidents during the whole progress. People will find out the reason and design program and to resolve the incidents by Mid-event control management when accidents and problems were happened. Through Mid-event, enterprise make sure the daily production and business activities going well. The important guarantee way is managers arrive at the scene to supervision and guide the staff and told them how to do. This stage's shortcoming is the time more long, the control more difficult. If span of the time was larger, the control's difficulty level was higher.

### **2.3. Post Supervision Management**

Post supervision management is the supervision for the consequence of working. It practices after later period. It is an action for fulfill about the plans and regulation. Inspectors make estimate on working's consequence and reward or punish relative staff. Managers will find reason for the deviation, and then to monitor and analysis, a last, to draw measure to correct. Post supervision management belong feedback stage after the fact. Its purpose is enhances and improve company's internal control. The series of action happened after working, so post supervision is also called passive control. Its weakness is false has happened and then to correct it. Lose has not be redeemed. It only takes precaution after suffering a loss. As a result, someone called post supervision another name, liability management.

#### **2.3.1. Function about Post Supervision Management**

Favorable internal control system in an enterprise may help enhance vulnerable link, ensure information reality and authentic. It is on guard hazard in some sense, and not only that, it can monitor goods and materials' usefulness to stop waste, lose and corruption. Property can be guaranteed through strict control from purchase to measurement and acceptance. Every department by cooperate closely and increase staff's motivation on working, to ensure enterprise complete target and improve operating efficiency and increase economic efficiency. Because of personal ability and motive, manager will make mistake during guide working. Internal control system will prevent and correct this kind of things happen. Even if mistake had happened, the internal control will make it right.

#### **2.3.2. Post Supervision Management in Small Companies**

An enterprise from prosperous to decay even to bankruptcy, although was caused by many external factors but the enterprise must have leak and shortcoming on internal control. They maybe expand its scale too fast, the internal control management do not follow its speed. For instance, many small scale companies are the boss only has the say, do not have restrict system, a person's foresight will limited the company's development. If the boss made a wrong decision with his limited sense, maybe result in the company be into crisis. Or the boss neglect management when the company steady growing and cause the company towards decline from its internal. Once it attacked by exterior factor, it will suffer devastating below. A perfect internal control may prevent or reduce error probability, even if it happened, would be correct in time.

## **3. Successful Case about Internal Control**

Because of imperfection internal control, many companies in our country toward wane after prosperity, even bankruptcy. If the managers found problems and solved them timely, enterprise will be saved from edge of bankruptcy. China Ocean Shipping (Group) Company (COSCO), is the company which found problems about internal and solved in time. China Ocean Shipping (Group) Company has a very good development, is even with enter Fortune Globe 500. But later the manage level made wrong judgement to market's development. The error cause highly operation cost, increase of operating cost exceed much farther than increase of operating revenue. As a result, the hefty cost made the enterprise deficit. The main reason of hefty cost is

the enterprise rent a large number of marine ships with high price. At that time, the ship's rent is \$8,000 per day, but China Ocean Shipping (Group) Company's rent exceed farther than the price, reach \$80,000 per day. The hefty rent increase greatly China Ocean Shipping (Group) Company's operating cost, it causes the company's profit render negative. Although China Ocean Shipping (Group) Company's operating revenue over other companies in same industry, but hefty cost made the company's financial situation is loss. China Ocean Shipping (Group) Company's measure is decrease ship lease and reduce the cost of ship rent. More than that, China Ocean Shipping (Group) Company takes other action to reduce cost, such as sold COSCO Logistics' equity. All those measures reduce the company's cost largely, ensure the enterprise Continued and stable development, and prevent the fate of Bankruptcy liquidation.

#### 4. Conclusion

In conclusion, enterprise must build internal control management system, to supervise production and operating the working, include Authorize approval, Incompatible duties, improve the quality of employees and finance and so on. A perfect internal control can endure enterprise find errors and solve them quickly. An enterprise's internal control is very good, it can help enterprise to get rid of its shortcoming and enter a desirable state. Internal Control can raise the ability of Self-assessment through internal control system, and ensure enterprise development healthy.

#### References

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