

# The Present Situation and Countermeasures of the Internal Control Construction at the Organizational Level of Pinghu Administrative Institutions

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**Abstract:** The internal control construction of administrative institutions is an important task to improve the internal management level of administrative institutions, deepen the reform of administrative system, and achieve the goal of service-oriented government. This paper analyses the main problems in the construction of internal control at the organizational level in Pinghu administrative institutions by means of questionnaire survey, and puts forward some suggestions to improve the construction of internal control at the organizational level in Pinghu administrative institutions in order to provide reference for further strengthening the construction of internal control in administrative institutions.

**Keywords:** administrative institutions; internal control of unit-level construction; working mechanism; countermeasure

## 1. Introduction

The internal control of administrative institutions in China has begun to be implemented. Many administrative institutions lack the consciousness of internal control. Some of them still have problems such as imperfect management system design, inadequate implementation, going superficial supervision and lack of effective supervision mechanisms. Regarding the internal control construction, many domestic scholars and experts have discussed from the aspects of organizational structure and working mechanism. He Wenbing (2014) takes colleges and universities as the research object, and puts forward suggestions from the aspects of organization and working mechanism [1]; Li Qing (2017) takes a certain institution as an example, and puts forward suggestions on perfecting rules and regulations and formulating prevention and control measures [2]; Chen Liuping, Zhou Mengmeng (2015) takes the administrative department of a city as an example and proposes countermeasures from the aspects of improving the internal control system and execution [3]. Current studies mostly focus on the theoretical level or some administrative institutions in a certain area as the

research object, but the specific research on the overall administrative institutions in a certain area is rare.

This paper takes the administrative institutions of Pinghu City as the research object, finds the main problems existing in the internal control construction at organizational level by means of questionnaire survey, and discusses how the administrative institutions strengthen and improve the internal control construction.

## 2. Current Situation and Shortcomings of the Internal Control Construction of Pinghu Administrative Institutions

In order to strengthen the construction of internal control of administrative institutions, the Ministry of Finance issued the "Standards for Internal Control of Administrative Institutions (*Trial Implementation*)" [4], at the end of 2012, and officially implemented on January 1, 2014. Pinghu City is located in the golden zone of the Yangtze River Delta. It takes the integration and development of the Yangtze River Delta as the direction, it is also an important link to improve the efficiency and effect of public services of administrative institutions, and the construction of internal control is an effective guarantee to improve the service effect.

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In order to understand whether the various administrative units in Pinghu City are familiar with and implement the norms, what problems exist in the internal control construction, how to improve etc., this paper analyzes the internal control report form of each administrative institution through field visits, questionnaires and analysis, and analyzes the establishment of the internal control system at the organizational level of 172 administrative institutions in Pinghu, compared with the internal control norms to find out the shortcomings of internal construction, so as to find

weak points for internal control strengthening and improvement.

2.1. The attention to the Construction of Internal Control

It was learned from the interview that Pinghu City established the leading group for internal control construction of administrative institutions as early as 2016, and the director of the Finance Bureau served as the team leader, responsible for the overall arrangement and overall deployment of internal control construction. The leading group has an office, and the heads of the relevant departments of the Audit Bureau, the Legislative Affairs Office, the Human Resources and Social Security Bureau, the Supervision Bureau, and the Editorial Committee are the members of the office. They are responsible for the coordination of the internal control construction and the implementation of the internal management of the internal control construction. This provided a good environmental foundation for the internal control construction of 172 administrative institutions in Pinghu City.

2.2. Analysis of Internal Control Construction at the Organizational Level

2.2.1. Organization of internal control work

The “Regulations” require that “all units must establish an internal control system that suits the actual situation of the unit” [4]. This system should be a specific independent functional department or person. It can be seen from Table 1 that 98.84% of the units have established the lead department for internal control construction, and 97.19% of the units have also established an evaluation department

for internal control construction, which is responsible for organizing and coordinating the construction of internal control. These units do not have separate internal control department, but only the lead department of internal control. 33.14% of the units make the finance department as the lead department, and 11.05% of the units make the finance department as the internal control evaluation department. This has formed the financial sector as both a policy maker and a policy tester. In fact, the finance department also needs internal control. Internal control by financial leadership often makes it easy to cover up the problems that exist, and the results will be greatly reduced. More importantly, there is no independent internal control function department, only some internal control documents are added on the basis of the original staff and organization, which makes people feel that it is only hanging some rules on the wall. The old routine of document implementation does not have much practical effect. It can be seen from Table 2 that 88.95% of the units in each administrative institution directly serve as the head of the internal control leading group, and 58.14% of the unit leaders are the heads of the internal control working group and directly participate in the construction of internal control. However, there are still some units “top leaders” who do not pay enough attention to this work. They do not understand the meaning and role of internal control; they have not promoted this work personally; they have not really wanted to do a good job in internal control.

Even if organizational guarantees are established in accordance with the requirements of the “Regulations”, a sound internal control mechanism is needed to ensure the effectiveness of internal control work.

Table 1. Organization of internal control work.

Number	Option	Internal lead dept		Internal evaluation dept	
		Frequency	%	Frequency	%
A	Administration Dept	83	48.26	29	16.86
B	Finance Dept	57	33.14	19	11.05
C	Discipline inspection dept	3	1.74	55	31.98
D	Internal audit dept	22	12.79	60	34.88
E	Other dept	5	2.91	4	2.33
F	None dept.	2	1.16	5	2.91

Table 2. The role of the department head or head in the internal control formation.

Number	Option	Leader of internal control leading group		Leader of internal control working group	
		Frequency	%	Frequency	%
A	Unit leader	153	88.95	100	58.14
B	Financial Leadership	12	6.98	47	27.33
C	None Financial Leadership	7	4.07	18	10.47
D	Other responsible persons	0	0.00	7	4.07

2.2.2. Construction of internal control system

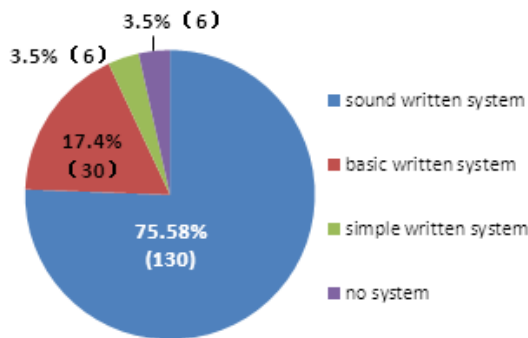


Figure 1. Establishment of internal control.

As can be seen from Figure 1, 75.58% of the units have a sound or detailed written system, and the units with a more basic written system account for 17.44%. The other 6.98% of the units have only some simple or no written system, which indicates that some units' internal control system still needs to be improved.

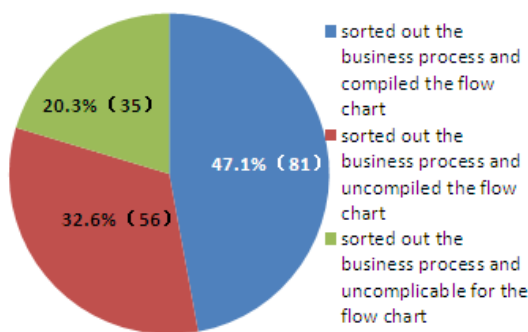


Figure 2. Establishment of internal flow chart.

As can be seen from Figure 2, 47.09% of the units have sorted out the business process and compiled the flow chart. The units that have not yet compiled the flow chart for the business process account for 32.56%, and the other

20.35% of the units have combed the business process but are not applicable to the preparation process. However, the 32.56% of the units should prepare the flow chart as soon as possible and make dynamic changes as the business and environment change.

2.2.3. Construction of internal control mechanism

The "Regulations" require that the decision-making, implementation, and supervision of the economic activities of various administrative institutions should be effectively separated (separation of powers) [4]. In the process of internal control, the separation of decision-making, execution and supervision is the basic guarantee for scientific decision-making, orderly execution and effective supervision. It can be seen from Table 3 that more than 90% of administrative institutions have established working mechanisms such as division of power, division of power, hierarchical authorization, regular rotation and special audit. However, 0.58% of individual units have not yet effectively separated the decision-making, implementation and supervision of economic activities; and 2.33% of the units have not yet established a working mechanism for job-related posts, decentralization, and clear rights and responsibilities. And 1.16% of the units have not yet authorized the management and related positions to establish general authorization and special authorization; and 9.3% of the units have not yet carried out special audits for the regular rotation of key positions and those who do not have the conditions for rotation. To a certain extent, the separation of the three powers is the separation of posts. Decision-making is the right center of each administrative institution. The implementation is the specific contractor or personnel. Supervision is the necessary guarantee for restraining decision-making and execution. In the process of establishing authority and job division, all units strictly prevent the occurrence of both "athletes" and "referees" [1], preventing fraud and eradicating corruption. In addition, establish a strict post responsibility system and improve the corresponding qualifications and capabilities.

Table 3. Construction of internal control mechanism.

Number	Option	Established		Un-established		Non-applicable	
		Frequency	%	Frequency	%	Frequency	%
A	Right of separation	171	99.42	1	0.58	0	0
B	Post licensing	168	97.67	4	2.33	0	0
C	Hierarchical Authorization	165	95.93	2	1.16	5	2.91
D	Regular rotation	142	82.56	16	9.30	14	8.14
E	Special audit	148	86.05	16	9.30	8	4.65

3. The Main Reason for the Internal Control Problems at the Organizational Level of The Administrative Institutions in Pinghu City

3.1. Cognition and Attention Are Relatively Low, and Ideological Awareness is Insufficient

Internal control, as an effective management channel for plugging loopholes, improving supervision, and optimizing processes, has been increasingly valued by

administrative agencies at all levels. However, some units have not paid enough attention to this work, and they do not understand the Significance and role of internal control, even think that this work has little connection with the main work of the unit. There is a phenomenon of focusing on the internal management of business. No initiative to promote this work; or worry that the process is too standard will weaken their power, do not really want to do a good job about Internal control construction.

### 3.2. Internal Control at the Unit Level is Easily Overlooked and Lacks a Corresponding Working Mechanism

Internal control at the unit level is not easy to understand and construct with respect to internal control at the business level. Therefore, in the process of internal control construction, internal control at the unit level is often overlooked, so that there is no realistic organizational structure and effective work mechanism. This will lead to the internal control system in the process of building the internal control system, because there is no suitable working mechanism and organizational structure. The internal control at the business level loses the guarantee of environmental foundation, and it is more difficult to form an internal control system integrating decision-making, execution and supervision. The actual efficiency and effectiveness of the control will be greatly reduced.

### 3.3. The Evaluation and Supervision Mechanism of Internal Control Still Remains on The Basis of Formalism, and it is Difficult to Play a Real Supervisory Role

The supervision and evaluation of internal control is an important link to ensure the continuous improvement and effective implementation of internal control construction, including three aspects of self-evaluation, internal supervision and external evaluation. In practice, many units have not carried out effective self-evaluation and internal supervision. In particular, administrative institutions at or below the county level have not set up independent functional departments because of their small institutions, and even independent internal audit departments and discipline inspection departments have not been set up, even if individual units have set up internal audit departments and discipline inspection departments, nor did it really play the role of the audit department. Basically, the internal audit work is in the form of formality. The internal audit department is not truly independent. The content of the evaluation report depends on the intention of the "top leader". The internal control construction of these units basically stays on the surface form of submitting "the report of the internal control report of the administrative institutions" to the financial department every year. So that the external supervision of the financial department and the audit department is only to supervise the internal control report submitted by the unit. No check-in unit conducts the actual test and evaluation of the effectiveness of the internal control control design and operation, so as to truly discover the internal control defects in time and propose. There are constructive rectification opinions. Only by constantly discovering problems, asking questions, and solving problems can we meet the connotation of internal control construction.

## 4. Suggestions for Improving and Strengthening the Internal Control of the Administrative Institutions in Pinghu City

The goal of Pinghu City's administrative institutions is: By 2020, nearly 200 administrative institutions in the city will establish an internal control system with consistent

powers and responsibilities, effective checks and balances, smooth operation, strong implementation, and scientific management. It is recommended to implement and promote from the following aspects.

### 4.1. First, Strengthen Publicity and Awareness, and Raise Awareness of Internal Control

"How the dragon head squats and how the dragon tail is placed", the attitude of the top leader on internal control determines the attitude of other leaders and employees in the whole unit to internal control. The top leader's attention to risk determines the attention degree of other division leaders and employees in the whole unit to these risks in the process of implementing the process. Therefore, first of all, we should establish the consciousness of "leader" as the "first responsible person" of internal control. The main leaders should fully understand the importance of this work and put the internal control management on ensuring the legitimate compliance of economic activities of the unit, asset safety and effective use, prevention of fraud and corruption. They should play a leading role and be deployed and supervised personally. Secondly, the construction of internal control has the characteristics of full participation, which is a basic, systematic and long-term project. Without the understanding and participation of the whole staff, there can be no perfect internal control system. Even if there is a good internal control system, it cannot be effectively implemented.

Therefore, through pre-employment training, on-the-job training, daily work exchanges and typical case analysis, we should mobilize everyone's enthusiasm to understand the true meaning of internal control, and recognize that internal control is a matter of participation in the work of every cadre and workers. Form a good atmosphere of internal control, let the concept of internal control penetrate the hearts of the people as soon as possible, and gradually form the ideological concept of "let me make internal control" into "I want internal control", so that endogenous power runs through the daily work of cadres and workers.

### 4.2. Strengthen Process Reengineering and Promote the Construction of Internal Control System

Further improve the internal containment system, effectively use the separation of incompatible posts and the basic internal system control, such as internal authorization approval control[5], and budget control, property protection control, accounting control, document control, and internal information disclosure and so on. Meanwhile, establish a key post rotation system to form a system of checks and balances, mutual supervision, and mutual restraint. Improve the working mechanism, establish the response mechanism of risk events, find out risk events, and take effective preventive measures in time. At the same time, special inspections are carried out irregularly on a regular basis to control risks in the bud [6]; the internal control assessment mechanism is established, and the implementation of control within each unit, self-examination and self-correction, risk response, and

inspection and rectification are included in the assessment and evaluation scope. And the indicator system, to inform and criticize the units and individuals who are not working well.

#### 4.3. Improve the Internal Control and Supervision Mechanism and Improve the Management Level of the Unit

Improve the internal audit supervision mechanism of the unit, establish an independent internal audit institution, and select the person with high professional level and excellent professional ethics as the main body of internal control supervision to ensure that they can independently exercise internal audit work and pass regular and irregular inspections. The establishment and implementation of the internal management system of the unit, etc., timely correct the outstanding problems, management loopholes, weak links and uncontrollable points that are likely to cause losses in the implementation of internal control, and formulate targeted prevention and control measures. Execute external supervision. External supervision institutions such as finance, auditing and competent departments should combine with internal and external audit institutions, adopt the form of special supervision, carry out special inspection on the progress, implementation and evaluation results of internal control construction of administrative institutions at least once a year, make suggestions on the problems found, and urge the units to rectify them. Through information sharing, build an internal control network platform, so that units can truly, timely and complete disclosure of the performance of public duties, provide a smooth platform for public supervision, media supervision, and promote the landing of internal control construction.

#### 5. Conclusion

Combined with the results of the consultation question and answer, questionnaire survey, and internal control report, the internal control of the unit level of Pinghu

administrative institutions should focus on the creation of functional departments, the implementation of the lead department, the establishment of working mechanisms and the establishment of risk assessment mechanisms. Effectively establish and improve the establishment of institutional systems and supervision mechanisms. The internal control at the organizational level of each unit is effectively implemented through the use of information systems; the supervision mechanism is strengthened, and a combination of internal supervision and external supervision is adopted.

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