

Research on the influence of internal control audit on the quality of accounting information in Dayou energy co. LTD

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Abstract

Accounting information is an important judgment factor for decision-makers such as business managers and investors. The quality of internal control affects the quality of accounting information, while internal control auditing exists to test and improve whether the internal control of the enterprise is reasonable, legal and effective. The article studies the interaction between internal control audit and accounting information quality through the authenticity, timeliness, completeness and accuracy of the accounting information quality requirements of Henan Dayou Energy Co., Ltd., and finds the low-quality accounting information of the case company. Leading to the emergence of internal control defects, the evaluation and supervision of internal control auditing is needed to improve the internal control of enterprises, thereby improving the quality of accounting information, and raising the accounting information from the perspective of internal control auditing for the problems of large energy sources. Quality countermeasures.

Keywords

The Internal Control, Audit, Quality of Accounting Information, Dayou energy co. LTD.

1. Introduction

China's economy is in a period of rapid development, and accounting information is becoming more and more important as it develops in the social economy. High-quality accounting information provides an important guarantee for maintaining social and economic development, stabilizing the market economic order, and promoting the good growth of enterprises. Whether the internal control audit system is perfect and whether it can be effectively implemented has a direct impact on the quality of accounting information. The internal control audit and the quality of accounting information mutually affect each other. The perfect auditing system is an important guarantee for accounting information, and the quality of high-quality accounting information will also have a positive impact on internal control auditing.

The Enron and WorldCom incidents in the United States were all due to major flaws in the internal control system of the enterprise, which led to the final outcome of the bankruptcy. Since 2002, the supervision of internal control of listed companies has gradually strengthened. China's Shanghai and Shenzhen Stock Exchanges issued the "Guidelines for Internal Control of Listed Companies" in 2006. In 2008, the Ministry of Finance, the China Securities Regulatory Commission and other five ministries jointly issued the "Basic Standards for Internal Control" and its supporting guidelines and officially launched in 2010. Implementation. In 2014, the China Securities Regulatory Commission and the Ministry of Finance jointly issued the "Regulations on the Information Disclosure and Compilation of Companies That Offer Securities to the Public No. 21", which provides more detailed regulations on the information related to the internal control of non-financial reporting disclosed by enterprises.

In the 1970s, foreign countries began a heated debate and related research on the impact of internal control audit on the quality of accounting information, and the research results were also significant. A large number of documents are compared with the situation before and after the implementation of the Sarbanes-Oxley Act, and the internal control system is continuously improved and developed. Domestic research on internal control and its audit started late, but it also paid attention to the

feasibility of internal control audit in China. The small amount of empirical literature also shows the relationship between internal control audit and accounting information quality. Some preliminary conclusions were made to support the positive impact of internal control audits on the quality of accounting information.

2. The large energy internal control audit and accounting information analysis

2.1 Basic situation of large energy sources

2.1.1 Company Profile

Henan Dayou Energy Co., Ltd. (hereinafter referred to as “Dayou Energy”) was founded on January 15, 1998. In 2010, after the reorganization of assets with Yima Coal Industry Group Co., Ltd. (hereinafter referred to as “Yimei Group”), the company was changed to Henan Dayou Energy Co., Ltd., a large-scale energy company mainly engaged in coal and related businesses, such as Raw coal mining and coal wholesale.

2.1.2 Internal control of the company

The energy industry in which Big Energy is located is currently in a period of slow development. With the change of industrial structure, the traditional energy industry is facing a situation in which economic benefits continue to decline and even lose money for a long time. The survival and development of the entire coal industry has become a concern of the society. In the face of severe market conditions, large-scale energy is facing the test of transformation and upgrading. Therefore, the role of internal control and risk management is particularly prominent.

The board of directors of the company consists of 11 directors, including 1 chairman and 4 independent directors; 1 general manager and several deputy general managers for a term of three years, renewable; there is a board of supervisors, and members of the board of supervisors may not be senior managers. Adjunct; establish an independent internal audit agency to report directly to the board of directors.

The company has 12 business units, including financial management, human resources, warehousing inventory, fixed assets and sales. Most employees are educated at a lower level, which is in line with the industry as a whole. The company has a cash discount system to encourage customers to repay in advance. The company has established relevant management regulations for the operation steps of important contracts such as the signing of sales contracts, the storage and transportation of goods, and the management of accounts receivable, which provides institutional guarantee for internal control of enterprises.

2.1.3 Internal control audit situation

Zhongqin Wanxin Certified Public Accountants audited the effectiveness of the internal control of the financial reporting of Daya Energy in 2013, 2014 and 2015 in accordance with the “Guidelines for Auditing Internal Control of Enterprises” and the relevant requirements of the Chinese CPA Practice Guidelines. According to the audit situation, the corresponding Internal Control Audit Report was issued. In the internal control audit of the three years, Dayou Energy was issued a negative opinion by the firm. The firm believes that there is a major defect in internal control.

Table 4-1 Summary Table of Internal Control Evaluation of Dayou Energy

Year	Type	Specific content
2013	Financial reporting internal control major defects	(1) The case was investigated by the Securities and Futures Commission on suspicion of violating the securities laws. (2) Subsidiary Tianjun Yihai's 2013 sales model has changed, and it is not possible to directly sell to the end customers. The company has not confirmed the related parties and their transactions in time, and has not made the corresponding decision-making procedures, and the related internal control operations have failed. .

	Non-financial reporting internal control major defects	(3) The subsidiary Tianjun Yihai Mining License was changed to Muli Coal Industry Group. The company has overseen its management authority and has not fulfilled the corresponding decision-making procedures in accordance with the provisions of this major matter, nor has it disclosed it in time.
2014	Financial reporting internal control major defects	(1) The subsidiary Tianjun Yihai does not hold the mining rights certificate of the mining area. (2) Subsidiary Tianjun Yihai has changed its sales model since 2013 and cannot directly sell to end customers.
	Non-financial reporting internal control major defects	(3) On March 27, 2014, a safety responsibility accident occurred in Qianqiu Coal Mine, a subsidiary of the company, causing casualties and property losses.
2015	Financial reporting internal control major defects	(1) Tianjun Yihai has changed its sales model since 2013 and does not directly sell to end customers. (2) The occupation of business personnel in the coal sales center of Dayuan Energy has encroached on the acceptance bill of 57.5 million yuan.
	Non-financial reporting internal control major defects	(3) The subsidiary Tianjun Yihai does not hold a mining license for the mining area.

Source: 2013, 2014, 2015 Great Energy Internal Control Audit Report

2.2 Internal control evaluation

2.2.1 Internal environment

a. The corporate governance structure is not sound

Judging from the shareholding structure of Big Energy, there is no real change in the actual controllers of the large energy sources. Only the proportion of shares held is slightly different each year. From 2012 to 2015, the controlling shareholder of Dayou Energy is the Yimei Group, and its holding ratio has reached more than 50% in four years. The unreasonable shareholding structure of energy has led to the phenomenon of excessive shareholder rights. Excessive shareholder rights will lead to the company's organizational decision-making being vulnerable.

Table 4-2 Yi Coal Group's share of Dayou Energy Holdings

Years	2012	2013	2014	2015
Holding ratio	59.08%	63.04%	63.04%	63.04%

Source: 2012, 2013, 2014, 2015 Annual Report on Energy

On December 20, 2012, Tianyou Yihai, a subsidiary of Dayou Energy, reported to the company the "Request for the Change of Mining Rights of Tianjun Yihai Energy Coal Management Co., Ltd.", Yao Zhaoyi, Deputy General Manager of Yimei Group, and Dayou Energy Li Yong, a director, did not go through the board of directors to discuss the decision and did not follow the relevant procedures, and immediately issued an approval approval for the request, which took only 6 days.

b. Human resource management is not standardized

From 2011 to 2015, some of the company's managers resigned, the board of directors changed, and even serious violations led to imprisonment. Especially in the two years of 2013 and 2014, the company's chairman, the chairman of the board of supervisors, the person in charge of the company, the person in charge of accounting work, and the head of the accounting department have undergone

large-scale changes. It is conceivable that It is more difficult to adapt to the changes in the new management and management methods in a short period of time.

The majority of energy led the reorganization of Wu Julu, the chairman of the double-regulation. In the deployment of the government's resource strategy, the powerful energy controlling shareholder Yimei Group and Henan Coal Chemical are preparing to form a new group, which is the listing of large energy sources. The listing of large energy in the coal sector is conducive to asset injection. The occurrence of this incident will inevitably lead investors to doubt whether management's control over the company and its business direction is correct.

c. Insufficient moral and legal concepts

Dayou Energy has non-publicly issued shares through the use of inflated intangible assets, and has not disclosed the corresponding information. This behavior seriously violates the relevant provisions of the Measures for the Administration of Information Disclosure of Listed Companies. The sales and sales personnel of the sales center accounted for the unpaid units of the bank acceptance bills collected, and the amount involved was as high as 57.5 million yuan, which constituted the occupation of occupation. The above incidents indicate that the large energy companies lack training on the legal concepts and professional ethics of the company's personnel. The company has not fully played its active role in the business activities, and the moral and legal awareness of the company's personnel needs to be improved.

2.2.2 Risk assessment

The directors of Dayou Energy did not set up a risk management committee to manage and prevent existing risks and potential risks, and did not formulate risk management policies to regulate the relevant procedures and treatment methods of risk assessment.

Since January 1, 2013, in response to Qinghai's policy requirements on coal resource integration, the subsidiary Tianjun Yihai has entrusted its coal operations to related parties of the Yimei Group for sale. In 2013, the company's daily related party transactions are expected to be 3.637 billion yuan, and the actual transaction amount is 4.253 billion yuan, resulting in a difference of 616 million yuan, mainly because the sales channel changes were not disclosed in time.

On March 27, 2014, a large impact rock pressure accident occurred in Qianqiu Coal Mine of the subsidiary company of Dayou Energy. The accident caused 13 people to be injured and 6 people died. The direct economic loss was 7.052 million yuan. On December 22 of the following year, the company's subsidiary branch Yucun Coal Mine again suffered a ground pressure accident. The accident resulted in four people being injured and two people killed. The direct economic loss was 4.5081 million yuan. In less than two years, the company had two major accidents and caused casualties and property damage.

2.2.3 Control activities

a. Authorization approval control

On December 20, 2012, the company's Tianjun Yihai submitted a request for the change of mining rights to Daye Energy. At the end of the same year, Tianjun Yihai transferred the mining rights to Muli Coal. On December 26, the company issued a reply to approve the change of Tianjun Yihai mining rights. The approval was decided by the deputy general manager of Yima Coal Industry Group and the company's then director Li Yongzheng. It took only a few days for several directors to approve the request, without any normative process such as board deliberation and brainstorming decisions, and other major managers failed to fulfill their respective duties.

b. Separation control of duties of sales business

In 2015, the sales personnel of the Dayou Energy Coal Sales Center did not deposit the drafts to the units after receiving the bank acceptance bills. The total amount of funds involved in the incident amounted to 57.5 million yuan. Although the company implements unified management of coal sales, the coal sales center, as a coal sales management unit, should have received bank acceptance bills from financial personnel, but it was taken over by sales personnel. Sales personnel use the loopholes

in the system to satisfy their own desires. There is a lack of energy management for key positions and links. This defect violates the requirements for internal control of sales operations and violates the principle of separation of incompatible posts.

2.2.4 Information and communication aspects

On January 25, 2013, Tianyou Yihai, a subsidiary of Dayou Energy, signed the "Contract of Mining Rights Transfer" and transferred its mining rights to Muli Coal Industry in a "zero yuan" manner. On May 20, 2013, Tianjun Yihai officially changed the mining license to Muli Coal, but did not disclose the relevant matters in time. As a result of the subsequent business license of Tianjun Yihai and the inability to continue the extension after the safety production license expires, the sales model change cannot be directly sold to the end customer, and the company's assets and income cannot be determined, eventually leading to the associated internal control. All failed.

In the related party transaction information disclosure, there is a lot of energy concealing the relationship with related parties and their trading methods. According to the relevant provisions of the company law and the securities law, the amount of related party transactions of more than 300,000 yuan must be disclosed. However, the large energy source converts the intangible assets with a mining right of 2.38 billion yuan into "zero yuan". The mining right was transferred in the form of zero yuan, Tianjun Yihai changed its sales model and caused losses to the company while the internal control failed. The large energy source did not disclose the two major matters in a timely manner, or even the subsequent semi-annual report. It will be disclosed in the annual report.

2.2.5 Internal supervision

Yiwu Group's illegal act of fraudulently issuing stocks violated the provisions of the Securities Law. At the same time, Yimei Group, as the controlling shareholder of Dayou Energy and Tianjun Yihai, failed to fulfill its supervisory obligations, resulting in the failure of internal control over internal control. In addition, Tian Fujun, Li Yongji and other executives also bear the unshirkable responsibility in this fraudulent issue. Therefore, although there are related supervision policies as constraints, the company has insufficient supervision of senior management personnel, and the internal control system has not been effectively implemented, resulting in its ultimate failure.

2.3 Analysis of the impact on the quality of accounting information

2.3.1 Authenticity

Great Energy deliberately changed the accounting information so that the relevant huge intangible assets were not recorded, and the relevant information about the mining rights was not recorded. It violated the accounting and the preparation of financial accounting statements, and constituted the violation of accounting information. behavior. The emergence of such violations of accounting information is triggered by a number of subjective factors. There is a mutual connection between the internal interest groups of Dayou Energy. The specific matters involved in the violation of information disclosure have not been decided by the board of directors and other meetings and discussions, but have been decided by the leader of the unit. The party to the act did not cause the incident because of negligence or negligence, but was suspected of intentional fraud. It is this imperfect corporate governance structure that leads to the abuse of power by stakeholders. Its behavior directly affects the authenticity of the company's accounting information quality. It must eliminate the unilateral manipulation of stakeholders to ensure the quality of corporate accounting information.

2.3.2 Integrity and accuracy

In 2012 and 2013, there was a large amount of energy that affected the change of mining rights. The changes involved huge intangible assets but were accounted for at zero in accounting. This behavior violated the principles of accounting and financial statements, and also violated the quality of accounting information. Integrity and accuracy requirements. In the 2014 non-recurring profit and loss project, due to the suspension of production and environmental remediation of the branch, the loss of work stoppage was 150 million yuan, and no detailed disclosure of material costs, depreciation

expenses, etc. regarding environmental remediation, slag mountain transfer, vegetation filling, etc. Accounting information is simply described in simple words, lacking scientific and targeted scientific indicators, making the relevant accounting information incomplete and inaccurate. In 2015, the China Securities Regulatory Commission did not mention the major issue of Dayou Energy's 2013 semi-annual report and the annual report that "the company has not disclosed that its subsidiary Tianjun Yihai can not independently sell coal". This major omission has violated the securities law. The requirement for information disclosure affects the accuracy and completeness of the disclosure of accounting information and is suspected of misleadingly concealing its material misstatement.

2.3.3 Timeliness

On April 15, 2014, Zhongqin Wanxin Certified Public Accountant pointed out that Daxin Energy's 2013 internal control evaluation report did not promptly confirm related party transactions, and transferred huge intangible assets to zero yuan, which invalidated the related internal control operations. However, it was not until 2014 that the company had ratified the transaction. At this time, it exceeded the reporting period for the full year of statutory information disclosure in 2013, and its behavior violated the principle of timeliness.

3. The improvement of accounting information quality from the perspective of internal control audit

3.1 Improve the internal audit structure of enterprises

The effective execution of internal control audits requires the company to have a sound internal audit structure. Due to the unreasonable governance structure, Dayou Energy has overseen management's management authority and directly approved the decision-making on the handling of major issues without the prescribed procedures. Only by continuously improving the internal audit structure of the enterprise, timely discovering the defects of internal control and formulating countermeasures, and exerting its supervisory function in the daily operation process of the enterprise to prevent the occurrence of internal control defects. Promote the improvement of accounting information quality through mutual supervision and mutual cooperation among various departments within the enterprise.

3.2 Enhancing the overall quality and ability of employees, especially internal auditors

Internal control audit directly affects the quality of accounting information, and one of the important influencing factors is the overall quality and ability of employees. The sales employees of the large-capacity coal sales center use the power to occupy the occupation, and it can be seen that the employees lack legal concepts and professional ethics. In order to improve the quality of accounting information, enterprises need to pay attention to the cultivation of the comprehensive ability of employees, especially the comprehensive quality and ability of internal auditors. Regularly organize employees to carry out relevant education and training on their professional knowledge and vocational skills to create the necessary environment and conditions for their learning and progress. Through continuous improvement of professional knowledge and professional skills, to ensure that professionals can timely understand and grasp the current domestic and international internal control audit development trends and the development of internal control audit system, to create favorable conditions for improving the quality of accounting information. While improving the knowledge reserve of internal auditors, it should also form correct values for its professional ethics education, emphasizing that the audit process maintains its own independence to avoid the emergence of fraud and promote the steady growth of accounting information quality.

3.3 Giving full play to the role of social auditing supervision

The external environment in which a company's business development is carried out involves a wide range of factors, including laws and regulations, public opinion, traditional culture, etc., which will have multiple impacts on enterprises. Due to the alleged violation of the relevant provisions of the Securities Law, Dayou Energy was investigated by the China Securities Regulatory Commission. It can be seen that the supervision role of social audit plays an important role. To improve the quality of accounting information, we must give full play to the positive role of the external environment,

especially to improve the supervision of the company by social auditing. The regulatory body shall strengthen supervision over the internal control of the enterprise, establish and improve relevant laws and regulations, and increase penalties. When discovering problems, it is necessary to promptly supervise and rectify and investigate the responsibility of the relevant responsible party, and the suspected crimes shall be transferred to the judicial organs for handling according to law. In addition, we should strengthen the supervision of the capital market so that auditors can work in a good professional environment and promote the development of enterprise management and economic efficiency while promoting the improvement of information quality.

3.4 Improve the accounting information quality management system

If there is no timely confirmation of related party transactions, the transfer of mining rights in zero yuan, and the non-details of non-operating profit and loss items are not in violation of accounting information quality requirements, enterprises must improve the accounting information quality management system. It is necessary to continuously improve the accounting information management system to ensure that accounting information is in a more realistic state, thereby reducing the adverse impact on the normal operation and management of enterprises and information users. In the process of perfecting the evaluation mechanism, it is necessary to consider the comprehensive corporate interests and the interests of various related parties. This not only ensures that the evaluation mechanism can operate effectively, but also avoids damage to the interests of the company. Only the possibility of false fraud information in accounting information is reduced, the accounting information is guaranteed to be true and effective, the quality of accounting information is fundamentally improved, and the internal control auditing work is further improved, ultimately improving the quality of business operations.

4. Conclusion

Analysis of the large-energy internal control audit found that: unreal, untimely and inaccurate and complete accounting information led to repeated occurrence of major internal control defects in large energy; low-quality accounting information led to the failure of internal control; internal control audit and accounting information The quality is closely related and the two mutually promote each other. The improvement of the quality of accounting information not only requires the improvement of the internal audit structure of the enterprise and the improvement of the comprehensive level ability of internal auditors, but also increases the penalties to exert the supervision role of the society and improve the relevant internal control auditing system for accounting information quality management regulations.

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