

Research on Internal Control of Small and Medium Asset Management Companies

——Taking Company A as an Example

Peng Wang^{*}

School of Economics and Management, Dalian University, No.10, Xuefu Avenue, Economic & Technical Development Zone, Dalian, Liaoning, The People's Republic of China(PRC)

**corresponding author: Peng Wang*

Keywords: Small and medium asset management companies; internal control; status quo and problems; solutions

Abstract: Since the 19th National Congress of the Communist Party of China, the party and government have continuously formulated various policies to promote the continuous deepening of the reform of China's financial market and the development of our asset management market. Against this background, China's asset management companies are also growing rapidly. In different market environments and industries, small and medium asset management companies create their own value and play a role in promoting the healthy development of the market economy. Of course, there are still deficiencies in the company's internal control during the development process. Therefore, the internal control situation of small and medium asset management companies in China has also received more and more attention.

1. Introduction

At present, there are roughly two types of asset management institutions in China: one is various asset management institutions specially established within large commercial banks or securities companies. Their main service targets are multinational companies, large enterprises, and even sovereign countries. They mainly provide services such as partnership investment and professional trusts. Another asset management company is an asset management company that specializes in handling bad assets of banks. Mainly banks. These companies contacted banks to acquire debt packages consisting of bad assets obtained by the banks. The current small and medium-sized asset management companies in China are mainly concentrated in the second type of asset management companies[1].

2. Problems in the Construction of the Company's Internal Control System

2.1. Incompatible Posts are Not Separated

Currently, in the construction of internal control of Company A, the construction of incompatible job separation control is still incomplete. In the process of internal daily operations, a large number of business processing procedures have not achieved the requirements of incompatible job separation control. When the company makes some business decisions internally, such as the decision to purchase an asset package, the decision-making approval of asset package acquisition and business execution cannot be separated. After the acquisition of the asset package, the post-audit supervision was also completed by the business executives, which led to the company's incompatible job separation control not being very good. Due to staffing restrictions, in general, the business department and the supervision department within a small and medium asset management company have not been separated, so it is very likely that the approval and supervision of business execution will be completed by the same person. At the same time, in functional departments, especially in the financial department, property custody and accounting records often cannot be separated from each other, and many people who perform property custody also perform the related work of accounting records. This has led to many system and internal control loopholes, and there are also problems with separation and control of incompatible positions[2].

2.2. Defective Authorization Approval System

Company A still had a certain degree of loopholes in authorization approval control. These loopholes are mainly in the following aspects, one is casual approval, and the other is oral approval. From the first aspect, due to the small number of companies and the low level of organization, Company A's decision makers will jump out of their own approval authority in their daily routine operations through their own identities, giving them rights that were not originally theirs. Examination and approval of matters within their responsibilities makes the authorization control of the enterprise ineffective. The other is verbal approval. Company decision makers usually make decisions orally without approval in writing, so there will be mutual shirk and accountability in the subsequent accountability[3].

2.3. The Company Did Not Implement Effective Budget Control

According to the "Enterprise Internal Control Specifications" issued by the Ministry of Finance, budget control requires enterprises to implement a comprehensive budget management system and clarify the responsibility and authority of each responsible unit in budget management. However, except for a small number of small and medium asset management companies that currently carry out procurement budgets and fundraising budgets at the beginning of each fiscal year, they do not conduct other budget management. In company A, comprehensive budget management has not been established in the company, which cannot play the role of effectively preventing risks and optimizing the allocation of resources through budget management[4].

3. Suggestions for the Company's Internal Control System and System Construction

3.1. Strengthen Separation Control of Incompatible Posts

In view of the company's problems in the separation of incompatible positions, it can be solved from two aspects. One is in staffing and the other is in system management. In terms of staffing,

current small and medium asset management companies can separate several key positions by adding staff. For example, in these companies, decision-makers and executives are often completed by the same personnel, so it must be done by adding personnel and optimizing personnel management. In the non-business department, the company should allocate at least three financial personnel to the financial department to ensure that the financial department achieves separation and control of incompatible positions, so that accounting positions such as authorized approval, cashier, audit inspection, and accounting file storage are obtained. Separation control.

3.2. Improve the Authorization Approval System

The first is to continuously reduce the verbal authorization of temporary authorization. When authorizing, management and decision-making must surround it with written authorization, adopt a written and paperless office system, and let more authorization have related written documents. Even if it is a prior oral authorization, the content of the authorization must be determined after the event by written authorization and signed and confirmed by the relevant person in charge. At the same time face these acts of random approval. It should also try to take the form of written approval to facilitate superiors' instructions to avoid unclear responsibilities. At the same time, in the process of authorizing approval control, we must resolutely implement the "three major and one big" system, that is, for major decisions, major matters, appointment and removal of important personnel, and For large-value fund payment business, a collective decision-making approval or joint signing system shall be implemented in accordance with the prescribed authority and procedures. In this way, collective decisions can be made through meetings during the decision-making process, and at the same time, reports are made to the relevant leadership departments after the decision is made, avoiding one person to complete the entire decision and reducing the risk. It has a great effect on the company's improvement of the authorization approval system and the comprehensive establishment of an internal control system.

3.3. Gradually Improve the Budget System

When making budgetary arrangements for specific funding requirements, consideration can be given to the company's business volume, the scale of business funding requirements in a period, and the company's close business partners. When making the next stage of the budget, the enterprise can make an estimate based on the different asset management product categories of each business unit, the number of product businesses completed in the previous year, and the market development situation this year. In the estimation, considerations can be made based on factors such as the use of project funds this year, business development, and corporate development goals. At the same time, when making budget arrangements for next year, the finance department must fully grasp the amount of business this year through timely communication with partner companies and business departments. When making the budget plan, the company should consider the amount of business as much as possible, especially whether there may be a sharp decrease in the number of available-for-sale debt asset packages of partners in the future, or the acquisition of the other party's debt packages due to other factors such as income. These conditions will have a huge impact on next year's budget.

4. Conclusions

The improvement of internal control of small and medium asset management companies requires the adjustment, optimization and construction of internal control from the overall situation to avoid the imperfect internal control system of small and medium asset management companies to hinder

the development of the company. At the same time, in the construction of the internal control system and system of small and medium asset management companies, it is necessary to adhere to the actual situation of the company and the industry, effectively and effectively improve the current level of internal control of the weak links of the company, improve risk prevention capabilities and business development capabilities, and promote small and medium asset management companies longterm development.

Acknowledgements

This article was specially funded by Dalian University's 2019 Ph.D. Startup Fund (20182QL001) and 2019 Jinpu New District Science and Technology Project.

References

- [1] Bo Liu. (2019) *Investigation and analysis of the effectiveness and influencing factors of internal control in Chinese enterprise based on wireless network*, *EURASIP Journal on Wireless Communications and Networking*, 3, 1-7
- [2] Haijun Liu (2018) *A Novel Research on the Influence of Enterprise Culture on Internal Control in big Data and Internet of Things*, *Mobile Networks and Applications*, 6, 365-374.
- [3] Kaminska Tetiana H (2019) *Internal Control of Enterprise Capital Turnover under the Integration Processes*, *Biznes Inform*, 7, 271-276.
- [4] Lichun Wu, (2019) *A Study on Design of Enterprise Internal Control System*, *International Journal of Business and Management*, 3, 26-38.