Research Article

The Construction of Conceptual Framework of Enterprise Internal Control Evaluation Report

Yushu Kuang,1 Zongkeng Li,2,3 and Changliang Pan3

1School of Accounting, Guangdong University of Finance and Economics, Guangzhou 510320, China
2Department of Management, Sumy National Agrarian University, Ukraine
3Hezhou University, Hezhou 542899, China

Correspondence should be addressed to Zongkeng Li; lizongkeng06@hzxy.edu.cn

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In practice, although there is no doubt about the role of enterprise internal control, how to evaluate the effect of enterprise internal control and the auditability of internal control has always been a difficult problem that plagues the theoretical and practical circles. The problems existing in the construction and development of enterprise internal control, such as the information content problem in the enterprise internal control evaluation report, are largely due to the lack of the conceptual framework of enterprise internal control to guide the internal control theory of enterprises. Therefore, the establishment of a set of conceptual framework for the evaluation report of internal control of enterprises and a full understanding of its importance play an important role in solving the practical problems faced in the practice of internal control of enterprises and promoting the construction and development of internal control of enterprises. The construction of the conceptual framework of the internal control evaluation report of an enterprise should adopt the viewpoint of the essential starting point theory, learn from the experience in the construction of relevant conceptual frameworks, start from the concept of the conceptual framework, clarify the main users of the report and their common needs, and combine the functions of the internal control evaluation report. Then, determine the objectives of the internal control evaluation report. This paper proposes that the introduction of information quality characteristics, elements of internal control evaluation reports, and cost-benefit measurement concepts can achieve the preset goals of enterprise internal control evaluation reports.

1. Introduction

In order to reduce the information asymmetry in the capital market, ensure that relevant stakeholders have better access to the internal control information of listed companies, and strengthen the supervision of the internal control of listed companies; the Chinese government has successively promulgated corresponding laws and regulations to regulate the disclosure of internal control information. With the change of the internal control information disclosure of Chinese-listed companies from "voluntary disclosure" to "mandatory disclosure", the research focus of practical and theoretical circles has also shifted [1]. In the context of "voluntary disclosure", the disclosure of internal control information is highly selective. Under normal circumstances, listed companies with sound internal control are more inclined to disclose, while listed companies with imperfect internal control are more inclined to not disclose. Therefore, many scholars measure the quality of internal control information disclosure of listed companies through the signaling function of the disclosure behavior itself, which is based on whether to voluntarily disclose the internal control self-assessment report and the internal control audit report. In the context of "mandatory disclosure", the content of internal control information disclosure, especially the disclosure of internal control defect information, can truly measure the quality of internal control information disclosure.

However, in the process of implementing the "mandatory disclosure" system, the study found that listed companies issued unreadable internal control self-assessment reports in order to cope with inspections, selectively disclosed internal control defects, or evaded actual performance
when disclosing internal control defects. False, unclear words, inconsistent opinions between the self-assessment report, and the audit report. According to the statistics on the overall effectiveness of the internal control evaluation of Chinese-listed companies released by Dib Company for 13 years (2007-2019) (as shown in Table 1), we found that the annual internal control evaluation of listed companies was identified as the proportions of overall effective and nonoverall effective were 98.87% (average) and 1.13% (average), respectively. Taking into account the mandatory disclosure of corporate internal control requirements in 2012 alone, the proportions of listed companies’ annual internal control evaluations that were identified as overall effective and nonoverall effective were 98.28% (average) and 1.72% (average), respectively.

Statistics on the internal control audit data (as shown in Table 2) found that the standard opinions and nonstandard opinions in the internal control audit opinions of listed companies in 2013 accounted for an average of 97.26% and 2.74%, respectively. In the context of mandatory disclosure, standard opinions and nonstandard opinions account for an average of 95.94% and 4.06%, respectively. It can be seen that, after years of hard work, the internal control construction of Chinese-listed companies has achieved remarkable results, and has made positive contributions to improving operational efficiency and preventing various risks.

In recent years, there have been frequent cases of financial fraud in the capital market, such as Wanfu Biotechnology, Jinya Technology, Kangmei Pharmaceutical, and Kangdixin. What role can corporate internal control play in preventing, detecting, and correcting fraud and errors? Did it work? What is the benefit to the enterprise from the cost of investing in the construction, maintenance, and certification of internal control every year? Judging from the current disclosure of internal control, the internal control self-evaluation report of an enterprise is relatively random. What is the difference between this and "management discussion and analysis" (MD&A)? From the existing research, the research path of internal control is also very different from the research path of MD&A. So, can the future development and research of internal control learn from the research framework of financial reporting, starting with the conceptual framework of enterprise internal control evaluation report? Judging from the current laws and regulations, there is a certain discretionary control in the internal control evaluation report. Does this mean that the internal control evaluation report can be disclosed at will? The importance of internal control is self-evident, but the effect of internal control in actual work is sometimes unsatisfactory, and the disclosure of internal control evaluation reports is uniform, mere formality, and lacks substantive content. The auditability of enterprise internal control and its auditing standards have always been a difficult problem for practitioners and theoretical researchers. Since the "Basic Norms for Enterprise Internal Control" was released in 2008, the problems existing in the construction and development of enterprise internal control, to a large extent, are related to the lack of a conceptual framework similar to the conceptual framework of financial reporting to guide the theoretical research and development of corporate internal control. Related to practical activities, with the increasing complexity of economic development and the increase of risks, the development of enterprise internal control theory is relatively lagging behind, and it is difficult to meet the urgent needs of the development of internal control practice. We should establish the conceptual framework of enterprise internal control evaluation report and fully understand its importance, in order to deal with the practical problems faced in the practice of enterprise internal control, and promote the construction and development of enterprise internal control. To this end, we should start to study and solve major theoretical issues such as the concept, objectives, and elements of the enterprise internal control evaluation report, clarify the thinking, solve the problems existing in the development of the enterprise internal control practice, and continuously optimize the construction of the enterprise internal control system. This paper summarizes the importance of the establishment of the conceptual framework for the internal control evaluation report of enterprises, and proposes how to construct the conceptual framework of the internal control evaluation report of the enterprise, which provides a theoretical basis for the construction of the conceptual framework of the internal control evaluation report of the enterprise.

2. The Necessity and Function of the Conceptual Framework of the Internal Control Evaluation Report of Enterprises

The internal control evaluation report mainly declares to the public that there are no major defects or major defects in the internal control of the enterprise, so that the public can understand the current situation of the internal control of the enterprise. It is the responsibility of management to establish an effective internal control system. It can better meet the information needs of investors; in addition, it can promote the management authorities to pay more attention to the internal control of enterprises; secondly, it can reduce the occurrence of corporate fraud to a certain extent [2].

The necessity of studying the conceptual framework of enterprise internal control evaluation reports should be recognized from the following aspects: first, the internal control of Chinese enterprises has not yet formed a complete theoretical system, and it is necessary to establish a set of a theoretical system based on basic internal control concepts that can guide the construction of an enterprise's internal control. Second, many concepts of China’s current internal control obviously lag behind the needs of the economic and political environment, corporate governance and the development of internal control practices. Third, in the wave of economic globalization and integration, China cannot stay out of the way. It should integrate into the international community, and actively learn from relevant international advanced experience on the basis of fully considering China’s national conditions. Fourth, the conceptual framework of corporate internal control evaluation report can draw lessons from the experience and lessons of the
Table 1: Statistical results of the effectiveness of annual internal control evaluation of Chinese-listed companies from 2007 to 2019.

| Years       | 2007     | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | 2015     | 2016     | 2017     | 2018     | 2019     | Average | Average since 2012 |
|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|-------------------|
| Overall     | 100.00%  | 99.72%   | 99.77%   | 99.69%   | 99.82%   | 98.85%   | 98.57%   | 98.80%   | 98.95%   | 8.20%    | 96.62%   | 96.46%   | 98.87%   | 98.28%  |
| Nonoverall  | 0.00%    | 0.28%    | 0.23%    | 0.31%    | 0.16%    | 0.18%    | 1.15%    | 1.43%    | 1.20%    | 1.05%    | 1.80%    | 3.38%    | 3.54%    | 1.13%   | 1.72%             |
Table 2: Statistical results of annual internal control audit opinions of Chinese-listed companies from 2007 to 2019.

| Years | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Average | Average since 2012 |
|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|---------|-------------------|
| Standard opinion percentage | 99.68% | 98.67% | 99.19% | 99.86% | 99.48% | 98.36% | 96.96% | 95.92% | 95.64% | 95.61% | 96.06% | 94.29% | 94.69% | 97.26% | 95.94% |
| Nonstandard opinions percentage | 0.32% | 1.33% | 0.81% | 0.14% | 0.52% | 1.64% | 3.04% | 4.08% | 4.36% | 4.39% | 3.94% | 5.71% | 5.31% | 2.74% | 4.06% |
construction of corporate financial reporting conceptual framework [2].

The research on the conceptual framework of enterprise internal control evaluation reports plays an important role in at least the following six aspects: (1) to provide guidelines for the formulation and evaluation of internal control rules, to ensure consistency, flexibility, and systematization, and to promote the development of internal control practices; (2) improve the information content of the internal control evaluation report, and provide useful internal control information for investors, lenders, and other stakeholders; (3) clarify the elements and content of the internal control report, improve the seriousness of the internal control report, and avoid the internal control report. It can improve the standardization of the internal control report; (4) it can help the users of the internal control evaluation report to better understand the purpose, content, and nature of the information provided in the internal control evaluation report, and improve the readability of the internal control report; (5) help internal control auditors form opinions on whether the internal control self-assessment report conforms to internal control norms, and improve the audit quality of financial reports; and (6) promote the development of internal control theory itself.

3. International Experience for Reference: The Development and Transformation of the Conceptual Framework for Financial Reporting

To construct the conceptual framework of enterprise internal control evaluation report, the first experience that can be thought of is the conceptual framework of financial reporting. The construction of financial reporting conceptual framework is one of the important accounting theoretical issues that have been discussed for a long time in domestic and foreign accounting circles. It is generally believed that a good financial reporting conceptual framework is the basis for the success of principle-oriented accounting standards. We can draw some useful inspirations from the construction of the conceptual framework of financial reporting.

3.1. Experience from the Private Sector. The Financial Accounting Standards Board (FASB) develops private sector accounting practices. The FASB began to formulate and publish the Statements of Financial Accounting Concepts (SFAC) in 1978. It studied the conceptual framework of financial reporting earlier and defined it as a charter, a set of objectives and basic principles. A system with internal logical relationships guides consistent accounting standards and identifies the nature, role, and limitations of financial accounting and financial reporting. The FASB believes that the conceptual framework for financial reporting is important because it has the following four functions: (1) it provides guidance for the formulation and evaluation of accounting standards, ensuring consistency, and systematization. (2) In the absence of authoritative documents, provide a reference basis for analyzing new or emerging financial accounting and reporting issues. (3) Provide theoretical basis for accounting personnel to make professional judgments when compiling financial information. (4) Promote the consistency of accounting standards and the rationality of accounting practices, improve the comparability of statements, promote users’ understanding of financial statements, and enhance users’ confidence.

The International Accounting Standards Board (IASB) is also an important promoter of the conceptual framework for financial reporting [3]. The IASB issued the "Framework for Preparing Financial Statements" as early as 1989. Later, in 2004, it decided to jointly revise the conceptual framework of financial reporting with the FASB, and in September 2010 jointly issued Chapter 1 of the Financial Reporting Framework “General Purpose Finance”. The Objectives of the Report and Chapter 3 "Quality Characteristics of Useful Financial Information" replaced the corresponding content in the 1989 version of the conceptual framework, while other parts of the content were directly transferred into the 2010 version of the conceptual framework. In March 2018, it independently released a new conceptual framework for financial reporting (Conceptual Framework for Financial Reporting), measurement, presentation and disclosure, capital and capital preservation, and other basic concepts. The IASB also pointed out seven roles in its conceptual framework, including helping the IASB Board to formulate and review international accounting standards, coordinating regulations, standards and procedures related to the preparation of financial statements, and helping countries formulate their own accounting standards. Standards, which help preparers of financial statements to apply international accounting standards, help auditors to form opinions on whether financial statements comply with international accounting standards, and help users understand financial information, etc.

After comprehensively comparing the history of the development of conceptual framework projects in various countries and the role of conceptual frameworks in the development of these countries’ accounting standards systems, Chinese scholars have concluded four major roles: (1) it can maintain the consistency of accounting standards-related documents and internal logic; reduce the inconsistency or conflict between different standards, limit the multiple processing methods and procedures of the same transaction in practice, and improve the standardization of accounting standards. (2) It can help users of accounting information to better understand the purpose, content, and nature of the information provided in financial reports, so as to make appropriate analysis and judgment and correct business decisions. (3) It can provide direction for the formulation of accounting standards and the solution of major accounting problems, and it can also reduce personal bias in the process of standard formulation and resist political pressure from different interest groups. (4) Conducive to the development of accounting theory and the renewal of concepts. The conceptual framework not only fully affirms the reasonable parts of the traditional framework theory that can continue to be applied but also strives to reflect the
corresponding accounting theory or basic concepts under the changing social and economic environment [4–7].

3.2. Experience from the Public Sector. In view of the trend of gradual convergence between the conceptual framework of government financial reporting and the conceptual framework of corporate financial reporting, we believe that the construction of a conceptual framework for corporate internal control evaluation reports should not only fully consider the experience of constructing a conceptual framework for corporate financial reporting but also actively learn from public sector financial reporting experience in conceptual framework building.

In the United States, public sector accounting standards are set by the Government Accounting Standards Board (GASB) and the Federal Accounting Standards Advisory Board (FASAB). GASB has issued four concept announcements, namely, “Objectives For Preparing Financial Reporting”, “Service Efforts And Achievements Report”, “Communication Methods For Common Reporting”, “Elements Of Financial Reporting”, and the basic concepts involved include financial reporting objectives and its information quality characteristics, performance reporting objectives, elements, information quality characteristics, disclosure of supplementary information, and financial reporting elements. FASAB’s Concept Bulletin “Objectives of Federal Government Financial Reporting”, “Subject and Presentation”, “Management Discussion and Analysis”, “Program Objectives and Quality Characteristics of U.S. Government Consolidated Financial Reporting”, “Definition of Accrual-Based Financial Statements” and “Confirmation” also involves basic concepts such as the objectives of financial reporting, the quality characteristics of financial reporting information, the measurement of costs and benefits, the main body of financial reporting, accounting elements and their confirmation measurement, management discussion and analysis, etc. The concept of operational performance reporting was put forward.

The basic concepts proposed by the International Public Sector Accounting Standards Board (IPSASB), Conceptual Framework for Public Sector Accounting Project launched in 2006 include the objectives of financial reporting, the scope of financial reporting, the information quality characteristics of general financial reporting, reporting entities, and financial statement elements. Definition and recognition are an effective measurement basis for identifying elements in financial statements, and the conceptual basis that underpins cash-based financial reporting.

4. The Logic of Constructing the Conceptual Framework of the Enterprise Internal Control Evaluation Report

What kind of logic to follow to construct the conceptual framework of enterprise internal control evaluation report is a key issue we face. In a general sense, the conceptual framework of any discipline should be composed of the most basic concepts and theoretical elements, which form a coherent and closely related framework system according to the internal logic to clearly define the discipline’s tasks, research objects, and its nature and function play an important guiding role in practical activities.

When constructing a conceptual framework, where to start, or what starting point to choose is crucial. It determines the development of basic concepts or theoretical elements, and also affects the scientificity and practicability of the conceptual framework. Judging from the research results in the field of accounting, the induction of the starting point concept mainly includes the goal starting point theory, the environmental starting point theory, the essential starting point theory, and the hypothetical starting point theory. For example, in reviewing the development and transformation process of the conceptual framework of financial reporting, we noticed that the goal starting point theory was generally adopted in the construction of the conceptual framework in the past; that is, the conceptual framework was deduced from the goal as the starting point. To provide information useful for decision-making; to be useful, information should meet specific quality requirements and future-proof, and the impact of transactions and other events on elements should be identified as promptly and fully as possible, and measured at current value in financial reporting as far as possible. These research results have merits, but we believe that in a general sense, it is unlikely to have the so-called “target” positioning before we “qualify” a thing. In other words, goal positioning is unlikely to appear before the characterization of things, or in other words, goal positioning should be after the characterization of things, otherwise it is water without a source, a tree without roots, and the second monk cannot figure it out. Therefore, as far as the construction of the conceptual framework of the enterprise internal control evaluation report is concerned, before determining the goal of the enterprise internal control evaluation report, the nature and function of the enterprise internal control evaluation report must be clarified. Therefore, we start from the connotation and essence of the enterprise internal control evaluation report to construct the conceptual framework of the enterprise internal control evaluation report: that is, adopt the point of view of the essential starting point.

The conceptual framework of the enterprise internal control evaluation report can be shown in Figure 1. Starting from the concept of the enterprise internal control evaluation report, the function of the enterprise internal control evaluation report can be positioned, that is, what the enterprise internal control evaluation report can do. In constructing the conceptual framework of the enterprise internal control evaluation report, it is necessary to clarify the main users of the report, that is, who the internal control evaluation report is mainly intended for, and to further clarify the main users’ common main needs for the enterprise’s internal control information. The common information needs of the main users put forward the goal of the internal control evaluation report from the perspective of demand, while the function of the internal control evaluation report is to clarify what the internal control evaluation report can and cannot do from the perspective of supply. Combining demand and supply is the realistic goal of the internal
5. Contents of the Conceptual Framework of Enterprise Internal Control Evaluation Report

We know that the conceptual framework of corporate financial reporting includes a series of basic concepts. Then, what basic concepts should be included in the conceptual framework of an enterprise internal control evaluation report? As with the financial reporting conceptual framework, this is a matter of opinion. We follow the experience and logic of constructing the conceptual framework. In general, we believe that the conceptual framework of the enterprise internal control evaluation report should include the following basic concepts: the concept of the conceptual framework, the main users of the general-purpose internal control evaluation report, and the main user’s impact on the internal control of the enterprise. Common main requirements for information, functions, objectives, information quality characteristics, elements of internal control evaluation reports, and cost and benefit measurement of the general-purpose internal control evaluation report.

5.1. The Concept of the Conceptual Framework of the Enterprise Internal Control Evaluation Report

Drawing on the research results of the conceptual framework of financial reporting, we try to summarize the concept and important role of the conceptual framework of the internal control evaluation report of the enterprise. The conceptual framework of enterprise internal control evaluation report is composed of a series of basic concepts that describe and apply to enterprise internal control, and is guided by the goal of enterprise internal control evaluation report. The theoretical system with the content of reports, etc., is used to guide the consistent internal control rules, and to point out the nature, function, and limitations of internal control, which is the theoretical basis for evaluating the existing internal control system and guiding and developing the future internal control system. In essence, the conceptual framework of an enterprise internal control evaluation report is also a system of charters, a set of objectives and basic principles that are related to each other and have an inherent logical relationship.

5.2. Main Users of the General-Purpose Internal Control Evaluation Report

Internal control evaluation reports provided externally are for general purposes. This is because, no matter how the conceptual framework is built and modified, the complexity of the actual situation must be taken into account. For example, different types of users have different information needs, the same type of users have different needs in different institutional contexts, and so on. Another example is that the internal control of a modern enterprise involves all aspects of the enterprise and has many stakeholders. For these reasons, an internal control assessment report is not required to please everyone. As the saying goes: “It’s hard to tell everyone.” In fact, it is impossible to have such a perfect set of reports. Not only the internal control evaluation report but any report including financial report has its limitations. Therefore, to construct the conceptual framework of an enterprise internal control evaluation report, the main users of the report must first be identified; that is, the internal control evaluation report is mainly for certain people, as long as these people feel satisfied.

From the perspective of demand, the reason why people pay attention to the internal control evaluation report of the enterprise is that the internal control evaluation report should reflect some relevant information of the enterprise that they need to know, and their own interests are closely related to the internal control evaluation report of the enterprise from the supply side. See, corporate internal control information can only be reflected through corporate internal control evaluation reports, and subject to legal constraints, listed companies must provide external internal control evaluation reports.

Since the objective of financial reporting is one of the five objectives of an enterprise’s internal control, the users of the financial report are the main users of the evaluation report of
5.3. Major Users

The company’s board of directors (audit committee), managers at all levels, and relevant regulatory agencies (industry regulators, China Securities Regulatory Commission, etc.), whose interests are more closely linked to the company, may need more and more targeted internal control information from the company. So, are they the main users? It should be admitted that these three types of users do have a demand for enterprise internal control information, and their decisions based on internal control information will have a greater impact on the enterprise. However, compared with other stakeholders, they have more power and convenience to ask enterprises for internal control information, and thus are more able to obtain additional financial information. Therefore, it is not necessary for enterprises to provide general-purpose internal control evaluation reports specifically for the needs of these three types of people. In addition, some regulatory agencies may choose the information disclosed in the internal control evaluation report for the realization of certain regulatory objectives, which will lead to the aforementioned general-purpose internal control evaluation report users unable to obtain the information they need. In short, the board of directors (audit committee), managers at all levels, and relevant regulatory agencies (industry regulatory agencies, China Securities Regulatory Commission, etc.) do not constitute the main users of the general-purpose internal control evaluation report (it should be noted that the information disclosed in the general-purpose internal control evaluation report can also be used by these three types of users.).

5.4. Functions of the General Purpose Internal Control Evaluation Report. What the enterprise provides is only the internal control evaluation report of the enterprise, and it is impossible to cover everything. Considering the limitations of the enterprise internal control evaluation report, it can be analyzed from two aspects of what the enterprise internal control evaluation report can do and what it cannot do.

(i) What can be done by the enterprise internal control evaluation report? The internal control evaluation report of the enterprise can only provide information on the internal control evaluation of the enterprise, which mainly includes the statement of the board of directors on the authenticity of the internal control report, the overall situation of the internal control evaluation work, the basis, scope, procedures and methods of the internal control evaluation, internal control deficiencies and their identification, rectification of internal control deficiencies, proposed rectification measures for major deficiencies, and conclusions on the effectiveness of internal control

(ii) What the enterprise internal control evaluation report cannot do? The internal control self-assessment report cannot replace the internal control audit report. The former belongs to internal supervision and process supervision, while the latter belongs to external supervision and result supervision. The two complement each other and are indispensable. Internal control evaluation is the self-evaluation of the company’s board of directors on the effectiveness of the company’s internal control, which is subject to a certain degree of subjectivity. Therefore, the internal control evaluation report formed on this basis can only be used as a way for relevant parties to understand the design and operation of the company’s internal control. One, when using the internal control evaluation report, it should also be used in conjunction with the audit report of the internal control certified public accountant, internal control supervision information, financial report information, and other related information, so as to achieve the effect of comprehensive analysis, comprehensive judgment, and mutual verification

5.5. Objectives of the General Purpose Internal Control Evaluation Report. The reason why the main users read the internal control evaluation report is because they hope that the information provided by the report can meet their needs for internal control information; that is, the main users need to understand the level of corporate governance, management standardization, and the ability to resist various risks. Better to serve them in making investment and related decisions. After reading the report, the main users will get some information, their thoughts on certain things are likely to be different from before reading the report, and then they may
make different decisions than before. That is where the value of reports comes in because they provide incremental information. Therefore, the goal of the general-purpose internal control evaluation report is to meet the aforementioned needs of the main users. Otherwise, the main user will not be able to obtain the internal control information he needs by reading the report. In other words, it is the same whether reading the report or not, so there is no need to spend so much time and manpower to compile a set of useless reports.

5.6. Characteristics of Information Quality. The enterprise internal control evaluation report is the carrier of internal control information, and users care about the information, not the carrier itself. Therefore, what characteristics do these information need to have in order to achieve the preset goal; that is, to help the main users make investment decisions and related decisions. In fact, from the perspective of the development of the conceptual framework of financial reporting, changes in financial reporting objectives will inevitably bring about changes in the quality requirements of accounting information. Many scholars believe that it is very difficult to formulate optimal mandatory disclosure standards [1, 12], but once the information is disclosed, it must meet the required quality standards (Wu [13]). Combined with the characteristics of the enterprise’s internal control system, we believe that the characteristics of the information quality of the enterprise’s internal control evaluation report include at least the following aspects: comprehensiveness, importance, and objectivity.

(i) Comprehensiveness. The requirement of comprehensive control necessarily requires that the scope of the internal control evaluation of the enterprise should be sufficiently broad, including the design and operation of internal control, covering various businesses and matters of the enterprise, and its affiliated units, including every level and link

(ii) Importance. Enterprise internal control evaluation should be based on comprehensiveness, oriented to strategy and performance, focusing on risks, and highlighting key points. Specifically, one is to adhere to a risk-oriented approach, focusing on those high-risk areas, and risk points that affect the realization of internal control objectives; the other is to adhere to a focused approach, focusing on important business matters and key control links, and key business units

(iii) Objectivity. The enterprise internal control evaluation report shall accurately reveal the risk status of operation and management, and truthfully reflect the effectiveness of internal control design and operation

5.7. Elements of Internal Control Evaluation Report. The elements of an enterprise internal control evaluation report refer to the content that constitutes the internal control evaluation report. In general, information quality characteristics, reporting elements, etc. are all centered on objectives and are related to each other. Together, they constitute the conceptual framework of the enterprise internal control evaluation report, and together serve to achieve the goal. Article 22 of “Guidelines for Internal Control Evaluation of Enterprises” stipulates the elements of external evaluation reports, including as follows: (1) statement of the board of directors on the authenticity of the internal control report; (2) general situation of internal control evaluation; (3) internal control evaluation; (4) scope of internal control evaluation; (5) procedures and methods of internal control evaluation; (6) internal control deficiencies and their identification; (7) the rectification of internal control deficiencies and the rectification measures to be taken for major deficiencies; and (8) Conclusions on the effectiveness of internal control.

5.8. Measurement of Costs and Benefits. Everything has costs and benefits, and the acquisition and utilization of internal control information is no exception. Costs generally limit access and use of information. Access to information must have costs, and the benefits of using information must justify the associated costs. Things where the costs outweigh the benefits make us unprofitable, so this is generally avoided. The same is true in the process of obtaining, processing, and organizing the internal control information of the enterprise.

From a cost perspective, most of the effort associated with collecting, processing, validating, and disseminating internal control information is made by the provider of the internal control evaluation report (the preparer of the enterprise’s internal control evaluation report). Users of internal control information will also incur expenses and costs when analyzing and understanding the information provided. If the required information is not provided, they may obtain it from other sources, or make estimates, all of which incur additional costs.

From a benefit perspective, reporting useful information can help users make decisions with more confidence. At the macrolevel, this will facilitate the functioning of capital markets more efficiently, which in turn will make the cost of capital lower for the entire socioeconomy. At the microlevel, key users can also benefit from making more informed decisions. Of course, because of the different preferences of key users and different decision-making patterns, general-purpose financial reporting cannot provide all the information that each of them finds relevant [14–16].

We look further at the cost-benefit issue from a standard-setting perspective. Given the cost constraints, standard-setters need to assess the benefits of reporting specific information to see if it is possible to justify the costs of providing and using the information. Of course, since each stakeholder evaluates the costs and benefits of specific items of reporting financial information differently, standard-setting bodies can only consider the costs and benefits of internal control evaluation reports in general, not just the costs and benefits associated with individual stakeholders' related costs and benefits.

It should be emphasized that it should be noted that for the acquisition, processing, and utilization of information,
cost is a limiting condition, a feature of the process of providing and utilizing information, not a quality feature of the information itself [17].

6. How to Construct the Conceptual Framework of Enterprise Internal Control Evaluation Report

Constructing the conceptual framework of enterprise internal control evaluation report is the need of enterprise internal control theory construction. We must not only recognize its importance but also fully recognize its urgency. We believe that the construction of the conceptual framework of an enterprise internal control evaluation report should follow the following principles:

(1) For enterprise management, improve the theoretical research on internal control. The internal control of an enterprise is essentially a management activity of the enterprise, involving many aspects. In this regard, unlike the conceptual framework of financial reporting which focuses on accounting activities, the construction of the conceptual framework of the internal control evaluation report of an enterprise should be based on a broader perspective of enterprise management. The construction of the conceptual framework of enterprise internal control evaluation report should be regarded as an important part of the construction of enterprise internal control theory and enterprise internal control system, so as to strengthen its role in relevant management.

(2) Fully consider China’s national conditions and actively learn from international experience. Internal control is closely related to politics, economy, culture, technology, etc., and is the most specific internal control connotation of each country. Therefore, the construction of the conceptual framework of the enterprise internal control evaluation report must fully consider the specific environment of China’s internal control. It is necessary to highlight the characteristics of the conceptual framework of the internal control evaluation report of Chinese enterprises, and also strive to reflect the development law of internal control. For example, the impact of China’s long-established culture on the internal control environment. At the same time, we must actively learn from the experience in the construction of relevant conceptual frameworks at home and abroad, but we must also proceed from China’s actual national conditions. Learning from the useful experience of foreign countries is not simply to introduce the practice of a developed country or an international organization and recommend introducing it into China but to see whether the foreign laws, national conditions and practices match those of China.

(3) Scientific planning, continuous improvement, and due consideration of forward looking. The construction of the conceptual framework of the enterprise internal control evaluation report may be a relatively long-term project, which requires unremitting efforts to study and continuously improve, and cannot be accomplished overnight. Based on the needs of economic development and the actual situation of the enterprise, strive for theoretical breakthroughs and innovations, and take practical and effective measures to carry out research and implementation step by step, and finally realize the complete construction of the conceptual framework of the entire enterprise internal control evaluation report.

(4) Handle the relationship between the conceptual framework of the enterprise internal control evaluation report and the basic norms of enterprise internal control and its supporting guidelines. Judging from the current basic norms of enterprise internal control in China and its supporting guidelines, the conceptual framework of the enterprise internal control evaluation report belongs to the top-level design, and neither in terms of content nor requirements can replace the basic norms of enterprise internal control and its supporting guidelines. Moreover, the conceptual framework of the enterprise internal control evaluation report is out of sync with the revision of the basic norms of enterprise internal control and its supporting guidelines, and changes in the latter will not automatically change the former.

In short, the construction of the conceptual framework of the enterprise internal control evaluation report can adopt the perspective of the basic starting point theory, learn from the experience of the construction of the relevant conceptual framework, start from the concept of the conceptual framework, clarify the main users of the report and their common needs, and combine the functions of the internal control evaluation report. The objectives of the internal control evaluation report are then determined. The introduction of information quality characteristics, internal control evaluation report elements, and cost-benefit measurement concepts can achieve the preset goals of enterprise internal control evaluation reports. Internal control evaluation report helps enterprises to find and overcome internal control deficiencies in order to better achieve the goals of the enterprise. With the improvement of the conceptual framework of the enterprise internal control evaluation report, the future internal control evaluation will be able to maintain the stability of the enterprise to a greater extent and contribute to the internal operation of the enterprise.

Data Availability

The experimental data used to support the findings of this study are available from the corresponding author upon request.
Conflicts of Interest

The authors declared that they have no conflicts of interest regarding this work.

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