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**A STUDY ON INTERNAL CONTROL OF FIRMS IN THAI
NGUYEN, VIETNAM**

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Abstract

The purpose of the study was to investigate the state of internal control among small and medium enterprises (SMEs) in Thai Nguyen, Vietnam. A sample of 336 SMEs in Thai Nguyen was gathered using structured questionnaires. Data was analyzed using descriptive statistics. In the study, internal control was reflected by five interrelated elements including control environment, risk assessment, control activities, information and communication and monitoring. The study results indicated that the overall internal control of SMEs in Thai Nguyen, Vietnam was rated at an average level. Among the five components of internal control, control activities component had the highest score by the participated respondents. The lowest scored component of internal control was monitoring. The findings of the study suggest that internal control is a significant area that should be strengthened by SMEs in Thai Nguyen. The study made a contribution to the academic research activities regarding to the current situation of internal control of SMEs in Thai Nguyen, Vietnam.

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1. Introduction

The internal control includes policies, procedures, methods and processes established by an organization's Board of Directors and Management for the purpose of providing reasonable assurance regarding the achievement of objectives relating to effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations and protecting of assets against unauthorized acquisition, use or disposition. Internal control system is not only crucial to maintaining the accounting and financial records of an organization but also crucial to managing the whole entity. After the occurrence of a series of international corporate failures and scandals, internal control is increasingly an important and interested business issue.

In Vietnam, business scandals regarding to two very big state-owned corporations namely Vinashin and Vinalines happened recently due to ineffective internal control. In fact, the case of the nation's biggest shipbuilder, Vietnam National Shipbuilding Industry Group (Vinashin), is the first graft scandal involving huge inefficient investments in a range of fields, resulting in a huge loss of nearly \$40 million. In 2010, Vinashin owed nearly \$4.5 billion worth of debt, a number equivalent to almost 5% of GDP. The next worst corporate scandal is the case of the state economic giant, Vietnam National Shipping Lines (Vinalines). This case is as severe as that of Vinashin. In fact, due to Vinalines' investment irregularities, the shipbuilder racked up losses of around \$81 million, in 2009-2010. The government revealed that debt at Vinalines was \$ 2.1 billion at the end of 2011, more than four times its equity of. Both Vinalines and Vinashin got involved in non-core business fields, executed ill-conceived investment plans, purchased old vessels and equipment and caused huge debts. However the two conglomerates had not been brought to light until Government inspectors stepped in. The Saigon Times indicated that "Ministries represent the Government to supervise state-owned enterprises (SOE) but most of the officials responsible for the supervision role have little or no experience in business administration. They mostly rely on the reports the firms send them and in some cases, they sit on the boards of SOEs but they have never detected problems. The Vinashin case is proof that SOEs could give wrong reports while government officials on SOEs' boards fail to fulfill their responsibilities". The reason for serious law violations of these two state corporations is the failure of internal control systems.

Statistics show that at the beginning of 2016, there are about 535,500 small and medium enterprises (SMEs) in Vietnam. This group of enterprise contributes approximately 45% of GDP, 31% of the total budget revenue and about 35% of the investment capital of the business community, attracting more than 5 million jobs. But SMEs are still lack of capital, government support, management knowledge and experience.

In Thai Nguyen, Department of Planning and Investment reported that "in recent years, many small and medium enterprises have been continuously rising, expanding in both size and scope of activities, increasingly confirmed the important role for economic development - local society". In 2011, 157 members of the provincial small and medium enterprises that grossed nearly \$24 million, up to \$7.2 million over 2010 and paid the state budget nearly \$19.23 million, accounting for around 12% of total provincial revenue.

However, at present, the small and medium enterprises are most affected by inflation, rising interest rates,

output shrinking, while the management knowledge and experience is limited. The study, therefore, aims to investigate the current situation of internal control of SMEs in Thai Nguyen, Vietnam

2. Problem Statement

2.1. Internal control definition

There are various definitions of internal control given by different organizations as follows.

The most popular and acknowledged definition of internal control presented by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is that internal control is a process, affected by an entity's board of directors, management and other personnel, designed to provide "reasonable assurance" regarding the achievement of objectives relating to operations, reporting and compliance.

The Institute of Internal Auditors defines internal control as a process within an organization designed to provide reasonable assurance regarding the following primary corporate objectives: (i) the reliability and integrity of information, (ii) compliance with policies, plans, procedures, laws and regulations, (iii) the safeguarding of assets, (iv) the economical and efficient use of resources and (v) the accomplishment of established objectives and goals of operations or programs.

A definition of internal control from The Auditing Practices Board (APB) is the internal control system - includes all the policies and procedures (internal records) adopted by the directors and management of an entity to succeed in their objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to internal policies, the safeguarding of assets of the business, the prevention and detection of fraud and error, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of financial information.

According to the International Federation of Accountants (IFAC), internal control is defined as an integral part of an organization's system of governance and ability to manage risk, which is understood, affected, and actively monitored by the governing body, management, and other personnel to take advantage of the opportunities and to counter the threats to achieving the organization's objectives.

The Institute of Chartered Accountants in England and Wales (ICAEW) defines internal control as the whole system of controls, financial or otherwise, established by management in order to carry on the business of an enterprise on an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible, the completeness and accuracy of the records.

As defined in the Vietnamese Standard on Auditing (VSA) No. 400, internal control system means all the policies and procedures designed and adopted by an entity to assist compliance with the provisions of law and relevant regulations for prevention and detection of fraud and error, preparation of financial statements that give a true and fair view, and effective safeguarding, management and use of its assets.

In summary, the key concepts of internal control should be emphasized as follows. Firstly, internal control is a process. It is a means the organization does on an ongoing basis to an end. In addition, internal control is affected by people at every level of an organization, especially, the management who are responsible for the establishment of an adequate and efficient internal control system. Moreover, internal control is expected to provide only reasonable assurance to an entity's management and board of directors. Finally, internal controls are directly linked to the entity's objectives.

2.2. Components of internal control

As presented in the updated internal control-integrated framework issued by COSO, internal control comprises of five integrated components including control environment, risk assessment, control activities, information and communication and monitoring.

2.2.1. Control environment.

The control environment component of internal control sets the tone of the entity, pointing to the responsibility of directors and management at all levels of the entity in establishing a sound control environment throughout the whole entity. This component of internal control affects and inspires the ethical behaviour and contributes to a favourable culture of integrity and responsibility. Effectively controlled entities set a positive “tone at the top” and established appropriate policies and procedures. Control environment is the foundation for all other components of internal control to provide discipline and structure.

2.2.2. Risk assessment.

Management assesses risks as part of designing and operating the internal control system to minimize errors and irregularities. Management should put in place a set of procedures to identify, analyze and manage risks. Identifying a risk that is likely to affect an entity is the crucial first step to reducing or managing risks. Once risks are identified, management should assess the likelihood of their occurrence and the severity of any negative effects that may be experienced as a basis for determining how the risks should be managed

2.2.3. Control activities.

Control activities are policies and procedures that management has established to support the achievement of the entity’s objectives for operation, financial reporting or compliance. Management must decide how to respond to identified risk conditions. Management must first assess whether controlling a risk has a net benefit to the entity. If it is likely cost effective to reduce a risk, control activities are deployed to reduce the risk in question.

2.2.4. Information and communication.

The presence of effective information and communication system is a key component of a strong internal control structure. Internal control system can rarely be effective unless an entity has adequate information for managing potential risks on a timely basis. The information and communication component of internal control means that important, relevant, accurate and timely information is identified, obtained and made available to proper persons in the entity. Well-functioning information and communication systems generate better decision making by managers, more engaged employees and fewer problems. Effective communication and information system also helps the entity comply with laws and regulations. Information must flow throughout the organization if internal control is effective. In a high functioning system of internal control, relevant, accurate and timely information relating to every other component of internal control of the COSO framework is communicated up, down and across an entity.

2.2.5. Monitoring.

The fifth component of internal control is monitoring. It is the process that deals with assessment of the effectiveness of internal control. Monitoring activities are designed to provide information to management about whether internal control are operating as intended and if internal control are modified as appropriate for changes in conditions. Monitoring activities can be performed on an ongoing basis or on periodic evaluations of performance over a period of time.

2.3 Benefits of internal control

On the basis of previous studies, it is identified the following major benefits that may arise for an entity from an effective and efficient system of internal control:

- Assurance that accurate and reliable accounting records are produced
- Assurance that the entity's assets are safeguarded
- Assurance that irregularities and fraud are prevented or detected on a timely basis
- Assurance that operational efficiency is maintained
- Assurance that adherence to management policies is encouraged

2.4 Review of related studies

There are a few studies on internal control conducted in emerging and transitional economies, particularly in Vietnam. In fact, Douglas *et. al.* (2014), Ndifon and Patrick (2014), Joseph *et. al.* (2012) are previous studies on internal control in Kenya, Nigeria, Ghana, respectively. Douglas, *et. al.* (2014) presented that "there seem to be very little literature on internal control for SMEs". There are also very few studies on internal control of enterprises, especially SMEs in Vietnam. As pointed out by Ha (2015), previous researches on enterprises' internal control in Vietnam were mainly focused on internal control of conglomerates and corporations. In addition to Ha (2015), Anh and Ha (2017) indicated that there was no published study on internal control of enterprises in Vietnam. These issues provides further motivation for the researchers to conduct this study on internal control of enterprises in Vietnam in general and enterprises in Thai Nguyen in particularly in order to contribute to better understanding of the state of internal control in the context of a developing country. The purpose of this research is to explore the current state of internal control of enterprises operating in Vietnamese emerging market economy..

3. Research Questions

In this research it was determined how the current situation of internal control among SMEs in Thai Nguyen Vietnam is. Internal control consisted of five elements including control environment, risk assessment, control activities, information and communication and monitoring.

4. Purpose of the Study

The study aimed to assess the state of internal control of SMEs in Thai Nguyen Province. On the basis of the research problems discussed previously, the specific research objective of the study is to explore the current state of internal control of SMEs in Thai Nguyen measured in terms of

- (i) control environment;
- (ii) risk assessment;
- (iii) control activities;
- (iv) information and communication;
- (v) and monitoring..

5. Research Methods

5.1. Research Design

The research is basically a quantitative research as it deals with the measurements of the state of the internal control of the SMEs in Thai Nguyen, Vietnam. Internal control was quantitatively measured in terms of control environment, risk assessment, control activities, information and communication, and monitoring. The research design is a descriptive. The descriptive design is applied for determining the current state of internal control of SMEs in Thai Nguyen.

5.2. Sampling Technique

The research study employed non random sampling technique or convenient sampling method to collect the target data since information on internal control systems of enterprises is secret and sensitive and therefore the target respondents hesitate to disclose such secret and sensitive information.

Instrument

The study employed survey questionnaire as research instrument to collect the necessary data. The survey questionnaire used in the study is a modified structured questionnaire mainly based on the COSO framework.

The first part of the questionnaire consists of profile of the participated respondents regarding to enterprises' industry, enterprises' size, year of operations, and ownership form. The second part covers the respondents' internal control in terms of control environment, risk assessment, information and communication, control activities and monitoring

Statistical treatment

For measuring the variables, the five point Likert scale was used. The following table presents the descriptive interpretation for the five point Likert scale from 1 to 5 point.

Scale	Descriptive Interpretation
5	Strongly agree
4	Agree
3	Neutral
2	Disagree
1	Strongly disagree

Figure 01. Likert Scale

The study utilized statistical treatment method to analyze data, in which:

Some qualitative and quantitative criteria such as: type of the industry, size of enterprises in term of number of employees, year of operations, form of ownership which will be processed through frequency or distributed percentage.

6. Findings

Verbal interpretation of the scale used to measure the perception of respondents on internal control of enterprises in Thai Nguyen in the research is described in the following table

Table 01. Interpretation of Ratings and Weighted Mean

Scale	Range Interval	Verbal Interpretation (VI)
5	4.20 - 5.00	Strongly agree (SA)
4	3.40 – 4.19	Agree (A)
3	2.60 – 3.39	Neutral (N)
2	1.80 – 2.59	Disagree (D)
1	1.00 – 1.79	Strongly disagree (SD)

The following part analyzed the perception of participated respondents on control environment of enterprises Thai Nguyen.

6.1. Control environment

Control environment includes integrity and ethical values, commitment to competence, management philosophy and operating style, organizational structure, assignment of authority and responsibility, and human resources policy and practices

Assessment of respondents of control environment is presented in the following table 02

Table 02. Respondents’ assessment of control environment

Item	Weighted Mean	Verbal Interpretation
Integrity and Ethical Values		
The company has appropriate entity policies regarding such matter as acceptable business practices, conflicts of interest, and codes of conduct have been established and they adequately communicated.	3.29	N
Management demonstrate the appropriate “tone at the top”, including explicit moral guidance about what is right and wrong and this is communicated in both words and deeds	3.28	N
Management dealings with employees, suppliers, citizens, bondholders, shareholders, and auditors are based on honesty and fairness	3.22	N
Management takes appropriate action in response to violations of the code of conduct	3.70	A

Commitment to competence		
Employee job description, including specific duties, reporting responsibilities, and constraints are clearly established and effectively communicated to employees	3.29	N
Management determines the level of knowledge and skills needed to perform a particular job and this information is used in the hiring process	3.46	A
The company adequately compensates employees in order to attract qualified individuals	3.42	A
Employee performance evaluation techniques are implemented to identify incompetent or ineffective employees	3.36	N
Management Philosophy and Operating Style		
Management and operating decisions are not dominated by a few individuals	3.10	N
Management analyses the risks and potential benefits of a venture before making a decision	3.34	N
Management has mechanism to anticipate, identify and react to events or activities that affect achieving company objectives	3.35	N
Organizational Structure		
The organization of the company is clearly defined in terms of lines of authority and responsibility	3.41	A
There is adequate supervision and monitoring of decentralized operations	3.18	N
The organization structure appropriate for the size and complexity of the entity	3.40	A
Assignment of Authority and Responsibility		
There is clear assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objectives, operating functions, and regulatory requirement	3.37	N
All employees have job responsibilities, including specific duties, reporting relationships clearly established and communicated	3.38	N
Human Resources Policy and Practices		
All personnel, including key managers, possess adequate knowledge and experience to discharge their responsibilities	3.35	N
Turnover of key personnel is relatively low	3.31	N
Management has shown commitment to competence and ensured that personnel receive adequate training to perform their duty	3.53	A
Average Weighted Mean	3.36	N

In the research, the variables considered for integrity and ethical values were entity policies on business practices, conflicts of interest and code of conduct, tone at the top and fairness of management in dealing with stakeholders. The study explored if the enterprises have appropriate policies relating to such matters as acceptable business practices, conflicts of interest, and codes of conduct and if these policies were adequately communicated. The research result showed that the participated respondents rated neutral

assessment to items such as the company has appropriate entity policies regarding such matters as acceptable business practices, conflicts of interest, and codes of conduct and that these policies were adequately communicated, management demonstrate the appropriate “tone at the top”, including explicit moral guidance about what is right and wrong and this is communicated in both words and deeds, management dealings with employees, suppliers, citizens, bondholders, shareholders, and auditors are based on honesty and fairness, employee job description, including specific duties, reporting responsibilities, and constraints are clearly established and effectively communicated to employees, employee performance evaluation techniques are implemented to identify incompetent or ineffective employees, management and operating decisions are not dominated by a few individuals, management analyses the risks and potential benefits of a venture before making a decision, management has mechanism to anticipate, identify and react to events or activities that affect achieving company objectives, there is adequate supervision and monitoring of decentralized operations, there is clear assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objectives, operating functions, and regulatory requirement, all employees have job responsibilities, including specific duties, reporting relationships clearly established and communicated, all personnel, including key managers, possess adequate knowledge and experience to discharge their responsibilities and turnover of key personnel is relatively low. In deed, these items all had the weighted mean of 3.10 and greater than that.

In addition, the respondents agreed that management of their enterprises takes appropriate action in response to violations of the code of conduct, which accounted for the highest weighted mean of 3.70. Besides, the participated respondents agreed that management has shown commitment to competence and ensured that personnel receive adequate training to perform their duty with the second great weighted mean of 3.53. The respondents also agreed that management determines the level of knowledge and skills needed to perform a particular job and this information is used in the hiring process with the weighted mean of 3.46, the company adequately compensates employees in order to attract qualified individuals with the weighed mean of 3.42, and the organization of the company is clearly defined in terms of lines of authority and responsibility with the weighted mean of 3.41. Generally, the respondents’ overall assessment of control environment of SMEs in Thai Nguyen was neutral with the average weighted mean of 3.36. Enterprises’ managers should take the item namely management and operating decisions are not dominated by a few individuals into consideration since this item had the lowest weighted mean of 3.10.

6.2. Risk assessment

The finding of participated respondents’ assessment of the second component of internal control, risk assessment, is demonstrated in the table 03. as follows

Table 03. Respondents’ assessment of risk assessment

Item	Weighted Mean	Verbal Interpretation
Risk identification		
The company has a well-documented policy on risk management	2.98	N
The company regularly updates the risk register	3.11	N

The company management encourages reporting of events in order to identify the risks	3.57	A
The company has a monitoring system that identifies potential risks	3.63	A
Risk evaluation		
There is adequate capacity to perform risk assessment in the company	3.29	N
The company has a risk review process after implementation of the mitigation measures/control for identification of risks	3.33	N
The company management effectively communicate risks to the employees and the stakeholders	3.23	N
The management adequately evaluates and records the risk when making important decisions (launch of projects or new products)	3.44	A
Risk mitigation		
The company has adequately implemented any inspection plans to reduce the inherent risks which are periodically revised.	3.46	A
There exists a risk management committee in the company	3.22	N
Risks identified are reviewed and decisions taken on the same by a risk management committee.	3.26	N
Recommendations by the risk management committee are reported directly to top management and the audit and risk sub-committee of the board	3.27	N
Management uses instruments for risk transfer or sharing with other organizations	3.02	N
Average Weighted Mean	3.29	N

The above research finding of risk assessment of SMEs in Thai Nguyen presents that the respondents chose the neutral answer to the company regularly updates the risk register with the weighted mean of 3.11, there is adequate capacity to perform risk assessment in the company 3.29, the company has a risk review process after implementation of the mitigation measures/control for identification of risks with the weighted mean of 3.33, the company management effectively communicate risks to the employees and the stakeholders with the weighted mean of 3.23, there exists a risk management committee in the company with the weighted mean of 3.22, risks identified are reviewed and decisions taken on the same by a risk management committee with the weighted mean of 3.26, recommendations by the risk management committee are reported directly to top management and the audit and risk sub-committee of the board with the weighted mean of 3.27, management uses instruments for risk transfer or sharing with other organizations with the weighted mean of 3.02.

Additionally, the respondents agreed that the company has a monitoring system that identifies potential risks, which scored the highest weighted mean of 3.63. With the weighted mean of 3.57, the item namely the company management encourages reporting of events in order to identify the risks was the second great weighted mean. Furthermore, the participated respondents agreed that the management adequately evaluates and records the risk when making important decisions with the weighted mean of 3.44. Besides, the item namely the company has adequately implemented any inspection plans to reduce

the inherent risks which are periodically revised had the high weighted mean of 3.46. The item with the lowest weighted mean was the company has a well-documented policy on risk management. The weighted mean of this item was 2.98. The next item with the second low weighted mean of 3.02 was management uses instruments for risk transfer or sharing with other organizations. The managers of SMEs in Thai Nguyen should take these two low scored items into consideration in order to strengthen their internal control system. In general, with the weighted mean of 3.29, risk assessment of SMEs in Thai Nguyen Province was also rated neutral by the respondents.

6.3. Control Activities

The result of respondents’ assessment of control activities component of internal control is shown in the following table 04

Table 04. Respondents’ assessment of Control Activities

Item	Weighted Mean	Verbal Interpretation
The organization has a process in place to ensure that control as described in its policy and procedures manuals are applied as they are meant to be applied.	3.42	A
The policy and procedures manuals document all important policies and procedures. These policies and procedures are reviewed and updated on a regular basis	3.28	N
Supervisory personnel review the functioning of control. Appropriate and timely follow-up action are taken on exceptions	3.40	A
Management control activities consider all the relevant business processes, information technology and locations where control activities are needed, including outsourced service providers and other partners	3.36	N
Control employed by the organization include authorizations approvals, comparisons, physical counts, reconciliations and supervisory control	3.55	A
The organization periodically (e.g., quarterly, semiannually) reviews system privileges and access control to the different applications and databases within the IT infrastructure to determine whether system privileges and access control are appropriate	3.38	N
Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity’s assets from external threats	3.40	A
The organization has policies and procedures addressing proper segregation of duties between the authorization, custody, and recordkeeping for the following tasks, if applicable: Cash/Receivables, Equipment, Payables/Disbursements, Procurement/Contracting, and Payroll/Human Resources.	3.41	A
Management performs periodic review of policies and procedures to determine their continued relevance, and refreshes them when necessary	3.37	N
The organization maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with laws and regulations.	3.39	N
Average Weighted Mean	3.40	A

The preceding research result pointed out that the respondents chose the neutral answer to most items of control activities of SMEs in Thai Nguyen. These items consist of the policy and procedures manuals document all important policies and procedures. These policies and procedures are reviewed and updated on a regular basis with the weighted mean of 3.28, management control activities consider all the relevant business processes, information technology and locations where control activities are needed, including outsourced service providers and other partners with the weighted mean of 3.36, the organization periodically (e.g., quarterly, semi-annually) reviews system privileges and access control to the different applications and databases within the IT infrastructure to determine whether system privileges and access control are appropriate with the weighted mean of 3.38, management performs periodic review of policies and procedures to determine their continued relevance, and refreshes them when necessary with the weighted mean of 3.37, the organization maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with laws, regulations, and provisions of contracts and grant agreements with the weighted mean of 3.39.

The following items are rated greater scores than the preceding items. These items include the organization has a process in place to ensure that control as described in its policy and procedures manuals are applied as they are meant to be applied with the weighted mean of 3.42, supervisory personnel review the functioning of control. appropriate and timely follow-up action are taken on exceptions with the weighted mean of 3.40, the organization has policies and procedures addressing proper segregation of duties between the authorization, custody, and recordkeeping for the following tasks, if applicable: cash/receivables, equipment, payables/disbursements, procurement/contracting, and payroll/human resources with the weighted mean of 3.41. In which, the item namely control employed by the organization include authorizations approvals, comparisons, physical counts, reconciliations and supervisory control had the greatest weighted mean of 3.55. The policy and procedures manuals document all important policies and procedure and these policies and procedures are reviewed and updated on a regular basis is the item with the lowest weighted mean of 3.28. Therefore, managers of SMEs in Thai Nguyen Province should pay more attention to this item to improve their internal control systems. In general, in comparison with other components of internal control system, the component namely control activities had the greatest weighted mean of 3.40. In other words, it can be concluded that control activities were rated the best component of internal control system.

6.4. Information and Communication

The following table points out the participated respondents’ assessment of the fourth internal control component that is information and communication.

Table 05. Respondents’ assessment of Information and Communication

Item	Weighted Mean	Verbal Interpretation
A process is in place to collect information from external sources, such as industry, economic, and regulatory information, that could have an impact on the organization and/or the financial reporting process	3.25	N

Milestones to achieve financial reporting objectives are monitored to ensure that timing deadlines are met	3.35	N
Necessary operational and financial information is communicated to the right people in the organization on a timely basis and in a format that facilitates its use, including new or changed policies and procedures	3.33	N
A process is in place to respond to new information needs in the organization on a timely basis	3.29	N
There is a process in place to collect and document errors or complaints to analyze, determine cause, and eliminate a problem from recurring in future	3.32	N
The organization considers both internal and external sources of data when identifying relevant information to use in the operation of internal control	3.34	N
Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to the organization's objectives	3.32	N
There is a process to quickly disseminate critical information throughout the organization when necessary	3.47	A
Management has a communication process reinforcing to all employees their roles in ensuring that internal control responsibilities are taken seriously	3.39	N
The organization has a process for employees, partners, suppliers to report suspected improprieties regarding fraud; errors in financial reporting, procurement, and contracting; improper use or disposition of equipment; and misrepresentation or false statements	3.30	N
The organization has processes in place to communicate relevant and timely information to external parties	3.31	N
The organization has processes in place to communicate the results of reports provided by the Independent Auditor or the Board of Directors	3.33	N
Average Weighted Mean	3.27	N

The research findings of information and communication imply that the participated respondents rated neutral to the items regarding to a process is in place to collect information from external sources, such as industry, economic, and regulatory information, that could have an impact on the organization and/or the financial reporting process with the weighted mean of 3.25 , milestones to achieve financial reporting objectives are monitored to ensure that timing deadlines are met with the weighted mean of 3.35, necessary operational and financial information is communicated to the right people in the organization on a timely basis and in a format that facilitates its use, including new or changed policies and procedures with the weighted mean of 3.33, a process is in place to respond to new information needs in the organization on a timely basis with the weighted mean of 3.29, there is a process in place to collect and document errors or complaints to analyze, determine cause, and eliminate a problem from recurring in future with the weighted mean of 3.32, the organization considers both internal and external sources of data when identifying relevant information to use with the weighted mean of 3.34, communication exists between management and the board of directors so that both have information needed to fulfil their roles with respect to the organization's objectives with the weighted mean of 3.32, management has a communication process

reinforcing to all employees their roles in ensuring that internal control responsibilities are taken seriously with the weighted mean of 3.39, the organization has a process for employees, partners, suppliers to report suspected improprieties regarding fraud; errors in financial reporting, procurement, and contracting; improper use or disposition of equipment; and misrepresentation or false statements with the weighted mean of 3.30, the organization has processes in place to communicate relevant and timely information to external parties with the weighted mean of 3.31, the organization has processes in place to communicate the results of reports provided by the independent auditor or the board of directors with the weighted mean of 3.33.

The item that is there is a process to quickly disseminate critical information throughout the organization when necessary had the greatest weighted mean of 3.47. This is the best item of information and communication component of internal control systems of SMEs in Thai Nguyen. The item with the lowest weighted mean of 3.25 is a process is in place to collect information from external sources, such as industry, economic, and regulatory information, that could have an impact on the organization and/or the financial reporting process. Thus, managers of SMEs in Thai Nguyen should find out solutions to enhance this item of information and communication and thus strengthen their internal control systems. To sum up, information and communication is the item with the second low weighted mean compared to the others components of internal control systems of SMEs in Thai Nguyen.

6.5. Monitoring

Participated respondent’s assessment of the fifth component of internal control, monitoring, is specified in table 06.

Table 06. Respondents’ assessment of Monitoring

Item	Weighted Mean	Verbal Interpretation
The company has a functional internal audit unit/department	3.11	N
The timing of the audit in the company is appropriate	3.28	N
The internal audit unit in the company has developed an internal audit manual that guides audit operations such as planning, implementation, monitoring, and evaluation.	3.23	N
Internal audit findings are reported directly to top management	3.21	N
The internal audit unit in the company plays a major role in fraud detection and prevention	3.22	N
Recommendations of the internal audit unit are taken very seriously in the company	3.40	A
The internal auditors demonstrate professionalism and on objective approach	3.27	N
The organization management has processes in place to assess whether control within each of the five components of internal control are present and functioning as intended	3.26	N

The organization management takes adequate and timely actions to correct deficiencies reported by the internal audit function, financial and programmatic monitoring activities	3.37	N
The internal audit department conducts its work independent of the management	3.10	N
Average Weighted Mean	3.24	N

The preceding table points out the respondents generally rated the items of monitoring neutral. In fact, almost all items of monitoring had the weighted mean of 3.10 and greater than that, these items consisted of the internal audit department conducts its work independent of the management with the weighted mean of 3.10, the company has a functional internal audit unit/department with the weighted mean of 3.11, internal audit findings are reported directly to top management with the weighted mean of 3.21, the internal audit unit in the company plays a major role in fraud detection and prevention with the weighted mean of 3.22, the internal audit unit in the company has developed an internal audit manual that guides audit operations such as planning, implementation, monitoring, and evaluation with the weighted mean of 3.23, the organization management has processes in place to assess whether control within each of the five components of internal control are present and functioning as intended with the weighted mean of 3.26, the internal auditors demonstrate professionalism and on objective approach with the weighted mean of 3.27, the timing of the audit in the company is appropriate with the weighted mean of 3.28, the organization management takes adequate and timely actions to correct deficiencies reported by the internal audit function, financial and programmatic monitoring activities with the weighted mean of 3.37. The only item of monitoring was rated greatest is recommendations of the internal audit unit are taken very seriously in the company with the weighted mean of 3.40. Monitoring had the lowest weighted mean compared to that of the other components of internal control systems of SMEs in Thai Nguyen..

7. Conclusion

On the basis of the data collected from 336 SMEs in Thai Nguyen, Vietnam, the study discovers the current situation of internal control of SMEs in Thai Nguyen. In the study, internal control was measured by five basic components including control environment, risk assessment, control activities, information and communication and monitoring. The study employed survey questionnaires as the main data gathering instrument. The collected data on the participated respondents' demographic profile was presented through frequency and percentage, and the data on respondents' assessment of internal control was processed using the weighted mean.

The research results reveal that internal control of SMEs in Thai Nguyen was generally rated neutral by the respondents. In fact, four out of five components of internal control regarding to control environment, risk assessment, information and communication and monitoring got the average score. The component of internal control that got the highest score is control activities. The findings of the study suggested that managers of SMEs in Thai Nguyen should pay great attention to internal control as well as apply necessary measures to strengthen internal control to in order to achieve the objectives of internal control mentioned previously

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