

# Study on the Internal Control of Incompatible Job Separation

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**ABSTRACT.** *Incompatible jobs are a basic problem of internal control, the establishment of internal control system needs to define incompatible jobs. This paper firstly expounds the concept of incompatible duty phase separation, and finds out its problems in internal control based on the analysis of its current situation, and finally analyzes the reasons and puts forward relevant solutions.*

**KEYWORDS:** *Incompatible job; Internal control*

## 1. Introduction

### 1.1 Overview of Incompatible Duty Phase Separation Control

Incompatible separation of functions and control, in a nutshell, that is, the authorized person and the executive of economic business should be separated, the core is internal containment, through internal containment to strengthen internal management.

### 1.2 Literature Review

Tao ran [1] (2013) believes that enterprises should provide reasonable and comprehensive internal control system on the basis of comprehensive consideration of cost and benefit control.

Lin qi [2] (2015) believed that the hospital internal control system plays an extremely important role in strengthening accounting supervision and improving the quality of accounting information. It is an important indicator to measure the management level, while the incompatible post separation system, as the most important method of accounting internal control, determines the success or failure of the hospital internal control results.

Zhou bo [3] (2018) applied the principle of incompatible job separation to contract management. Based on the internal control theory, he adopted the method of compiling incompatible job separation matrix and integrated it with the information management system to improve the company's ability of contract risk

control.

Chang yuan [4](2019) believes that the preventive and discoverable control of incompatible duty separation can avoid risks, and the automatic control of incompatible duty separation not only provides more effective defensive measures, but also guarantees the reasonable and effective process.

## **2. Incompatible Duty Phase Separation Control Status Quo**

Generally, incompatible job control has obvious effect in the initial stage of execution, but with the mutual familiarity between the executive personnel and the numbness of the rigid regulations of the system, there will appear the phenomenon of mutual “help”, which makes the incompatible job separation control become a formality.

Due to the reason of cost control, the internal control system of enterprises is generally designed only for the daily business of enterprises. Therefore, post separation control of incompatible positions cannot prevent the occurrence of collusion and fraud among different personnel or departments, but can only minimize the chance of fraud through the division of labor.

## **3. Problems in Incompatible Duty Phase Separation Force Control**

### ***3.1 The Separation of the Functions of Authorization and Business Handling is Not in Place***

Due to the imperfect internal control system of the company and the shortage of personnel caused by the company in order to save costs, the unclear division of responsibilities makes the separation of authorization and business handling duties not complete. For example, a person with authority to determine or approve material purchases cannot also serve as a purchaser. But in practice, many people who have the power to decide or approve purchases can do so in person. For example, a company has the right to approve the purchase of wang also serve as a buyer, so wang took advantage of his position, decided to purchase their own company's products at a high price, so that wang easily obtained a lot of benefits. He took advantage of the internal control defect of incompatible positions to seek his own interests, thus harming the interests of the company.

### ***3.2 The Custodian Function is Not Completely Separated from the Accounting Recording Function***

In the larger scale, more formal enterprises and institutions, this is doing better, but some units in this point to do very little. In small units, although do the cashier and accounting separation of incompatible duties, but financial personnel lack of understanding of the system, excessive believe each other, both sides have no checks

and balances, work no separation, no handover procedures, is not in the accounting, cashier accounting busy cashier help, deal with various business seal of full table place, accounting can cashier receipts, cashier can help accounting. What's more, the cashier accounting copy each other account book, after a lot of years, the audit department found that journal and ledger in the same place, in the final analysis is the accounting internal control did not do well.

### ***3.3 The Failure of Control over the Separation of Incompatible Functions Due to Collusion and Fraud***

Incompatible separation of duties can prevent one person from engaging in and concealing non-compliant behavior alone, but it cannot completely prevent the occurrence of fraud by two or more people or business units. In the actual work of internal control, it can only reduce the chance of errors and fraud. For example, the cashier and the accountant cheat together, the purchasing department and the accounting department cheat together, the audit department and the accounting department cheat together and so on. Moreover, the modern duty crime presents the tendency of collectivization, and the incompatible duty setting has no effect on the collusion and cheating. The system of incompatible separation of functions is useless and cannot play its due role.

## **4. Causes and Solutions of Problems Related to Incompatible Separation of Duties Control**

### ***4.1 Clarify the Division of Responsibilities of Each Post and Establish and Improve the System***

From the root, the problem of the inadequate separation of the functions of authorization and business management is caused by the irrationality of the company's internal control system.

In order to prevent this problem, in the actual work, not only to clearly authorize the functions of a certain economic business and the functions of the specific implementation of the business separation, but also to authorize the department of a certain economic business and the specific implementation of the business separation, to prevent the interests of the department at the expense of the overall interests. For example, the asset department that is specifically responsible for asset purchase and acceptance cannot be assigned to the finance department.

### ***4.2 Establish the Post Responsibility System and Strengthen the Mutual Restraint Mechanism between Posts***

From the root, the separation of financial custody and accounting records is not in place, on the one hand, because the leaders of some units do not pay attention to,

do not have the appropriate accounting personnel, the division of duties is unclear; On the other hand, in order to follow the cost-benefit principle, the management reduces the internal control links, resulting in the failure of the supervision and balance mechanism between the financial custody function and the accounting record function.

In order to prevent this problem, must establish the monetary capital and other assets business post responsibility system, clear post responsibility authority, equipped with qualified accounting personnel, to ensure the separation of accounting, cashier duties. At the same time, the establishment of personnel training mechanism, improve the professional quality of relevant personnel; Create a good corporate culture, improve the accounting professional ethics of financial personnel, make their responsibilities clear, reduce the risk of financial fraud.

#### ***4.3 Set up the Post Rotation System, and Strengthen the Internal Audit Management***

On the one hand, the staff's own moral level and self-discipline mechanism are not sound, and they do not have good professional ethics. On the other hand, the supervision and inspection mechanism among positions within the group is not sound, which does not play a certain role in restricting relevant personnel.

To guard against staff collusion,, the establishment of incompatible job separation system should include the post rotation system. For example, in China's commercial Banks, some important positions such as urban clearing, foreign exchange trading, in addition to the separation of incompatible duties, often take compulsory leave to prevent fraud. In addition, enterprises should give full play to the role of internal audit, through regular regular audit and irregular special audit, as well as learning from the power of external audit, to supervise the effective implementation of internal control, reduce the possibility of control failure to an acceptable level.

#### **References**

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