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The Effectiveness of Internal Control Affects the Quality of Information in Financial Reports of Companies Listed on Vietnam Stock Market

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Abstract
Currently, Vietnam is increasingly integrating deeply into the world market with the development of Vietnam's stock market, which has contributed a significant role to the development of the economy in general and created new flows. Capital flows without borders. Information on a company's financial situation provided in financial statements is an important basis for investors and stakeholders to make optimal decisions. Therefore, the quality of information on financial reports plays an extremely important role for users when making decisions. One of the factors affecting the quality of information on financial reports is the effectiveness of internal control. This article examines the effectiveness of internal control affecting the quality of information on financial reports. Research results show that internal control effectiveness positively affects the quality of information on financial reports. On that basis, the study makes some recommendations to improve the quality of information in financial reports of listed companies.

Keywords: Quality of Information in Financial Reports, Internal Control, Companies Listed on the Stock Market

1. Introduction

In the process of rapid and strong development of the current economy, most businesses want to achieve certain growth in production and business. In the context of an open and volatile economy, the issue of strategic vision in business is considered a key factor determining the success or failure of a business. However, currently, many domestic businesses do not recognize the significance of this issue. More and more businesses ignore core business values and instead operate multi-industry businesses. As a result, many businesses went bankrupt. It can be seen that although the activities of businesses in Vietnam have many potential development prospects, they also contain many challenges and associated risks. If a business cannot operate effectively according to the legal framework and achieve stable revenue and profit goals, it will be very difficult to survive in an increasingly competitive market. In order for businesses to effectively control operations and maximize benefits, establishing and ensuring an effective internal control system is extremely important and necessary for any business.

However, a lot of businesses that are listed on the Vietnamese stock exchange declare to have extremely strong financial records, but in actuality, they are insolvent and have unfavorable profit projections. Investors are concerned about inconsistencies in the quality of information provided by listed firms on their financial statements due to differences between pre- and post-audit data. Openness in the disclosure of information. Therefore, listed firms must continuously enhance the caliber of information in their financial reports in order to function efficiently and draw in investment.

2. Theoretical basis

Information on financial statements

Information on financial statements reflects the financial situation, business and cash flows of the enterprise. Information on financial statements includes: Factors directly related to determining the financial situation in the Balance Sheet are Assets, Liabilities and Equity; Factors directly related to the assessment of the business situation and results in the Business Performance Report are Revenue, other income, Expenses and Business Results. On the basis of information in financial reports, administrators, investors, and interested parties make management decisions. Therefore, information on financial reports needs to meet the following requirements:

- Information presented on financial reports must be complete, objective, and free of errors to honestly and reasonably reflect the financial situation, situation, and business results of the enterprise.
+ Information is considered complete when it includes all necessary information to help users of financial statements understand the nature, form and risks of transactions and events. For some items, a complete presentation must also describe additional information about quality, factors and situations that may affect the quality and nature of the item.
+ Objective presentation is unbiased when selecting or describing financial information. Objective presentation must ensure neutrality, without focusing on, emphasizing or minimizing, as well as other manipulations that change the level of impact of financial information, whether it is beneficial or unfavorable to the user financial report.
+ Zero error means there are no omissions in the description of the phenomenon and no errors in the process of providing selected and applied reporting information. Inerrancy does not mean being completely accurate in all respects; for example, estimates of unobservable prices and values are difficult to determine whether they are accurate or inaccurate. The presentation of an estimate is considered to be truthful if the estimated value is clearly described, the nature and limitations of the estimation process are explained, and there are no errors in the selection of appropriate figures in the estimation process.
+ Financial information must be appropriate to help users of financial reports predict, analyze and make economic decisions.
+ Financial information must be fully presented in all material aspects. Information is considered material in cases where missing information or inaccurate information can affect the decisions of users of the reporting unit's financial information. Materiality depends on the nature and magnitude, or both, of the relevant items presented in the financial statements of a particular entity.
+ Financial information must be verifiable, timely and easy to understand.
- Financial information must be presented consistently and comparable between accounting periods; Compare small and medium enterprises with each other.
- Indicators without data are exempt from presentation on the Financial Statements. Enterprises can proactively renumber the criteria according to the principle of continuity in each section.

Quality of information in financial reports

Information on financial reports is essentially still information, so the quality of information on financial reports also needs to be built on the foundation of information quality.

Information quality is meeting technical specifications or meeting the requirements and expectations of information users. Information quality includes the basic characteristics of accuracy, timeliness, completeness, comprehensibility, comparability, accessibility and safety.

According to the Financial Accounting Standards Board (FASB), the quality of information in financial reports is divided into two groups of characteristics: (1) basic characteristics including relevance and reliability, (2) characteristics Secondary includes consistency and comparability. According to the International Accounting Standards Board (IASB), the quality characteristics of information in financial reports include: Understandable, relevant, reliable and comparable. According to the Vietnamese Accounting Law 2015 and Vietnamese Accounting Standard No. 01, the attributes of information quality in financial reports are truthful, objective, complete, timely, comparable and verifiable.

Internal control

The US Federal Reserve (FED) published a definition of internal control for the first time in 1929. As a result, internal control is a tool for enhancing operational efficiency and safeguarding funds and other assets. Auditors also utilize internal control as a foundation for gathering samples for in-depth testing.

The study "Internal Control - An Integrated Framework" was released in 1992 by the United States Council of States' Committee on Financial Reporting Fraud (COSO). According to the report, "internal control is a process meant to provide reasonable assurance regarding the achievement of the following types of goals: Efficiency and effectiveness of operations; reliability of financial reports; and compliance with relevant laws and regulations (COSO, 1992)" that is overseen by the Board of Directors, managers, and other members of the organization.

"Internal control is a regulation regulated by the Board of Management and Board of Directors." and other individuals in the design unit implement and maintain reasonable assurance about the ability to achieve the unit's objectives in ensuring the reliability of financial reporting, ensuring efficiency, operational performance, and compliance with relevant laws and regulations. These statements are made in accordance with Vietnam Auditing Standards (VSA315) issued along with Circular No. 214/2012/TT-BTC dated December 6, 2012 of the Ministry of Finance. Internal control as defined by COSO's model and the one presented in VSA 315 are essentially the same.

Five elements make up internal control, according to COSO (1992, 2013) [3]: Information and communication systems; risk assessment process; control environment; control activities; and monitor.

- Control environment: Includes the views, perceptions and actions of management related to internal control and the importance of internal control to the unit's operations. The control environment creates the general characteristics of a unit, has a direct impact on the awareness of each member of the unit about control work, and is the foundation for other parts of internal control.
- Risk assessment process: Are activities to identify and evaluate business risks, thereby deciding on appropriate actions to deal with those risks.
- Information and communication: Includes all information from internal and external sources of the organization, collected and processed by the leadership and members of the organization to make management decisions. Manage and control the activities of the organization.
- Control activities: Control activities are carried out at all levels of management and in all functions of an organization. Control activities include activities such as authorization, approval, inspection, reconciliation, review, and separation of responsibilities.
- Monitoring: Is the process of evaluating the quality of internal control in each stage. Monitoring provides

information to management about whether internal control is understood and implemented by employees within the entity; used and adhered to daily; and can be modified or improved to suit changing circumstances.

3. Research methods

Qualitative research methods

To practically clarify the effectiveness of internal control affecting the quality of information on financial reports, the author uses a combination of qualitative research methods and quantitative research methods. Qualitative methods are used for the purpose of discussing the indicators used to measure the nature of internal control effectiveness. Based on the synthesized theoretical basis, the author drafted a questionnaire with two main parts: Part one explores the current state of internal control at listed companies, part two studies the impact of Internal control over the quality of information on financial reports.

Quantitative research methods

Collect data

According to Hair *et al* (1998), the smallest sample size must be 50, preferably 100 and the ratio of observations/measured variables is 5/1, so the author selected 120 listed companies for survey. The sampling method is a convenient random method.

Data processing

Survey data processing is carried out in the next stage to screen out inappropriate survey forms due to blank answers or inconsistencies in the answers. The number of survey questionnaires included for data analysis included 105 questionnaires. The questionnaires included in the analysis are entered and processed using SPSS software with the main analysis techniques: Descriptive statistics, EFA testing and regression analysis. Finally, there is the presentation of the research results and the presentation of the article.

4. Research results

After distributing 120 surveys to managers in 120 randomly selected listed companies, the author received 105 valid votes. The author conducted data processing and data analysis. The initial descriptive results are obtained:

Table 1: Description of general information of the study sample

		Frequency	Rate (%)
Sex	Male	58	55,24%
	Female	47	44,76%
Age	From 25 to 40 ages	31	29,52%
	From up 41 to 60 ages	56	53,33%
	Upto 60 ages	18	17,14%
Academic level	high school level	8	7,62%
	University degree	58	55,24%
	PhD/Master's degree	39	37,14%
The level of internal control implementation	Rarely	12	11,43%
	Regular	62	59,05%
	Frequently	31	29,52%

Source: Data processing outcomes

Through the descriptive statistics table, it can be seen that the level of internal control implementation is quite high. However, there are still some businesses that have not paid attention to internal control. This will affect the quality of information in financial reports. On the basis of preprocessed data, the author conducts a factor analysis of the effectiveness of internal control affecting the quality of information on financial reports.

Cronbach's Alpha test

All Cronbach's alpha coefficients of the variables were ≥ 0.6, thus meeting the requirements to be included in factor analysis. At the same time, the total correlation coefficients of the observed variables all meet the requirement of ≥ 0.3, ensuring that the given scales can be trusted in a statistically significant way.

Table 2: Cronbach's Alpha test

Symbol	Variable	Average scale if variable type	Scale variance if variable type	Variable-total correlation	Alpha if variable type
KS1	The company's control environment affects information quality on the financial reports	14,7854	9,670	,626	,768
KS1	The company's control environment affects information quality on the financial reports	14,9857	9,780	,626	,772
KS2	Assess risks affecting information quality on financial statements	14,1257	9,215	,688	,749
KS3	The company's control activities increase the reliability of information quality on financial reports	15,0109	9,413	,727	,756
KS4	Company information and communication affect information quality on financial statements	15,6828	10,582	,471	,818
KS5	Monitor the impact on information quality on financial reports	15,8086	10,156	,524	,804

Source: Data processing outcomes

Exploratory factor analysis (EFA)

The results of testing the data with KMO = 0.861 (> 0.5), Sig of Bartlett's Test is 0.000, smaller than 0.05, showing that these observations are correlated with each other and completely consistent with factor analysis. The factor loadings of the observed variables are all > 0.5, the total variance extracted is 71.285% (> 50%) and the Eigenvalue coefficient = 1.412 (> 1). These tests were warranted for exploratory factor analysis.

Thus, all the scales selected for the variables in the model meet the requirements and can be used in subsequent analyses.

Results of regression analysis

Results of regression analysis of the model to measure the impact of effectiveness on the quality of information on financial statements: The value of testing the appropriateness of the sig model. = 0.000 < 0.05 shows that the variables in the model can explain the change in the dependent variable. The Beta coefficient of the variable "Effectiveness of internal control" = 0.156 shows that the effectiveness of internal control has a positive effect on the quality of information in financial reports.

5. Conclusion

The quality of information in financial reports affects the decisions of information users. Especially information on the financial statements of listed companies will affect the decisions of investors. Therefore, to attract investment, listed companies constantly improve and ensure the quality of information on financial reports. Research results show that the effectiveness of internal control affects the quality of information in financial reports. Every company that wants to improve efficiency and control operations needs to have measures to prevent and detect fraud. Each company has different prevention and risk management models. One of the effective solutions to prevent and detect fraud in a company is to build and operate effective internal controls.

First, perfect the control environment.

Listed companies need to develop and communicate a code of conduct, ethical and cultural values, and always monitor, evaluate and manage the implementation of ethical behavior of all individuals, in order to Build and perfect the unit's ethics and culture; Build an anti-fraud culture, increase awareness of the harmful effects of misconduct... Praise, encourage, or give rewards to employees who detect fraud to motivate them.

The Board of Directors should be actively involved in establishing and maintaining internal control within the unit: Internal control is a process designed by the Board of Management, Board of Directors and other individuals within the unit, maintain and implement.

Second, complete the risk assessment process.

The Board of Directors needs to be clearly aware that any unit must face risks that arise from inside or outside the unit; it is necessary to build a risk management department and maintain its operations with adequate information channels to analyze, evaluate, and promptly identify risks to avoid, not just prevent and detect.

Third, improve information and communication.

Managers need to establish reporting systems that contain financial, operational or compliance information that can help members collect and promptly identify relevant information. Its responsibilities and activities. It is necessary to establish information exchange channels between departments in a company, ensuring that departments understand each other's operations and the company's overall operations.

Fourth, perfect control activities.

It is necessary to clearly define the work of positions in the organization. Design control procedures to promptly overcome unwanted events. The person performing operational control must be independent of the operating process to ensure independence. Avoid concentration of power in a few individuals, this will increase the risk of fraud at management levels.

Fifth, perfect monitoring and control.

Management at all levels within the company should regularly review the controls implemented to manage risks and their effectiveness, including taking necessary corrective measures and reporting gaps. Fraud has occurred. Strengthen the monitoring function by establishing an internal audit department. The internal audit department needs to ensure a certain independence, internal audit staff need to be trained in the right field and in accordance with the company's business activities...

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