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Study on the Internal Control Risk of Corporate Finance

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Abstract

With the rapid development of China's social economy, the market competition between various industries has gradually increased. In order to increase economic benefits, many enterprises have gradually enlarged the intensity of financial internal control work. The actual financial internal control work can be affected by many internal and external factors, which in turn increases the risk of financial internal control. This paper combines specific risks and puts forward the corresponding preventive measures.

Keywords

Financial Internal Control Risk; Influencing Factors; Preventive Measures.

1. Introduction

With the continuous development of various industries, companies are facing new problems and challenges in financial internal control. The quality of financial internal control work is often affected by a number of internal and external factors, such as the lack of a sound internal control management mechanism and the poor overall quality of financial internal control managers. In order to effectively prevent financial internal control risks, the company has gradually increased its efforts in financial internal control management research.

2. The Relationship between Corporate Financial Internal Control and Financial Risk Management

Financial internal control is an important part of a company's management work. In internal control management, managers need to effectively strengthen the supervision of the financial flows of the company in line with the financial risk control objectives, thereby facilitating the orderly implementation of all management tasks. Based on the effectiveness of financial internal control work, the company needs to apply corporate funds scientifically and reasonably, and improve the authenticity, accuracy and comprehensiveness of corporate financial statements. In terms of content, the company's financial internal control work mainly includes risk assessment, supervision and management, and environmental control.

In risk management, companies need to identify potential risks in their operations, analyze the reasons for their existence and formulate effective risk prevention and control measures.

In essence, there is a commonality between financial internal control and financial risk management. By strengthening the control of various risk factors, enterprises can enhance the effectiveness of their financial management and ensure the smooth running of their operations.

3. Key Factors that Expose the Company to Financial Internal Control Risks

3.1. The Company's Overall Awareness of Financial Internal Control Needs to be Improved

With the gradual increase in competitive market pressure, many companies focus on economic efficiency and give sufficient attention to marketing and other work. As a result, the company

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has not developed a sound financial internal control system, which makes the company's overall financial internal control work ineffective and increases the probability of financial risks.

3.2. Failure to Establish a Sound Financial Control Mechanism

A scientific and reasonable control mechanism is essential for the smooth implementation of financial internal control. In practice, some companies have not developed a set of effective financial control mechanisms in line with their actual situation, resulting in a low overall efficiency in the use of financial information. In addition, the inability to efficiently monitor the daily work behavior of the company's personnel has led to a lack of awareness of the responsibility of the staff and has affected the transparency of financial information and the effectiveness of the overall financial control work.

3.3. Lack of Diversity in Financial Internal Control Tools

The means of financial internal control has a direct impact on the effectiveness of financial control. In practice, some companies use a single means of financial internal control, which is often based on the traditional internal control model. This is not only incompatible with the existing situation of the company, but also unable to meet the actual development needs of the company, affecting the quality and efficiency of the final financial control, and may even cause a lot of human, material and financial resources to be wasted.

3.4. Lack of a Sound Mechanism for Allocating Authority and Responsibility

In the new era, companies tend to integrate financial internal control throughout the company's operations and all intelligent departments. From the perspective of the content of financial internal control work, it mainly includes transaction authorization, incompatible positions, business processes, operating rules, regulations, independent checks, control standards and many other elements. As most enterprises have problems such as unclear authority and responsibility, which makes the distribution of authority and responsibility of various departments or staff of the enterprise lack scientific rationality and clarity. When problems arise, there is shifting of blame, which in turn prevents the relevant personnel from being held accountable in a timely manner and affects the smooth implementation of financial internal control. In addition, some companies have not established an independent review system, resulting in a lack of independent review of certain aspects of work, and affecting the accuracy and integrity of economic operations.

3.5. Budget Management Efforts Need to be Improved

Budget management is precise and realistic and has a direct impact on the stability of a company's development. In the course of budget management, there are often a number of problems that lead to poor budget management. Firstly, the company does not have appropriate measures in place or the measures used are general in nature. When the financial information referred to lacks scientificity and completeness, the company's budget results will differ significantly from the actual situation of the company. Secondly, some companies lack professionalism and standardization in the actual budgeting process, resulting in large deviations between the predicted financial information and the company's reality, which ultimately affects the effectiveness of budget management.

3.6. Failure to Effectively Balance Audit Oversight and Service Building

Audit supervision is an important part of an enterprise's financial internal control work. High-quality financial internal control work can not only improve the company's business management, but also effectively improve the economic efficiency of the enterprise. From the perspective of China's current internal audit work, some companies' internal audit work tends to be formalized, and the overall independence is poor. In addition, too much attention is paid

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to internal audit supervision and not enough attention is given to the construction of services, resulting in the overall quality of internal audit work is poor.

4. Measures of Company Financial Internal Control Risk Prevention

4.1. Creating a Good Financial Internal Control Environment

A good financial internal control environment can create good conditions for the management of financial internal control risks and effectively enhance the sense of responsibility of the relevant managers. In creating an internal control environment, the following principles need to be adhered to. Firstly, the independence and effectiveness of the company's board of directors should be ensured and a highly independent supervisory mechanism should be established. The supervisory staff can consist of highly skilled external bodies, individuals or owners of the business. Secondly, the management should choose a scientific and rational method of operation. The management should set appropriate objectives in relation to the needs of the company's financial internal control management. Thirdly, it is important to ensure that the allocation of authority and responsibility is consistent with the objectives of the financial statements. The company's board of directors and the chief financial officer and other senior management should divide the financial internal control authority and responsibility in a scientific and reasonable manner, so as to ensure that the financial internal control work is carried out in an orderly and efficient manner.

4.2. Establishing a Standardized Financial Internal Control Management

Sound financial internal control management can ensure that there are rules to follow and evidence to support this work. Therefore, the company needs to establish a scientific and reasonable financial internal control management mechanism in line with its actual situation, so as to efficiently guide the financial management work in an orderly manner. The specific measures are as follows: Firstly, the company needs to set up the scope of responsibilities of each department or position in a scientific and reasonable manner, so as to lay a solid foundation for the smooth implementation of the system construction work. Secondly, the company should take full control of its own actual situation and establish a perfect financial work evaluation system. By conveying the regulatory mechanism to all departments, it will urge them to strictly follow the system and promote the orderly implementation of the financial management work. Finally, the company can record its daily operating costs or billing processes in the software system, and strictly control the operating authority to avoid the financial risks caused by manual errors and other factors.

4.3. Improve the Company’s Financial Internal Control Risk Management Organization System

The company's financial internal control risk management is professional, complex and comprehensive. In order to ensure the smooth implementation of financial internal control risk management, the company needs to establish a standardized organizational system and enhance the effectiveness of financial internal control risk management. Specific strategies are as follows: First, the company needs to combine the financial internal control work needs, the establishment of a special financial internal control risk organization department. The organization should approve the scientific rationality of the financial internal control risk management plan in a timely manner, and put forward targeted opinions and suggestions once problems are identified. The organization should analyze the results of financial internal control risk monitoring in a timely manner, and once potential financial risks are identified, rectification and error correction plans should be formulated in a timely manner, so that operational financial risks can be reasonably avoided. Secondly, in order to put the financial internal control risk management into practice, the company needs to set up a highly

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professional financial management team. In the talent selection process, the candidates' knowledge base, management skills and other comprehensive qualities should be comprehensively examined and hired on merit. The company should pay attention to the training of follow-up talents. The company should organize special training on a regular basis to optimize the knowledge structure and enhance the financial skills of its financial management staff, taking into account the actual needs of the work.

4.4. Establishing a Sound Financial Risk Assessment Mechanism

Firstly, the company needs to establish the right risk management concept and set up a standardized risk assessment process and financial risk assessment model. Combined with the company's financial internal control work needs, the establishment of a standardized financial risk management system. Secondly, the management of the company's financial management staff should be strengthened. Timely tracking of financial accounting staff's ideological dynamics, supervision of financial accounting staff's work glad, once found that the staff has irregularities or illegal behavior, we should promptly stop the relevant workers, give them the corresponding disciplinary action, and develop a suitable risk prevention and control strategy, the enterprise potential of this material risk effectively removed.

4.5. Intensify Internal Budget Management

In the internal budget management, the company should decompose the budget target at the beginning of the year in a timely manner, and effectively carry out monthly benchmarking and budget analysis to formulate appropriate solutions in the light of the actual problems in the work. The company can implement rolling budget management mode, and rely on reasonable planning, scientific and reasonable adjustment of capital flow, to achieve the dynamic management of the company's financial information. Specific work strategies are as follows: first, clear authority and responsibility. The company can set up a highly professional budget management team in line with the needs of dynamic budget management. The members of the team should develop a dynamic budget management manual for the company, starting from the actual operating situation.

In the manual, the objectives or responsibilities of the company's production and operations are clearly defined, and the implementation measures of each department are clearly defined, so that dynamic budget management can be carried out in an orderly manner. Secondly, it is important to set up a comprehensive budget monitoring mechanism. The company needs to constantly update and optimize its budget management mechanism in the light of its past work, so that the entire budget management process can be carried out in an orderly manner. In line with the company's development needs, budget managers should prepare timely reports on various indicators. Through scientific and reasonable analysis, indicators with large budget deviations can be identified and corrected in time, so that the budget management function can be brought into full play.

5. Conclusion

In conclusion, with the rapid development of China's social economy, the competitive pressure between various industries is increasing day by day. In order to reduce financial risks and enhance the economic benefits of the company, many companies gradually recognize the importance of financial internal control risk management, and gradually increase the research efforts of this work. The above content combined with the company's financial internal control risk factors, put forward the corresponding financial internal control risk prevention measures.

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