

Optimization Analysis of Internal Control of State-owned Enterprises in the Perspective of Risk Management

Shiqin Xu

Taylor's University, Selangor, 47500, Malaysia

Abstract: *In the process of modern enterprise development, it is inevitable to face a variety of risks, and it is particularly important to carry out scientific risk management for enterprises. In risk management, internal control is a very important step, and the two complement each other. Standing in the risk management perspective, through the development of perfect enterprise internal control work, and constantly improve the enterprise's internal control system, so that the enterprise's internal control has been effectively improved, to achieve the purpose of enterprise risk management. In this context, the optimization of internal control of state-owned enterprises based on the risk management perspective is of great practical significance for the realization of efficient, compliant and sustainable development of enterprises.*

Keywords: *risk management; state-owned enterprises; internal control; optimization strategy*

1. Introduction

In the new social and economic development, enterprises are faced with more and more development opportunities and more and more space for development, which requires enterprises to strengthen internal control to ensure the normal operation of the enterprise. However, while its development, there are inevitably certain risks. If risk management cannot be carried out effectively, it will not only bring huge economic losses to the enterprise, but also restrict the development of the enterprise. For this reason, state-owned enterprises should start from strengthening internal control and enhancing risk management to ensure the safe and stable operation and development of enterprises.

2. The necessity and requirement of improving internal control in the perspective of risk management

Due to the status and scale of state-owned enterprises, there are more management levels within the state-owned enterprises, resulting in inefficient and weak conduction of information exchange within the enterprise, leading to defects in enterprise management. State-owned enterprises are an indispensable part of the national economy, requiring more standardized management, improving efficiency and achieving sustainable development. SOEs face a more complex market, political and international environment, which presents both opportunities and serious challenges. The risks faced by enterprises make it necessary for them to play the game of expected profits and possible losses. To make appropriate business decisions, enterprises need to accurately assess the extreme severity of potential risks. If there is no correct risk analysis and countermeasures, it is easy to bring huge economic losses to the enterprise, so how to effectively identify the various risks faced by the enterprise, and take corresponding countermeasures to reduce its adverse impact on the enterprise is very important. As a specific risk prevention measure, internal control can effectively prevent or reduce the generation of risks by precisely locating the risks, improving and perfecting the internal control system, on the basis of which the optimization of the enterprise's internal control is not only conducive to the effective prevention of enterprise operation and management risks but also conducive to the effective operation and management of the enterprise. Therefore, to build a risk-oriented internal control system based on the reality of the enterprise, it is necessary to start from the reality of the enterprise, closely combine risk management with every element of the enterprise, and strengthen the risk evaluation mechanism, so as to highlight the importance of risk management, and combine the improvement of the internal control system with the need for risk management, so as to improve the management and operational efficiency of state-owned enterprises and ensure the operational

Stability.[1]

3. Problems in the internal control of state-owned enterprises under the perspective of risk management

3.1 Enterprise risk analysis is not in place, risk prevention system is weak

State-owned enterprises in the financial risk determination, there is due to inadequate analysis of the work and ignore the important risk control links, its risk prevention system is weak, if there is a risk, it will greatly reduce the enterprise's ability to cope with the risk.

One of them is the contract risk. State-owned enterprises have formed a large number of cooperative relationships in their operations, so contract management has become an important element of risk management for state-owned enterprises. However, in practice, due to poor contract management, enterprises often ignore the fulfillment of the contract, thus bringing potential financial risks to enterprise management. For example, engineering enterprises tend to focus on technological innovation and construction cycle control, the contract is signed by the commissioner, but the person in charge is not familiar with the specific content of the contract, and does not have specialized legal knowledge. As a result, in the course of contract fulfillment, disputes such as infringement and financial disputes are very likely to occur, bringing huge economic losses to the enterprise.[2]

The second is financing risk. When making advances, State-owned enterprises often use different financing methods according to their needs. However, in reality, the operation cycle of each project is not the same, and if some of the funds cannot be in place in time, it may cause the financing risk. At the same time, the enterprise financing risk also presents the long-term characteristics, although the enterprise can be coped with through the advance payment, but from the long-term, healthy strategic goal of the enterprise, the limited advance payment cannot fundamentally solve the enterprise financing risk, so we cannot ignore the financing risk of state-owned enterprises.

The third is management risk. The management of state-owned enterprises involves a wide range of work, such as technical management, procurement, safety management and so on, the practice of the workload, management difficulties. To ensure that each link can operate normally, enterprises need to have practical, scientific management tools. However, in terms of the current situation of some enterprises, many enterprise employees or departments have imperfect management concepts, unclear management standards, imperfect management system and other reasons. In the process of enterprise operation, the quality of enterprise staff often cannot meet people's expectations, which leads to the economic interests of enterprises have been seriously affected.

The fourth is that there is no perfect financial risk prevention mechanism. The defects in the institutional structure are manifested in the fact that some state-owned enterprises excessively pursue economic benefits and only pay attention to the trend of changes in economic indicators, while avoiding the actual existence of risks, which is why many enterprises have not established an effective risk management system and the corresponding risk control mechanism. The enterprise risk management system is not perfect, and the risk prevention and control work is not good enough, which creates a great obstacle to the realization of the enterprise internal control objectives.

3.2 Process design ignores risk prevention

Process design is the center of enterprise operation, involving the daily business operation and resource allocation, if the process design ignores risk prevention, this implies that there are potential dangers in all business relationships in the enterprise. First of all, ignoring process design risk prevention can result in wrong resource allocation. Without proper consideration of risk, it is possible to invest resources in projects or enterprises with low risk-reward and ignore the risks and benefits involved, which will put the enterprise at a competitive disadvantage and even affect the overall profitability of the enterprise due to wasted resources. Secondly, if enterprises cannot fully avoid risks in process design, it will restrict their resilience to some extent. Enterprises facing market changes, supply chain disruptions or other unpredictable risks, often can not respond quickly to the risk, and due to the rigidity of the process and aggravate the harm caused by the risk. Finally, process design that does not emphasize risk prevention is not conducive to the formation of a corporate culture. Employees often do not have a deep enough understanding of risk, thus making the enterprise's overall awareness of risk insufficient, making the risk potential even more serious, and working in an environment

lacking risk awareness for a long period of time, it is easy to make wrong decisions at critical times.[3]

3.3 Lack of decision-making risk assessment mechanism in strategy making

Strategy development has an important role in guiding the production and operation of enterprises and long-term development, and has a great impact on the strategic objectives of enterprises, but the neglect of risk assessment in strategic decision-making will bring many unexpected risks and problems to enterprises. With the continuous development of the market economy, the competition among market subjects is also increasing, and state-owned enterprises are no exception. If the enterprise fails to make correct judgment on the market development trend and potential threat when making enterprise development strategy, it will make the enterprise's decision deviate from the reality and be out of touch with the market and user's demand. Lack of risk assessment in the decision-making process will lead to an increase in management costs. When an enterprise encounters unforeseen risks in the execution process, it often has to use a large number of resources to deal with unexpected events, thus causing delays in the original project schedule. State-owned enterprises are valuable assets of the country, and their decision-making process often ignores risk management, resulting in a large social effect, and in the implementation process, if a major error occurs, it will not only damage the credibility and interests of the enterprise, but also damage the confidence of the nationals and the stability of the economy.[4]

3.4 Lack of internal control environment

At present, many state-owned enterprises in China lack internal control to adapt to the external environment, thus generating a variety of risks. The lack of internal control environment is mainly manifested in the following: the internal governance structure of the enterprise is not standardized, the comprehensive quality of the staff is poor, and the lack of enterprise culture. In the internal governance of enterprises, intellectual property rights are vaguely defined. Although after many years of state-owned enterprise reform, state-owned enterprises, "owner absence" phenomenon still exists, in addition to China's state-owned assets of the diversified configuration is also a great deal of uncertainty, "insider" problem is also more serious. At the same time, China's current state-owned enterprises are "tangible but not real", "property rights structure is not reasonable", "shareholders' meeting" is virtually non-existent and so on, unable to carry out in-depth supervision and guidance of enterprises. The risk management of state-owned enterprises in China has been a major challenge in the past few years. In order to better promote the healthy development of risk management in China's state-owned enterprises and maximize the protection of the interests of state-owned enterprises, enterprise managers should pay more attention to the risk management work and take strict precautionary measures, so as to play a standardized role in all business activities and realize the preservation of the value of the enterprise's assets and valuation. Especially in the process of financial management of state-owned enterprises, risk controllers should regularly collect information about the development status of the enterprise, financial status, business development, major projects and other aspects, in order to better grasp the situation of the enterprise. Without an internal control environment, the personnel concerned will not be able to fully grasp the development of the enterprise, nor will they be able to record problems in a timely manner.[5]

4. Internal control optimization measures of state-owned enterprises under the perspective of risk management

4.1 Strengthen risk analysis and preventive measures

State-owned enterprises should categorize their own financial risks and build corresponding risk management systems for each type of risk. The contract risk, financing risk, and daily management risk are divided, and different types of risk-bearing departments are identified, and the corresponding management personnel are identified. For example, if a state-owned enterprise needs to buy large-scale production equipment, the risk management department should be composed of procurement group, manufacturing group, financial group and storage group. The purchasing department conducts quality inspection of the equipment; the manufacturing department carries out maintenance of the equipment; and the finance department is responsible for the costing of the equipment and the subsequent depreciation treatment. Warehouse management refers to the day-to-day affairs of the business, such as the management of the warehouse. By rationally allocating the management risks at each stage and establishing a perfect internal control chain, we lay a solid foundation for future risk prevention and

treatment, based on which we propose countermeasures to strengthen the analysis of enterprise business risks. In addition, in order to improve the level of enterprise risk analysis, it is also necessary to use the internal control information system at a deeper level, which can effectively solve the problems existing in the construction of enterprise internal control informationization, which requires China's state-owned enterprises to increase the strength of internal control construction, so that they can timely monitor the system's back-end risk management indexes of the abnormal changes. The input financial data is summarized and categorized in a timely manner, and the internal control personnel can combine it with non-quantitative subjective judgments on this basis, so as to obtain the most comprehensive and scientific risk assessment results and enhance the enterprise's risk prevention and control capabilities.[6]

4.2 Optimize process design and strengthen risk response

State-owned enterprises are facing increasingly severe risks in the management process, in which the process design is the most important part of the internal control of the enterprise, which is directly related to the risk management effect and the sound development of the enterprise, in order to effectively enhance the effectiveness of enterprise risk management, it is necessary to optimize the process design, strengthen the risk response to achieve.[7]

First, in a complex and volatile market environment, State-owned enterprises need to design standardized, flexible and adaptive business processes to ensure clear response mechanisms and planning for all types of risks. To achieve this, enterprises should consider introducing risk management concepts throughout the process to ensure timely identification, assessment and control of risks.

Secondly, state-owned enterprises need to strengthen risk monitoring in their processes and establish a comprehensive risk monitoring system in a timely manner to ensure that risks are identified and dealt with effectively. The risk monitoring system refers to the use of big data analysis, artificial intelligence and other modern scientific and technological means to predict and warn risks. In this way, enterprises can anticipate and react to possible risks in advance.

Third, improve employee participation. In the process design of state-owned enterprises, the cultivation of employee participation should also be emphasized. Risk management personnel are the executors of a process, and their knowledge and ability of the process will have a direct impact on the effectiveness of the whole process. For this reason, the enterprise must carry out regular risk management training and counseling for employees to ensure that the implementation of the risk can be effectively identified and dealt with.

Fourth, pay attention to external environmental changes. Enterprises in the process design, but also to fully consider the changes in the external environment. Market changes, policy adjustments, technological advances and other factors are a new risk to the enterprise, the enterprise should often check and adjust the process to ensure that it keeps up with external changes, and can effectively respond to a variety of new challenges and new risks. By strengthening their risk response, enterprises will not only be able to manage their risks more effectively, but also ensure that they are well prepared to meet different challenges.

4.3 Enhance risk awareness, improve risk identification ability in strategy formulation

Effective risk identification for state-owned enterprises can not only help enterprises avoid potential risks, but also ensure that the enterprise strategy is more scientific and practical. In the formulation of enterprise strategy, it is necessary to strengthen the awareness of enterprise risk, which should start from the following aspects: first, the formation of risk identification group. Build risk identification team, is to enhance enterprise risk awareness, enhance the ability to identify enterprise risk basis, risk identification team by experienced senior experts, in-depth understanding of the market, the industry and the internal situation of the enterprise, to analyze the existing problems and pitfalls, to ensure that all types of risk can be fully identified. State-owned enterprises should ensure that the team has sufficient resources and authority to effectively identify risks. Secondly, establish a multifaceted collaborative feedback mechanism. At the same time, enterprises should also collaborate with universities, industry associations, research institutes and other external organizations to achieve risk research and sharing. This not only helps enterprises to obtain more diversified and diversified risk information, but also helps to improve their professional and competitive ability, deepen risk awareness in the process of enterprise strategy formulation, help enterprises avoid potential risks, and ensure that

enterprise strategies are more scientific and reliable.[8]

4.4 Focus on the internal control environment to create a good working atmosphere

In order to realize sustainable development, state-owned enterprises need to pay attention to the construction of the internal environment, improve the internal management structure of the enterprise, so that each employee can clearly understand his or her own responsibilities, and at the same time, also evaluate the current internal control system accordingly, so as to create a good working environment. State-owned enterprises should improve the optimization of the internal control of the enterprise from several aspects: through the change of the property rights system, the introduction of new shareholders with modern management concepts into the internal control and governance of the enterprise. At the same time, they should strictly follow the provisions of the enterprise law to restrain their own behavior. In addition, enterprises should also listen to the opinions and suggestions of internal personnel, and grasp the actual development of the enterprise, so as to maximize the improvement of the internal control environment, but also to grasp more information. At the same time, state-owned enterprises should also be based on the reality of the situation, the construction of the communication mechanism between the various departments, incentives for personnel from various departments to participate in the internal environment of the enterprise, to play a synergistic and developmental role, in order to improve the level of enterprise management, strengthen inter-departmental cooperation, and the development of the process of the risk of effective identification and evaluation, to provide a better reference for the governance of the enterprise. Finally, state-owned enterprises also need to further improve the internal risk management and control system, fully mobilize the enthusiasm and enthusiasm of the staff, stand in the perspective of risk management, analyze the development of the enterprise, so that the staff actively participate in the sustainable development of the enterprise to provide impetus.

4.5 Scientific financing

From the viewpoint of risk management, enterprises should carry out scientific financing work in their internal control work, so as to diversify the debt risk, expand the financing channels, improve the resistance to risk and minimize the debt risk. In the next step, we should further increase the fundraising efforts, increase the attention to the gearing ratio, and ensure the safety of the funds, only in this way can the enterprise deal with the emergencies quickly when it encounters the financial crisis, so as to effectively maintain the smooth and healthy development of the enterprise. In addition, in the process of implementing internal control, enterprises should pay more attention to financing, strictly control the proportion of liabilities, to ensure that enterprises in a reasonable range, and further develop their own financing plan, in the event of financial risk, can effectively control the risk.

In the process of financial management, enterprises should pay attention to the following aspects. First of all, enterprises should formulate practical and reasonable financing plan according to their own situation. Before carrying out financing, it should scientifically formulate the financing program, and closely link the financing program with the development objectives of the enterprise, so as to ensure that the invested funds can meet the financing needs of the enterprise. When formulating financing programs, enterprises should pay attention to reducing costs, improving efficiency, adhering to the basic principles of development, and combining with specific investment planning to determine the financing path. When choosing financing programs, enterprises must analyze their comprehensive costs, pay attention to the degree of penetration and strengthen internal control; secondly, enterprises should strictly control the scale of enterprise financing and debt ratio, so that it is at an appropriate level. It is necessary to scientifically determine the scale of financing according to the needs of different periods, develop reasonable financing programs, and comprehensively control the risk of indebtedness. Finally, enterprises should conduct in-depth analysis of long-term financial planning, put near- and long-term business purposes in the first place, combined with the market development environment for the future development of enterprises to predict and analyze, and on this basis to formulate the development plan in advance, in order to better carry out the follow-up work.

5. Conclusion

In summary, in the new economic environment, due to changes in national policies, changes in the international environment, and changes in market competition and other factors, will bring different impacts on enterprise internal control and risk management. Enterprise leaders should fully understand

the core status and practical significance of internal control and risk management, optimize the enterprise organizational structure, construct risk analysis and evaluation system, improve the enterprise's rules and regulations, increase reform and innovation, and further improve the relevant policies and programs, so that the staff can better participate in the enterprise's internal control and risk management, and thus promote the enterprise's sustainable and healthy and stable development of the enterprise.

References

- [1] Dan Peng. *Risk Management Perspective: Exploration of Internal Control Mechanisms in State Owned Enterprises* [J]. *Marketing Circles*, 2021, (Z6): 86-88
- [2] Chen Haixia. *Research on Internal Control Strategies of State Owned Enterprises from the Perspective of Risk Management* [J]. *Market Weekly*, 2021-34 (09): 88-89+118
- [3] An Hong'e. *Discussion on Internal Control and Risk Management Issues in State Owned Enterprises* [J]. *Quality&Market*, 2021, (15): 91-93
- [4] Chen Maorong. *Research on Internal Control and Risk Management of State Owned Enterprises* [J]. *Chinese Industry&Economy*, 2021, (14): 114-115
- [5] Wang Yan. *Research on Optimization Strategies of Internal Control in State Owned Enterprises* [J]. *Financial Management Research*, 2021, (06): 101-105
- [6] Qi Xin. *Research on Internal Control of State Owned Enterprises from the Perspective of Risk Management* [J]. *China Small&Medium Enterprises*, 2021, (03): 136-137
- [7] Jin Xingxia. *Internal Control of State Owned Enterprises Based on Risk Management* [J]. *Contemporary Accounting*, 2020, (17): 135-136
- [8] Zhu Jianliang. *Construction of Internal Control Model for State Owned Enterprises Based on Risk Management* [J]. *Accounting Learning*, 2020, (14): 276+278