

Thoughts on the Construction of Internal Control in State-owned Enterprises Based on Risk Control

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Abstract: The core goal of this article is to deeply discuss how to build a risk-oriented internal control system in state-owned enterprises, and to explore its specific strategies and means. The opening introduction describes in detail the key role of state-owned enterprises in China's economic structure and the changeable risk environment in which they live. Furthermore, it emphasizes the importance of strengthening internal control to resist risks and improve operational efficiency. Then, this article analyzes the current situation and difficulties of internal control construction of state-owned enterprises, and finds out some key problems. These include the weak awareness of risk control and the defects of internal control system. On this basis, this article puts forward the general direction and basic principles of constructing the internal control framework of state-owned enterprises with risk control as the core, and introduces in detail the key steps and implementation strategies of constructing the internal control system. State-owned enterprises must fully understand the key role of risk control in the construction of internal control, and constantly optimize the internal control system by continuously adopting and implementing targeted measures and suggestions. In this way, we can effectively prevent and deal with various risks and ensure the stable operation and long-term development of enterprises.

1. Introduction

China's economic system is based on state-owned enterprises. These enterprises shoulder the great mission of promoting national economic development and are the key promoters of industrial upgrading, technological innovation and improvement of people's livelihood and well-being [1]. In national strategic industries, they occupy a leading position and play an indispensable role in safeguarding national economic security and maintaining market order [2]. With the deepening of market economy and the rapid advancement of globalization, state-owned enterprises are facing increasingly complicated internal and external risk challenges. External risks include fierce market competition, changes in policies and regulations, and frictions in international trade [3]. Internal risks include management deficiencies, financial fraud, information disclosure and so on.

In this case, it is particularly urgent to strengthen the construction of internal control of state-owned enterprises [4]. An effective internal control system can help enterprises identify and deal with risks in time and reduce potential losses. It can also ensure the safety and integrity of enterprise assets and ensure the authenticity of financial information [5]. By optimizing the internal

control process, the operational efficiency of enterprises can be improved, the waste of resources can be reduced, and their market competitiveness can be enhanced [6]. More crucially, a sound internal control system is the foundation for the sustainable development of enterprises. It helps enterprises to operate in compliance, shape a good social image and lay a solid foundation for the long-term growth of enterprises.

In view of this, the goal of this article is to explore how to build the internal control system of state-owned enterprises on the basis of risk control, and put forward corresponding strategies and methods. Through in-depth analysis of the current situation and existing problems of internal control in state-owned enterprises, combined with the theory and practice of risk management, this article will put forward a series of feasible internal control construction schemes. It is expected that this study can provide valuable reference for state-owned enterprises to improve their internal control and maintain a steady pace of development in a complex and changeable market environment.

2. Risk control and internal control theory of state-owned enterprises

2.1. Theoretical basis of risk control and internal control

As the core link of enterprise management, the essence of risk management lies in pre-detection, careful evaluation and effective response to all kinds of uncertain factors that may hinder the achievement of enterprise goals [7]. From the basic concept, risk management focuses on the prediction and prevention of potential risks, and reduces risks to a tolerable range with a series of management strategies and technical tools. In principle, risk management adheres to the principles of comprehensiveness, criticality, balance and flexibility to ensure that the risk management process is thorough and efficient [8]. At the operational level, risk management includes risk identification, risk estimation, risk disposal and risk monitoring, which constitutes a strict management cycle system. In the management practice of state-owned enterprises, risk management is widely used in strategic planning, investment decision analysis, financial management optimization, production and operation control and other aspects, which has become a powerful guarantee to ensure the steady development of enterprises.

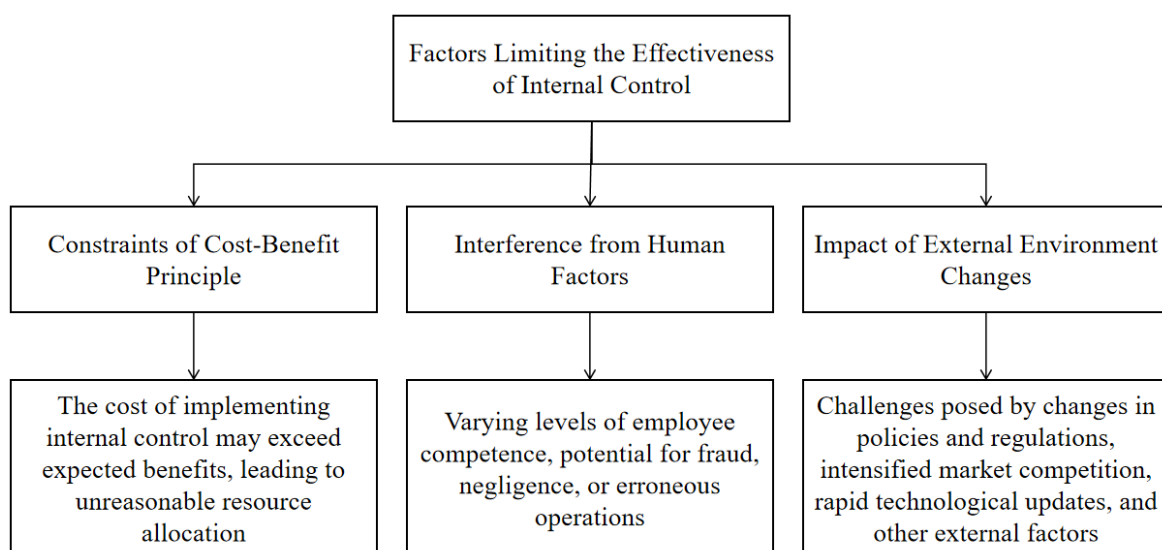


Figure 1 Influencing factors of internal control limitations

Internal control is an enterprise's whole-process and comprehensive management and control

activity to achieve the control goal by mobilizing all employees to participate together [9]. Its constituent elements include control environment construction, risk assessment mechanism, control activity execution, information exchange and communication, and internal supervision implementation. These elements depend on each other and promote each other, which together form a solid framework for internal control of enterprises. The purpose of internal control is to ensure that business management activities are legal and compliant, assets are safe, financial reports and related information are true and reliable, and at the same time, improve business efficiency and effectiveness, and help enterprises achieve development strategic goals. However, internal control is not impeccable, and its effectiveness is limited by the principle of cost-effectiveness, the interference of human factors and the changes of external environment, as shown in Figure 1.

2.2. Relationship between internal control and risk management

Risk management and internal control are closely linked and interdependent. Risk management is the further development and expansion of internal control, which is the foundation and tool of risk management. In state-owned enterprises, risk management and internal control are intertwined, mutually reinforcing, and jointly construct the core structure of enterprise management. Through sound internal control, enterprises can identify and evaluate risks more effectively, and formulate targeted risk coping strategies to reduce the potential impact of risks on enterprise operations.

In recent years, there are abundant research results and accumulated practical experience on the construction of internal control in state-owned enterprises. Academic circles have deeply discussed the internal control of state-owned enterprises from multiple perspectives and levels, and put forward many useful views and suggestions. Furthermore, many state-owned enterprises are constantly trying and perfecting the internal control system in actual operation, and have summarized a series of experiences and lessons. These theoretical research and practical exploration provide a solid theoretical foundation and rich practical reference for this study, which is helpful for us to deeply analyze the present situation and existing problems of internal control in state-owned enterprises and put forward more practical construction plans and strategies.

3. State-owned enterprises internal control status and challenges

At present, state-owned enterprises have made some progress in the construction of internal control system. Many state-owned enterprises have established a relatively complete internal control system. These systems cover many business links such as finance, procurement, production and sales, and provide a solid institutional support for the standardization of enterprise operation. In practice, some state-owned enterprises have effectively avoided risks, ensured the safety of assets and improved their operating efficiency through the implementation of the internal control system. Furthermore, the supervision mechanism is constantly improving, and the functions of internal audit, discipline inspection and supervision departments are becoming increasingly prominent, which plays a key role in ensuring the effectiveness of internal control of enterprises.

Nevertheless, state-owned enterprises still face some outstanding problems in the process of internal control construction. On the one hand, the lack of risk control awareness is a common phenomenon. Many state-owned enterprises have not paid enough attention to risk control and lack the awareness and ability to actively discover and deal with risks. On the other hand, the imperfection of internal control system is also a serious problem. Some enterprises have omissions in their internal control systems, which cannot fully cover all businesses and risk points. Poor implementation is also a major problem in the construction of internal control. Even with a perfect system, if the implementation is not thorough, the system will lose its meaning. Finally, poor supervision is also a problem that cannot be ignored. The supervision mechanism of some

enterprises is not perfect, and the independence and authority of internal audit and discipline inspection and supervision departments are insufficient, so it is difficult to effectively perform supervision functions.

These problems have a far-reaching impact on the operation management and sustainable development of state-owned enterprises. The lack of risk control awareness may lead to greater risk exposure for enterprises, which will bring great losses to enterprises once risks break out. Imperfect and ineffective implementation of internal control system may lead to confusion in enterprise management, reduced efficiency and even lead to illegal behavior. The lack of supervision may encourage corruption and fraud and damage the interests and reputation of enterprises. The reasons behind these problems are complex and diverse.

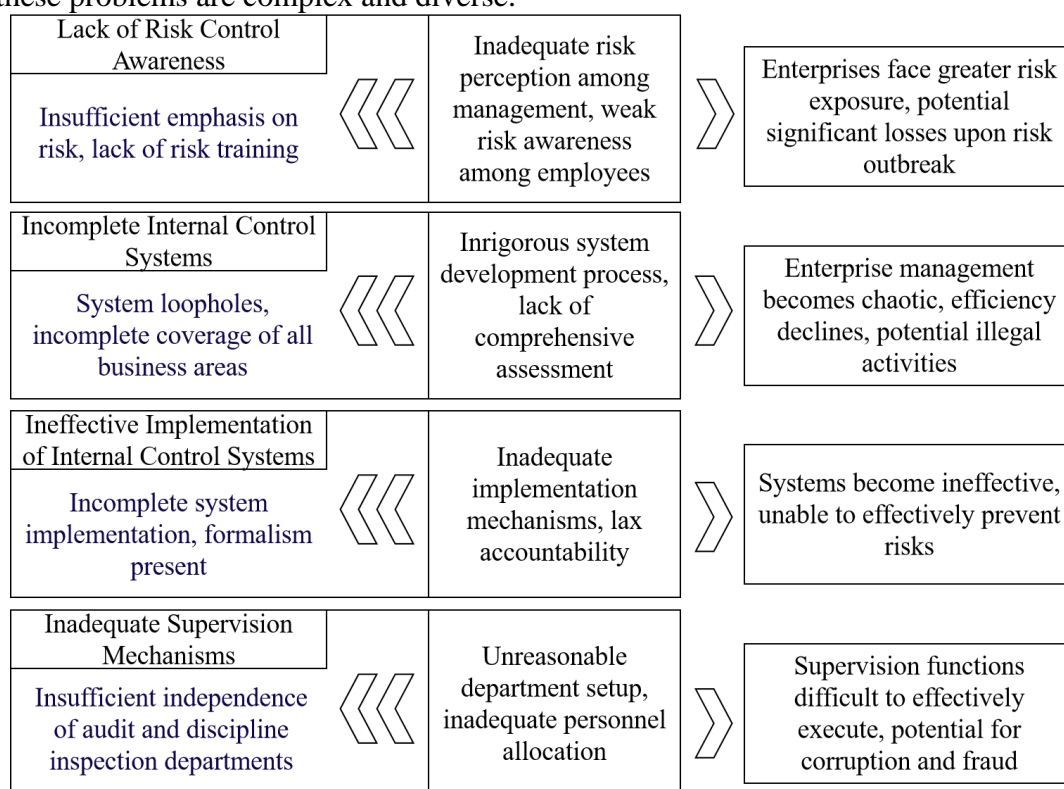


Figure 2 Analysis of the causes of internal control problems in state-owned enterprises

Figure 2 systematically gives the problems, manifestations, causes and consequences existing in the internal control construction of state-owned enterprises, which provides a clear direction for state-owned enterprises to improve and perfect their internal control system.

4. Thoughts and countermeasures of internal control construction of state-owned enterprises based on risk control

(1) The overall thinking and principles

The general idea of the internal control construction of state-owned enterprises based on risk control is risk-oriented, and risk management runs through the whole process of internal control of enterprises. This means that state-owned enterprises should always pay attention to the changes of internal and external environment, identify and evaluate potential risks in time, and formulate corresponding internal control measures according to the results of risk assessment. Continuous improvement is also an important principle of internal control construction. State-owned enterprises should constantly review and optimize the internal control system to ensure that it meets the needs

of enterprise development and effectively guard against and deal with various risks.

(2) Key links and measures

In the process of constructing the internal control system of state-owned enterprises, the improvement of key links and measures is very important. First, we need to optimize the internal control system. This means to formulate a comprehensive, systematic and scientific internal control system, clarify the responsibilities and authorities of various departments and posts, and standardize business processes and operating procedures to ensure the pertinence and practicality of the system. Then the ability to identify and evaluate risks should be enhanced. State-owned enterprises should build a risk early warning system to identify and deal with potential risks in time through regular risk assessment and analysis. Furthermore, we must strengthen the effective implementation and supervision of internal control. This includes ensuring the implementation of the internal control system, strengthening the supervisory role of internal audit and discipline inspection and supervision, and regularly inspecting and evaluating the implementation of internal control. In addition, improving the level of internal control informatization is also a key link. By means of modern information technology, the internal control information system is established to realize the automation, informationization and intelligence of internal control and improve the efficiency and accuracy of internal control.

(3) Countermeasures and suggestions

In view of many problems encountered by state-owned enterprises in the construction of internal control, including the weak awareness of risk control, the defects of internal control system, the weakening of execution and the lack of supervision, this article puts forward the following strategies and suggestions. For the problem of insufficient awareness of risk control, state-owned enterprises should increase investment in risk education, and enhance all employees' understanding and coping ability with risks through training and promotion. In view of the imperfection of internal control system, enterprises need to review and update the system regularly to ensure its consistency with enterprise strategy and business needs. In the case of poor implementation, enterprises should build a perfect internal control implementation system, clarify responsibilities and evaluation standards, and strengthen supervision and management of the implementation process. For the lack of supervision, it is necessary to strengthen the independence and authority of the internal audit and discipline inspection and supervision departments to ensure the effective play of their supervision functions. These suggestions and measures aim to provide solid support for the improvement and perfection of internal control practice in state-owned enterprises.

5. Conclusions

This article deeply analyzes the present situation and challenges of internal control construction in state-owned enterprises. The research shows that although the internal control construction of state-owned enterprises has achieved certain results, there are still outstanding problems such as insufficient awareness of risk control, imperfect internal control system, poor implementation and lack of supervision. These problems affect the management efficiency of state-owned enterprises and pose a potential threat to their long-term development. Based on this, this article puts forward the ideas and countermeasures of internal control construction of state-owned enterprises based on risk control. The strategy emphasizes risk-oriented, and continuously improves the internal control system to ensure that it is in line with the enterprise development strategy and business needs. Furthermore, this article defines the key links and measures such as improving the internal control system, strengthening risk identification and evaluation, strengthening implementation and supervision, and improving the level of informatization.

State-owned enterprises must pay full attention to the key role of risk control in the construction

of internal control and constantly optimize and upgrade the internal control system by adopting and implementing specific strategies and suggestions. In this way, we can effectively prevent and deal with various risks and ensure the stable operation and sustainable growth of enterprises. This is of great significance to the state-owned enterprises themselves, and also provides a useful reference for the internal control construction of other types of enterprises.

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