

# Strengthen Internal Control Management and Prevent Financial Risks

Shijian Liu

Logistics university of people's armed police force, Tianjin 300300, China

## Abstract

Enterprise financial risk affects the economic activities of enterprises and poses a threat to enterprises. In the process of economic development, due to the uncertainty of many factors, the economic effects of enterprises after normal production and business activities are often uncertain, sometimes benefit and sometimes loss. If enterprises do not solve their own financial risk problems, the consequences will be very serious and even bankruptcy. Financial risk is universal and can be prevented and reduced, but it can not be completely eradicated. In this case, enterprises should do a good job in the prevention and control of financial risks, strengthen internal control management and minimize financial risks.

## Keywords

Internal Control Management; Financial Risks; To Guard Against.

## 1. Introduction

In order to reasonably face the increasingly fierce market competition, enterprises need to start from improving the internal management structure, constantly summarize and avoid financial risks in the process of operation and development, form an internal control management system of hierarchical checks and balances, decentralized management, regular reporting, timely correction and supervision, and ensure the smooth progress economic and business activities through scientific internal control management, Ensure the rational application of human resources, material resources and financial resources, and finally improve the authenticity and accuracy of financial information and the safety and application rate of enterprise assets.

## 2. Overview of Internal Control and Financial Risk

### 2.1. Internal Controls

Enterprise internal control refers to the supervision and control of all links in production, operation and management activities by taking a series of measures. Internal control is an important part of enterprise management. It plays an important role in strengthening accounting supervision, preventing financial risks, improving the quality of enterprise accounting information and enterprise management efficiency. Internal control includes five elements: internal environment, risk assessment, control activities, information and communication and internal control. Among them, the internal environment is the foundation, risk assessment is the basis, control activities are the means, information communication is the carrier, and internal supervision is the guarantee. Strengthening internal control can effectively improve the authenticity, timeliness and reliability of enterprise accounting information; Prevent financial risks and ensure the smooth operation of the enterprise, the safety and integrity of property and the realization of strategic objectives. In the fierce market competition environment, only when enterprises adhere to the implementation of effective internal control in the whole process of operation and management, can they ensure the orderly and

legalization of enterprise operation, continuously improve the operation level, and maximize economic benefits.

## **2.2. Financial Risk**

Financial risk refers to the risk that an enterprise is unable to pay off its due debts or the expected income of investors decreases due to factors such as unreasonable financial structure, wrong investment and financing and production and operation decisions, lack of effective internal control and so on. The common financial risks of enterprises include financing risk, investment risk, operation risk, inventory management risk and liquidity risk. The financial risk of an enterprise involves all links of production and operation, which has certain uncertainty and potential. Strengthening internal control and effectively preventing financial risks is an important part of enterprise management.

## **3. Problems in Enterprise Financial Risk Control**

### **3.1. Lack of Supervision on Internal Control Management and Financial Management**

Under the guidance of scientific and effective supervision mechanism, the quality and efficiency of enterprise internal control management and financial management can be effectively guaranteed. However, the actual situation is that the management and supervision system of some enterprises is not perfect and fails to give full play to its supervision role, resulting in the problems in the process of internal control management and financial management can not be found in time, resulting in unnecessary financial risks, The specific performance is as follows. First, although some enterprises are aware of the importance of carrying out internal control management and financial management supervision, and have strengthened supervision, due to the problems of single supervision mode and rigid supervision standards, the supervision process is formalized and one-sided, which makes the supervision work unable to provide guidance for financial risk prevention. Second, some enterprises lack the training of internal control management and financial management supervisors, which makes some supervisors have a weak working attitude and unprofessional working ability, which makes it impossible to complete various supervision work scientifically and effectively. At the same time, it will also reduce the cooperation of internal control management and financial management personnel with supervision work, It is not conducive to the formation of unity and harmonious working atmosphere within the enterprise.

### **3.2. Lack of Prevention Awareness and Professional Quality of Managers**

Managers are the main body of internal control management and financial management, and their professional level is directly related to the development effect of various work. However, the actual situation is that some enterprise managers have insufficient financial risk prevention awareness and professional quality, which will not only lead to financial risk events, but also lead to blind investment and financing, as shown below. First, if the financial risk prevention awareness of internal control management and financial management personnel is insufficient, their working ability and execution ability will decline, so they can not find financial risks in time and accurately; In addition, some personnel lack the consciousness of introspection and responsibility, and do not link their work with the prevention of enterprise financial risks. They believe that as long as the management system does not have problems, it can continue to be used as the management standard, and do not continuously improve the existing system. Second, some enterprise internal control management and financial management personnel have insufficient mastery of professional investment and financing methods, and ignore the prevention of financial risks, which is prone to investment and financing errors. They can not obtain the expected investment benefits and financing results, but also lead to economic losses.

### **3.3. The Risk Prevention Mechanism is not Perfect**

In the development of enterprise operation and management activities, a sound risk prevention mechanism is the key to assist relevant personnel to quickly and effectively respond to different risks. In practice, due to the lack of risk awareness of the enterprise management and the failure to provide necessary support for the establishment and improvement of the risk prevention mechanism, the effect of this kind of system in practical application is not obvious, It reduces the efficiency of enterprise financial risk prevention, will cause enterprises to suffer certain economic losses, and financial risks will occur in the implementation of business plans.

## **4. Strategies for Strengthening Internal Control Management and Financial Risk Prevention**

### **4.1. Establish Internal Control Management and Financial Management Supervision Mechanism**

In order to maximize the effectiveness of internal control management and financial management, enterprises need to establish a strict and sound supervision mechanism. The specific strategies are as follows. First, the enterprise needs to establish a perfect supervision system and a special supervision department to ensure that each supervision work is completed by professional supervisors, so as to strengthen the supervision and management of internal control management and financial management and improve the supervision level, so that it can naturally find financial risks and management problems in time and accurately, so as to give feedback to relevant departments, And supervise relevant management personnel to complete follow-up improvement. Second, enterprises need to reasonably apply the supervision results and find the deficiencies of internal control management and financial management through the supervision data, so that relevant departments can carry out targeted improvement measures and problem-solving measures. Third, enterprises need to strengthen the training of supervisors, so that supervisors can understand the internal control management and financial management processes and standards. On this basis, they can carry out accurate supervision and management of various management work, form effective constraints on relevant departments and managers, and form scientific norms of various management work

### **4.2. Strengthen the Prevention Awareness and Professional Quality of Managers**

If the enterprise can strengthen the construction of internal control management and financial management team, strengthen the prevention awareness and professional quality training of managers, it can achieve twice the result with half the effort, and managers can more actively and effectively carry out financial risk prevention. The specific strategies are as follows. First, enterprises need to formulate targeted training objectives and plans for internal control management and financial management talents in combination with the actual operation and development status and needs, so as to improve the professional ability of managers. Second, enterprises need to regularly carry out professional training for internal control management and financial management personnel to ensure that each manager can master professional management knowledge and skills, and understand the changes of relevant policies and legal provisions at this stage, so as to lay the foundation for the high-quality and efficient management of Yiying. Third, enterprises need to actively carry out the recruitment of internal control management and financial management talents, which can not only promote the adjustment and renewal of management personnel structure, but also inject new strength into enterprise operation development and financial risk prevention, so as to improve the overall level of internal control management and financial management.

### 4.3. Improve the Risk Prevention Mechanism

In order to enhance the implementation effect of enterprise financial risk prevention and reduce the incidence of fund utilization problems, we need to deal with it from the institutional level. The specific manifestations are as follows: (1) integrate and apply rich professional theoretical knowledge, refinement and innovative ideas to the formation of financial risk prevention mechanism, promote its good applicability, provide institutional guarantee for the enhancement of financial risk prevention effect, complete the corresponding work efficiently, and provide effective support for the scientific development of enterprises; (2) Implement the improved financial risk prevention mechanism in place, provide scientific guidance for the efficient implementation of corresponding work plans, and meet the long-term development requirements of minimizing business costs and maximizing benefits. At the same time, it is necessary to comprehensively consider whether the financial risk prevention effect of the enterprise under the action of the risk prevention mechanism is significant and whether the specific work is carried out efficiently, strengthen the awareness of dealing with details, realize the efficient utilization of the risk prevention mechanism, lay a foundation for the continuous improvement of the financial work level of the enterprise and ensure the effectiveness of the risk prevention work, Broaden the thinking of sustainable development of modern enterprises.

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