

Research on Internal Control Risk and Prevention under Financial Sharing Mode of Baosteel

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Abstract: Because of the sustainable development of society and economy and the expansion of the scale of business, many large group companies with many children and sun companies have resulted in the financial organization structure is complicated, the management is chaotic, the capital cost remains high. In this context, many large, small and medium-sized companies have adopted the way of "accounting", that is, through the establishment of "financial resources sharing", "unified" way to achieve "centralized management" and "centralized accounting". Baosteel Co., Ltd. is a representative enterprise. The company has established a "financial sharing" organization, which can greatly reduce the cost of the enterprise, and effectively improve the business condition of the enterprise, and enhance the financial management level of the enterprise. Although financial sharing has many advantages, its advantages are not obvious. The disadvantages are also obvious. For example, the establishment of a financial allocation caused by the personnel flow, the replacement of posts, the adoption of new financial methods and financial system caused by administrative gaps, etc. The above problems have a great impact on the traditional internal management mode. This paper uses the theory of financial sharing and internal control, combined with the theory of internal management of Baosteel Group, discusses the internal control risk faced by the company in the course of operation, and puts forward the corresponding countermeasures.

1. Introduction

In the rapid development of our economy and society today, the traditional financial management way of our country has presented the characteristics of organization jumbled, management chaos, financial cost high. Financial sharing is a new way of financial management. It has the advantages of streamlining the organization, convenient management and low financial cost, which can effectively solve financial problems.

However, the new management system also faces great danger in the process of implementation. Due to the establishment of a financial sharing agency, resulting in a large number of staff turnover, job changes, fund audit is not in place, time-consuming processing of physical vouchers, inter-agency communication is not secure enough, all these indicate that the original internal management system needs to be further improved.

By analyzing the financial management risk and preventive measures under the accounting information sharing model, the existing accounting information management theory can be

supplemented to supplement the defects brought by the new accounting methods, so as to make the allocation of accounting information more reasonable; This paper has a positive guiding function on how to make the reasonable fund allocation scheme for the companies of our country.

2. Overview of enterprise internal control under the financial sharing mode

2.1 The concept of financial sharing mode

Financial Sharing is based on information technology to conduct financial management in a decentralized manner, providing more financial services and an optimal organizational structure to both internal and external customers in a more professional manner; Improve business processes, improve data efficiency, reduce costs or add value.

Financial management is a new financial integrated management model which integrates advanced management methods such as information technology and quality management. Based on the management idea of "customer first", the company has formed a new mode of financial management, which has achieved remarkable results and broad prospects for development.

2.2 Internal control related overview

2.2.1 Internal control concept

A series of management activities carried out by enterprises, government agencies or social organizations in order to achieve their own performance. Internal control refers to a series of methods, measures and control methods, such as self-planning. For example: self-planning, self-evaluation, self-control; Self-regulation, etc., to ensure its work efficiency, effectiveness and cost efficiency.

2.2.2 Internal control element

At present, the most mainstream and widely recognized internal control theory is COSO framework, which determines five elements, namely, control environment, risk assessment, control activities, information and communication, and internal control.

The core of the enterprise is the management of the external environment, and the management of the external environment is the effective internal management of the enterprise. The internal management of an enterprise is the prerequisite for the internal management of an enterprise, including the establishment of institutions, governance structure and cultural construction. Personnel deployment and personnel system, etc.

In the enterprise's internal management, the enterprise risk assessment is a very key factor. In the operation of a company, rational response to systematic analysis and risk is its purpose and behavior. This includes identifying targets, identifying risks, analysing risks and responding to them.

The supervision of six factors is a key measure to implement the company: based on risk assessment and intervention strategy, to ensure that the company's internal control objectives can be achieved: to achieve the company's internal control objectives. The work of the company must be aligned with the special work and activities of the company. Especially information technology control, performance measurement and control, economic analysis and control; Internal control, internal control, accounting control; Internal and internal control, property protection control, budget control; Contract approval tracking, task division tracking, etc.

The basic content of information exchange is the core content of the realization of internal management, but also an important premise of the realization of internal management, that is, to achieve timely collection and communication. Internal communication and application of various departments, mainly include: information collection, internal and external communication, etc.

Internal control is the key to continuously improve and promote the internal management of the company. It includes: the company's internal monitoring system is the establishment and implementation of the company's internal monitoring system, evaluation of its effect on the company, discovery of defects and timely improvement.

3. Baosteel Stock internal control system status

3.1 Introduction of Baosteel

Founded in 2000, Baosteel Group, formerly known as Baosteel Group, is headquartered in Baoshan. Shanghai is China's largest modern large-scale steel production base. Rated as the world's three most competitive steel companies, is also the world's most promising steel companies. The company's main business: carbon steel series, special steel series, stainless steel series. In China, we are not only an important supplier of steel, but also export to more than 40 countries and regions such as Japan, South Korea, Europe and the United States. Baosteel Group was listed in Shanghai and Shanghai on November 20, 2000, with a total of 1.877 billion yuan of shares raised and a capital of 12.221 billion yuan. Hesteel, Shagang, Chongqing Steel, and Baosteel are the largest steel companies in China. They all have a strong voice in the entire steel industry. Their role in the national steel industry can be seen from their shareholders' equity and profits.

3.2 Internal control status under financial sharing mode

Baosteel Group, a leading company in China's steel industry, established a financial sharing service platform in 2009 and pioneered the first pilot project in Shanghai. After a year, Baosteel and its affiliates will continue to provide business for the company.

The Financial Sharing Center of Baoshan Iron & Steel Group is located in Shanghai, China, but generates revenue for its subsidiaries around the world, comprising eight divisions: Purchasing and Payment, sales and Cashier, and tax documentation, which includes the Digital Center, Special Services, Accounting and Information, and Business. An institution funded by public funds.

Baosteel Group Company has established a financial information sharing center, which has improved the business capacity, improved the quality of work and improved the efficiency of the enterprise. At the same time, enterprises should establish standardized and replicable financial operation mode, so as to promote the rapid development of enterprises, improve the comprehensive ability and control ability of enterprises, improve the quality of financial services of enterprises, and promote the business activities of enterprises. Since Baosteel Group Company implemented the "financial sharing" mode of operation, the company's financial cost has been greatly reduced. Among similar companies, companies without the "financial sharing" system account for a large proportion.

Table 1: Ratio of financial expenses (2022) Unit: Yuan

The name of firm	Financial cost	Operating receipt	Financial expense ratio
BAOSHAN IRON	1152896871.63	135784145710.40	0.85%
HESTEEL COMPANY LIMITED	3202421836.53	110348278835.32	2.90%

Hesteel, a large steel company with similar operations nationwide, does not yet have a "financial sharing" system. As can be seen from the last table, there is not much difference between the profits of Hesteel and Baosteel, but judging from the cost ratio of the two companies, their costs are much higher. In this way, it can be well reflected that the financial sharing method has greatly saved the cost of the company, making it in the leading position in the domestic peers. Although the establishment of the "financial sharing" system provides the company with a huge space for

development, but the implementation of new financing methods will inevitably appear new problems.

First, there is the judgment of danger. Baosteel Group divides it into three levels: the first level is low risk, with low impact and low probability of occurrence; The second category is moderate risk, which means the probability of high impact is very low, or the probability of high impact is very small, so be prepared: the third category is severe, has a high impact, and has a high probability, and must be checked after the danger appears to prevent it; If necessary, it shall be reported to the Board of Directors. However, our risk assessment is still at the enterprise level. On this basis, the shared Center constructs a risk assessment system without business process. Carry out targeted evaluation, and carry out detailed evaluation for each link, still need to be further improved.

Secondly, make full use of information technology, improve the standardization of data, reduce artificial interference; The purpose of the establishment of Baosteel is to build a common financial service platform, using advanced financial information systems such as financial settlement and control system, bank-enterprise interconnection system, image scanning system, etc., to achieve unified financial work and reduce manual interference, but these businesses are mainly based on the head office; However, in the process of communication between the information sharing center and branches, a lot of work still needs to be completed by people, which causes great difficulties in working time and management efficiency.

Thirdly, the establishment of a financial branch not only reduces the development space of accounting, but also subjectively makes the work of accounting more boring. Resulting in the implementation of financial sharing accounting staff turnover proportion increased sharply. Frequent change of financial management personnel, increase the possibility of enterprise financial information leakage, increase the enterprise's financial management work errors, increase the enterprise's internal control risk.

In the audit, adopt the "shared" way to audit, rather than the independent audit of each department; Although it can speed up the audit progress and reduce the capital investment, it will also lead to the lack of thorough audit work, resulting in superficial audit work, which will adversely affect the rights and interests of the company.

At present, due to the correctness of financial management, management efficiency and problems in the audit process, the company's profit level has been impacted to some extent. By 2022, the company's operating profit, net profit, gross profit rate and total return on assets and other major profit indicators are worse than Shagang and Fushun Iron and Steel.

Table 2: Comparison of main profitability Indicators (2022)

The name of firm	Operating profit margin	Net profit rate	Gross profit	Rate of return on total assets
BAOSHAN IRON	5.321%	4.26%	10.88%	3.678%
HESTEEL COMPANY LIMITED	11.292%	4.502%	13.04%	5.259%
FUSHUN IRON	9.374%	8.794%	21.99%	6.206%

Major economic data such as operating profit margin and gross profit margin of Baosteel Group in 2022 decreased significantly from the same period of last year, mainly due to the downturn in the automobile market and the sharp rise in iron ore prices. However, the main economic data of Baosteel Group is obviously at a disadvantage compared with that of Shagang and Fushun Iron and Steel, which means that there are some problems in the internal governance of the company. For example, the accounting is not standard, which leads to the rise of costs and the decline of the company's profit. The financial staff has great mobility and the relationship between them is not very good. At present, there are many problems in the financial management system of Baosteel Group, which makes it face

a series of risks on the basis of "financial sharing".

4. Risks of internal control under the financial sharing mode of Baosteel

4.1 There are risks in the internal control environment

4.1.1 Lack of connection between finance and business

Although the staff of the financial sharing center have relevant qualifications and experience, the financial sharing center is different from the traditional financial personnel working in the enterprise, but the business of each company is concentrated in the financial sharing center for summary, and the financial personnel have less contact with the staff of other departments. Moreover, the daily work of the basic staff of the financial sharing center is to carry out simple and mechanical input, which leads to the lack of necessary understanding of the business handled by the staff of the financial sharing center.

As Baosteel is a large group enterprise with a large scale and extensive involvement, it may follow different revenue recognition criteria in the recognition of related businesses. The staff at the base of the financial sharing center may use wrong recognition criteria because they are not familiar with the business, resulting in the error of profit calculation and even the suspicion of fraud.

4.1.2 Uneven development prospects for employees

From the perspective of personnel recruitment, the financial sharing center of Baosteel Stock has lower educational requirements for grass-roots staff and higher educational requirements for management staff, thus resulting in the polarization of educational qualifications of employees. The promotion path of grass-roots staff is not smooth, and the daily work of grass-roots staff is monotonous, limited ability improvement, strong substitutability, and not very high salary. It resulted in a larger loss of grass-roots staff. A large number of personnel loss to the enterprise information security posed a threat, and the new personnel on the work content is not skilled will also cause audit staff work pressure increase, sharing center work efficiency reduction, internal control risk increase and a series of problems.

However, grassroots staff are engaged in single, boring and repetitive work for a long time, and their work scope is narrow, which seriously affects their work enthusiasm and is not conducive to the improvement of their accounting professional skills and comprehensive ability. This situation also makes it difficult for the financial sharing center to find the staff who can assume the management position from the grass-roots staff, further narrowing the promotion space of the grass-roots staff. A large number of external recruitment of managers also makes the management of the financial sharing center lack of understanding and understanding of the grass-roots work, which reduces its management ability.

4.2 Risks exist in control activities

4.2.1 Financial audit is not in place

The financial audit work of Baosteel is carried out by the financial sharing Center, instead of setting up a separate financial audit post on business projects. Although this mode is conducive to reducing the employment of financial personnel and reducing financial costs, it also reduces the understanding of auditors to the audited business. When auditing, auditors mostly focus on whether the original vouchers are standardized and compliant, but lack necessary understanding and review of the authenticity of vouchers and their contents. As a result, research and development expenses,

administrative expenses and sales expenses are higher, reducing operating profit.

Table 3: Financial expense Ratio (2022) Unit: Yuan

The name of firm	Total selling and administrative expenses	Operating receipt	Financial expense ratio
BAOSHAN IRON	2887500587.32	131362437134.44	2.2%
HESTEEL COMPANY LIMITED	658322746.13	101248976213.51	0.65%

Shagang is also a large listed iron and steel company, its sales and administrative expenses are far lower than the sales and administrative expenses of Baosteel shares, and comparing the proportion of sales and administrative expenses can also be found that Shagang shares of sales and administrative expenses more efficient use, Baosteel shares of sales and administrative expenses is relatively low utilization rate. To a certain extent, this reflects that Baosteel stock sales expenses and administrative expenses of the rhetoric of examination is more relaxed, increasing the cost of enterprises.

4.2.2 It takes a long time to process physical vouchers

When the financial sharing center of Baosteel Group processes the physical vouchers, it first scans the vouchers into the system, then the physical vouchers of Baoshan area are personally delivered by the staff, and the vouchers of other areas are mostly delivered in the form of express delivery. However, parcel loss occurs from time to time. The delivery of physical vouchers by express is very easy to cause the loss of vouchers. Moreover, the delivery speed of express is different and generally slow, which makes the backlog of documents to be processed and reduces the operation efficiency of financial sharing center.

On the other hand, the staff in charge of handling vouchers in the financial sharing center has to deal with more than 400 pieces of reimbursement vouchers every day on average, which can only meet the needs of daily voucher processing. Once the number of vouchers to be processed surges due to some special reasons, the current processing capacity of the financial sharing center cannot cope with it.

4.3 Risks in information communication

4.3.1 Security of inter-departmental communication is poor

The Financial Sharing Center of Baosteel Group collects, integrates, analyzes and records the financial data of Baosteel and its subsidiaries to improve the efficiency of the financial department and reduce financial costs. However, this mode also reduces the security and timeliness of financial information dissemination to some extent. When the staff of the financial sharing center work, they need to communicate with many business departments, but they are independent of the specific business departments, which may lead to the deviation of the staff of the sharing center due to the unfamiliar business process.

4.3.2 Deviation in financial information transmission

In the financial sharing center, the way staff process documents has changed from the previous separate processing to the current centralized processing, but the processing speed of documents has not actually changed, which directly causes the problem of asynchronous work between the business department and the sharing center, resulting in a deviation in information exchange. As the financial sharing mode is still an emerging mode in China, the financial information system coverage of Baosteel Financial sharing Center is not comprehensive enough, and some subordinate departments

with small operation scale are not connected to the financial information system. As a result, some cutting-edge businesses cannot be timely entered into the system, resulting in a certain lag in the financial information system affecting the work efficiency. These phenomena put forward higher requirements for the timeliness of the audit of financial sharing center.

4.4 Risks in internal supervision

4.4.1 Internal audit is not in place

It is understood that Baosteel Group has a special audit department. The implementation of financial sharing mode, especially real-time data sharing, has greatly improved the audit efficiency. However, since Baosteel owns or actually controls a number of subsidiaries and subsidiaries, before the financial center is set up, the audit department accounts the subsidiaries and subsidiaries at the end of the quarter. Since the audit system did not change after the financial cooperation Center began to operate, the financial Common Center continued to audit the subsidiaries of Baoshan Iron and Steel Group, and found that the problems had been delayed to a certain extent, which led to the emergence of internal control risks.

4.4.2 The financial center evaluation system is not perfect

When serving and supervising the financial sharing center of Baosteel Group, it mainly focuses on the aspects of customers and suppliers, such as market share and customer satisfaction. However, if we blindly emphasize service and system construction, and relax the assessment and supervision of the control implementation, we may neglect one thing and lose another in the internal supervision, making the internal control system become a decoration, deviating from the internal control goal of the financial sharing center, so that the internal control system of the sharing center can not give full play to, constituting internal control defects.

5. Preventive measures

5.1 Improve the internal control environment

5.1.1 Enhance financial staff's understanding of the business

Aiming at the problem that the financial staff of Baosteel Financial Sharing Center have less contact with and insufficient understanding of the business handled by Baosteel, thus increasing the financial risk. At the staff level, grass-roots financial staff can be regularly organized to concentrate on learning the ins and outs of the business they deal with in daily work without affecting their normal work. They can even consider leading financial staff to visit the production workshop to learn, deepen their knowledge and understanding of daily work content, and enhance their interest and enthusiasm for work.

At the level of financial system, we should strengthen the supervision of the contract, especially the complicated collection contract represented by the supply contract. In the revenue recognition of the contract, special attention should be paid to the integrity of the report to avoid the contract details with the trading party. The installation acceptance report is not uniform due to the difference, which leads to the wrong time of revenue recognition.

5.1.2 Pay attention to psychological changes and assessment training of employees

As for the problems caused by the monotonous and boring work content of financial sharing center,

the staff's interest and efficiency decrease can be improved from three aspects: performance appraisal, staff training and corporate culture. In the aspect of performance appraisal, we can moderately increase the intensity of appraisal, improve the performance reward of employees, and take the appraisal results as an important reference for the promotion of employees, so as to create realistic motivation for employees to work hard. In the aspect of staff training, staff training can be actively organized, and the content of training can be expanded to improve the comprehensive ability of staff and cultivate comprehensive talents. This is also conducive to the enterprise's job transfer, to help the long-term development of the enterprise. At the same time, the transfer of staff also alleviates the monotonous and tedious work of the financial sharing center to some extent. As for corporate culture, enterprises can strengthen the construction of corporate culture, create corporate cultural atmosphere, strengthen the sense of identity of employees, actively organize and organize collective construction, restore a good working environment, enhance the sense of belonging of employees, improve their work enthusiasm and team cohesion.

5.2 Suggestions for improving the shortcomings of control activities

5.2.1 Improve the financial audit system

To improve the financial audit system, we can start from improving the audit posts. Because the financial audit work of the financial sharing center of Baosteel Group is carried out uniformly in the sharing center, the auditors are not very familiar with the work of specific business departments. Due to the large number of daily audit business, the auditors cannot specifically understand a business project, so in some cases the financial audit is too loose, resulting in a waste of expenses. In view of this situation, the post of financial audit and preliminary audit can be set up in the branch company where conditions permit, so as to reduce the working pressure of the financial audit staff in the shared center. At the same time, the auditors of the branch are more familiar with the specific business, so they can conduct more targeted audits, and the participation of the auditors of the financial sharing center can avoid the risk of the audit of the auditors of the branch for various reasons, and the risk of improper audit procedures. Regular organization of financial audit personnel training, improve financial knowledge and professional level, enhance the invoice audit judgment ability, better play the role of financial audit.

5.2.2 Improve the certificate processing speed

To improve the processing speed of vouchers, on the one hand, some financial staff can be appropriately added to improve the daily work efficiency of the financial sharing center and the resilience of the work when the business volume surges, so as to avoid the backlog of documents caused by insufficient personnel. At the same time, it is necessary to strengthen the control of business process, improve employees' work performance, and prevent employees' negligence leading to the decline of official document processing efficiency.

On the other hand, the application of information accounting system should be increased. You can try to establish a single voucher and bill transfer channel with qualified branches, and send repeated daily bills to the system after scanning, so as to improve the processing speed and accuracy of vouchers and save labor costs.

5.3 Strengthen information communication capacity

5.3.1 Standardize information communication channels

In order to standardize the financial information channels and reduce the risk of information

communication, the external financial sharing center should increase the contact with external suppliers and customers of the company, establish unified voucher standards with them, and give unified feedback when the voucher is not standardized, so as to ensure the authenticity and integrity of financial information and information security. At the same time, the contact between business departments and local competent authorities should be strengthened, and the whole process information platform of joint suppliers, customers and competent authorities should be explored to promote information exchange and reduce the difficulty of finding information in the sharing center. Internally, the company should increase the publicity of financial knowledge and reduce the improper handling of business caused by understanding problems. It can also reduce the use of financial terminology in the processing of employee reimbursement business, and enhance the business staff's understanding of the audit work of the financial sharing center.

5.3.2 Strengthen internal report processing capabilities

In the process of enterprise accounting, the financial sharing center will generate the internal statements and relevant data of the current business processing. Give suggestions on the company's internal control and development strategy, help the company's managers understand the company's business situation, strengthen the ability to handle internal reports, and strengthen the application of information technology in internal reports.

Strengthening the application of information technology in the preparation of internal reports is conducive to ensuring the authenticity and accuracy of internal reports and providing more scientific and effective internal reports for enterprise managers.

In order to strengthen the processing capacity and efficiency of the enterprise's internal report, Baosteel Financial sharing Center should further strengthen the construction of the financial information system, expand the coverage of the financial information system, improve the convenience, rapidity and timeliness of its operation, and do a good job in technical guarantee for strengthening the processing capacity of the enterprise's internal report.

5.4 Strengthen the role of internal oversight

5.4.1 Optimize the internal audit system

As for the audit delay caused by the original audit mode of subsidiaries and small enterprises, the sharing center can learn from the follow-up audit method adopted by the government departments. Tracking audit refers to that the audit department codes the important or representative items among the engineering materials, inventory commodities and other items of the audited entity, and the audited entity will enter them into the system in real time upon completion of the installation or delivery of the items, so that the audit department can carry out dynamic detection and timely supervision on the situation of the audited entity and protect the interests of the company.

5.4.2 Optimize performance appraisal

Under the new financial sharing mode, in order to optimize the performance evaluation under the new financial sharing mode, we can start from optimizing the supervision procedure of the financial department. We can add the assessment of specific assessment indicators to the assessment content, carry out quantitative management, and put the assessment procedure in front, the assessment into the design and operation work, so as to ensure the strength of the financial department's assessment.

At the same time, the sharing center can also increase the application of questionnaire assessment method, asking employees, customers and suppliers to fill in questionnaires and receive evaluation from different perspectives, so as to make the performance assessment more comprehensive.

6. Conclusion

Since the financial sharing mode was born more than 30 years ago, many large group enterprises at home and abroad have implemented the financial sharing mode, and Baosteel Group, as the leading iron and steel enterprise in China, also established a pilot financial sharing center in 2009. In the financial sharing center, many traditional accounting working mode has been broken, and the highly informationized and process-based accounting mode has entered the practical application, which also adds many loopholes and risks to the traditional internal control mode.

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