

# Economic Analysis of Internal Control System Construction of Central Enterprises based on Regional Comprehensive Reform

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**Abstract.** If central enterprises want to reduce operational risks, they must improve their internal control mechanism and implement it. Ensuring the reliability of the financial statements of enterprises and effectively controlling all kinds of risks within enterprises have become one of the primary tasks of enterprise managers. With the rapid development of China's market economy, the competition among enterprises is increasingly strengthened. Based on this situation, it is particularly important to establish the internal control system of enterprises. Since its implementation, internal control has played an active role in standardizing enterprise management, preventing business risks and improving business efficiency. From the practice of enterprise management and operation, the internal control of central enterprises is an important part of enterprise management, which is aimed at the management of financial affairs of enterprises. Based on the needs of regional comprehensive reform, this paper explores the economy of the internal control system of the central enterprises in line with the social and economic development, hoping to help the development of the central enterprises.

**Keywords:** Central enterprises, Internal control mechanism, Economy.

## 1. Introduction

If central enterprises want to reduce operational risks, they must improve their internal control mechanism and implement it. Ensuring the reliability of enterprise financial statements and effectively controlling all kinds of risks within the enterprise have become one of the primary tasks of enterprise managers [1]. The traditional enterprise internal control system is no longer suitable for the current social situation. Under the previous planned economy system, the financial activities of enterprises were relatively simple. The internal control of central enterprises has not achieved an independent status, but passively implements the country's financial system [2]. From the practice of enterprise management, the internal control of central enterprises is an important part of enterprise management. The internal control of modern enterprises and central enterprises is always facing a pluralistic, dynamic and complicated internal control environment of central enterprises. More and more enterprises improve their competitiveness by forming enterprise groups. Group management has become the most popular enterprise organization form in the world today [3]. Since its implementation, internal control has played an active role in standardizing enterprise management, preventing operational risks and improving operational efficiency. Managers of enterprises pay more attention to accounting, but neglect the internal control and risk control of central enterprises. The tide of knowledge economy puts forward more urgent requirements for the construction of central enterprises' internal control [4]. The innovation of the enterprise internal control system should be combined with the modern social background and the development status of the enterprise, and should be adjusted according to the composition and composition of the specific enterprise.

The globalization of economy and the clear trend of competition and cooperation require China's central enterprises not only to strengthen their own construction and development [5]. Some managers of modern central enterprises lack awareness of internal control and are relatively short-sighted. They do not fully realize the importance of innovation of internal control system [6]. The internal control of central enterprises is not integrated with the overall planning of enterprises, and there is the problem of maximizing short-term benefits. The establishment of the socialist market economy and enterprise system has created a vast space for the financial function to play.

From the practice of enterprise management and operation, the internal control of central enterprises is an important part of enterprise management and management, and is the management of financial affairs for enterprises [7]. Due to the relatively weak foundation of internal control in Chinese enterprises, there are some problems that cannot be ignored in the process of construction and implementation of internal control [8]. With the rapid development of China's market economy, the competition among enterprises is increasingly strengthened. Based on this situation, it is particularly important to establish an internal control system for enterprises [9]. Based on the needs of regional comprehensive reform, this paper explores the internal control system of central enterprises in line with social and economic development, hoping to be helpful to the development of central enterprises.

## **2. Significance of Internal Control in Central Enterprises**

Since the outbreak of the financial crisis, many enterprises have gone bankrupt. At the same time, some enterprises have found development opportunities in the financial crisis, thus improving their competitiveness. This phenomenon has triggered the thinking and research of business people. Among the central enterprises' internal control organizations, there is a problem that the organizational setup is not standardized enough, and the division of power and responsibility for central enterprises' internal control is not clear and perfect. The construction of internal control in our country started relatively late. Previously, the basis for standardizing the internal management of enterprises was basically the system compilation of enterprises. Internal control refers to a series of self-adjustment, restraint, control methods and measures taken by an enterprise or unit to achieve its business objectives, improve the safety and reliability of assets and accounting information, and ensure the efficiency and economy of business activities. The chairman of many central enterprises concurrently serves as the general manager, and the board of directors is highly overlapped with the management team. The board of directors has become a fictitious organization. The essence of the economic business of the enterprise's property is the process and result of the capital movement, and various financial relationships are the manifestation of this essence [10]. There are some unsound phenomena and problems in the internal control system of central enterprises. Some central enterprises' internal control personnel have relatively simple ways to deal with some problems. This makes the execution of internal control of central enterprises weakened to a certain extent.

Finance is the process and result of capital movement in the reproduction process of an enterprise, and the resulting economic relationship between the enterprise and external groups is its manifestation. Since the state-owned enterprises cannot effectively perform their duties after the separation of ownership and management rights, the state-owned capital, which accounts for the majority of the shares, mostly adopts the method of authorized management and gives part of the shareholders' rights to the management of the enterprises. When the internal control construction requirements were issued, many enterprises started the internal control construction hastily, and the relationship between the internal control system and the original system compilation was unclear. There are inconsistent contents between the two, causing confusion in the process of internal control execution. Internal control can provide effective guarantee for the realization of strategic objectives of enterprises, but it is also due to the limitations of internal control. In the process of creating and improving economic benefits, enterprises must own, occupy, consume and recycle property [11]. The occurrence of these economic businesses is the movement of property in enterprises. With the primitive accumulation of capital, the rise of financial industry and the expansion of production and exchange scale, joint-stock companies have developed in many countries. In today's fierce market competition, the challenges faced by enterprises are gradually increasing. The establishment of internal control system is the key factor to promote the development of enterprises, which plays an effective role in the sustainable development of enterprises.

### 3. Research on Internal Control Countermeasures of Central Enterprises

#### 3.1 Pay Attention to Internal Control

Under the fierce market competition, if central enterprises want to achieve greater development, unit leaders should attach importance to internal control, establish internal control management concepts, and form risk management awareness. The internal control of an enterprise can often urge employees to make efforts to implement the formulated policies and guidelines by formulating measures, real-time supervision and inspection, etc. Internal control of central enterprises is based on professional management system. In order to achieve the purpose of risk prevention and supervision, a series of management norms are formed by describing key control points, establishing process control system and expressing production and operation processes in the form of processes. In the specific implementation, the corporate governance structure should be standardized and established according to relevant national laws and regulations, and the responsibilities and authorities for decision-making, implementation and supervision should be effectively defined to ensure the effective establishment of scientific checks and balances and the effective implementation of rights and responsibilities. For enterprises, a recognized source of price advantage is enterprise scale. When an industry has significant economies of scale in manufacturing, marketing, distribution and service, large-scale enterprises often have cost advantages over small enterprises. When there are significant economies of scale, the relationship between enterprise scale and cost is shown in Figure 1.

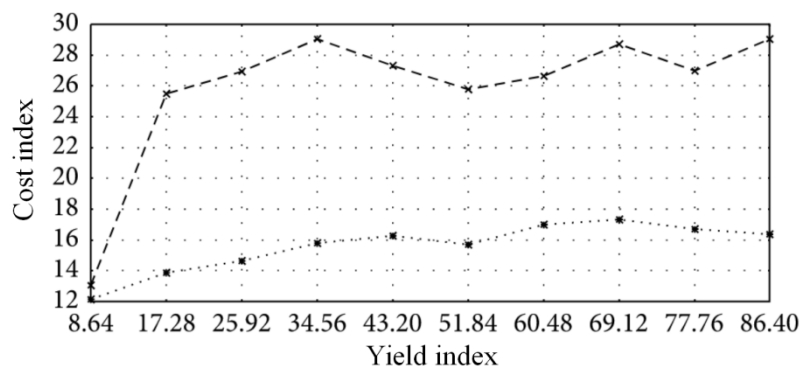


Figure 1. Relationship between enterprise size and cost

In production and operation activities, central enterprises must effectively prevent and control the influence of various risks if they want to develop continuously. Internal control is mainly to carry out risk assessment of enterprises, and then strengthen the control of weak links of enterprises, and finally nip the risks faced by enterprises in the bud. Internal control subjects of central enterprises refer to units with independent capital, independent financial activities, independent financial budgets and final accounts. No matter the principal or the agent, their goal is to maximize their respective utility. In the employment of employees, continuous education and training should be continuously strengthened based on professional competence and professional ethics, so as to promote the overall improvement of the quality level of employees [12]. Only when the enterprise becomes the main body of the internal control of the central enterprises can it have completely independent management autonomy, and the enterprise can play its internal control function and role in a larger scope.

#### 3.2 Seriously Organize Control Activities

Central enterprises and units should comprehensively and strictly supervise the internal management work, strengthen supervision and improve the supervision effect, so as to continuously promote the development of the internal control and management work of central enterprises and units. In order to ensure the effective implementation of the internal control of central enterprises, the units should continuously strengthen the internal evaluation and perfect the internal control

system so as to improve the efficiency of internal control. The internal control of central enterprises in our country is still in the initial stage, and the strength of internal control is not enough. Therefore, central enterprises should continuously improve the internal control system and promote the sustainable development of the units. Central enterprises should formulate effective management plans according to actual internal control management problems to ensure the rationality and effectiveness of the management plans and lay an important foundation for the sustainable development of central enterprises. The basic system must be established for the implementation of target cost management, that is, basic work should be paid attention to in the implementation process. Enterprise staff have low cost awareness, so it is difficult to achieve mutual coordination.

In the target accumulation strategy, target cost management should find ways to reduce costs according to the characteristics of specific consumption areas. Compared with the traditional management mode, target cost management has implemented every link in the management work. And achieve the effective combination of work between various departments. In order to better carry out the target cost management of enterprises, we must actively establish and perfect the management system. As far as possible to ensure that the management work throughout the production process of the enterprise. Managers also pay more and more attention to the role of target cost management system in cost control as a sharp tool to control enterprise costs. Central enterprises should formulate a reasonable evaluation index system according to their own characteristics to ensure the effective development of internal control evaluation business and improve the quality of internal control evaluation. Because the internal control of central enterprises can penetrate through other activities of enterprises through value movement and restrict the exertion of other management functions. If the internal control system is solidified in the process by means of informatization, the implementation effectiveness of the enterprise internal control system can be obviously improved, an information system suitable for operation and management can be established, and the organic combination of the internal control process and the information system can be promoted.

#### **4. Summary**

If central enterprises want to improve the effectiveness of internal control, they should not only focus on micro-individuals of enterprises, but also judge the macro-development trend of the country. The establishment and improvement of the internal control system of the central enterprise group is a process of continuous exploration and improvement, which should be tailored to the characteristics of the enterprise group according to time and place. Budget management plays a decisive role in enterprise management, especially in the financial internal control of manufacturing enterprises. It is the core work to promote the economic growth of enterprises. Central enterprises should formulate effective management plan according to the actual internal control management problems, ensure the rationality and effectiveness of the management plan, and lay an important foundation for the sustainable development of central enterprises. In the production and operation activities, if the central enterprises want to continue to develop, they must effectively prevent and control the impact of various risks. Enterprises should strengthen the propaganda of internal control, make the management and employees fully realize the significance of internal control for enterprises, and understand that internal control needs the participation of all employees. Only when the economic benefits are guaranteed, can the sustainable development of enterprises go on smoothly.

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