

The Relationship and Difference between Internal Control and Risk Management; With the increasingly severe economic situation, the pressure on the survival and also the development of enterprises is increasing, and business risks are becoming more and more serious. To achieve sustainable and good development of enterprises, it is essential to have reasonable and complete internal control & scientific and effective risk management. Guarantee the sound development of enterprises occupies a position that cannot ignore.

Here are the articles to explain, What is the Relationship and Difference between Internal Control and Risk Management?

This article briefly introduces the connotation of internal control and risk management, compares the internal connection and essential differences between the two, and also proposes improvement measures on how to improve the efficiency of enterprise both. **You may also like to read [Analysis of Enterprise Risk Management and Macroeconomics](#).**

Introduction;

Internal control refers to several control measures, plans, activities, and strategies that an enterprise adopts and implements within the enterprise to expand development results, improve operational efficiency, maximize the availability of resources, and achieve the vision of realizing the strategic goals of the enterprise. method etc. Risk refers to the impact of uncertainty on an objective.

Risk management refers to the identification, analysis, and evaluation of potential risk events that can affect the development of the enterprise, determining the size of the risk according to the possibility of risk occurrence and the degree of consequences, and weighing the benefits and costs of reducing risks. to determine which control measures to take to provide reasonable assurance that business objectives will achieve.

They are related and different. It is necessary to look at the relationship between the two dialectically, comprehensively, and accurately handle and utilize the interaction and influence of the two in operation and management, and escort the sustainable and healthy development of the enterprise.

The relationship between internal control and risk management;

From the point of view of the overlapping key elements, there is an inseparable and inseparable connection between the two. The two intersect each other, jointly affect the various business operations of the enterprise, and synergistically affect the development effect of the enterprise.

Consistent final purpose;

Reasonably ensure the realization of corporate goals. Both aim to provide reasonable assurance for the realization of corporate goals, ensure the rational operation of various activities of the company, and promote the healthy [development of the company](#). The common purpose is to safeguard the interests of investors, protect the assets of the enterprise and also generate more meaningful value.

The two complement each other and work together to ensure the realization of corporate goals. The **objectives of internal control and risk management** mainly fall into three categories: reporting objectives, operational objectives, and compliance objectives. In addition, risk management also adds strategic objectives, which means that risk management focuses on the realization of [corporate strategic](#) objectives based on internal control.

Similar;

Dynamic process management represents a series of activities and processes, rather than results. Internal control emphasizes internal activities, risk management emphasizes management means, and both emphasize process management; which is dynamic management of time periodicity and process continuity, rather than a static state.

From the point of view of dynamic process management, the two are to provide a guarantee for the long-term development of the enterprise; which will stand continuously updated and improved with the development of the enterprise and will act on all stages of the enterprise's development, not just limited to a certain period of.

Internal control lays a solid foundation and support for risk management;

From the perspective of historical evolution, internal control appeared earlier than risk management, and its development is relatively sound. From the perspective of the development process and management methods of risk management, risk prevention and avoidance are its ultimate goals, and this is the most basic function of internal control. Risk management must support by a powerful tool such as internal control. At present, the internal control of most enterprises is not perfect, and also enterprises face many risks in the process of development.

Only by strengthening and improving internal control can they better identify and control the occurrence of risk events. Based on improving internal control measures and systems, and further optimizing the internal environment and process nodes, the convenience and coordination of risk work can increase, the effect of risk work can improve, and all aspects of synergy can make all activities of the enterprise in the perfect risk management. The system carries out in an orderly manner to effectively prevent the occurrence of various risks and protect the interests of the company.

Risk management provides the basis and facilitates internal control;

As one of the five elements of internal control, risk assessment plays a crucial role in the rationality and effectiveness of internal control. Rational and effective internal control is inseparable from the prevention and also avoidance of risks, and the risk management work just

provides convenient conditions for it. A sound risk [management system](#) can accurately identify, analyze and evaluate various potential risks in enterprise operations, and implement effective monitoring and early warning to facilitate the smooth operation of internal control.

With the continuous development of big data technology, the traditional internal control mode can no longer meet the development requirements of existing enterprises, and risk management has gradually become an indispensable part of enterprise development. Therefore, the "risk-oriented" internal control mode has gradually become a modern enterprise. inevitable choice.

The difference between internal control and risk management;

The scope of control is different;

Internal control is more about the internal control of the enterprise; mainly controlling and supervising the process and post-event effect to achieve its own goals; while risk management emphasizes the management and control of the overall risk of the enterprise, not only the internal risks of the enterprise; but also the external risks of the enterprise; which run through all stages and aspects of the management process, and more importantly; fully consider the existence of risks in advance, comprehensively identify various possible risk events, and at any time Maintain monitoring and control; so that all activities can be within the expected safety range; and there will be no unexpected accidents that cannot be dealt with and cause huge losses.

Different implementation methods;

Internal control is to carry out various orderly control matters through various integrated system specifications, [activity processes](#), organizational structures, and execution mechanisms to ensure that various business activities of the enterprise are carried out by the established and effective process, Evaluate and monitor the risks in the process, and ultimately ensure the realization of enterprise development goals.

Risk management is mainly to use specific methods and technologies to test the possible risks (including internal risks and external risks) of various business activities of the enterprise, and to adopt different treatment methods for different risks tested to avoid their current and future possible risks. losses to the company's interests. It is worth mentioning the identification and also control of opportunity risk. Opportunity risk is a special [resource of enterprise management](#). If it stands properly controlled, it may bring unexpected benefits to the enterprise. A huge loss, possibly even fatal.

Different risk countermeasures;

Risk management emphasizes the active identification, evaluation, and judgment of risks, and pays more attention to the prevention of risks. Concepts and technical methods such as risk preference, risk tolerance, risk countermeasures, stress testing, and scenario analysis stand introduced into the comprehensive risk management framework, and various measures; such

as control, avoidance, transfer, and assumption of risks stand adopted to reduce the risks of enterprises in operation. , thereby reducing losses. Internal control is responsible for important activities during and after risk management; such as risk assessment and control activities implemented therefrom, information and communication activities, supervision, and review and correction of defects.

Problems existing in internal control and risk management in enterprise operation;

Lack of innovation in the internal control model;

At present, the internal control of most enterprises is still in the traditional model; which lacks effective support in implementation and often fails to play a substantial role. For example, the internal control of many enterprises is still in the establishment of rules and regulations; thinking that internal control is only the establishment of various rules and regulations and operating norms. However, internal [control is dynamic process management](#), not static result management.

It is necessary to change this understanding mode; apply it to the actual operation of the enterprise, and continuously innovate and improve in practice. For example, under the situation of rapid development of information technology; many enterprises have not applied information technology; especially big data technology to the construction of internal control; and have not been able to control the collection and analysis of data, scientific decision-making, and risk prevention, and cannot play a better role. ground control.

Weak risk awareness and lack of risk management system;

Enterprises will face various risks in the process of operation, which restrict the quality and speed of enterprise development; and require enterprises to have strong risk assessment and control capabilities. At this stage, some enterprises do not realize the importance of risk management to the long-term development of the enterprise, lack the awareness of risk management, and do not pay enough attention to the construction of the enterprise's risk management system. Playing a substantive role, it is in name only, making enterprises unable to respond effectively when faced with risks, resulting in huge losses.

Separation of internal control and risk management;

There are many overlaps between the two in terms of connotation, elements, and goals. The two are complementary and can be linked together to provide guarantees for the realization of corporate goals. At this stage, **internal control and risk management** in enterprises are not linked together; but are independent of each other, and even each has no sound management system, which greatly reduces the effect. If the two are combined, it can achieve twice the result with half the effort; and it can also better adapt to the changing economic situation and technical conditions. For example, in the medical industry involving people's health and safety, risk management is particularly urgent; and it may be more convenient for enterprises to lead internal [control by risk management](#). to fit.

Suggestions on strengthening internal control and risk management of enterprises;

Suggestions 01;

Innovate the internal control model and establish a "risk-oriented" internal control. With the continuous deepening of risk management, in the process of carrying out internal control work; it is necessary to deeply understand the relationship between risk management and internal control. It is necessary to strengthen the understanding of the "risk-led" internal control concept; focus on preventing various uncertain events that are likely to occur in the future; further, deepen and improve the internal control system, and thoroughly reform the internal control work.

A more targeted effect can make the internal control work more specific and effective. Comparatively speaking, risk management involves a more in-depth level and introduces many methods. At this stage, it is imperative to innovate the internal control model; and establish a new type of internal control to improve operational efficiency and promote corporate stability.

Suggestions 02;

Establish risk awareness and improve risk management system. Facing the increasingly complex; and volatile market environment, enterprises must establish risk awareness; strengthen the risk thinking of leaders and employees, and strengthen the emphasis on risk management construction. Formulate risk management plans from the overall level of the enterprise; design the risk management process according to the existing organizational structure of the enterprise; and, define their respective functions at the same time to form the overall risk structure of the enterprise; implement a long-term mechanism for risk management, and establish a complete identification and analysis; and, monitoring and feedback systems to facilitate more efficient monitoring of the results and efficiency of risk management.

Suggestions 03;

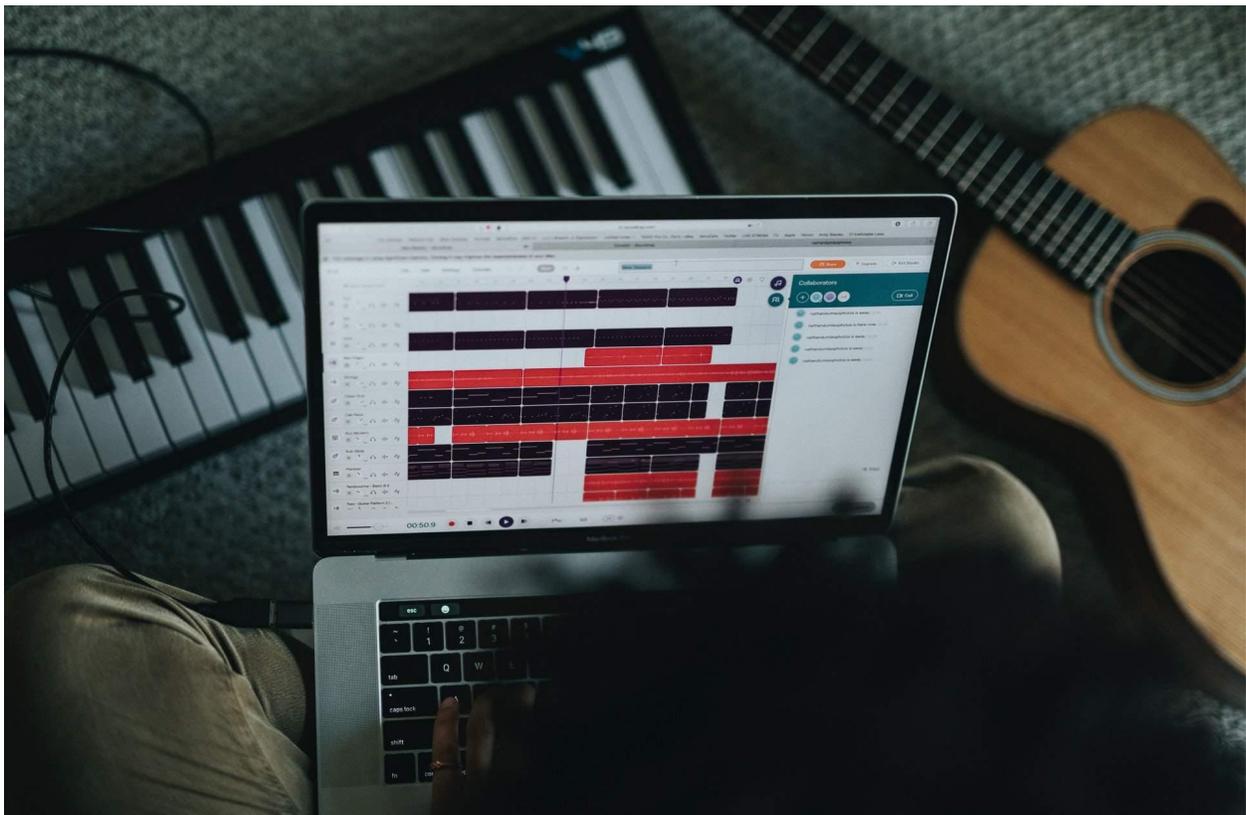
Introducing and cultivating high-quality professional talents and improving employees' business skills are the core of enterprise development. To effectively and effectively strengthen both, enterprises must introduce and cultivate relevant compound talents; increase the training of employees, improve their theoretical knowledge and business skills; and continuously improve their actual business capabilities, so that they can be combined with enterprises. According to its characteristics and actual situation, it proposes targeted solutions to contribute to **internal control and risk management**.

Conclusion;

Reasonable design and effective operation of internal control can ensure that; all activities of the enterprise are carried out in an orderly manner; so as not to cause emergencies that deviate from the normal operating procedures and bring unfavorable losses to the enterprise. Better and

more comprehensive identification of risk events facilitates. A sound and complete risk management system can efficiently prevent, avoid and control the occurrence of various risks, reduce the possible threats promptly, discover the insufficiency of internal control, and strengthen the guarantee for more rationalization.

Enterprises should actively explore the application of **internal control and risk management** in practice. With the continuous improvement and improvement of each; the two should be both intersecting and independent and ultimately integrate into the operation of the enterprise. Therefore, enterprises should look at the connection and difference between the two from the perspective of connection and development; and integrate the two to ensure the stable operation of the enterprise, and even become bigger and stronger.



What is the Relationship and Difference between Internal Control and Risk Management? Photo by [Soundtrap](#) on [Unsplash](#).