

# Analysis on the optimization measures of the management mode of digital transformation company from the perspective of internal control

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**Abstract.** This paper conducts an analysis on the optimization measures for the management mode of digital transformation companies, specifically from the perspective of internal control. It delves into the challenges and opportunities faced by companies undergoing digital transformation and explores how internal control mechanisms can be leveraged to enhance the effectiveness and efficiency of these transformations. The study examines various aspects of internal control, including risk assessment, information and communication, control activities, monitoring, and the control environment, and discusses how these elements can be optimized to support the digital transformation process. By adopting a comprehensive and systematic approach, the paper aims to provide practical insights and recommendations for companies seeking to optimize their management modes in the context of digital transformation.

**Keywords:** Digital enterprise; Internal control management; Risk; measure.

## 1. Introduction

In the current era of digital transformation, enterprises are harnessing cutting-edge technologies such as big data, cloud computing, and artificial intelligence to revolutionize their business models and operational workflows. This transformation presents unparalleled opportunities for growth and innovation. However, it also introduces substantial challenges to the internal control systems of these enterprises. Internal control, a fundamental aspect of corporate governance, is crucial for ensuring financial reporting accuracy, asset protection, operational efficiency, and regulatory compliance. As businesses navigate their digital transformation journeys, the increased complexity and dynamism of operations necessitate a thorough reevaluation and optimization of internal control systems to effectively manage emerging risks.

Given the backdrop of digital transformation and its implications for internal control, this study aims to analyze optimization measures for the management mode of digital transformation companies from an internal control perspective. By examining best practices, theoretical frameworks, and practical challenges, this paper seeks to provide insights into how enterprises can leverage internal control to effectively manage the risks and challenges associated with digital transformation while capitalizing on the opportunities presented by new technologies. The research framework is designed to contribute to the existing knowledge on internal control in the digital age and offer guidance to enterprises as they strive for successful digital transformations.

## 2. Organization of the Text

### 2.1. Cause analysis of internal control and risk in diversified enterprises

#### 2.1.1. Weak awareness of internal control.

The section headings are in boldface capital and lowercase letters. Second level headings are typed as part of the succeeding paragraph (like the subsection heading of this paragraph). All manuscripts

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### **2.1.2. Incompatibility between internal control system and business process.**

At present, many digital enterprises are insufficient in the construction of internal control system. Both senior managers and ordinary employees generally lack a correct understanding of the importance of internal control. Some employees even mistakenly regard internal control as a simple pile of documents or rules and regulations, ignoring its close connection with all aspects of enterprise operation. A sound and scientific internal control system can detect potential problems in the daily operation of digital enterprises in a timely manner, and summarize and improve these problems after the end of the business cycle, so as to continuously optimize the business operation process.

### **2.1.3. Lack of risk management awareness and evaluation mechanism.**

Digital enterprises are faced with a variety of external and internal challenges in the operation process, so they need to have the ability to effectively identify and scientifically evaluate various risks, and formulate corresponding coping strategies and preventive measures accordingly. However, at present, many domestic digital enterprises lack a long-term vision for development, and focus more on the pursuit of short-term interests, and lack sufficient awareness and prevention of potential risks. This shortsighted behavior intensifies the risks faced by enterprises and may lead them into serious operational crises.

### **2.1.4. Inadequate implementation of risk responsibility investigation system.**

Although domestic digital enterprises have gradually established a accountability system, that is, when the project has problems and causes losses, the relevant responsible persons need to be held accountable. However, in practice, the implementation of this system often encounters obstacles. The main problem is that the responsibility is not clearly defined and the implementation standard is not perfect, which makes it difficult to implement the responsibility investigation. This not only weakens the deterrent power of the system, but also affects the seriousness and effectiveness of the internal management of enterprises.

## **2.2. Standardize the internal control of digital system**

### **2.2.1. Establish an integrated internal control organization system.**

With the "three lines of defense" working together to set up audit and risk management committee at the board level, and set up comprehensive risk management committee, internal control Committee and compliance management Committee at the business level to operate in an integrated manner, forming the leadership of the board of directors and the promotion of the management level. The benign mechanism of "three lines of defense" coordinated by business departments, internal control departments and supervision departments effectively ensures the effective operation of the company's internal control system. Special internal control working groups were set up simultaneously to promote the construction of internal control at different levels. The first is to set up an internal control leading group to comprehensively lead the company's internal control construction, continuous operation, regular evaluation and post-adjustment work. The second is to set up an internal control leading office to undertake the decision-making of the internal control leading group, which is mainly responsible for the organization and coordination of internal control construction. The third is to set up an internal control liaison team, and each department will assign an internal control liaison person to be responsible for the daily communication and work connection between the department and the internal control leading office, so as to ensure the smooth progress of the construction of internal control.

### **2.2.2. Establish a standardized internal control system.**

Achieve full coverage of internal control requirements through general systems, implementation rules, business guidelines, normative documents, etc., so that there are rules to follow. First, improve the

institutional system. According to the major national policies, laws and regulations and state-owned assets supervision provisions, combined with changes in the internal and external business environment and various problems found in supervision and inspection, regularly review the existing system, internal control requirements and implementation, and effectively do a good job of system "establishment, reform and abolition" work. Ensure the accuracy, systematicness and effectiveness of the company system. Second, we will promote institutional implementation. Organize and carry out special work such as accounting information rectification, fund safety inspection, internal control supervision and evaluation, improve internal management requirements, optimize business processes, and refine typical cases.

### **2.2.3. Establish a standardized internal control operation system.**

Take the process as the carrier and the actual business operation as the guide, write the internal control operation guide covering all businesses, units and personnel, so as to realize the deep integration of internal control management and business operation. One is to sort out business processes and identify critical control points. In accordance with the responsibilities of the department, combined with the changes of new business and new model, in accordance with the principle from rough to fine, the establishment of a comprehensive coverage of four-level operation process framework, and step by step decomposition of each business to the critical control point, straighten out the business logic.

The second is to clarify post responsibilities, clarify responsibilities and control boundaries. According to the company's internal and external rules and regulations and actual operating norms, further identify the corresponding operating positions and specific responsibility arrangements for each final level of the process, embed the internal control requirements into the job responsibilities, clarify the internal control obligations of important positions, and solve the problems of who is in charge of the internal control work, what is in charge of it, and to what extent.

The third is to clarify the authorization criteria and establish the authorization matrix. According to the requirements of centralized or decentralized management of the company, determine the authorization process, clarify the boundaries of power and responsibility allocation at the company level, subordinate companies, internal departments, etc., set different permissions for different management bodies and positions according to different business matters, and thoroughly solve the problems of unclear permissions, lengthy approval, and low efficiency. See Table 1 for an example

**Table 1.** Digital marketing business process representation

| First-level flow  | Second-level flow          | Third-level flow                           | Number Last level flow | Name of the last level flow   |
|-------------------|----------------------------|--|------------------------|---|
| Marketing digital | Marketing Sales management | Orderly digital management                 | SZH-01-01              | Orderly digital basic information management process                  |
|                   |                            |  | SZH-01-02              | Orderly digital plan formulation process                              |
|                   |                            |  | SZH-01-03              | Orderly digital early warning management process                      |
|                   |                            |  | SZH-01-04              | Orderly digitization scheme implementation process                    |
|                   |                            |  | SZH-01-05              | Orderly digital supervision and inspection management process         |
|                   |                            |  | SZH-01-06              | Orderly digital statistical analysis management process               |
|                   |                            | Digital analysis and prediction management | SZH-02-01              | Short-term digital market analysis forecast management process        |
|                   |                            |  | SZH-02-02              | High and low peak digital market analysis forecast management process |

### 3. Literature References

Jokipii (2010) built an internal control evaluation model based on contingency theory by using SEM method [1] Tiffany Chiu, Mieke Jans (2019) observed potential risks and ineffective controls in internal control through process [2]. Based on the three-layer DCM architecture, Chang She-I et al. (2020) adopted Delphi method to screen and classify key internal control risk indicators [3]. Through questionnaire survey, Gupata (2006) proposed that in order to make the system more widely applicable, enterprises must design more specific internal control evaluation system [4]. In terms of internal drivers, Gray J, Rumpe B (2017) argued that digitalization means that society, business and industry will be driven by information technology, allowing data to be processed in real time and even used for intelligent information acquisition, ultimately providing stakeholders with improvements in their processes and products [5]. Gong C, Ribiere V (2020) believe that digital technology can create new value, which is a set of strategic renewal and transformation that fundamentally changes, and creates different levels of value in different entities [6].

### 4. Summary

With the deepening of the digitization process of enterprises, higher standards are required for their internal control. It involves all levels of the company as a whole and the business, and needs in-depth analysis from the company level and the business level. At the company level, enterprises need to establish a sound internal control management system and system from the five elements of internal control to ensure the comprehensiveness and effectiveness of the internal control system. At the business level, it is necessary to design and implement corresponding internal control measures, such as system critical control points, according to different business processes and risk characteristics of enterprises, combined with digital means, to ensure the smooth and efficient operation of business processes.

The setting of internal control objectives and the promotion of digital development need to be coordinated with the strategic planning of enterprise development. Enterprise development strategy planning is the cornerstone to guide the direction and goal of transformation. The design and implementation of the internal control system must be closely integrated with the long-term objectives and strategic planning of the enterprise to ensure that the control measures adopted have sufficient relevance and support. Digitalization is not only the application of technology, but more importantly, how it can be combined with the business process, market positioning and core competitiveness of the enterprise, so as to promote the realization of the strategic objectives of the enterprise.

Continuous internal control evaluation is the key to promote the continuous optimization of enterprise internal control. The results of internal control evaluation provide a feedback mechanism to help enterprises identify improvement space and optimization direction, ensure that the internal control system can flexibly respond to changes in internal and external environment, and support the implementation of corporate strategy and the achievement of business objectives.

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