

# Research on Risk Management of Final Accounts of Capital Construction Projects from the Perspective of Internal Control

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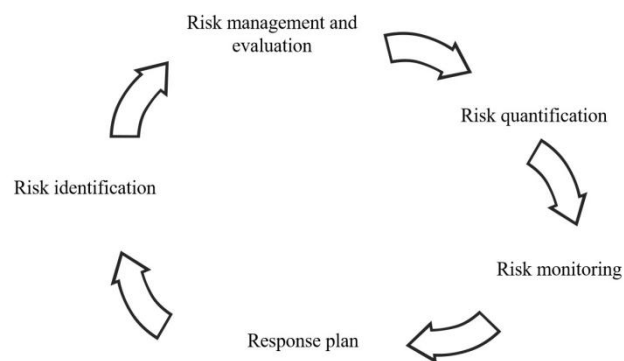
**Abstract.** In order to truly reflect the situation of finance, the value of delivered assets, the implementation of budgetary estimate, etc. in capital construction projects, this paper studies the risk management of financial final accounts of capital construction projects. In this regard, this paper first introduces the importance of the final financial accounts of infrastructure projects, then analyzes the financial risks of the final financial accounts of infrastructure projects, and elaborates the key points of financial risk control in order to improve the management level of the final financial accounts of infrastructure projects. And put forward effective overall risk control measures and specific improvement measures, which will help to improve the risk control awareness of engineering construction project units and personnel, and effectively standardize the risk control work in the process of financial management. It is helpful to promote the improvement of financial business efficiency and the reasonable avoidance of financial risks in the process of power grid construction, give full play to the guarantee role of financial management, and meet the needs of financial management of electric power infrastructure projects.

**Keywords:** internal control perspective; Infrastructure projects; Financial risk

## 1. Introduction

Project risk refers to the uncertainty that may lead to the loss and unrealizability of production projects or business objectives, that is, the probability that the occurrence of an event may adversely affect the project objectives. Usually, people pay more attention to the possibility that risks may bring losses or disadvantages, while ignoring the situation of potential risks and benefits. Risks exist not only in the project, but also in all aspects<sup>[1]</sup>. Just as risks can be divided into systemic risks and non-systemic risks according to whether they are controllable or not; According to the source of risk, it can be divided into natural risk and man-made risk. According to the environment, risks can be divided into credit risk, market risk, investment risk and national risk. According to the division of risk consequences, it is divided into pure risk and speculative risk; According to the scope of risk influence, it can be divided into local

risk and overall risk; According to the classification of risk form, it can be divided into static risk and dynamic risk. According to the risk classification, it can be divided into slight risk, general risk, significant risk, high risk and extremely dangerous, among which slight risk and general risk are low risk, and the rest are significant risks; According to the impact of risk on the target, it can be divided into market risk, quality risk, reputation risk, construction period risk, cost risk, personal injury, safety, health, engineering or equipment damage and legal liability risk<sup>[2]</sup>. Project risk management is an important part of project planning, including risk identification, risk analysis, risk assessment and risk prevention. Make use of various risk response measures, management methods and technical means to control the project risk within the effective range, and properly handle the adverse consequences caused by risk events, so as to ensure that the overall project goal can be achieved with the least cost. The object of project risk management is the whole process of the project, and its essence is the activities organized to achieve the management objectives. It is necessary to consider not only security measures, but also risk identification, risk assessment, risk quantification and risk countermeasures in finance, human resources, construction, transportation, logistics and maintenance. Risk identification is the basis of risk management, which means that before a risk accident occurs, people use various methods and means to continuously and systematically know all kinds of risks they face and analyze the potential causes of the accident<sup>[3]</sup>. That is, risk identification is the first key point of risk management, including two links: risk perception and risk analysis, as shown in Figure 1<sup>[4]</sup>.



**Figure 1.** Project risk management procedure

## 2. Methods

At present, there are many nonstandard phenomena in the compilation of the final accounts of infrastructure projects, such as incomplete compilation and false compilation information. In the infrastructure projects, there is only a general summary of the completion of the project, but no specific statement. There are defects in the form, and the cost of some projects exceeds the reserved standard. For the above phenomenon, there are several reasons: the managers in construction enterprises do not have a deep understanding of the final accounts of infrastructure projects, and they do not pay much attention to it. For the cooperation and communication in this link, all departments of the enterprise have not seriously implemented it.

Enterprise staff, the level of the final accounts of infrastructure projects, did not meet the standard, the business level is not enough, and they are not familiar with the professional content of the preparation. In infrastructure projects, to ensure that the advantages of final accounts are brought into full play, it is necessary to improve the management personnel of infrastructure projects in enterprises and attach importance to this link. Because only the attention of managers can make the financial final accounts of the project completed scientific, reasonable and standardized. Based on this, infrastructure project managers should update their management concepts, actively study, sum up experience in practice, and be familiar with and master the final accounts of completion. In addition, for the construction of infrastructure projects, the completion of financial accounts can effectively distribute the work responsibilities of each link, and it is necessary for construction enterprises to improve the internal management mechanism of infrastructure projects and the system of project completion accounts. In this way, it provides the necessary work basis for the financial final accounts<sup>[5]</sup>. In infrastructure projects, the final accounts compilation plan of the project is to guide the final accounts compilation of the project. Therefore, in order to ensure the final effect of the final accounts compilation plan of the project, some measures need to be taken. For example, in order to confirm whether the compilation plan is feasible, it is necessary to have a more detailed grasp of the actual situation of infrastructure projects during the compilation process. Only in this way can we reasonably define the division of labor<sup>[6]</sup>. For projects that have been completed and delivered for use, the accounts shall be cleared in time, and all costs, construction and installation, and equipment investment shall not be omitted. Especially for the investment amount, it is necessary to cooperate with the contract budget department, carefully check the situation of basic construction projects, and allocate various expenses included in the cost of each delivered asset in an appropriate way. For example, if it can be directly included in a specific project, it will be directly included in related projects. For the deferred investment expenses that can't distinguish which project belongs to, the actual investment allocation rate method will be adopted for amortization. For the case of long construction period, the estimated investment can also be used to calculate the allocation rate<sup>[7]</sup>. The key point is to establish enterprise's financial risk awareness. Making use of science to face the chaotic political and economic environment, promoting the optimization of capital structure, improving the liquidity of capital, helping the management, financial department and even all employees to enhance their financial risk awareness can improve the executive power of all employees. It is conducive to improving the rationality and scientificity of decision-making, promoting the virtuous circle of enterprise operation and development, effectively preventing and controlling enterprise financial risks in essence through effective communication and guidance of leaders, and then optimizing the control of financial risks. The detailed methods are as follows.

(1) to establish and improve the enterprise financial risk early warning indicators.

Qualitative indicators: The formulation of qualitative indicators of financial risks is conducive to managers' monitoring of changes in internal and external environment, ensuring that managers can detect and avoid financial risks in the shortest time, and timely grasp all kinds of information needed for financial risk warning through information system, and analyze and report them<sup>[8]</sup>. From the financial perspective, the risk control indicators of project management mainly carry out risk control and analysis from five aspects: internal management environment, working environment, internal control, external environment and

business environment, and score the specific details of each aspect, so as to grasp the general direction of risk control, as shown in Table 1.

**Table 1.** Qualitative indicators of financial risk control system

Internal management environment	Staff quality, knowledge structure and ability structure
Working environment	Employee satisfaction, employee loyalty
Internal control	Soundness of internal control system, rationality of internal control organization and effectiveness of internal control implementation
external environment	Policy, legal system, industry development prospect
Operating environment	Contract performance, tax payment according to law, product quality, labor security, environmental protection, production safety and judicial proceedings.

(2) Construct quantitative indicators.

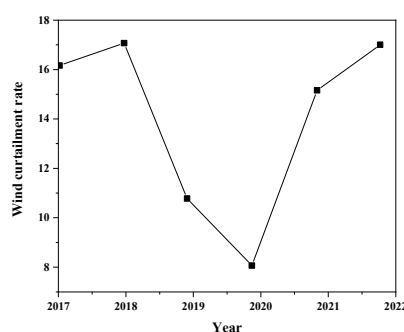
In order to grasp the actual situation of enterprise financial changes in the first time, grasp the problems and give risk warning, meet the quality requirements of financial risk warning and ensure the accuracy of financial risk warning<sup>[9]</sup>. We can observe the financial indicators that fluctuate greatly or exceed the reasonable range, such as the profitability, asset operation ability, debt paying ability, development ability and other related financial indicators, as shown in Table 2.

**Table 2.** Quantitative indicators of financial risk control system

Profitability index	Net profit margin of sales = (net profit ÷ sales revenue) × 100% Total return on assets = (net profit ÷ average total assets) × 100%
Asset operation capability index	Total assets turnover rate = net income of competent business ÷ average total assets. Inventory turnover rate = cost of competent business ÷ average balance of inventory Accounts receivable turnover rate = net income from credit sales of products ÷ average accounts receivable
Debt paying ability index	Current ratio = current assets ÷ current liabilities Asset liability ratio = total liabilities ÷ total assets Sales cash ratio = net cash inflow from operating activities ÷ sales. Cash ratio = (monetary funds+trading financial assets) ÷ current liabilities
Development ability index	Shareholder's equity growth rate = current retained earnings ÷ initial shareholder's equity Operating profit growth rate = (the growth of operating profit this year ÷ the total operating profit of the previous year) × 100%

### 3. Results and analysis

In recent years, the government has issued a series of administrative subsidies and preferential tax policies to develop new energy projects, and wind power generation is a part of China's new energy projects. For example, according to the Notice on Issues Concerning the Implementation of the Catalogue of Corporate Income Tax Preferences for Public Infrastructure Projects (CS (2008) No. 46), a wind power project is subject to the preferential income tax policy of "three exemptions and three reductions". The construction of the wind farm is in line with China's sustainable energy development strategy, can promote the development of local economy, and is a beneficial supplement to the energy consumption of the power grid. At the same time, the region has favorable conditions and resource advantages for the development and construction of wind farms, and has significant economic, social and environmental benefits. The wind farm enjoys administrative subsidies and preferential policies from the national and local governments, but the adjustment of policies will also make enterprises face unpredictable risks. The trend of wind abandonment rate is shown in Figure 2.



**Figure 2.** Abandonment rate of wind power in China from 2017 to 2022

To sum up, in order to properly control the internal risks of wind power projects, it is necessary to establish and improve the fund supervision and management mechanism during the project implementation process, require the construction company to design the construction scheme, improve the project contract management scheme, construct the profit and loss prediction system, and solve the internal financial risks from multiple aspects.

In order to ensure the authenticity, legality and efficiency of the final financial accounts of the project, the audit focused on the following aspects:

- (1) Defining the purpose and procedure of the final financial accounts audit of the route project is the primary work of the final financial accounts audit. Determine the audit procedure according to the audit plan and the known situation of the route construction.
- (2) Collect all kinds of data related to the final accounts audit of the route project completion and compile a list of data. Whether to provide relevant documents such as construction approval, supervision and quality acceptance of the project; Whether to provide budgetary estimate data and bidding documents; Whether to provide contracts and agreements; Whether

to provide the project settlement audit report; Whether to provide measurement payment book; Whether to provide relevant start-up permit, product quality certificate, land certificate, etc.; Whether to provide completion drawings and completion acceptance certificate reports; Whether to provide the final accounts statement and the final accounts statement; Whether to provide a project supervision report; Invoices of main materials and equipment; Project delivery list and property inventory handover list. Bind the provided information into a book, and make a record of the information not provided.

(3) Review the preparation of the completed financial accounts. The final financial accounts of the project completion shall include all the actual expenditures during the whole process from preparation to completion and commissioning, that is, construction and installation works, purchase of equipment, instruments and other expenses, etc. The final financial statements generally include the statement of the final accounts, the summary of the completed project, the final financial statements, the total and detailed list of assets delivered and used, the summary of the audit of the final accounts of the project, the detailed list of transferred-out investments, the detailed list of deferred investments, etc. Auditors focus on the compilation of the final accounts of the implementation part of each unit in charge of the route project, whether there is a special organization, whether the compilation basis is in line with the relevant national regulations, whether the information is complete, whether the procedures are complete, and whether the remaining problems are dealt with in compliance, especially the land acquisition and demolition issues and the handling of land certificates. The authenticity and legality of the audit report and the accuracy and authenticity of the statement of final accounts. Finally, the final accounts of completion compiled by the final accounts of the implementation part of each unit in charge shall be reviewed<sup>[10]</sup>.

(4) Review the authenticity of the general list and detailed list of assets delivered and used for this route project. The audit method is: check whether the contents listed in the table are true and correct, whether the quantity and value of the delivered assets listed in the table are consistent with those actually delivered, and whether there are any false reports or restatements.

(5) Review the truthfulness and correctness of the schedule of deferred investment. The prepaid investment of this route project includes land acquisition and demolition fee, construction unit management fee, survey and design fee, feasibility study fee, equipment inspection fee, project quality supervision fee, audit fee, bidding fee and other prepaid investment, etc. The management fee of the construction unit mainly examines whether the charged contents conform to the relevant provisions of the state, and whether the proportion of the total investment exceeds the relevant provisions of the state; The audit of supervision fee, audit fee and bidding fee mainly examines whether the payment standard exceeds the relevant provisions of the state. Focus on the audit of land requisition and relocation expenses.

(6) Check the truthfulness and correctness of the analysis and explanation of the final accounts. The analysis and explanation of final accounts is an important part of final accounts, and it is the analysis and supplementary explanation of final accounts. Its contents include: general situation of the project, sources of funds, implementation of capital construction budget and investment plan, analysis of construction cost and investment benefit, experience and lessons, etc.

## 4. Conclusion

To sum up, with the continuous upgrading and development of the scale of infrastructure projects, the independence, objectivity and impartiality of the audit of infrastructure projects involved are facing unprecedented challenges. In order to protect the interests of all parties and give full play to the economic and social benefits of infrastructure projects. Only by fully recognizing the characteristics and existing problems of internal financial management of capital construction projects can we clearly grasp the risk control points of capital construction audit. Follow-up audit, as an audit method of real-time monitoring in the whole process, will effectively guarantee the interests of all parties in infrastructure investment projects, verify the safety and integrity of capital investment, put an end to and prevent fraud from the design source of the project, realize pre-audit, in-process audit and completion audit, and avoid various audit risks, so as to achieve the ultimate goal of infrastructure project audit.

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