ISSN 2616-5902 Vol. 7, Issue 4: 262-267, DOI: 10.25236/AJBM.2025.070433

Optimization Strategy of Enterprise Internal Control System under International Accounting Standards

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Abstract: *With the acceleration of global economic integration, International Accounting Standards have become the core framework for corporate financial disclosure and risk management. This paper focuses on the optimization path of enterprise internal control system under international accounting standards, and puts forward systematic improvement strategies by analyzing the current situation and problems of the existing system. At present, there are many problems in enterprise internal control, such as loose governance structure, static risk assessment, disconnection between technical tools and systems, etc., which are difficult to meet the requirements of international accounting standards for dynamic risk monitoring and comprehensive compliance. To this end, this paper proposes a variety of strategies to optimize the internal control environment, improve the risk assessment mechanism, standardize the authorization approval process and so on. The study highlights the need for companies to upgrade internal controls from passive compliance tools to strategic support systems to enhance financial information reliability, improve risk resilience, and build sustainable advantages in global competition.*

Keywords: *Enterprise internal control system, international accounting standards, optimization strategy*

1. Introduction

With the deepening of global economic integration, the boundaries of enterprise operation have already broken through geographical restrictions and gradually integrated into the network of transnational capital flow and industrial chain cooperation. Changes in business models driven by technological innovation, geopolitical market volatility and rapid iteration of regulatory frameworks have significantly increased the risk dimension and complexity of business operations [1]. Under this background, as the common "business language" of the global capital market, the core value of international accounting standards is not only reflected in the standardized presentation of financial information, but also in eliminating information asymmetry through unified rules, providing reliable decision-making basis for investors, regulators, and other stakeholders [2]. As the key defense line to ensure the quality of financial information, the design logic and execution efficiency of enterprise internal control system are directly related to the implementation effect of international accounting standards, and then affect the reputation and competitiveness of enterprises in the global market. As the IFRS system matures, its requirements for internal control gradually expand from the reliability of financial reporting to the overall risk management capability of the enterprise. This shift requires companies to view internal controls as supporting systems for strategy implementation, rather than isolated technical processes [3]. However, most companies have not yet achieved this cognitive upgrade at the practical level. Some enterprises still equate internal control simply with financial audit or internal audit, lacking systematic planning for risk warning, process optimization and organizational coordination. Other enterprises have loose governance structure or insufficient resources investment, resulting in internal control system flow form, difficult to adapt to international accounting standards for dynamic risk monitoring requirements.

2. Current Situation and Problems of Enterprise Internal Control System Under International Accounting Standards

2.1. International Accounting Standards for Internal Control

While earlier versions of IAS focused on recognition and measurement rules for accounting

ISSN 2616-5902 Vol. 7, Issue 4: 262-267, DOI: 10.25236/AJBM.2025.070433

elements, the introduction of IFRS has further strengthened the completeness and relevance of disclosures. Although there are historical differences between them, they both put forward systematic requirements for the internal control system of enterprises through implicit terms and principles [4].

At the financial reporting level, IAS requires enterprises to establish internal control mechanisms that match the financial information generation process. IAS 1 Presentation of Financial Statements emphasizes the principle of fair presentation, requiring an enterprise to ensure the regularity of accounting policy selection, accounting estimate adjustment and statement preparation process through internal control to avoid subjective deviation or human manipulation. Although these standards do not directly specify the specific form of internal control, by emphasizing the verifiability of the quality of financial information, they force enterprises to construct a full chain of control nodes covering data collection, processing and output.

In the risk management dimension, international accounting standards position internal control as the infrastructure for enterprises to identify, evaluate and respond to risks [5]. IFRS 9 Financial Instruments requires enterprises to establish dynamic credit risk rating mechanisms, regularly track the default probability and loss exposure of financial assets through internal control processes, and adjust the expected credit loss model parameters in a timely manner. Such provisions upgrade internal control from an ex post financial correction mechanism to a collaborative tool for pre-risk warning and in-process risk mitigation [6].

At the governance structure level, IAS indirectly promote the upgrading of internal control by strengthening management responsibility. IAS 24 Related Party Disclosure requires an enterprise to establish independent control procedures for the identification, approval and disclosure of related party transactions to prevent benefit transfer or resource mismatch. IFRS 2 Share-based Payment requires an enterprise to set up cross-department linkage approval and documentation mechanisms for the grant conditions, valuation methods and cost allocation of equity incentive plans.

2.2. Analysis of the Current Situation of the Enterprise Internal Control System

At present, the construction of enterprise internal control system in the global scope presents obvious hierarchical characteristics. Multinational groups and industry leaders often have relatively complete internal control frameworks covering financial reporting, compliance management and core business processes, and actively explore automated control tools at the technology application level. These companies often establish independent internal control departments to maintain the effectiveness of the system through regular audits and process optimization, and try to integrate environmental, social and governance factors into risk management [7]. However, most small and medium-sized enterprises and emerging market enterprises are still in the passive compliance stage, and their internal control systems mostly focus on basic financial accounting and legal review, lacking systematic consideration of strategic risks, operational efficiency and technological changes, and there is a significant gap with the comprehensive risk management required by international accounting standards. In terms of governance structure and allocation of powers and responsibilities, most enterprises have established audit committees under the board of directors, and clearly define the main responsibility of management for the effectiveness of internal control. However, the ambiguity of lines of authority at the executive level remains widespread. Conflicts between the objectives of the business and internal control departments occur from time to time [8]. This separation of functions makes it difficult for internal control mechanisms to be embedded in the core business decision-making chain, and more plays the role of post-event supervision. The practice progress of risk management shows obvious imbalance. In strongly regulated industries such as finance and energy, enterprises have established quantitative risk assessment models, which can carry out stress tests on market fluctuations and exchange rate risks. However, most traditional manufacturing and service enterprises still rely on qualitative assessment methods, risk database update frequency is low, and it is difficult to dynamically capture emerging risks such as supply chain interruption and technology substitution.

2.3. Problems with the Existing Internal Control System

Although many enterprises have set up audit committees or risk control departments in their organizational structures, their decision-making rights are often interfered by management, and their independence is difficult to guarantee [9]. For example, in the approval process of related party transactions, the boundaries of rights and responsibilities between business departments and risk control departments are blurred, which makes it difficult to isolate conflicts of interest. This

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governance deficiency reduces internal controls to surface engineering in response to regulatory scrutiny rather than to a central mechanism embedded in strategic decision-making, in sharp contrast to the principles emphasized by international accounting standards. The static characteristic of risk assessment mechanism is remarkable. Most enterprises still adopt annual or quarterly regular risk assessment mode, rely on historical data and experience judgment, lack real-time monitoring and early warning ability for market fluctuation, policy adjustment and other emergencies. IFRS requires enterprises to implement dynamic risk monitoring on financial instrument valuation, income recognition and other links, but the existing mechanism is difficult to catch data anomalies or model deviations in time, resulting in risk response lag. Especially under the background of digital transformation, non-traditional risks such as supply chain interruption and network security occur frequently, and static assessment system is difficult to cover the whole picture of risk map, which weakens the risk resilience of enterprises [10]. The problem of disconnection between technical tools and system construction is also prominent. Although some enterprises have introduced automatic approval, blockchain certificate storage and other technical means, the supporting internal control rules are updated slowly.

3. Optimization Strategy of Enterprise Internal Control System under International Accounting Standards

3.1. Optimize Internal Control Environment

Internal control environment is the foundation of enterprise internal control system.

At the level of governance structure, enterprises should clarify the functional boundaries between governance and management, and strengthen the independence of audit committee and risk management department [11]. The Board of Directors shall incorporate the effectiveness of internal control into the strategic evaluation framework, regularly review the alignment of control objectives with business development, and avoid disconnection between control activities and strategy implementation.

In the aspect of enterprise culture shaping, enterprises need to cultivate the internal control consciousness of full participation. Through high-level statements, system publicity and case review, the concept of risk prevention and compliance is permeated into employees at all levels. The principles of "fair presentation" and "substance over form" emphasized by international accounting standards should be translated into specific professional ethics standards and codes of conduct, such as requiring financial personnel to actively identify the risk of accounting policy abuse, and business teams to conduct compliance reviews in contract negotiations [12].

Human resource policy optimization is the core of supporting the control environment. Enterprises need to establish a capability evaluation system matching internal control responsibilities, and design differentiated competency models for key positions such as finance, risk control and IT [13]. In the training system, special courses such as updating interpretation of international accounting standards, integration of Digital tools and internal control shall be added to ensure that personnel ability continuously adapts to the upgrading needs of control environment.

In terms of technology enabling control environment, enterprises should promote the deep integration of internal control and digital base. Use collaborative office platform to break through information barriers between departments to ensure real-time sharing of risk data. Quantitative monitoring of control environment operation effect with data analysis technology, such as tracking control activity response speed, employee compliance behavior ratio and other indicators, provides data-driven decision-making basis for environmental optimization.

3.2. Improve Risk Assessment Mechanisms

Establishing a dynamic risk assessment framework is a priority. On the one hand, the significant risk items specified in IFRS are listed as mandatory assessment trigger points; on the other hand, through real-time data sources such as Internet of Things sensors and supply chain management systems, early warning lines of business indicators such as deviation threshold of inventory turnover rate and surge of customer payment overdue rate are set to realize automatic capture and assessment of risk signals [14].

Strengthening data-driven risk quantification capabilities is key to improving assessment accuracy.

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Enterprises need to integrate multi-dimensional data such as finance, operation and market to build a unified risk data lake. Specific quantitative models should be developed for areas of particular interest to IAS, such as performance obligation split risk in IFRS or asset impairment risk in IAS. Quantitative results should be combined with qualitative analysis to form a risk rating matrix, which provides a basis for resource allocation and response strategies.

Refinement of risk classification and response strategies helps to improve the pertinence of assessments [15]. According to the disclosure requirements of international accounting standards, enterprises need to classify risks into three categories: financial reporting risk, compliance risk and strategic operation risk. For financial reporting risks, expert review and multi-level approval mechanisms should be established; for compliance risks, standardized checklists and automated comparison tools should be designed; and strategic operational risks require business departments and risk control teams to jointly formulate emergency plans.

Embedding technical tools to realize evaluation closed loop is the guarantee of mechanism landing. Enterprises can record key nodes in the risk assessment process through blockchain technology to ensure traceability of data sources and auditable assessment logic; digital twin technology can be used to simulate risk transmission paths in extreme market environments to predict their potential impact on financial statements.

3.3. Standardize Authorization Approval Process

The standardization of authorization approval process is the core link to ensure the effectiveness of internal control. Its goal is to balance efficiency and checks and balances, and ensure the compliance, traceability and equivalence of authority and responsibility of each business decision. The requirements of international accounting standards for the authenticity and integrity of transactions essentially depend on whether the authorization approval process can accurately anchor the essence of the business and provide a basis for audit supervision through clear track retention. The use of Digital tools is key to improving process transparency. Enterprises can embed authorization rules into business process systems through an integrated approval platform to achieve rule-driven automation. Contract approval paths are preset in ERP system, and compliance review process is automatically triggered when the system identifies counterparty as related party, and electronic audit track is generated synchronously. Blockchain technology can further enhance the immutability of approval records. The approval opinions and timestamps of each link are stored in a distributed manner, providing high-credibility evidence for subsequent audits. Dynamic adjustment mechanism is a necessary guarantee to cope with the complexity of business. Enterprises need to establish a periodic evaluation system for authorization approval rules, and revise the authority allocation logic in conjunction with strategic transformation, organizational restructuring or international accounting standards update. If an enterprise expands its cross-border business, it needs to add countersigning links of legal and tax experts in the capital payment approval chain; if the revision of international accounting standards has an impact on the classification of financial instruments, it needs to adjust the approval level and review requirements of relevant financial transactions simultaneously. Dynamic mechanisms avoid process rigidities and ensure that authorization systems are always in sync with changes in internal and external environments.

4. Optimization Strategies of Enterprise Internal Control System under International Accounting Standards

Under the framework of international accounting standards, the dynamic adaptability of enterprise internal control system directly affects the quality of financial information.

Tesla's asset impairment event at its European plant in 2020 focused on exposing the risks posed by companies 'internal control models lagging standard update. According to IAS 36 Impairment of Assets, an enterprise is required to periodically assess the recoverable amount of a long-lived asset and compare it with its carrying amount, and an impairment is required if the recoverable amount is less than the carrying amount. However, Tesla failed to fully consider the key impact of changes in European market conditions on asset valuations during the preparatory phase. The core problem of this incident is that the internal control system fails to achieve deep integration with the risk warning mechanism required by IAS 36.

In response to this challenge, Tesla launched an internal control system optimization project in 2021,

ISSN 2616-5902 Vol. 7, Issue 4: 262-267, DOI: 10.25236/AJBM.2025.070433

focusing on strengthening the implementation mechanism of IAS 36. Firstly, an artificial intelligence-driven dynamic risk assessment module is introduced to automatically generate sensitivity analysis reports on asset recoverable amounts by capturing EU policy documents, industry technology patent databases and raw material price fluctuation data in real time. Secondly, establish a cross-department collaborative impairment testing process, requiring technical research and development, legal compliance, and finance departments to jointly participate in key assumption setting to reflect industry trends more accurately. The Company has added vertical oversight of impairment testing by the Internal Audit Committee to ensure continued consistency of assessment methodology with IAS. Through this series of improvements, Tesla successfully achieved early warning and proactive response to asset impairment risks against the backdrop of soaring EU carbon emissions trading costs in 2022. This case demonstrates that IAS are not static compliance checklists, but require companies to translate their requirements into operational risk management tools through continuous iterations of their internal control systems.

Tesla's experience provides important inspiration for multinational enterprises: internal control optimization must be deeply bound to business scenarios, and through technical empowerment and organization collaboration, a dynamic defense network against code updates and market changes must be constructed.

5. Conclusion

International Accounting Standards push enterprises to re-examine the nature of internal control through escalating information disclosure requirements and risk management orientation. At present, if the enterprise still limits the internal control to the filling of process forms and the rectification of audit problems, it is tantamount to sticking to a lonely boat during huge waves. Only by taking the innovation of governance structure as the cornerstone, embedding risk early warning mechanism into business capillaries and breaking data islands with technical tools can we build a dynamic defense system that adapts to international standards and responds to market changes. This requires enterprise managers to transform risk management and control capabilities into driving forces for resource allocation optimization and decision-making quality improvement from a top-level design perspective.

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