

# Analysis of Problems and Countermeasures in Financial Risk Management of Administrative Institutions

**Mingxuan Wang**

School of Economics, Bohai University, Jinzhou, Liaoning, 121000, China

**Abstract:** This article mainly starts from the connotation of administrative institutions and the importance of avoiding financial risks, analyzes the causes of financial risks, and analyzes the problems in the process of avoiding financial risks based on this, and gives countermeasures to solve the problems. Its purpose is to make the income of administrative institutions more reasonable, so that the prevention and management of financial risks can be more effectively enhanced, thereby promoting the more sustainable and stable development of administrative institutions.

**Keywords:** Administrative institutions; Financial risks; Problems; Countermeasures

**DOI:** 10.12346/ems.v3i1.4146

**Author Introduction:** Mingxuan Wang (2000-), female, Han nationality, from Anshan, Liaoning, a 2018 student of Accounting (ISEC), School of Economics, Bohai University.

## 1. Introduction

Administrative institutions are a platform for the Chinese government to exercise public power while being able to implement macro-control. They have played an important role in the process of my country's economic development and transformation, and have shown their important value. At the same time, with the development and transformation of the economy under the new situation, the financial risk management of administrative institutions has become more and more complex. Accordingly, the management tasks have become more and more arduous. The needs of financial personnel also need a complete and systematic system to restrain and establish a corresponding system. In summary, administrative institutions should start from their actual financial management situation and possible risks, build a comprehensive and systematic financial risk management mechanism for administrative institutions, and ensure the stable and smooth development of financial management within the institution. Make a beneficial contribution to the society and the people.

## 2. The Connotation of Financial Risks in Administrative Institutions and the Importance of Avoiding Financial Risks

From the perspective of economic development, with my country's booming market economy and im-

provement, the traditional economic system has been unable to meet the development needs of today's society. Therefore, this greatly increases the probability of financial risks in administrative institutions, and even more brings huge unnecessary losses to administrative institutions<sup>[1]</sup>.

In addition, due to the significant differences between administrative institutions and enterprises, from this perspective, the financial risks faced by administrative institutions must also have a certain degree of particularity and heterogeneity. On the whole, including facing a series of the legal aspects, decision-making aspects, integrity aspects and operational aspects of risks are the most prominent and existing financial risks faced by administrative institutions. Therefore, more effective measures must be adopted to avoid the financial risks of the entity in order to promote the administration. The long-term and healthy development of public institutions. Preventing financial risks through effective countermeasures can improve the management level of the entire administrative institution. At the same time, financial management is a very important part of the management of administrative institutions. Therefore, strengthening the management of financial risks is more accessible and basic sex work.

## 3. Analysis of the Causes of Financial Risks of Administrative Institutions

Analyzing the reasons for the formation of financial

risks can be analyzed from two perspectives, namely, internal and external reasons.

Starting from internal factors, an enterprise's financial system, financial subject, and financial process are the most direct factors that can cause corporate financial risks. The formulation of the financial system is to enable enterprises to better carry out financial forecasting and management procedures, regulations and methods. If the production of the financial system cannot provide the correct direction for the effective adjustment of the financial operation of the enterprise, it will cause the financial staff to make the wrong relevant financial plan, which will eventually lead to the occurrence of financial risks; the financial process is It can fully reflect the efficiency and collaboration of the financial execution process, and the financial risks such as losses in the financial process, internal profit disputes and the resulting profit margins have attracted more and more attention <sup>[2]</sup>.

Starting from external factors, it can be divided into the following three parts: natural, economic and political environment. The characteristics of the influence of the external environment are mainly reflected in the complex combination of multiple factors and its uncertainty <sup>[3]</sup>. Changes in the economic environment are the main reason that affects corporate financial risks. On the one hand, changes in national policies and changes in economic development during special periods will cause drastic fluctuations in the economic market. On the other hand, changes in business models, technological innovations and the entry of external competitors may cause financial risks generated by the company itself. In terms of political environment, the conditions for economic, cultural and social development of a region depend on the robustness of a country's political environment. Having a stable political environment can enable the long-term, stable and sustainable development of the regional economy <sup>[4]</sup>.

#### **4. Problems in the Process of Avoiding Financial Risks in My Country's Administrative Institutions**

(1) The risk management and control system is not sound

In the process of financial management, administrative institutions are simultaneously affected by the two economic management systems of planned economy and market economy. In this case, on the one hand, administrative institutions will not respond to the signals released by the market as sensitively as enterprises. As a result of information asymmetry, it often leads to higher risks. At the same time, from the government level, due to the

policy orientation, it is easy to be directly affected by government policies and lead to risks in its financial decision-making.

At the same time, due to the wider scope of internal financial management of administrative institutions, it also involves the financial planning and use of funds by various departments. It can be seen that financial risk control is not only the job responsibility of the financial department, but also requires the coordination and active cooperation of various departments. However, in the actual work process, most administrative institutions have not paid enough attention to the management and control of internal financial risks. Even the awareness of risk management and control is relatively weak. Leaders and management pay less attention to risk and their awareness is also relatively low. This has also triggered a weak awareness of risk control among members of various departments and lack of systematic awareness of risk management. Ignoring financial risk management and control, the relevant financial department cannot normally carry out and implement the management and control work.

(2) The internal management of the enterprise is not strong

The administrative structure of the administrative institution itself is lagging, which restricts the development of the unit. The internal management system of administrative undertakings is imperfect, lack of evaluation mechanism, and cost management objectives are not clear. Then asset management in the planned economy period often affects the scientific nature of the cost accounting system. Value management often emphasizes the use of assets while ignoring the value of assets. Management, not to pay attention to the liquidity management of assets, reduces the current assets. Once the unit has a debt crisis, it will inevitably increase the probability of triggering financial risks. If the unit management system has insufficient operating and management experience, it will cause inventory backlog and bad debts in accounts receivable, which will lead to financial crisis.

Through the analysis of internal management, it is found that the internal accounting control and supervision work of most units has formalism, and its due role cannot be brought into play. What's more, there is no internal control system established at all, which is extremely lacking in substance and binding force. In addition, in the management work carried out by many units, the supervision and law enforcement functions of the external supervision and management system have not been truly brought into play, and the rectification efforts have been

insufficient. In addition, in the actual supervision and inspection process, few units were punished and managed in accordance with the law. At the same time, it was also discovered that the functions of the various agencies were scattered and overlapped, which resulted in the unit's imperfect internal management and greater financial risks.

### (3) Inadequate external supervision

The financial department and audit department, as the supervisory unit of the financial management of administrative institutions, are limited by manpower and time, and their lack has caused many operating organizations to spend a lot of money to solve the economic crisis under the condition of poor management. Because there is no special supervision department in the unit, and the supervision of the financial department is weak, the manager becomes the sole decision maker of important management matters of the unit, which leads to the continuous emergence of corruption in business institutions.

In addition, in the case of the intervention of the administrative supervision department, when the administrative and public institutions are carrying out a series of financial risk prevention and management work, in this process, the relevant supervision and management department is very likely to be involved in this process. It is profitable to obtain gray income, which may lead to the slack prevention of financial risks and the lack of rigorous management system in the implementation process, which has a negative impact on the development of administrative institutions.

## **5. Countermeasures for Optimizing the Financial Risk Management and Control of My Country's Administrative Institutions**

(1) Improve the awareness of risk management and control, establish and improve the financial management system

The lack of performance of internal management incentive effects is largely due to the lack of awareness of the theoretical system of control frameworks within administrative institutions and weak awareness of financial risk management and control. The individual's positive behavior depends on the person's thoughts, values, as well as the breadth of knowledge structure and the depth of knowledge application. The emergence of various problems in the process of internal control construction should not only be based on the objective factors in the organization to seek reasons, but also reflect on the existence of "human" factors in the implementation of policies. To solve the problem of low acceptance of internal control

construction in administrative institutions, we should first improve the internal control awareness and financial risk awareness of relevant financial management leaders and relevant financial professionals in departments such as the financial department and human resource management. Attention should be paid to strengthening the learning of internal control theory and the implementation of related training. The specific form can be aware of the regular organization of internal personnel of the unit to participate in corresponding management seminars, exchange management opinions and actively communicate with employees to understand the internal of the unit in a timely manner. The basic management situation and related personnel dynamics, financial risk management and internal control development can be transformed from passive implementation of internal control to active improvement of internal control. Only when the ideology of the personnel of this unit is united, the internal control construction is widely recognized in all departments, and united, can the financial risk management work of the internal control framework be truly implemented.

(2) Improve the risk control ability of financial personnel and improve the internal management mode of public institutions

Improve the financial staff's ability to recognize the importance of financial risks, through various financial risks and different forms of financial risks, familiarize themselves with the work and establish the concept of risk. While strengthening risk awareness, we must also improve its risk control capabilities. At the same time, more attention should be paid to the reform of the internal management model of public institutions, to prevent relevant supervisory agencies from profiting from it, and to form a clean and efficient management and supervision atmosphere. We can learn from foreign experience and combine our country to establish a set of management models to adapt to the internal control construction of public institutions in our country, support the introduction of corresponding auxiliary systems, establish reasonable management positions, provide project decision-making procedures, and standardize various management business processes. Regarding the internal management model, special attention should be paid to the setting of core performance positions, such as fund management, procurement management, bill management, internal audit, engineering management and other positions. It is also necessary to clarify the responsibilities of employees in each position and clarify what they have rights and obligations. At the same time, in the process of restructuring

the internal management model, the need for internal control framework theory is indispensable, mainly including the checks and balances of rights, visibility of responsibilities, and behavioral incentives, and knife decisions should be made in the actual implementation of economic management activities. Implementation and supervision should be independent of each other and each performs its own duties. Through a comprehensive and subversive systemic reform of the internal management model, the risk of loss of important assets in the daily financial activities of administrative institutions can be avoided to a large extent, and the facts and implementation of the internal control theory can be further promoted.

(3) Strengthen the prevention of financial risks from the perspective of improving supervision

The core of strengthening supervision lies in the establishment and improvement of relevant supervision mechanisms. Through the establishment of accounting supervision and inspection implementation departments, the implementation of the accounting system will be more effectively implemented in actual work. In order to strengthen the implementation of the internal control and supervision of the members of the financial department of each unit, strengthen the supervision and inspection of the financial work, and control the emergence of financial risks, the relevant departments of the unit must not only

pay attention to the improvement of their own quality, but also strengthen the coordination and cooperation between departments. Only in this way can the establishment and implementation of accounting control systems carried out by various units be more effective. At the same time, we must not ignore the organic combination of the government, society, and the unit's three supervision bodies, strengthen the construction and implementation of the financial risk control mechanism, and make the external supervision and internal supervision more unified and coordinated on the basis of a sound accounting supervision mechanism. It can enable the unit to create a good atmosphere and enable each department to establish and carry out effective accounting control work.

### References

- [1] Yan Li. Discussion on Existing Problems and Countermeasures of Financial Risk Management in Administrative Institutions[J]. China Collective Economy, 2019(33):136-137.
- [2] Ding Wei. The construction and implementation of the financial risk control mechanism of administrative institutions[J]. Accounting Learning, 2019(29):41-42.
- [3] Yin Taimao. Avoidance of Financial Risks in Administrative Institutions[J]. Fortune Times, 2019(08):133-134.
- [4] Zhang Shengliang. Analysis of Prevention and Management of Financial Risks in Administrative Institutions[J]. Modern Economic Information, 2019(16):187+189.