

# Construction of Financial Governance System in Colleges and Universities

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**Abstract:** In recent years, with the rapid development of the economy and continuous investment in education in China, higher education in China has entered a phase of high-speed development. However, it is important to recognize that financial management in colleges and universities is becoming increasingly complex. The construction of a financial governance system suitable for the development of higher education has become a primary concern for these institutions. Establishing an effective financial governance system is crucial for improving the overall financial management level of colleges and universities, as well as for enhancing their academic quality. This paper presents some suggestions on how to enhance the financial governance system based on the current financial operations within colleges and universities.

**Keywords:** Financial governance; risk control; higher education

## 1. Introduction

With the rapid development of the economy, the state's investment in education has been increasing year by year. According to the Ministry of Education, the National Bureau of Statistics, and the Ministry of Finance, the "Announcement on the Implementation of National Education Funds in 2022" indicates that in 2022, the total investment in national education funds reached 6.132914 trillion RMB, exceeding 6 trillion RMB for the first time. This represents a 5.97% increase over the previous year. Of this total amount, state fiscal expenditure on education in 2022 will reach 4.847291 trillion yuan, marking a 5.75% increase over the previous year and accounting for 4.01% of GDP<sup>[1]</sup>. The continuous investment in education has propelled our country's higher education sector into a phase of rapid development on a fast track".

However, it is important to recognize that the financial management of colleges and universities has become increasingly complex, with the issue of risk becoming more prominent. The construction of a suitable financial governance system for the development of higher education has thus become a primary concern for these institutions. Establishing such a system is crucial in improving the overall financial management standards within colleges and universities, as well as being an essential requirement for enhancing their academic quality. Therefore, there is an urgent need to expedite the implementation of a financial governance system within these educational establishments.

## 2. Concept of financial governance

Baidu encyclopedia gives the concept of financial management summed up as "financial management is under the condition of corporations, government, investors and operators and managers in the financial revenue and expenditure between residual claim of management, finance, financial supervision and financial interests distribution and financial staffing permissions, thus forming the financial management system of checks and balances relationship".

## 3. Current Situation of Financial Governance in Colleges and Universities

With the continuous investment of state education funds, its financial management is becoming more and more complicated, and its financial risk is becoming more and more serious. The financial

situation of colleges and universities is mainly manifested in the following aspects.

### ***3.1 Lack of financial governance awareness, attention is not enough***

In a university setting, there is a large population of students and faculty, and the institutions themselves are vast. Most departments are involved in financial data and financial management. However, due to a lack of awareness regarding financial governance, leaders often do not pay sufficient attention to this aspect. There is a tendency to view financial governance as solely the responsibility of the finance department, leading to procrastination and negligence when collaborating with them.

### ***3.2 The budget management is unscientific***

Budget management is an important part of university financial governance, which is the prerequisite to realize the efficient allocation and rational use of funds for colleges and universities. In the budget, on the one hand, some colleges and universities still use the traditional way to achieve this year's budget declaration work, that is, based on the actual expenditure of previous years, then increase appropriate funding as this year's budget<sup>[2]</sup>. This simple and crude budgeting method itself is not scientific and rational; on the other hand, the departments in order to as much as possible for funding support, There is a widespread overbooking budget in the project budget. This will inevitably lead to the financial department can not accurately grasp the actual situation of other department, the final budget and actual expenditure disparity, imbalance and other issues occur, and finally seriously affecting the development of universities.

### ***3.3 Financial rule and regulations implementation is not in place***

Although the state has implemented corresponding financial regulations, there is a disparity in the understanding of these regulations among colleges and universities. Some institutions are seriously lagging behind in terms of financial development, with missing internal control systems and processes, as well as human intervention and other factors. This leads to superficial implementation of financial governance without real enforcement by the department.

### ***3.4 The financial personnel business level and vision need to be improved***

As a professional in the financial department, it is essential to possess not only specialized knowledge but also a broad perspective and the ability for self-learning and innovation. It is required to handle institution-wide financial matters, their staff often find themselves overwhelmed with basic tasks such as bookkeeping and reimbursements. This leaves limited time for training, leading to decreased motivation and initiative among employees. In order to enhance the efficiency of financial works, many institutions have begun implementing financial software. However, this presents new challenges for older employees. At present, the overall situation of financial institutions is limited, and it needs to be further improved<sup>[3]</sup>.

### ***3.5 The financial risk assessment system is missing***

The economic activities of colleges and universities are extensive and complex, and their financial risks are increasingly exposed. The economic crime of colleges and universities is intensifying. First of all colleges and universities as a non-profit administrative institutions, most of the funding sources of colleges and universities for the state financial allocation, which determines the use of funds in colleges and universities can not be as strict as the enterprise, Some universities have a serious waste of financial capital. Second, colleges and universities as a public institution, although most of the colleges and universities have set up faculty delegates' congress, trade unions and other institutions, but its participation in school decision-making opportunities are limited, most of the decision made by the leadership, which is bound to make part of the decision-making democracy, most of the colleges and universities did not set up the corresponding financial risk assessment agencies, university economic activity is complex, which also greatly increased the financial risk.

### ***3.6 Financial audit and monitoring agencies lack of independence***

Although the Disciplinary Inspection Commission and the corresponding audit department have been set up, these departments are subordinate to schools, lack of independence and authority. In the

course of the audit, it is difficult to work, and most of the current audit of colleges and universities still remain Regular audits, and did not play well with their proper functions.

#### **4. Countermeasures of Financial Governance in Colleges and Universities**

In view of the problems existing in the financial governance of colleges and universities, we should focus on strengthening the construction from the following aspects.

##### ***4.1 Improve the ideological awareness, pay attention to financial governance***

The work of financial governance in colleges and universities is an important part of the work of higher education. All the leaders of colleges and universities should fully realize that strengthening the financial governance is a whole school work, which is related to the overall situation of school construction. All departments should raise awareness. The staff of each department should fully understand the importance and urgency of strengthening the financial governance work in colleges and universities. In the actual work, the departments should strengthen communication with the finance department and cooperate closely with them to carry out the financial work.

##### ***4.2 Improve budget preparation and regulations, and further promote internal control system construction***

In order to comprehensively promote the financial governance of colleges and universities, it is essential for these institutions to continuously enhance the functions of the financial work leading group. This group should coordinate the financial governance efforts, with the college leader serving as the team leader and key functional departments as members. The financial department holds responsibility for specific tasks in order to advance financial governance..

Budget management serves as a prerequisite for achieving efficient allocation and rational use of funds within colleges. Therefore, the financial work leading group must develop long-term budget strategic planning and reform existing budgeting methods. If necessary, funding targets may be appropriately adjusted to ensure that budget funds are planned and utilized in a reasonable manner<sup>[4]</sup>.

Furthermore, it is imperative for the financial work leading group to reinforce adherence to rules and regulations while establishing an accountability mechanism. Simultaneously, colleges and universities should comprehensively review their economic activity processes, particularly in key areas and positions. Standardizing these processes further promotes the construction of an internal control system.

##### ***4.3 Build a high-quality financial team***

A high-quality financial team is a vanguard to achieve efficient management of financial work. The financial working leading group should strive to broaden the training channels to improve the professional skills and vision of financial professionals; At the same time, it should speed up the pace of financial information construction in colleges and universities, By means of information technology, the financial staff can be liberated from the basic tasks of accounting and reporting and so on.

##### ***4.4 Improve the construction of risk control and evaluation system, strengthen supervision and audit of colleges and universities***

The financial work leading group should constantly improve the evaluation system of financial risk, carry out risk assessment on important economic activities to be built in colleges and universities, conduct comprehensive evaluation of assets in colleges and universities, and establish risk assessment list and risk control list<sup>[5]</sup>.

Colleges and universities should strengthen the supervision and audit work, through the form of legal documents to enhance the audit and supervision of independence and authority, innovate the audit and supervision mechanism, through cross-regional audit, mobile audit, cross-audit and so on, to achieve full coverage of the audit.

#### **4.5 Make full use of information means to strengthen the control and constraints between financial governance related systems and promote digital construction**

In 2023, the CPC Central Committee and The State Council issued the Overall Layout Plan for Digital China Construction<sup>[6]</sup>. The "Plan" presents a top-level design for the overall layout of digital China construction, which defines a series of new goals, tasks, and strategic deployments. This will help China align with the trend of digital development, accelerate the construction of digital China, and serve as an important engine for promoting Chinese-style modernization.

Financial governance is an important part of Chinese modernization. Colleges and universities should make full use of digital technology and information technology to increase the construction and innovation of financial related systems, especially focusing on the restriction and control of core areas and nodes. Meanwhile, new technologies such as big data and artificial intelligence are used to force financial development in a standardized direction through feedback compensation mechanisms. Bold innovation and reform can not only effectively solve the difficult problems in financial governance, but also further improve the function of financial governance.

#### **4.6 The colleges and universities should improve the disclosure of financial information**

The colleges and universities should enhance the transparency of financial information by making annual budgets, financial statements, work status reports, and key financial indicators publicly accessible through online platforms and at teachers' conferences. They should actively welcome supervision from both educators and society. Additionally, the fiscal revenue and expenditure budget of colleges and universities must be approved by a joint meeting of the party committee and administrative council, as well as reported to teachers in order to ensure standardization and transparency in financial operations<sup>[7]</sup>.

## **5. Conclusion**

The financial governance of colleges and universities is a systematic project, under the unified leadership of the financial work leading group, colleges and universities should strengthen the financial awareness, further improve the budgeting and financial regulations, deepen the process of internal control, improve the risk control and evaluation system, innovate the audit and supervision mechanism. Colleges and universities should vigorously improve the financial information disclosure system, building a high-quality professional team, I believe that the financial governance into the new vitality for the connotation of the development of colleges and universities.

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