

# The Current Situation and Audit Countermeasures of National Scholarship & Grant-In-Aid for Chinese College Students

Yuqing Shi<sup>1</sup>, Shikuan Sun<sup>1</sup>, Benli Zhao<sup>2,\*</sup>

<sup>1</sup>Graduate School, Foshan University, Foshan, 528000, China

<sup>2</sup>Foshan Stomatological Hospital, Foshan, 528000, China

\*Corresponding author: Benli Zhao (zblsdebank@foxmail.com)

**Abstract:** With the continuous improvement of China's financial aid for college students, the compliance and legitimacy of the management of National Scholarship & Grant Systems have a great impact on the practical interests of all students. It is essential to establish and improve management systems within Chinese colleges and universities. With the functions of supervision, evaluation, consultation, etc., the internal audit of colleges and universities is the important measure to carry out the management in a fair and public manner. Furthermore, the internal audit is also an important tool to prevent various risks in colleges and universities. This paper firstly analyses the source and structure of National Scholarship & Grant-In-Aid, and puts forward the internal audit strategies accordingly, aiming to providing constructive suggestions for standardizing and improving the management of National Scholarship & Grants.

**Keywords:** National Scholarship; National Grant; Financial aid; Internal Audit; Chinese College Students

## 1. Analysis of the structure of financial aid for college students

Financial aid for college students achieved great progress in increasing college enrollment rates for qualified students<sup>[1]</sup>. After years of efforts, China has established various combinations of student funding<sup>[2]</sup>, including National Scholarship, National Inspirational Scholarships, National Grant, National Student Loan (including campus state loans and source credit loans), Free Tuition for Normal Students, Retired Soldiers Education Subsidy, Tuition Compensation for Student Loan, Work-study Program and Tuition Reduction and Exemption<sup>[3]</sup>. Overall, the coexistence and development of multiple funding methods are beneficial to a variety of student group and helps students with financial difficulties to complete their studies. More importantly, our country's higher education expansion to popularization has been further accelerated<sup>[4]</sup>.

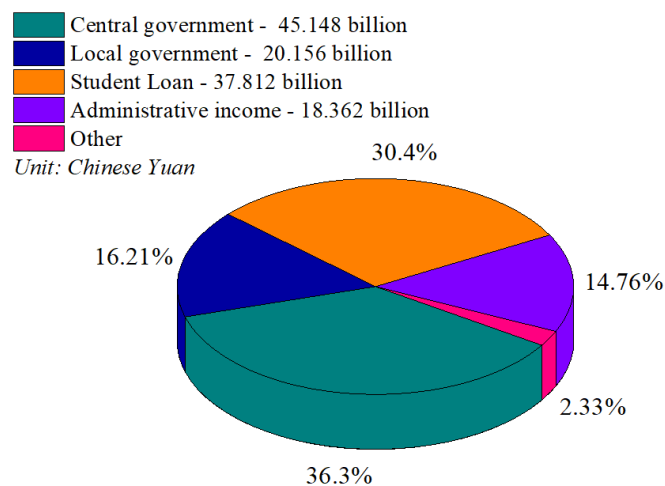


Figure 1: Amount and proportion of financial aid in Chinese regular higher education in 2020.<sup>[5]</sup>

Taking "The Annual Report Chinese Student Financial Aid Development in 2020"<sup>[5]</sup> as an example,

various financial aid policies for higher education student was demonstrated, and a total amount of 124.379 billion Chinese Yuan (denoted as CY hereafter) was supported by Chinese government in 2020. As shown in Figure 1, central and local government financial aid reached a relatively large proportion, which was 45.148 billion CY and 20.156 billion CY respectively, accounting for 36.30% and 16.21% of the total funding for regular higher education. Banks issued 37.812 billion CY of government-sponsored student loans, accounting for 30.40%. Funds withdrawn from administrative income by colleges and universities was 18.362 billion CY, reaching a fraction of 14.76%. National Scholarship, National Grant and National Student Loan will be introduced as below.

### **1.1 National Scholarship**

National Scholarship refers to the program funded by the central government to reward outstanding students in order to encourage students in undergraduate colleges/universities, higher vocational schools and technical colleges<sup>[6]</sup>. It is aimed to ensure students' comprehensive development in terms of morality, intelligence, physique and aesthetics. National Inspirational Scholarships are also included from co-funding by the central and local governments<sup>[7]</sup>. From the point of view of the funding individual, the National Scholarship is aimed at rewarding students with excellent academic performance. As for National Inspirational Scholarship, students with excellent academic performance and financial difficulties meet the requirement. Post-graduate Scholarships was established by the Ministry of Finance of China and the Ministry of Education of China in 2014<sup>[8]</sup>, whose purpose is to encourage postgraduates to study diligently, devoted to scientific research, be innovative and enterprising, and better support them to complete the degree study under full implementation of the postgraduate tuition fee system.

Taking the number and amounts of the awards of various National Scholarships in 2020 as the example<sup>[5]</sup>, a total of 6.3077 million regular higher education students (in person-time) and an amount of 25.888 billion CY were funded in 2020, accounting for 20.81% of the total funding for regular higher education. The National Scholarship covers junior college students, undergraduate students and postgraduate students with a total of 105,000 awarded students and a whole amount of 1.48 billion CY, in line with the excellent characteristics of the awarded individuals. The National Inspirational Scholarship awards a large group of students, with a total of 945,200 person-times and an award amount of 4.726 billion CY. Among the funding categories, the postgraduate academic scholarship has the largest award group and amount, reaching 1,910,800 people, and the award amount is 15.131 billion CY.

### **1.2 National Grant**

The National Grant is jointly funded by the central and local governments in China to support the full-time regular undergraduate and collegian students (including higher vocational, second bachelor's degree) from families with economic difficulties, in order to represent the concerns of The Communist Party and the government.

In May 2007, the State Council pointed out in the "Opinions on Establishing and Improving the Policy System for Students from Financially Difficult Families in Regular Undergraduate Universities, Higher Vocational Schools and Secondary Vocational Schools"<sup>[9]</sup>: "Increase the central financial investment, implement various student aid policies, and expand the recipients. Increase the proportion of students, improve the level of financial aid, and solve the problem of schooling for students from financially disadvantaged families." It was proposed to establish a government-led student financial aid policy system for students from financially disadvantaged families. In 2020, various types of grants in National Grant have sponsored a total of 9.8372 million regular higher education students nationwide, and the number of sponsors is much higher than the number of National Scholarships, with a funding amount of 35.076 billion CY. Among them, the National Grant subsidized a total of 8.7094 million students, with a subsidy amount of 32.355 billion CY. At the same time, the sponsored junior college students, undergraduate students and graduate students were as high as 2.857 million, 3.7179 million and 2.1345 million person-times respectively, which is the most widely funded and the largest number of awards.

### **1.3 National Student Loans**

National student loans are government-led, credit loans provided by financial institutions to students from financially disadvantaged families, in order to help solve tuition and accommodation costs<sup>[10]</sup>. The National Student Loans interest rate shall follow the benchmark interest rate of the same grade announced by the People's Bank of China in the same period, and not-rise is guaranteed. The interest of the national student loan during the loan student's study period is fully paid by the finance department, and the interest

after graduation is paid by the borrower (students). With the purpose of the encouragement of the enthusiasm of financial institutions to undertake national student loans and establish a loan risk-sharing system, the finance (university) will give certain risk compensation to the handling banks. National Student Loans are credit loans, and students do not need to apply for loan guarantees or mortgages, but they need to promise to repay on time and assume relevant legal responsibilities.

Based on the places of application and procedures of students, National Student Loans can be divided into two modes: (1) national student loans at campus and (2) credit student loans at the origin/hometown of students. Full-time regular undergraduate and junior college students are not allowed to apply for both modes in the same academic year, and can only choose one of the loans to apply. In principle, full-time postgraduate students can only apply for national student loans at campus. In 2020, 5.0643 million national student loans were issued nationwide, with an amount of 37.812 billion CY, accounting for 30.40% of the total funding for general higher education. The government paid 4.017 billion CY in discounted interest funds.

## **2. Internal audit strategy**

### ***2.1 Understanding of the management measures***

We propose to reach a clear and in-depth understanding of management methods and related regulations, and update and improve timely college funding rules and regulations, which can lay a solid foundation for auditing with a high degree of trust<sup>[11]</sup>. The national policy of "Administrative Measures for Student Aid Funds" has been in operation for many years, and a standardized and mature management system has been formed; as the situation changes, relevant ministries and commissions have kept pace with the times and revised the "Administrative Measures for Student Aid Funds" to further standardize and strengthen the management of subsidized funds, improve the efficiency of the use of funds, and ensure the smooth development of subsidy work.

The latest version is the Caijiao Notice [2021] No. 310<sup>[12]</sup>. This new version of the management measures further clarifies the relevant responsibilities of financial, education, human resources departments and other departments at all levels. It is confirmed that the student financial aid scholarship and grant are jointly managed by the Ministry of Finance, the Ministry of Education, and the Ministry of Human Resources and Social Security according to their responsibilities; the Ministry of Finance is responsible for the allocation of financial aid funds and the issuance of budgets, and organizes the Ministry of Education, the Ministry of Human Resources and Social Security and other departments to prepare mid-term financial aid funds for students. Student financial aid funds are allocated by the factor method, calculated according to the number of students and relevant standards, etc., and the method of "pre-allocation in the current year and settlement in the next year" is adopted in proportion to the implementation of local college financial aid funds. The management and supervision of subsidized funds are classified on the basis of the supervision and management work of government departments at all levels.

It is directly proposed that the supervision bureaus of the Ministry of Finance shall conduct supervision and special inspections of funds in accordance with their duties and the unified deployment of the Ministry of Finance. At the same time, it is further clarified that the Ministry of Education, together with the Ministry of Human Resources and Social Security, is responsible for organizing local review and reporting of basic data such as the number of qualified students, the scope of funding, funding standards, etc., to propose budget allocation proposals, to improve the information management system of National scholarship & Grant. It was further required that the provincial finance, education, human resources and social security departments are responsible for clarifying the responsibilities of the provincial and sub-provincial finance, education, human resources and social security departments in the review of basic data on student financial aid, funding arrangements, use management, etc., and effectively strengthen grant management. It is further emphasized that the school is the main body responsible for the use of student financial aid funds, and it should effectively perform its legal responsibility, improve the internal management mechanism, and organize the implementation of the budget.

### ***2.2 Review the availability and usage***

The availability of financial aid funds for college students is closely related to the management of budgets, executions, and final accounting of governments, universities, departments, and other

institutions. The review of the budget availability is particularly important<sup>[13]</sup>, because (1) The chain involved is relatively long; (2) The funds are available promptly and should be in compliance with laws and regulations; (3) There should be no delay in the student granting. This can be ensured by confirming (1) Whether the subsidized funds are allocated in full and in time; (2) Whether the funds are used for specific purposes; (3) Whether the colleges and universities carry out based on the actual situation; (4) Whether the colleges and universities fully extract 4%-6% of the business income for rewarding and subsidizing students.

Meanwhile, it is necessary to strengthen the review of the actual implementation of subsidy funds in accordance with the subsidy policy and pay close attention to the usage of scholarships and grants. After reviewing the availability of financial aid, it is essential to check whether the university and its staff have abused their powers, neglected their duties, or practised favouritism in the process of distributing financial aid funds, based on the flow of funds in their own account of the university's financial aid. The checking points also consist of the improper distribution, false listing, and misappropriation of student financial aid funds in violation of regulations. Some typical examples are listed as follows: Falsely preparing and reporting the funding budget; Failing to conduct separate accounting of the special funds for funding; Listing expenses unrelated to National Scholarship & Grant; Transferring funding funds in violation of regulations; Transfer, arbitrage, and reimburse subsidized funds; Set up off-book accounts; Arbitrarily adjust accounts to change expenditures; Modify accounting vouchers at will; Provide false financial and accounting information, etc.

### **2.3 Authenticity, completeness, matching, and compliance**

In order to implement the student financial aid policy in colleges and universities, information flow is very important. It is necessary to ensure that the basic data and content transmitted by the information flow system of the financial aid parts must follow authenticity, completeness, matching, and compliance<sup>[14]</sup>.

In contrast, the new version of the management measures further requires local education departments and human resources departments at all levels to strengthen the management of fund distribution and implementation, play a good part in the review of basic data, and verify the authenticity of the reported data and information that may affect the results of fund allocation. Both departments should be responsible for quality and accuracy, aiming to improving student funding agencies, organizing schools to identify students from financially disadvantaged families, and ensuring that they can help as much as possible. Therefore, in terms of the information flow system of colleges and universities, it is essential to focus on reviewing the application of student status and financial aid information system; verifying whether the types of financial grant projects, student status, certification documentation, application forms and other contents are complete, correct and authentic<sup>[15]</sup>.

Simultaneously, it is necessary to review the file management situation of the university, and whether the school will file the relevant documents and work conditions such as student application forms, accreditation results, and fund issuance on an annual basis for future reference. In addition, standardizing the qualification and data review of other relevant parties (such as fund sponsors, banks, file managers, etc.) other than colleges and universities, strictly implement the responsibility system according to the management methods of student scholarship and grant, and strengthen the management of the whole system and each key process.

### **3. Summary**

National Scholarship & National Grant-In-Aid in China is reviewed, including the characteristics, funding individual, and funding amount. The Internal audit strategies are proposed to improve the efficiency and avoid administrative risk. At first, a clear understanding of the management methods and related regulations on subsidized funds should be reached. The factors and points of the review process on the flow of student financial aid and the funding participants are emphasized in the internal audit.

### **Acknowledgments**

This work was funded by Social Sciences Research Project of Foshan under the grand No. 2022-GJ161 and Guangdong Joint Postgraduate Development Base (Foshan).

**References**

- [1] Judith Scott-Clayton. *The role of financial aid in promoting college access and success: Research evidence and proposals for reform. Journal of Student Financial Aid*, 2018, 45(3):7-22.
- [2] Huang Zhongjing, Wang Ting, Li Xiaojun. *The political dynamics of educational changes in China. Policy Futures in Education*, 2015, 14 (1):24-41.
- [3] Hu Xiaoqi. *Comparison of higher education funding systems between China and the United States. Open Journal of Social Sciences*, 2019, 7:150-159.
- [4] Ministry of Education of the People's Republic of China. *MOE press conference reviews achievements in the opening up of China's education sector during the 13th Five-Year Plan period*. 2020. [http://en.moe.gov.cn/news/press\\_releases/202012/t20201231\\_508306.html](http://en.moe.gov.cn/news/press_releases/202012/t20201231_508306.html)
- [5] Ministry of Education of the People's Republic of China. *The Annual Report Chinese Student Financial Aid Development in 2020*. [http://www.moe.gov.cn/s78/A01/s4561/jgfwzx\\_zcwj/202109/t20210916\\_563598.html](http://www.moe.gov.cn/s78/A01/s4561/jgfwzx_zcwj/202109/t20210916_563598.html)
- [6] Yunnan University. *China National Scholarship*. 2017. [http://subsites.chinadaily.com.cn/YunnanUniversity/2017-11/17/c\\_111548.htm](http://subsites.chinadaily.com.cn/YunnanUniversity/2017-11/17/c_111548.htm)
- [7] Zhou Jun, Yang Mei, Wang Fang, Wang Chao. *Research on financial aid model of colleges and universities based on artificial neural network. Journal of Physics: Conference Series*. 2020, 1575:012100.
- [8] Fedasiuk Ryan. *The China Scholarship Council: An Overview. Center for Security and Emerging Technology*. 2020.
- [9] Ministry of Education of the People's Republic of China. *Opinions on establishing and improving the policy system for students from financially difficult families in ordinary undergraduate universities, higher vocational schools and secondary vocational schools*. 2007. [http://www.moe.gov.cn/jyb\\_xgk/moe\\_1777/moe\\_1778/tnull\\_27695.html](http://www.moe.gov.cn/jyb_xgk/moe_1777/moe_1778/tnull_27695.html)
- [10] Cai Yu, Chapman Bruce, Wang Qing. *Repayment burdens of mortgage-style student loans in China and steps toward income-contingent loans. Economics of Education Review*, 2019, 71:95-108.
- [11] Savčuk Olga. *Internal audit efficiency evaluation principles. Journal of Business Economics and Management*. 2007, 4:275-284.
- [12] National Center for Student Financial Aid, Ministry of Education of the People's Republic of China. *Caijiao Notice [2021] No.310*. <http://www.xszz.cee.edu.cn/index.php/shows/6/7522.html>.
- [13] Hudaib Mohammad, Haniffa Roszaini. *Exploring auditor independence: An interpretative approach. Accounting, Auditing and Accountability Journal*. 2009, 22(2):221-246.
- [14] Barry David, Elmes Michael. *Strategy retold: Toward a narrative view in strategic discourse. Academy of Management Review*, 1997, 22(2): 429-452.
- [15] Roberts John, Scapens Robert. *Accounting systems and systems of accountability. Understanding accounting practices in their organizational contexts. Accounting, Organization and Society*. 1985, 10(4):443-456.