

# The Thinking on the Construction of Internal Control System in Colleges and Universities

Yang Liu<sup>1,a,\*</sup>

<sup>1</sup>Department of Informatization Construction and Management, Shaanxi Normal University, Xi'an, Shaanxi, China

<sup>a</sup>lyang@snnu.edu.cn

\*Corresponding author

**Abstract:** In recent years, the infrastructure and related supporting facilities in colleges and universities have been gradually improved. Education level has been improved steadily, educational undertakings have made great progress. This is due to the continuous investment in education funds. How to make every penny to benefit the majority of teachers and students, how to good use of education funding, management of education funding has become difficult problem for university administrators. To strengthen the construction of university internal control standards and system is the important measure to realize effective regulation education funds, is the foundation for improve the level of financial management in colleges and universities, and is the inevitable requirement of establishing modern school system. This article first briefly introduced the concept of internal control, then analyzes the present situation and existing problems of internal control system in colleges and universities, finally put forward ideas and Suggestions to perfect the internal control system construction in colleges and universities.

**Keywords:** Internal control, risk control, financial management

## 1. Introduction

Ministry of Education announced that in 2020, the total investment in education funding for the 5,303.387 billion RMB, of which the state financial education funding of 4,290.815 billion RMB, up 7.15% over the previous year. The state's fiscal education expenditure accounted for 4.22% of GDP, which is more than 4% for the ninth consecutive year since the 4% target in 2012<sup>[1]</sup>. Financial education funding as the main source of funding for colleges and universities, how to make every penny to benefit the majority of teachers and students, how to good use of education funding, management of education funding has become difficult problem for university administrators.

In November 2012, the Ministry of Finance issued the "administrative institutions internal control norms (Trial)" document, for the first time in the form of documents to guide the administrative institutions to carry out internal control system construction work, In 2015 and 2016, the Ministry of Finance has issued the "Ministry of Finance on the comprehensive promotion of administrative institutions within the guidance of the construction of internal control" and "on the administrative institutions to carry out the basic evaluation of internal control work" documents, the purpose is to effectively promote the establishment and implementation of internal control system of administrative institutions. University as one of the main body of administrative institutions. To strengthen the construction of university internal control standards and system is the important measure to realize effective regulation education funds, is the foundation for improve the level of financial management in colleges and universities, and is the inevitable requirement of establishing modern school system.

## 2. The Concept of Internal Control

About the concept of internal control, the most classic definition abroad is the COSO report, which is released by the America's false financial reporting council committee. the report clearly pointed out that the internal control definition refers to the board of directors by the enterprise (or by the rules and regulations of the enterprise manager, director's office And other similar decision-making, governance institutions, hereinafter referred to as the board of directors), management and the implementation of staff and reasonable designed to ensure realizing the objective of the enterprise basic series of control

activities. It mainly consists of internal environment, risk assessment, control measures, information and communication, supervision and inspection of the five elements and comprehensive, regular, potentiality and correlation of four basic characteristics<sup>[2]</sup>.

Baidu Encyclopedia is defined as: internal control is a unit in order to achieve its business objectives, to protect the safety and integrity of assets to ensure that the correct and reliable accounting information, to ensure that the implementation of the operating principles, to ensure that the economic and efficiency of business activities Sexuality and effectiveness in the unit within the self-adjustment, restraint, planning, evaluation and control of a series of methods, means and measures in general.

### **3. The present situation of the internal control system**

The internal control in colleges and universities is weak, the management system is not perfect, the activities of key economic areas are not standardized, the operational processes of key positions are neglected, the degree of internal control informationization is low, supervision and checks and balances are not in place, which have seriously hampered the development of colleges and universities. Specific performance is as follows:

#### ***3.1. The internal control consciousness is weak, lack of initiative***

Compared with enterprises, colleges and universities are non-profit organizations, and the nature of non-profit organizations determines that the internal control lack of initiative. Good internal control awareness is the premise of financial governance in colleges and universities, The research data show that some colleges and universities still do not realize the importance of internal control, one-sided view that internal control is only the financial department's job responsibilities, The internal control has not attracted enough attention at the school level and formed consensus. Moreover, the construction of internal control system is a simple writing manual, document and other secretarial work. Some college leaders have insufficient support for the construction of internal control and the coordination between departments is not close enough.

#### ***3.2. The internal control rules and regulations is not sound and the implementation is not in place***

Although in recent years, the ministry of finance and other ministries issued the corresponding internal control regulations and norms. However, the actual situation of each university is different, so there is a deviation in the understanding of internal control documents. Some domestic colleges and universities is still not yet issued the corresponding internal control regulations, even if part of universities have regulations, and the influence of others factors such as manipulation and intervention, these regulations are often stuck on paper, which has not been implemented or implemented poorly.

#### ***3.3. The function of internal control supervision is weakened***

At present, although colleges and universities have established corresponding supervision and auditing departments, the audit is limited to the audit of the school budget, final accounting and financial revenue and expenditure business, and most of the audit is post-audit. In terms of monitoring, there has been no full coverage of activities and processes in key economic areas, and the lack of internal control evaluation system, which has been the breeding ground for various corruption and economic crimes. In recent years, college economic crime has been on the rise. According to the official website of the Central Commission for Discipline Inspection data shows more than 50 university officials have been punished publicly since the 18th national congress of the communist party of China (CPC)<sup>[3]</sup>.

### **4. Suggestions on the construction of internal control system of universities and colleges**

The construction of the internal control system in colleges and universities is a complicated systematic project. The colleges and universities should gradually explore a set of internal control system for colleges and universities according to the characteristics and actual situation of each school, and constantly improve the risk control ability, and the construction of internal control system should strengthen the following four aspects.

#### ***4.1. Build a clear responsibilities organizational environment system***

Colleges and universities should attach great importance to and strengthen the internal control organization system, colleges and universities should set up a leading group for internal control construction work, the school leaders as the team leader, the main department leader as a major member. The group fully co-ordinate the construction of the internal control system of colleges and universities, The group should set up an internal control office, which is responsible for internal control of daily work, closely related and tracking the internal control construction of each department.

The relevant functional departments as the key and main unit of internal control system construction. Its main person in charge of the internal control should be built as a first-hand project; The leaders of the department should attach great importance to the construction of internal control system from thought and action. At the same time, it will clarify the duties and responsibilities of the post. The task will be implemented to specific positions and personnel.

#### ***4.2. Establish a scientific and normative business process system***

The relevant functional departments should be based on the actual situation of economic activity management, real, objective and fair "baseline" evaluation on the basic conditions of internal control system, found that internal control deficiencies and weaknesses<sup>[4]</sup>, clear basic requirements and key contents of the construction of the internal control system, on this basis, It is necessary to comprehensively sort out the business processes of economic activities, especially the key areas, the operational activities of key positions economic activities, refine the process description, compile the activities and activities of sub-activities to further standardize the activities of the process, through information technology to achieve the relevant business process system ,Reduce man-made manipulation and intervention, implement the internal control process.

#### ***4.3. Construct an effective internal control regulations and risk control system***

Internal control system construction should be as a routine work unremittingly, Schools and functional departments should be based on the actual situation, in-depth study, and in accordance with changes in the situation, timely judgment, revision and improvement regulations, including economic business, budget business, revenue and expenditure business, asset management and other regulations, to further establish and improve the internal control system. According to the possibility and influence degree of the risk, each functional department should identify the risk of economic activity and identify the risk assessment <sup>[5]</sup>, identify the risk point, establish the risk control matrix and develop the countermeasures, strictly control the possible risks of economic activities, and further improve the management level.

#### ***4.4. Build an open and transparent power operation restriction and supervision system***

Building an open and transparent power operation restriction and supervision system is the inevitable requirement of strengthening the internal control system of colleges and universities, and it is the "touchstone" to test whether the economic activities of colleges and universities meet the requirements of internal control system. On the one hand, colleges and universities should establish a transparent and transparent financial information system, regularly publish the relevant financial data which including the financial budget, financial accounts, revenue and expenditure and other economic-related financial data to ensure that the majority of faculty and workers have full right to know, take the initiative to accept the supervision of teachers and students and the community. On the other hand, colleges and universities should constantly improve the internal audit system, should strive to broaden the channels of audit and supervision, innovation audit and supervision system, the post-audit can be changed into an irregular audit. At the same time the external oversight mechanisms can be used in collage and universities, such as the Central office of the local audit department of flexible and mobile audits, media supervision and other means of public opinion, try to promote anti-corruption work in colleges and universities.

### **5. Conclusions**

To strengthen the construction of university internal control standards and system is the important measure to realize effective regulation education funds and is the inevitable requirement of establishing

modern school system. Colleges and universities should be based on their own actual situation, through the clear clear responsibilities organizational environment system, a scientific and normative business process system, effective internal control regulations and risk control system and open and transparent power operation control and supervision system, and ultimately the formation of decision-making power, executive power, supervision and mutual restraint and mutual coordination of internal control operation mechanism, and continuously improve the school risk control ability.

## References

- [1] Report of the Ministry of education, the National Bureau of statistics and the Ministry of Finance on 2020. Statistical announcement on the implementation of national education funds[EB/OL]. [2021-11-30]. [http://www.moe.gov.cn/srcsite/A05/s3040/202111/t20211130\\_583343.html](http://www.moe.gov.cn/srcsite/A05/s3040/202111/t20211130_583343.html).
- [2] Internal control norms of administrative institutions (for Trial Implementation) [M]. the Ministry of Finance 2012.
- [3] Guohua Chi, Jianpeng Guan, Yuefeng Qiao. Construction of enterprise internal control evaluation system [M]. Research on financial issues, 5: 87 ~ 92.
- [4] Goh, B. W. and D. Li. 2018. Internal Controls and Conditional Conservatism. The Accounting Review, 86 (3) :975 ~ 1005.
- [5] Ashbaugh - Skaipe, H, D. W. Collins and R. Lafond. 2019. The Effect of SOX Internal Control Deficiencies on Firm Risk and Cost of Equity. Journal of Accounting Re-search, 47 (1): 1 ~ 43.