The Internal Analysis of Colleges and Universities’ Financial Control under the Administrative Institutions Internal Control Standard

Jian-Fei SHEN¹,a, Xi-Ya LUO²,b,* and Ya-Feng WANG³,c

¹School of business and management, NCEPU, Beijing, China  
²School of business and management, NCEPU, Beijing, China  
³School of business and management, NCEPU, Beijing, China  

ₐ352900400@qq.com, ₇389272555@qq.com, ₉646316947@qq.com  
*Corresponding author

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Abstract. With the constant deepening of reform of higher education in our country, the internal control of colleges and universities gets more and more attention and application. This paper based on the "administrative institutions internal control standard", discusses the completion of colleges’ financial internal control framework, provides the basis for further strengthening the construction of colleges and universities’ internal financial control. In addition, this paper also constructs the evaluation index system of financial internal control in colleges and universities, aimed at providing basis for colleges and universities effectively grasping the financial internal control.

Introduction

According to the "accounting law of the People's Republic of China", "the budget law of the People's Republic of China" and other laws and regulations and related regulations, the ministry of finance issued the administrative institutions’ internal control standard (try out) on November 29, 2012, which comes into force on January 1, 2014[1]. The purpose of this specification is to further improve the internal management level of administrative institution, standardize the internal control. Along with the constant deepening of reform and the development of higher education in our country, the status and role of university internal control constantly improves, sound and effective internal control is the key to the healthy and sustainable development of colleges and universities. Strengthen college financial internal control has great significance in ensuring the safety of college assets, preventing debt risk in colleges and universities, strengthening the cultivation of clean government of colleges and universities and promoting the healthy and continuous development of colleges and universities.

Colleges and universities’ internal financial control

On November 29, 2012, “the administrative institutions internal control standard (try out)" (hereinafter referred to as the internal control standards) issued by the ministry of finance provides a standard framework for establishing the internal control system in colleges and universities. According to the definition of the internal control in the internal control standards, this paper defines colleges and universities’ financial internal control as: to realize the goal of college financial internal control, ensure the safety of assets, reduce the financial risks, prevent and control the risk of universities’ financial management activities through formulating system, implementing measures and implementing procedures. According to the "internal control- integrated framework” released
by COSO committee in September 1992, the internal control system includes internal environment, risk assessment, control activities, information and communication, internal supervision five elements[2]. So universities should constantly improve the financial internal control construction in accordance with the provisions of the five elements.

The framework of colleges’ financial internal control

The internal environment. Internal environment is the foundation of colleges and universities’ implementing the internal control. It affects the staff’s control consciousness, which is also the foundation of all other internal control elements. A good internal environment can effectively achieve the goal of financial internal control. Using the COSO framework, the elements of internal environment in colleges and universities can include internal institutions and the division of duties, internal audit, human resources policy three aspects.

The risk assessment. Risk assessment is through identifying, analyzing and assessing the various uncertain factors affecting the internal control goal, namely the nature of the potential risks and crisis to get a comprehensive evaluation conclusion, and then seek reasonable risk coping strategies. College financial risk points are mainly debt risk, capital budgeting risk, operation risk, etc. Only by analyzing the risk of financial activities, identifying risk points, can respond appropriately to risk, thus to ensure the effectiveness of financial internal control.

Control activities. Control activities is to take the corresponding control measures to guide the staff to follow the management instructions and control the risk within a reasonable range. College financial internal control activities are embodied in monetary fund, the budget, income and expenditure, distribution, investment, financing, etc.

Information and communication. Information and communication refers to timely and accurately collecting, transferring information about internal control to ensure that the information can be effectively communicated among the college, enterprises and external. The internal control standard is mainly around the internal and external information’s collection, the transmission of information between the internal and external stakeholders and information technology platform, etc. Among them, the internal information includes financial information, personnel changes, integrated management information, the external information includes the policies and regulations, social and cultural information, science and technology progress, etc. Therefore, colleges and universities should set up a high efficient and open information communication platform, in order to achieve barrier-free communication.

Internal supervision. Internal supervision is through supervising over the establishment and implementation of internal control, evaluate the effectiveness of internal control, discover and improve the internal control defects in time, ensure that the internal control system can be effectively implemented in a certain period.

Construction of colleges and universities’ financial internal control’s evaluation index system

Evaluation index system of internal control is the inspection of effectiveness of internal control and the monitoring of the execution in colleges and universities’ internal organizations. Setting up scientific and strict internal control evaluation system is not only the requirement of internal control system’s implementation, but also the cornerstone of effectively implementing financial internal control in colleges and universities. According to the design, implementation and operation of the internal control of the entire process, we can assess the rationality of design, the effectiveness of
implementation and the dynamic adaptability. Based on this, this article constructs the evaluation index system of financial internal control in colleges and universities:

Table 1   Financial evaluation index system of internal control in universities

<table>
<thead>
<tr>
<th>The Level indicators</th>
<th>The secondary indicators</th>
<th>The weight</th>
</tr>
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<tbody>
<tr>
<td>The rationality of design</td>
<td>the comprehensive index of governance structure and various functional departments</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>The coefficient of mutual constraints among departments</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>The compliance rate of various control systems</td>
<td>0.1</td>
</tr>
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<td></td>
<td>The feasibility of index in internal control system</td>
<td>0.1</td>
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<tr>
<td>The effectiveness of implementation</td>
<td>The incidence and discovery rate of daily work problem</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>The punishment rate of internal control execution’s error</td>
<td>0.1</td>
</tr>
<tr>
<td>Dynamic adaptability</td>
<td>The correct rate of the problems of daily operation</td>
<td>0.1</td>
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<tr>
<td></td>
<td>The adoption rate of departments and workers’ suggestion</td>
<td>0.1</td>
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<tr>
<td></td>
<td>The inspection rate of internal control’s execution results</td>
<td>0.1</td>
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<tr>
<td></td>
<td>The correct rate of problems discovered by supervision and auditing departments</td>
<td>0.1</td>
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</table>

This paper suggests giving scores to each index, according to the very satisfaction, satisfaction, more satisfied, general, not satisfied with, dissatisfied and very dissatisfied with the seven grades corresponding assigns 7, 6, 5, 4, 3, 2, 1, and then multiplies with the corresponding weight, finally, adds the three primary index scores, then gets the overall situation of colleges’ internal control, so colleges and universities can grasp the effectiveness of the internal control as a whole.

References