



Insufficient Contract Risk Management and Prevention Strategies in Universities

Meijuan Qin

Wuhan Polytechnic, Wuhan City, Hubei Province, 430000 China

15902977386@163.com

Abstract. Strengthening contract risk management in universities is of great significance. However, there are shortcomings in contract risk management in universities. This article proposes measures such as establishing and improving contract management systems and strengthening risk management throughout the entire contract process.

Keywords: contract management; management mechanism; risk management throughout the process.

1 Introduction

Article 464 of the Civil Code of the People's Republic of China stipulates that a contract is an agreement between civil subjects to establish, modify, or terminate civil legal relations. A university contract refers to an agreement between a university, as one civil subject, and other civil subjects such as natural persons, legal persons, or other organizations, to establish, modify, or terminate civil legal relations. Contract control runs through the daily management of universities, ^[1]strengthen management supervision and risk prevention and control, and provide effective basic management support for the construction of "Double First-Class" universities. ^[2]Contract management in universities refers to the internal management and control of the entire lifecycle of contracts, including their formation, performance, modification, and termination, in accordance with laws and regulations as well as internal rules and regulations on contract management within the university. The goal is to standardize contract management, reduce commercial risks and legal disputes associated with contracts, and safeguard the interests of the university.

2 The Necessity of Strengthening Contract Management

2.1 It is an Urgent Requirement to Promote the Management of Schools According To Law

In 2012, the 18th CPC National Congress clearly proposed the strategy of comprehensively governing the country according to law. Managing schools according to law is

the concrete embodiment and application of governing the country according to law in the field of education. Comprehensively promoting the management of education, running schools, and managing schools according to law can better promote the improvement of school governance, and better play the role of schools in talent cultivation, scientific research, social services, international exchanges, cultural heritage, and other responsibilities. As an important part of university management, contract management is an effective focus for promoting the rule of law in universities and an important manifestation of the rule of law in universities.

2.2 It is a Powerful Measure to Strengthen Internal Control

The contract runs through the development and operation of universities, and is an important way, common method, and effective basis for universities to conduct economic activities and fund management. It helps to calculate the "economic account", make every expenditure reasonable and evidence-based, avoid the loss of funds, and maintain the safety of state-owned assets.

2.3 It is a Specific Measure that Fits Its Actual Situation

As the carrier of the university's external expressions of intent and the link for economic ties between the university and the outside world, the fairness of the contract content directly relates to the rights and obligations of the university. The level of contract performance directly reflects the university's management level and relates to the safeguarding of the university's rights and interests. Strengthening contract management and improving contract texts can preemptively avoid legal risks, and strictly fulfilling contracts in a comprehensive manner can effectively prevent contract disputes.

3 Deficiencies in Contract Risk Management in Universities

3.1 Analysis of Legal Risks in Contract Management Mechanism

The Contract Centralized Management Department is Not Perfect. In universities, there are multiple centralized management departments for contracts based on different types of contracts. For example, school-enterprise cooperation contracts are centralized under the Cooperation and Development Office, research contracts are centralized under the Science and Technology Office, training contracts are centralized under the Continuing Education Office, while other types of contracts do not have a clear centralized management department, resulting in a lack of a centralized management department for these contracts.

Moreover, the responsibilities of the centralized management departments are unclear, and there are ambiguities in the boundaries of responsibilities among these departments. For instance, is the responsibility of the centralized management department to manage the entire process of the contract or merely the final contract signing and archiving? If a training contract involves issues such as the use of school buildings or

campus rental, should it be reviewed and managed by departments such as finance and audit?

The Contract Countersigning and Approval System is Not Sound. Contract management involves all aspects of contract negotiation, signing, performance, change, dissolution and termination, involving various departments such as the contract initiation department, the finance department, and the legal affairs office under the school office. Legal risks accompany all aspects of contract management. However, in the process of contract management, there is often a strong emphasis on whether the contract can be signed smoothly, while there is a lack of attention to the entire process of contract performance, change, termination, etc. Some universities have only established a countersigning approval process for contract signing during the construction of contract information management, without other approval processes such as contract change and performance. The contract countersigning and approval process does not fully cover all aspects of the contract business, and there is a lack of effective supervision and guarantee mechanisms.

Lack of a Dynamic Management Mechanism for the Entire Contract Process. Different departments have different focuses on contracts and are involved in different stages of contracts, resulting in a lack of a dynamic management mechanism throughout the entire contract process. Taking research contracts as an example, the initiating unit pays more attention to whether the contract can be established and whether the funds are received during contract performance, while lacking careful study of the contract terms and assessment of legal risks associated with the contract. This may lead to issues such as funds not being paid strictly according to the agreed milestones in the contract and not promptly asserting claims in case of breach of contract by the other party. The legal affairs office is more focused on the contract text during the contract establishment stage, while lacking risk management and control during contract performance and after contract termination. In addition, the lack of mutual communication and feedback mechanisms among various stages leads to information asymmetry and poor management throughout the entire process of contract signing and performance. Traditional contract management practices are marred by inefficiencies, opacity in information flow, and a propensity for errors.^[3]

3.2 Legal Risk Analysis of Contract Management Content

Contract Signing Stage. During the signing stage of a contract in a university, there may be a risk of the signing party being ineligible. For example, industry-university-research collaboration has become a very important teaching philosophy and concept.^[4] When signing a training agreement with a school-enterprise cooperation, the enterprise may not be able to carry out activities such as enrollment and education training due to lack of qualifications.

Contract Fulfillment Stage. During the contract fulfillment stage, some business personnel, due to subjective reasons, may regard the contract as merely a "piece of paper" and fail to carefully study the contract terms or fulfill the contract strictly in accordance with its provisions. Additionally, there is also a risk of not strictly adhering to the procedures and formalities stipulated in the contract when making modifications to it.

Contract Termination Stage. When a contract needs to be terminated prematurely, there arises the issue of how to properly handle matters related to the termination of the contract. Termination of the contract requires restoring the original status, taking other remedial measures, or compensating for losses. However, disputes may arise between the parties regarding the scope and amount of losses, leading to litigation disputes.

4 Preventive Measures for Contract Risk Management in Colleges and Universities

4.1 Establish and Improve Contract Management System

Improve the Construction of Contract Management System. Firstly, it is necessary to issue and improve the "University Contract Management Regulations" as the fundamental and basic institutional foundation for university contract management, to coordinate and promote the development of university contract management in an orderly manner. The "Contract Management Regulations" should clarify the principles of contract management, the responsibilities of the centralized contract management department and other departments, the workflow for contract countersigning and approval, the various stages of contract signing, performance, and termination, as well as post-event supervision and accountability.

Secondly, supplementary implementation details such as contract business operation guides should be issued, including illustrations of the contract countersigning and approval process, risk reminders for each stage of contract management, regulations on contract supervision and accountability, references for contract templates, etc. These measures will facilitate the refinement and professionalization of the contract management system, help contract handlers grasp and understand contract business operations more efficiently and accurately, and make it easier for them to carry out their work.

Optimize the Contract Countersigning and Approval Process. In applying contract administration to any particular engagement, the task is that of identifying the needed function.^[5] Firstly, differentiate contract countersigning and approval processes based on the nature, significance, and value of the contract. Contracts can be classified into general contracts, significant contracts, and especially significant contracts, each with corresponding countersigning processes. For instance, significant contracts must undergo review by external legal lawyer, and especially significant contracts can only be signed after collective decision-making by the university to mitigate major contract risks.

Secondly, expand the scope of application of the contract countersigning and approval process. This process should not be limited solely to contract signing. Contract modifications or early terminations are considered as new agreements reached between both parties, forming new contracts, and thus also require the contract countersigning and approval process. Contract risks persist throughout all stages of the contract, so the contract countersigning and approval process should be extended to cover contract signing, performance, modification, termination, and other stages, ensuring that risk prevention and control are strictly implemented at each stage.

Integrate the Contract Information Platform Construction. Firstly, the development of the contract information platform should focus on simplicity and comprehensiveness. The information platform should cover the full lifecycle management of contracts, including credit investigations of contract counterparties before signing, contract countersigning and approval processes, contract performance tracking, and archiving and management of contract-related materials after termination. This will facilitate comprehensive and dynamic management of contracts. Additionally, the platform should be designed as simple and easy-to-operate as possible, with fields for filling in core and necessary data, so that users can easily extract and capture important information.

Secondly, the development of the contract information platform should enhance collaboration and sharing. The information platform should enable cross-departmental and cross-field dissemination and sharing of data and information, such as budget preparation information, bidding and tendering information, fund transfer information, and legal risk information related to contracts. This will help break down information asymmetry among departments and facilitate the review department in making more accurate review recommendations based on a full understanding and comprehensive consideration of information from relevant departments. Furthermore, special columns can be set up on the information platform to upload contract templates, risk reminders for various stages of contract management, and other materials, allowing users of the information platform to find and use relevant materials more quickly and conveniently, thus achieving resource sharing.

4.2 Strengthen the risk Management of the Whole Contract Process

Before Signing: Strengthen the Credit Investigation of the Other Party. The reputation of the counterparty directly affects whether it can perform its obligations on time and with quality, and whether the cooperation can proceed smoothly. Therefore, strengthening the investigation of the counterparty before signing the contract is an effective measure to strengthen contract management and prevent risks.

When investigating the counterparty, one can consider multiple dimensions such as the nature of the entity, the actual funds contributed, the litigation history, and previous cooperation experiences. Generally speaking, it is advisable to choose government units and state-owned enterprises for cooperation. The more paid-in funds, the stronger the

strength of the counterparty, and the less information related to litigation, the higher the possibility of timely performance.

Signing: Standard Contract Template is Adopted. During the contract signing process, in order to standardize contract management, reduce contract signing risks, and improve the efficiency of contract management, it is recommended to use contract templates when signing. In terms of template selection, it is recommended to prefer contract templates issued by national or government authorities. If there is no government-led contract template, it is recommended to use a contract template developed by the school. If there is no contract template available for reference, it is recommended to take the initiative and dominance in contract drafting when signing the contract, first fix their own will in writing, and then adjust concessions appropriately during negotiation and discussion, striving to reach agreement on contract terms while safeguarding their own interests.

In the Process of Performance: Strictly Follow the Contract. On the premise of fully studying the contract terms, it is necessary to fully fulfill the contract obligations in strict accordance with the contract and retain the evidence of performance, such as delivery logistics documents, receipts, acceptance certificates, and other materials in the sales contract. If the original contract needs to be changed due to actual circumstances during the performance of the contract, a change agreement should be signed promptly to fix the changes, avoiding the risk of breach of contract that may be deemed as unauthorized by the other party without the support of a change agreement. If both parties need to perform the contract in situations not agreed upon or unclearly agreed upon in the original contract during the performance process, a supplementary agreement should be signed promptly to avoid additionally bearing performance costs without confirmation from the other party.

After Performance: Promptly Conduct Supervision and Archiving. After the contract is fully performed, it is necessary to promptly archive contract documents, especially the original contract and performance vouchers, to facilitate subsequent comprehensive and easy access to understand the transaction situation at that time and avoid the lack of evidence support in case of potential litigation disputes in the future. Meanwhile, this also helps in dealing with economic responsibility audits, ensuring that every economic expenditure is legal and compliant, and every economic activity is traceable.

5 Conclusion

Improve the construction of contract management system, issue the "University Contract Management Measures", and issue supporting implementation rules such as contract business operation guidelines, optimize the contract countersigning approval process, distinguish different contract countersigning approval processes, expand the scope

of application of the contract countersigning approval process, integrate the construction of contract information platform, and strengthen information collaboration and sharing, which is conducive to strengthening contract risk management and reducing contract management risks.

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