

# Research on the Construction of Financial Internal Control Evaluation System in Colleges and Universities

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**Abstract.** It is an effective way to avoid diversified school risk in our country colleges and universities to construct a reasonable evaluation system of financial internal control and strengthen the construction of internal financial control of colleges and universities. Based on the characteristics of nonprofit and diversified business of colleges and universities, this paper sets up 22 second-level indicators, 65 third-level indicators from the control environment, control risk, control activities, information and communication and supervision, and constructs the university finance Internal control evaluation system.

## Introduction

With the deepening of the reform of the education system, the independent colleges and universities in our country have also been greatly developed. More colleges have changed from the traditional mode of running schools to the diversified mode of running schools. With the increase of funding sources, the expansion of investment channels, the diversification of business model, colleges and universities have a series of new problems such as imperfect internal control system, insecure asset management, insufficient financing ability and excessive debt service risk. In recent years, the lack of solvency of institutions of higher learning and scientific research funding management problems are common, the risk of diversified school to bring a new challenge to colleges and universities. With the new financial system promulgated in 2014, the government's requirements for internal control of public institutions have also improved. In this context, to improve the quality of internal control of colleges and universities in China to avoid management and business risks, it is particularly urgent.

## Research Review on the Internal Control of Colleges and Universities

Compared with foreign research, the internal control research of Chinese universities has a certain lag. Compared with the research of enterprise internal control, there are obvious shortcomings in the depth and breadth of the internal control of colleges and universities. Most of the research focused on the following aspects:

**The Internal Control of Colleges and Universities.** Wei Lianghua, Deng Yan (2008) that the existence of asset management chaos, blind investment, lack of budget management, financial supervision and other internal control is not perfect the phenomenon, resulting in its enormous business risks. Internal control is an important way to protect the integrity of university assets, improve the efficiency of economic activities and prevent financial risks. Shen Lie (2010) that as soon as possible to achieve the transformation of university internal control and innovation is an effective way to avoid risk in colleges and universities. From the traditional internal control to the

overall risk management internal control transformation, is to improve the comprehensive strength of our colleges and universities the inevitable choice. Constantly in the university governance structure, risk control module, supervision system and campus culture and other aspects of running and innovation, is to achieve the necessary conditions for the transformation of internal control of colleges and universities. On the basis of COSO report, Zhang Zhaoliang and Zhao Hongyan (2011) discussed the current situation of internal control in Chinese universities. The construction of internal control in colleges and universities in China is lagging behind. The construction of the internal control of most colleges and universities only stays on the surface and fails to realize internal control the intrinsic value. Colleges and universities should carry out effective internal control. First of all, we must establish the internal control framework system and strengthen the basic norms of the internal control of colleges and universities in order to effectively improve the management level and risk prevention ability. Chen Yongyun (2013) argues that the key points of the internal control of colleges and universities are mainly in the eight aspects of budget management, scientific research fund management, money fund management and accounting management. These key points are important links in the internal control of colleges and universities, so we should formulate specific preventive measures to strengthen their management. (Social Science Edition) Journal of Nanjing University of Aeronautics and Astronautics (Social Science Edition) Journal of Nanjing University of Aeronautics and Astronautics (Social Sciences Edition) Journal of Nanjing University of Aeronautics and Astronautics (Social Sciences Edition) Journal of Nanjing University of Aeronautics and Astronautics Colleges and universities should draw on the internal control of enterprises on the basis of the development of their own internal control mechanism. SUN Rui (2014) takes the internal control elements as the starting point and uses the 470 questionnaires to systematically analyze the current situation of the internal control of the university. The results show that the importance of the internal control of the university is not fully understood, the risk assessment procedure is not in place, monotonous and lack of rigid binding, information transmission is not smooth and internal supervision is not in place.

**The Financial Internal Control of Colleges and Universities.** On the basis of analyzing the system of "unified leadership, hierarchical management" and "unified leadership and centralized management", Liu Qisheng (2003) proposed a new system of financial internal control based on decentralization, authorization and comprehensive management, and realized the mobilization of employees And the way of strengthening the balance of the school macro - control management. Li Ke (2011) argues that the internal control of university finance has a wide range of content, the complexity of content, the multi-channel use of funds, the diversification of capital sources, from the control environment, risk prevention mechanism, control system, supervision and control Information system point of view, to improve the financial internal control of colleges and universities in China. He Jun (2011) stressed that colleges and universities should be based on risk coping strategies, the use of active and effective control measures, the financial risk control within the affordable range. The internal control of financial affairs in colleges and universities should run through the whole process of financial decision, financial execution and financial supervision, and there is no blank point of financial internal control. Yang Dongcheng (2012) for the first time into the internal accounting control of colleges and universities, to re-set the financial internal control design principles and elements of the university, the main business of the financial internal control process design, and internal control in the introduction of social intermediaries to supervise, Information disclosure, and thus the establishment of financial internal control evaluation system. Luo Hongyu (2014) proposed that the internal audit of colleges and universities is undergoing major changes in the internal and external environment, and its business areas, functional orientation and

management system should also be changed. It is a powerful guarantee to improve the quality and authority of the internal audit of colleges and universities by increasing the transparency of information in colleges and universities, promoting the disclosure of internal audit results and introducing the supervision of stakeholders. Sun Jing (2014) argues that the management of capital expenditure and expenditure in colleges and universities is an important aspect of the internal control of colleges and universities. It is necessary to improve the supervision and control mechanism of university internal and external audit, improve the capital income and expenditure management of colleges and universities, and perfect the financial internal control an important way.

To sum up, most of the research on the internal control of colleges and universities in China focus on the disclosure and control of risk. Most of the evaluation index system focus on the overall control environment and control procedures of colleges and universities, and the research on financial internal control system is still rare.

### **The Construction of Financial Internal Control Evaluation System**

**Control the Environment.** The control environment is the basic condition for the implementation of internal control, including the perfect internal control system, strong internal control awareness, reasonable post setting and high quality personnel and so on. The establishment of a good financial internal control environment is the basis for the implementation of other elements of the premise.

The establishment of financial internal control system should include the system of financial rules and regulations, a clear authorization and approval system and a reasonable assessment and incentive system. Clear financial rules and regulations to ensure that the economic business of colleges and universities in accordance with the standard orderly implementation; authorized examination and approval system to clear the financial sector and other departments, as well as financial departments within the scope of the authority; reasonable assessment and incentive system clear the relevant work objectives to encourage their continuous improvement of their quality and service levels. The establishment of financial internal control should be led by the leadership of colleges and universities, the financial staff and teachers and students to implement the common, so whether the leadership of colleges and universities have a strong sense of internal control, whether attention to carry out relevant internal control activities, university financial internal control to be an important factor the improve the incompatible job settings, clear job responsibilities is to prevent financial vulnerabilities occur effective means. The implementation of the rotation system can strengthen the financial staff on the financial processing process in-depth understanding of the better to complete their duties and tasks.

**Control Risk.** With the improvement of the autonomy of colleges and universities, the business also presents a diversified trend, business risks related to financing, budget and investment and many other aspects. To improve the ability of colleges and universities to deal with risk, we need to establish risk awareness, set up a risk control department, establish a risk early warning mechanism, realize the risk control of investment and budget, and carry out effective assessment of relevant risks on a regular basis. The risk control of financing activities should pay attention to the amount of credit and the solvency of related debt. For the construction of fixed assets in BOT way, we should establish comprehensive risk assessment and monitoring. The budget of colleges and universities should be compiled according to the actual situation of colleges and universities to avoid the process and surface. In the process of budget implementation, it is necessary to adjust according to the actual situation and realize the effectiveness of budget control. Risk assessment is an important means of risk prevention, colleges and universities should be combined with their own

situation, regularly involved in the financial field of internal and external risks to a reasonable assessment, while strengthening the awareness of risk handling to strengthen the risk management process monitoring.

**Control Activities.** The control activities are the effective regulation and supervision of all the economic business of colleges and universities. It is the core content of the internal control of financial affairs in colleges and universities, including monetary funds, budget, purchasing, assets and investment and financing management.

First, we must ensure that the economic business process is reasonable and legitimate, accounting records accurate and complete, and secondly, to find out the key points of financial control of colleges and universities, easy to produce fraud and loopholes in the implementation of key business management and supervision. Monetary fund management is the most basic business activities of colleges and universities, from the accounting and cashier job separation, payment and approval procedures and inventory cash management three aspects to enhance the effectiveness of monetary funds management. Budget management should focus on the preparation of the budget, the implementation of the budget and the budget adjustment, the financial department should be in accordance with the objective facts of the budget, and in strict accordance with budget standards, actively and properly solve the problems in the implementation of the budget, the implementation of the results on a regular basis assessment and adjustment. Procurement activities of the regulation, we must first clear whether the procurement approval process is reasonable, the basis of the purchase is sufficient, in addition to ensure that the procurement business acceptance process specifications and complete from the purchase to the acceptance of the entire process control. Asset management not only to strengthen the inventory of assets, inventory efforts, but also set up special staff for maintenance and management, while enhancing the efficiency of the use of assets to achieve the multiple use of assets between different departments, rational allocation.

## **Conclusion**

In this paper, we take three elements as a framework to build a reasonable financial internal control evaluation system. University financial internal control needs to lead by the leadership of colleges and universities, faculty and staff work together to strengthen the control of the assets, improve the business process. The essence of financial internal control in colleges and universities is to improve the internal business process, so the effective evaluation system of financial internal control mainly focuses on the control environment, control activities, control risk, information and communication and supervision. With the improvement and optimization of the weak links, we can improve the efficiency of college internal control, enhance the ability of risk aversion and improve the comprehensive ability of colleges and universities.

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