Analysis of the function of university internal control on financial management

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ABSTRACT

This analysis examines the role of internal controls in the financial management of high schools. Despite the pivotal function of finance in educational institutions, high schools often grapple with issues such as non-standardized internal management, a lack of financial awareness among administrators, and incomplete financial management systems. This paper proposes enhancing internal control awareness, establishing comprehensive systems, implementing rigorous budget management, optimizing resource allocation, and ensuring clear division of responsibilities.

KEYWORDS

Colleges and universities; Internal control; Financial management.

1. INTRODUCTION

In the realm of educational institutions, high schools represent a critical juncture at which the efficient management of finances is essential for sustainability and development. However, the complexities of financial management are often compounded by inadequate internal controls. This paper aims to dissect the prevalent financial management challenges within high schools, advocate for strengthened internal controls, and analyze the consequent impact on financial governance. Through this examination, it becomes evident that the intricate balance of compliance, oversight, and strategic planning within high school finances can be markedly improved through rigorous internal controls.

2. PROBLEMS EXISTING IN FINANCIAL MANAGEMENT OF COLLEGES AND UNIVERSITIES

2.1. Lack of Standardized Internal Management

In the context of high school financial management, a significant issue is the lack of standardized internal management practices. This deficiency manifests through inconsistent record-keeping, irregular financial reporting, and non-uniform budgeting processes. Many high schools operate without comprehensive policies or procedures to guide their financial operations, leading to discrepancies in how funds are handled across different departments or programs. The absence of standardization not only hampers transparency and accountability but also increases the risk of errors and financial mismanagement. Furthermore, without a consistent framework to rely on, it becomes challenging for high schools to implement best practices in financial governance, adhere to regulatory requirements, and ensure the integrity of financial data. This inconsistency can also lead to difficulties in financial planning and analysis, as well as in the assessment of financial performance over time.
2.2. Lack of Financial Management Awareness Among Administrators

Another pervasive problem within high schools is the lack of financial management awareness among administrators. School leaders, including principals and department heads, often possess strong educational backgrounds but may lack the necessary training in financial stewardship. This gap in expertise can lead to a poor understanding of financial principles and inadequate oversight of financial operations. Administrators may be unfamiliar with budgeting strategies, cost control measures, and the financial implications of their decisions. This lack of awareness can result in inefficient resource allocation, fiscal deficits, and an inability to engage in long-term financial planning. Without a solid grasp of financial management concepts, administrators may also struggle to communicate the financial needs and goals of the school to stakeholders, which is vital for garnering support and securing funding.

2.3. Incomplete Financial Management Systems

Financial management systems within high schools are often incomplete or outdated, which hampers effective financial operations. These systems may lack integration, meaning that different components of the financial management process—such as accounting, procurement, and asset management—are not synchronized, leading to data silos and inefficiencies. The absence of a comprehensive financial management system results in a lack of real-time financial data, making it difficult to monitor cash flows, analyze financial trends, and make informed decisions. Additionally, incomplete systems may not provide sufficient internal controls to detect and prevent fraud, waste, or abuse of resources. The inadequacy of these systems can further complicate compliance with financial reporting standards and regulations, leaving high schools vulnerable to financial and reputational risks. Without a robust and complete financial management system, high schools struggle to maintain financial discipline and transparency, which are crucial for their credibility and the trust of their stakeholders.

3. EFFECTIVE SUGGESTIONS FOR STRENGTHENING INTERNAL CONTROL AND FINANCIAL MANAGEMENT IN UNIVERSITIES

In order to implement the relevant requirements of the General Office of the CPC Central Committee and The General Office of the State Council in the Opinions on Further Strengthening Financial and Accounting Supervision, improve the financial and accounting supervision system, enhance the efficiency of financial and accounting supervision, improve the construction of the internal control system, and do a solid job in compiling and reporting the internal control reports of administrative institutions at all levels throughout the country in 2022, the relevant matters are hereby notified as follows:

3.1. Enhancing Awareness of Internal Control in Financial Management

To fortify financial governance in high schools, it is imperative to elevate the awareness of internal control within financial management. The initial step involves educating school administrators on the importance of internal control systems. Training programs should be instituted to impart knowledge about the principles of sound financial management and the role that internal controls play in safeguarding assets, ensuring the accuracy of financial records, and promoting operational efficiency. Workshops and continuous professional development sessions can help in keeping the staff up-to-date with best practices in financial oversight. Raising awareness also means integrating the concept of internal control into the school culture. This can be achieved by regularly communicating its importance through staff meetings, newsletters, and special bulletins. A clear understanding of internal controls can lead to their proactive implementation, with administrators recognizing the signs of financial discrepancies and taking timely action to address them.
3.2. Establishing a Systematic Internal Control Financial Management System

High schools need to establish a systematic internal control financial management system to ensure financial stability and regulatory compliance. This system should be comprehensive, encompassing all aspects of financial operations, from budget preparation and execution to financial reporting and auditing. It should include clear policies and procedures that define the roles and responsibilities of all staff members involved in financial processes, ensuring a clear chain of accountability. A critical component of this system is the implementation of checks and balances to prevent errors and fraud. For example, the separation of duties ensures that no single individual has control over all aspects of a financial transaction, thus reducing the risk of misappropriation of funds. Regular internal audits and reviews of financial activities can also identify potential areas of risk and inefficiency. Technology can play a key role in streamlining the internal control system. Investing in integrated financial management software can provide real-time financial data, facilitate accurate reporting, and improve the ease of monitoring financial activities. This technology can also support the enforcement of internal controls by automating key processes and providing electronic trails of financial transactions.

3.3. Strengthening Audit Inspections to Improve Reporting Quality

Organizations must craft their "2022 Annual Internal Control Report for Administrative and Public Institutions" based on the actual construction of internal controls in 2022, the issues identified, and the successes achieved. These reports should be supported by materials that faithfully represent the true state of internal controls within the entity. The rigor of auditing internal control reports must be intensified, and the auditing process should be transparently reflected within the report itself. Reports that have not undergone such an audit must not be consolidated and submitted further up the chain. At every level, entities responsible for consolidation must review and audit the internal control reports of both their level and their subordinate units. Following this, they should compile and submit a "2022 Regional (Department) Consolidated Internal Control Report." Regions and departments are required to randomly select a certain proportion of their subordinate units and inspect the quality of their internal control reporting. This inspection should focus on the truthfulness, completeness, and standardization of the content in the internal control reports. Such inspections ensure that the reports not only adhere to the set guidelines but also reflect the actual effectiveness of internal controls. The audit process itself acts as a control mechanism, identifying discrepancies and areas for improvement. By making the audit findings part of the internal control report, organizations demonstrate their commitment to transparency and accountability. The consolidation of these reports at various levels allows for a coordinated overview of internal controls across the spectrum of public institutions, providing insights into systemic issues and facilitating the implementation of corrective measures where necessary. This process helps to maintain a high standard of internal control reporting, which is crucial for the integrity of the financial management system within public institutions.

3.4. Optimizing Resource Allocation to Enhance Fund Utilization Efficiency

Effective resource allocation is fundamental to maximizing the efficiency of fund utilization in high schools. To optimize resource allocation, high schools need to adopt evidence-based decision-making processes that take into account the performance outcomes of different departments and programs. This involves establishing clear criteria for funding allocation that are aligned with the school's strategic objectives and educational goals. By doing so, resources can be channeled towards programs that demonstrate the highest potential for positive impact on student learning and achievement. High schools should also implement regular resource review mechanisms to ensure that the allocation remains relevant and responsive to changing needs. This includes monitoring the utilization of resources to avoid wastage and reallocating funds when necessary to areas with greater need or where they could be used more effectively. Additionally, high schools could benefit from partnerships with...
local businesses and community organizations, which can provide additional resources or funding through grants, sponsorships, or in-kind contributions. Another aspect of optimizing resource allocation is the investment in professional development for teachers and staff, which can improve instructional quality and operational efficiency. Furthermore, adopting technology solutions that automate and streamline administrative tasks can free up resources for direct educational purposes. Overall, by carefully managing and continually reassessing how resources are allocated, high schools can significantly improve the efficiency of fund utilization, ensuring that every dollar spent contributes to the educational mission[1].

3.5. Ensuring a Clear Division of Responsibilities

Clear delineation of responsibilities within the financial management structure of a high school is essential to maintain effective internal controls and accountability. Each member of the school's administration, from the principal to the department heads and finance officers, should have a well-defined role with corresponding responsibilities and authority limits. This clarity prevents overlaps in duties, reduces the potential for conflicts of interest, and enhances the effectiveness of financial controls. For instance, the procurement process should be divided among several individuals to separate the responsibilities of requisition, approval, and payment. Similarly, the roles of recording financial transactions and reconciling accounts should be assigned to different staff members to prevent any single individual from having undue control over financial records, which could lead to mismanagement or fraud. High schools should also establish a system of regular reporting and accountability. Each department should be responsible for managing its budget and should report on its financial status to the school's administration periodically. This promotes a culture of responsibility and ensures that all members of the institution are working towards the same financial goals. Training and professional development are crucial in this regard, as they ensure that all staff members understand their roles and are equipped with the necessary skills to fulfill their duties effectively. By ensuring a clear division of responsibilities and providing the necessary training to fulfill these roles competently, high schools can create an environment where financial management processes are transparent, efficient, and aligned with the institution’s objectives.

4. ANALYSIS OF THE ROLE OF UNIVERSITY INTERNAL CONTROL ON FINANCIAL MANAGEMENT

University internal auditing is a supervisory and managerial type of audit. Its role is to continuously promote and strengthen the management of various educational and scientific research funds, enhance the efficiency of fund utilization, improve and refine internal control systems, supervise the implementation of these systems, ensure the security and integrity of assets, safeguard the economic lifelines of universities, and serve as a valuable strategic advisor for university leadership decision-making. As conditions mature in various aspects, university leaders' awareness and emphasis on internal auditing are gradually increasing. The role of internal auditing in university financial management is becoming increasingly prominent, as detailed below.

4.1. Oversight of Implementation of Control Procedures and Policies to Promote the Integrity and Execution of Financial Internal Controls

The implementation of robust control procedures and policies is vital to the integrity and effectiveness of internal controls in financial management within high schools. Oversight involves the continuous monitoring and evaluation of the internal controls to ensure they are functioning as intended and are effective in mitigating risks associated with financial operations. It is through diligent oversight that schools can maintain financial integrity, prevent mismanagement, and uphold compliance with applicable laws and regulations. Effective oversight requires a systematic approach, where internal
audits play a crucial role. By regularly reviewing financial activities, auditors can provide assurances that control procedures and policies are being adhered to and that any deviations are promptly addressed. The establishment of an audit committee or similar oversight body can also provide an additional layer of scrutiny, offering independent evaluation of the school's financial practices. Moreover, oversight activities should include the verification of financial transactions and the assessment of the school's adherence to its financial controls. This includes ensuring that authorization for expenditures is obtained and documented, that receipts and disbursements are accurately recorded, and that reconciliations are performed regularly to detect any discrepancies. Training and communication are also essential components of effective oversight. Staff must be well-informed about the control procedures and understand the importance of following them. Ongoing training sessions can help to reinforce policies and update staff on any changes in regulations or internal processes.

4.2. Supervision of Financial Budget Management and Execution to Promote Effective Budgeting

The supervision of financial budget management and execution is a critical component of high school financial governance. Effective budgeting supervision ensures that the financial resources are used in accordance with the school's goals and objectives while maintaining fiscal discipline. This supervision helps to identify any variances between the budgeted and actual figures, allowing for timely interventions to address overspending or reallocate funds as necessary. To achieve effective budgeting, schools must conduct regular monitoring and analysis of their budget execution. This entails comparing actual expenditures against budgeted amounts, understanding the reasons for any variances, and making informed decisions to maintain financial stability. It is important to have a clear process in place for approving expenditures and for making budget amendments when warranted by changing circumstances. Transparent reporting is another key aspect of supervision. By providing regular and clear reports on budget execution to school administrators and stakeholders, there is an enhanced understanding of the financial position of the school. These reports should include not only financial data but also qualitative assessments of whether the funds have been used efficiently and effectively in line with the school's educational objectives. In addition to regular reporting, there should be a system in place for addressing any issues that arise during budget execution. This could involve setting up a budget committee that meets regularly to review financial performance and to discuss strategies for managing any challenges. Finally, fostering a culture of financial responsibility among staff and students is crucial. This involves ensuring that all members of the school community are aware of the importance of budget discipline and are encouraged to contribute to cost-saving measures[2].

4.3. Standardizing the Management of Research Funds to Enhance Their Utilization Efficiency

The management of research funds in high schools plays a pivotal role in driving innovation and scholarly pursuits. Standardizing the management of these funds is critical to ensuring their effective and efficient use. The primary aim is to optimize the distribution of financial resources to various research initiatives, thereby maximizing the potential for scientific advancements and educational enrichment. To achieve this, high schools need to establish clear guidelines for the allocation, disbursement, and monitoring of research funds. By setting transparent criteria based on merit and expected outcomes, high schools can ensure that funds are directed toward research projects with the highest potential for impact. Further, maintaining a rigorous tracking system can ensure that allocated funds are being used appropriately and that they align with the intended research objectives. A periodic review of research fund utilization should also be instituted, which would involve assessing the progress and outcomes of funded projects. This not only ensures accountability but also provides valuable feedback for future fund allocation decisions. It is essential that these reviews are conducted
objectively and with a focus on both short-term deliverables and long-term goals of the research programs. Moreover, high schools should foster a culture of responsible financial management among researchers by offering training in budget management and fiscal responsibility. Researchers should be made aware of the importance of adhering to budgets and timelines, and the potential implications of mismanagement of funds on the school’s reputation and future funding opportunities. By standardizing the management of research funds and instilling a culture of accountability and efficiency, high schools can significantly enhance the benefits realized from these investments, ultimately contributing to the advancement of knowledge and the institution’s academic stature.

4.4. Enhancing School Leadership’s Risk Awareness and Strengthening Risk Management

For high school financial management to be effective, it is essential for school leadership to have a heightened awareness of potential risks and a robust approach to risk management. The educational environment is dynamic and susceptible to various financial and operational risks, including fluctuations in funding, changes in government policy, and technological advancements. Addressing these risks proactively is crucial to safeguarding the financial health of the institution. School leaders must be vigilant and proactive in identifying potential risks that could affect the school’s financial position. This requires an understanding of the broader economic and regulatory landscape, as well as internal factors such as enrollment rates and resource allocation. Establishing a formal risk management framework can help in the systematic identification, assessment, and mitigation of risks. This framework should encompass regular risk assessments, which can inform strategic decisions and financial planning. Risk awareness also extends to compliance with legal and regulatory requirements. School leaders must ensure that the school adheres to all relevant financial regulations to avoid penalties and reputational damage. This includes the proper handling of taxes, ethical financial reporting, and compliance with educational funding rules. A crucial aspect of risk management is the development of contingency plans to deal with unexpected financial shortfalls or emergencies. This could include maintaining a reserve fund or having access to credit facilities. It also involves diversifying revenue streams to reduce dependence on a single source of funding. Training and development programs for school leaders and financial managers can enhance their understanding of risk and provide them with the tools needed to manage it effectively. By fostering a risk-aware culture and implementing strong risk management practices, high school leadership can better protect their institution from financial instability and ensure its long-term sustainability and success[3].

4.5. Promoting and Strengthening Asset Management to Ensure the Security and Integrity of Property

The effective management of assets is a cornerstone of sound financial management in high schools. It involves the systematic tracking, valuation, and maintenance of the school's property, equipment, and other assets to ensure their security and integrity. High schools must adopt comprehensive asset management strategies to prevent loss, theft, or damage to their resources, which could have significant financial implications. An essential component of asset management is maintaining an accurate and up-to-date inventory of all assets. This registry should include details such as the acquisition date, cost, location, condition, and expected lifespan of each asset. Regular audits and physical checks of assets are necessary to reconcile records with actual holdings, which can help in identifying discrepancies and taking corrective action promptly. Depreciation policies must be established according to accounting standards to reflect the accurate value of assets over time. This aids in making informed decisions about asset replacement and budget allocations for new acquisitions. Moreover, it is critical to ensure that appropriate insurance coverage is in place to protect the school's assets against unforeseen events, thus mitigating potential financial losses. Investment in security measures is also paramount to protect assets from theft or vandalism. This includes physical security infrastructure as well as cybersecurity measures for digital assets, especially in an era where
technology plays an integral role in education. Asset management should be an ongoing process that involves planning for the future needs of the school. This includes evaluating the efficiency of current assets and anticipating future requirements based on changes in educational technology, teaching methodologies, and student needs[4].

4.6. Enhancing Financial Accountability and Transparency to Foster Trust

Financial accountability and transparency are vital for maintaining the trust and confidence of all stakeholders in a high school's management. They are the pillars upon which the reputation and credibility of an institution are built. High schools must demonstrate that they are using funds responsibly, complying with laws and regulations, and operating with integrity. To enhance accountability, high schools should implement robust financial reporting systems that provide timely and accurate information to stakeholders. These reports should include detailed accounts of income, expenditures, budget variances, and explanations for any financial irregularities that may arise. Such transparency not only helps in building trust but also encourages a culture of accountability among staff and administrators. Effective communication is key to transparency. Schools should regularly share financial information with the community, including parents, teachers, and students, in a clear and understandable format. This could be achieved through public meetings, newsletters, or online portals where financial reports and budget details are readily accessible. Participation of stakeholders in financial decision-making processes also plays a crucial role in enhancing transparency. Advisory committees consisting of staff, parents, and community members can provide oversight and input into budgeting and financial planning, ensuring that decisions reflect the interests and concerns of the broader school community. Auditing by independent external auditors can further strengthen financial accountability. Regular external audits provide an objective assessment of the school's financial practices and systems, offering reassurance to stakeholders that the school is managing its finances appropriately. Moreover, high schools should establish clear ethical standards and conduct training to ensure that all individuals involved in financial management understand their responsibilities and the importance of upholding these principles. By enhancing financial accountability and transparency, high schools can foster an environment of trust, which is essential for the successful governance and operation of the institution. This trust, in turn, can lead to increased support from stakeholders and a stronger financial foundation for the school[5].

5. CONCLUSION

The internal audit department in universities serves not only as a supervisory body but also plays a managerial role. By conducting compliance and substantive audit tests, the internal audit department provides constructive suggestions to the auditees, helping them to fulfill their duties more effectively. As a part of the management structure, auditors should offer neutral and fair recommendations from the perspective of the school and the principal. Internal auditing is crucial to the financial management of universities, as all economic activities are ultimately reflected in financial management. Internal auditors conduct thorough inspections of financial transactions to ensure their legality and compliance, promptly uncover and address problems during implementation, and propose improvement measures. The audit department also oversees the implementation of corrective actions, thereby enhancing its management function, improving the efficiency of the university's financial management, and ensuring the university's continuous, healthy, and rapid development.

REFERENCES


