

Research on the Internal Control and the Countermeasures of the Private School in the Economic Perspective

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Keywords: Private Colleges; Internal Control; Problems; Countermeasures

Abstract. With the development of education cause in China, private colleges have appeared in the unprecedented scale; however, as the public thinks highly of it, the exposed problems of the colleges are becoming more and more. Based on the economic background of the China's New Normal, the writer of this thesis analyzes the main problems about internal control of the private colleges, and then puts forward the corresponding countermeasures so as to promote the private colleges to make greater contributions for the education cause of China.

Introduction

Xi Jinping, Chairman of the People Republic of China pointed out that---China had been in the new developmental stage that is named "China's New Normal" in May, 2014. Under this background, a series of guiding documents have been passed in the Central Economic Working Conference, 2014, such as *Implementation of Medium and Long Term Developmental Outline on Educational Reformation*, *Guidance on the Ordinary University's Reformation and Development of the Technology Application*, etc. these provide the specific guidance to the private colleges on improving the internal control of them under the background of the China's New Normal.

As the flourishing development of the education cause, the private colleges have been known very well by the public. Nowadays, the private colleges have developed for thirty years in China. As the flourishing development of them, to the contrary, a lot of

problems have also been exposed as below: (1) there are some defects in the internal control of the private colleges, such as the ideology and awareness of the internal control are weak, the internal decision-making regime and system are unreasonable, the corporation culture has not influence on the internal control enough; (2) the internal control of the private colleges are lack of the awareness of risk prevention and early warning; (3) accounting control is not sound; if the budget control is not administrated well, and the authorizing examination system and the approval system are not prefect, at the sometime, the accounting information system is defective, these would cause that the internal control activities are not standard, and that the internal control can not be implemented well; (4) lack of supervision and internal audit, and the necessary internal supervision between the every department; (5) poor exchange of information; to solve these problems above, the private colleges should constantly improve and optimize the regimes and systems of the internal control, enhance the abilities of internal control, so as to make greater contributions to the educational cause of China.

Conception of the private colleges' internal control

According the relevant theories of internal control, and combine with the developmental features of the private colleges, we could define the internal control of the private colleges that---in order to ensure the standard and reasonable administration, and to achieve the beneficial equal of the stakeholders, the administrative organizations, or administrative services divisions adopt a series of countermeasures so as to protect the properties of the colleges, regulate the financial system,

standardize the procedure of accounting, improve the authenticity and accuracy of financial information, decrease the relevant risks and costs of the administration, increase the using efficiency of the assets, and acquire to the widely social value and benefit. This thesis analyzes the private colleges' implementation of the internal control form five factors----internal circumstance, risk assessment, controlling activities, information and communication, and internal supervision.

Factors of internal control

Internal circumstance means the atmosphere, awareness, and idea, these come from the colleges' administrative structure, managerial regime, managerial system, human recourse policy, and campus culture, etc, and they are consonant with the developmental situation and developmental stage of the private colleges.

The circumstance for the development of the private colleges becomes severe, it ask the administrators of the private colleges must have the awareness of keeping the risks away. The colleges should prevent and to avoid the daily risks such as financial risk, investing risk, business risk, enrolling risk, and risk of the students management, so as to promote the colleges to development smoothly.

The controlling activities should run through every stage of the colleges' activities, such as teaching control, capital control, budget control, etc. Only by this way could the expectant goals be fulfilled. At the some time, the anticipative economic benefits would be achieved.

Information and communication is the safeguard of the effective internal control. It contains the delivery and the sharing of the information, and the unobstructed channel for the information. It could ensure that the every functional department fulfills their jobs successfully, lets the administrators of the colleges find out the shortcomings and make it up, so as to carry out the effective analyzing and internal control of the colleges.

Internal supervision is the foundation of finding problems and solving problems. Each functional department of the colleges should supervise the others, and should be supervised by the other departments as well. The right and the obligation of each department should be clarified, so as to carry out the effective daily supervision and special supervision. At the some time, the working circumstance would become open, equal, and fair, and the daily works of the colleges would be implemented well.

Main problems of the private colleges' internal control

As the legal representative, the chairmen of the private colleges have the right of decision-making; at the some time, they also should have the awareness of internal supervision and risk prevention. In recent years, as the fierce competition between the private colleges, the colleges have faced some limitations on the enrolling plan and the design of their majors. But, the leaders of the colleges have not totally kept up with the times, and they also have not paid attention to the internal control, even someone thinks that the internal control is a kind of monitor to them. Although the colleges have drawn up the relevant rules, but it could not be implemented well, or someone thinks that the internal control equals to the cost control, so that the internal control has not play the deserved controlling function.

As a new kind of educational institute in the educational developmental history of China, the private college has just existed for less than thirty years. Relatively, it is not a long time, so the regime of the internal management has not become a perfect system. What's more, the administrative staff of the college is always changed, and the situation that the college issues an order in the morning and rescinds it in the evening is common. Although there are some organizations in the private colleges, such as the College Council, the Convention of the Middle-rank Cadres, the Special Business Leadership Committee, and the Financial Leadership Committee etc, but the collective decision-making is superficial, and the internal audit department does not play their role of audit and supervision.

The main income of the private colleges is the tuition of the students; the income from the

companies that attached to the colleges and the other direct income of the college take a low proportion of the whole income. First, the content of accounting control is not sound. The private colleges do not establish the relevant controlling system that can prevent the risk that some business could bring about. This is very dangerous, if it happened, it will cause a serious problem. Second, the range of accounting control is too narrow. The person who implement the internal control is mainly comes from the financial department, at the some time, the colleges overly emphasize the daily expense on the internal control that aims for decreasing the cost, but almost neglect the cash flow that is caused by the other departments and that is caused by the other business.

The obligations of private colleges' internal accounting system are not clear, the check and implementation of the internal control usually are superficial, and it is lack of comprehensiveness and integrity. At the some time, there is no a systematic reward and punishment system. Although there are auditing departments in the private colleges, but they are usually subordinated to the disciplinary department so that they could not play their functions that is authoritative and independent. This kind of organization structure is rather unreasonable. At the some time, the key works of the internal audit departments are usually the examination or control on the daily cost of the colleges at a certain period, the audit departments almost never deal with managerial issues, and most of the exam and audit are after the executive. Therefore, the supervision and the assessment of the internal control could not be utilized totally, no mention to serve the teaching and the management.

The majority of the private colleges of China are family firms, the phenomenon of centralized management is serious; in these colleges, the organization is complex, and there are too many hierarchies in the colleges from the bottom to the top, so that it is hard to deliver information, and the information is delivered very slowly. At the some time, the different departments of the colleges are lack of connection and communication; they always go their own way, and the useful information could not be delivered and shared smoothly and quickly, so that the working efficiencies are low.

Countermeasures for improving the internal control of the private colleges.

First of all, the private colleges should establish a series of prefect regime of internal decision-making and internal control, so as to implement the necessary supervision and restriction to the every department, the relevant business, and the staff. Second, the private colleges should be good at financial budget. The colleges should not only make the budget scientific and reasonable, but also analyze and exam the implement situation of the budget, and increase the using efficiency of funds. At last, the private colleges should have the awareness and abilities about risk prevention. While the colleges do well in some works such as enrolling, teaching, researching, students management, and the employment etc, the colleges should pay more attention to the invest risk of the projects that the colleges have invested, so as to decrease the unnecessary lose.

As the expansion of the college's size, the managerial ability and the managerial regime should be kept up with the times, these include the revision and perfection of all the managerial system, measures, and policy; the division of the every department's right and obligation; the construction of the regime on the supervision and restriction between each functional department. Only by this could the working efficiency be increased, and the anticipative target would be fulfilled.

The private colleges must design the effective accounting system that could meet the needs of the realistic situation according to the *accounting law* and the relevant accounting principles. The colleges should standardize the accounting documents, the account books, and the accounting process procedure of the financial reports; the colleges should improve the preservation, cancel of the accounting documents, and the method of delivering these documents from one accountant to another. They also should standardize the procedure of the capital using; strengthen the effective management of the capital; take the best use of accountants' functions of checking and supervision. At the some time, the private colleges should strengthen their control abilities on a lot of business, such as the control of all kinds of incomes, control of authorization and approval, risk control, the control of the loan, and the purchasing of the textbook and other books, so as to strengthen the

control abilities on the funds. What's more, the colleges should increase the using rate of the funds, protect the integrity of the assets, and improve the financial system and the optimal allocation of resources

The internal auditing departments of the private colleges should play their functions of independence and authority, and do well in supervision and evaluation. They also should deeply investigate the specific circumstance of the colleges, and do well in the internal audit and internal control, so as to help the colleges to improve their abilities of management and decision-making. At the same time, the private colleges should do well in the works of the democratic supervision, and take the best of the staff's enthusiasm because the staff is the supervisor, the executor, and the checker of the internal control. Therefore, the colleges should fully encourage and utilize the staff's sense of participation, and publish the implementation situation of the budget of the previous year and the financial situation to the college. The colleges should find out the problems that in their working, then to analyze the cause of the problems, accept the supervision from the staff, so as to implement the comprehensive control effectively and prevent the financial risk.

As the information times is coming, the private colleges should not only use the information technology in the financial works and teaching management, but also use it in all the internal management of the college, such as security system, the teaching control etc. The private colleges should fully take the best use of information system of the campus and the campus resources. At the same time, the colleges should manage to make public all kinds of business, so as to promote the managerial works to be open, and the construction of the internal control system could become better and better.

Conclusion

As the reformation and the needs of striving for the topping colleges and the topping majors, the private colleges should improve their teaching quality and researching abilities constantly, strengthen their administration and the key competitive power. Because there are many problems in the administration of the colleges, such as the internal administration is not regular, it is lack of supervision, accounting control is weak etc, it becomes very important to strengthen and perfect the internal control of the private colleges. By this way, the economic order would be regulated, and the business of private education would be soundly and constantly developed forward, it would make greater contributions to the educational cause of China.

Acknowledgements

Fund Projects: Special Researching Project Subsidy of the Educational Department of Shaanxi Province, (Project NO.16JK2067);

The Virtual Experimental Teaching Center That Simulates the Realistic Situations on Financial Management of Xi'an FanYi University, 2017(Project NO.Z1704)

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