Study on the Role of Internal Audit in University Governance

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Abstract. Internal audit, as an autoimmune method of university, can prevent the misconduct of managers and protect the benefits of stakeholders. It is an indispensable part of university governance for improving the governance structure. The quality of internal audit can be improved via strengthening the independence of internal audit, promoting the innovation of audit business, applying big data for audit work, and enhancing the theoretical research. It could guarantee the ordinary operation of the university governance and the optimization of the governance structure.

Key words. Internal audit; University governance; Power supervision

1. Introduction

Universities have the similar organizational characteristics with companies who have obtained rich theoretical overview and successful practical experience in the field of management. In recent years, with the substantial increase of national investment on higher education and the multi-channel school-running ability of universities, the construction of universities is obviously accelerated. The supervision of the power of universities is particularly important, which has attracted intensive attention in recent years. As an important method to supervise the power of universities, internal audit can eliminate the existing problems and prevent upcoming misconduct, to ensure the realization of the goals and organizational values of universities. Therefore, promoting the influence of internal audit is particularly important to improve the university governance.

2. Definition

2.1 Internal audit

Internal audit includes the activities of implementing independent and objective supervision, evaluation and suggestions on the financial revenue and expenditure, economic activities, internal control and risk management of the university and its subordinate units, to promote the university governance and achieve its goals. Different from external audit, internal audit focuses on management and control, which is reasonable supervision and evaluation of the internal financial condition and internal control system of the institution, in order to optimize internal management and improve efficiency. Lawrence Sawyer thinks that internal audit is an independent evaluation mechanism, which achieve the goals of institutions through the evaluation of various businesses on compliance and efficiency. The contents of internal audit in universities have been changed from financial audit to multi-objective audit, including budget audit, scientific research project audit, internal control audit and performance audit. The function of internal audit in universities is to improve management procedures and methods, to achieve the benefits and goals of education, and to offer suggestions for economic decision, through the inspection of the financial accounts, evaluation of personal ability during the tenure, checking evidence, putting forward audit opinions, presenting audit reports and supervise the rectification of problems.

2.2 University governance

University governance system is composed of organization system, institutional system, operation system and evaluation system. The university organization system is based on the power of organization structure, function layout and power allocation. The most fundamental of Chinese university organization system is the establishment of the leadership system of "President responsibility under the leadership of the Party committee". In this system, the internal power of universities is delegated layer by layer. After the power is delegated to the college or administrative department, the power trustee shall perform his duties, complete the entrustment and report the work to the trustor. In this management decentralization mode, after the responsible trustee entrusts the management right or college resources to the trustee, the management and use of the resources are needed to be supervised effectively.
2.3 The relationship between internal audit and university governance

Internal audit is the most qualified to supervise the authenticity of information. One of its basic purposes is to provide authentic information to the relevant units of the university by audit, which can not only reduce the degree of information asymmetry, but also form indirect constraints on trustee. It is necessary to make an objective and fair evaluation on the performance of trustee's duties with the help of audit. University governance protects the rights and interests of stakeholders and ensures that all business activities have to follow the policies of the superior department without deviation. In the implementation process, internal audit, who provides key information for participants, plays the role of supervision and evaluation in various ways. Internal audit is an important content of improving the governance mechanism of universities. The influence of the internal audit department is enhanced by providing the economic responsibility audit results and the continuous evaluation of internal control to the audit committee. As an important part of the self-restraint mechanism in management, internal audit is an indispensable and important link in the governance structure of universities in both aspects of job functions and role definition.

2.4 The structure of internal audit and university governance

Based on the theory of fiduciary responsibility, the Party committee of the university is the trustor. The president of university is the executor of school governance and the trustee. The basic responsibility of internal audit is to supervise and evaluate the governance of the president of university and other managements. If the internal audit department is placed under the leadership of the principal, it is difficult to guarantee its independence and play its due supervisory and evaluation functions. Therefore, many universities have established audit committees under the leadership of the Party committees, which serve as the decision-making and coordination body for the audit work of the university. They are led by the Secretary of the Party Committee of the university, and composed of principals from the functional departments of finance, state assets, auditing, discipline inspection and supervision, etc. The main responsibilities of audit committee include the following aspects: (1) deciding and organizing the deployment of the leadership and construction of the Party; (2) carrying out the policy and regulations of national audit department and the ministry of education; (3) designing the top-level policy of internal audit and coordinating the major work; (4) reviewing and approving the working system and audit annual plans; (5) reviewing the reports and applications of audit work, and supervising some major events. The framework diagram of university governance structure is shown in Figure 1.

3. Status and current situation of internal audit

3.1 The poor independence

The independence of internal audit has its inherent deficiency. Although it clearly requires university audit department to be independent from other departments, the level of internal audit department has not risen to the height of university governance in China. The internal audit departments in foreign universities generally have stronger independence, and they are directly responsible to the university board. The poor independence of internal audit in Chinese universities could be attributed to the internal power checks and balances.

3.2 Insufficient horizontal supervision

There are many problems in the audit of universities, and it involves a wide range of departments. According to statistics, in the economic responsibility audit of 16 colleges and universities conducted by the internal audit department in 2015, 179 problems were found in the audit process, including financial management, asset management, infrastructure management, scientific research project management, government procurement, internal control and budget management. It involves finance, infrastructure, scientific research, assets, administration, logistics, international cooperation and exchange centre, Party Committee office, President's office, school-run enterprises and so on, as shown in Figure 2.
supervisory role in university governance. However, due to the low status of internal audit, effective suggestions for the governance and improvement of colleges and universities can not be taken seriously, unable to perform a strong and effective supervision function for other departments, affecting the governance effect.

3.3 The restricted auditing power and means
Audit departments have the right to make suggestions, to claim data, to investigate and collect evidence, to notify or publish audit results, and to deal with penalties. However, in the audit implementation, there are the following problems. First, the right to request data and the right to investigate and collect evidence are the guarantee of the independence and accuracy of audit, and the audit department has basically obtained these two rights. However, the audit department of some universities lacks the right to investigate and collect evidence, and the means of investigation and collect evidence are limited. Without the right to investigate and collect evidence, the audit work is affected. Second, the audit information of some universities has not been fully disclosed. The right to report or publish audit results can improve the openness and transparency of audit information, ensure that the audit results receive wide attention, and thus promote the rectification of problems. However, the right to report or publish audit results should be further granted to the audit department to make the information more open and transparent. Third, punishment means of internal audit of universities are few, and many problems found in audit can only be transferred to the Commission for Discipline Inspection or the public security. The lack of punishment power is not conducive to the solution of the problems found by the audit and the implementation of the rectification measures.

4. Improvements of internal audit in university governance

4.1 Strengthening the independence of internal audit
From the establishment of institutions, personnel, funds and other aspects to maintain its independence. The internal audit department should be completely independent from the functional departments of the university. In terms of the specific project control of the internal audit of universities, it should focus on whether there is economic interest, administrative relationship and blood relationship between the auditors and the auditee. Cut off the interest relationship between the internal audit department and the auditee to ensure the objectivity, impartiality and authenticity of the audit. The better the environment of internal audit, the higher the status, the stronger the anti-risk ability of universities. The operation of internal audit should be more standardized when the target is combined with the target of universities.

4.2 Applying big data to audit
Continue to promote the innovation of audit work, expand the scope of internal audit. Audit methods should be improved and innovated, internal audit informationization should be gradually achieved, and big data audit should be carried out. The former audit technology and method based on manual audit in universities has been unable to meet the requirements of the Party and the state for the audit work in the new era, which has seriously affected the efficiency and quality of the audit work and brought great risks to the work. Therefore, we should further promote the construction of audit information, actively develop computer-aided audit technology and explore big data system audit. We should accept professional guidance from the National Audit Office, the Ministry of Education, China Association of Internal Audit and other institution, and carry out our work on the basis of following the relevant internal audit laws and regulations, industry regulations and requirements of various state departments.

4.3 Promoting audit transformation
The audit needs to transform from financial audit to performance audit, from post-audit to in-process audit. Under the guidance of the national policy of scientific research funds, the universities or project undertaking institutions should make their own detailed regulations to relieve stress on the scientific researchers. In the past, the audit on the use of project funds could not achieve a comprehensive evaluation of the use of funding. In the future, the funds of scientific research projects will be comprehensively evaluated by specific methods from four aspects, including project input, process, output and influence. The performance audit will be carried out to form a performance evaluation system on the special funds, which could be promoted and applied in corresponding disciplines. Through introducing an evaluation mechanism involving multiple parties, making the evaluation process transparent, establishing a result feedback mechanism, and constantly correcting the deviations in the reform, a series of benefit-oriented, scientific and perfect performance evaluation system can be formed, which can guide management activities closer to the target and play the role of audit in university governance.

4.4 Establishing the novel mechanism of audit management
Under the spiritual requirements of universities to continue to "live tight", the audit department has put forward valuable experience and suggestions for the budgeting of each department in the aspects of the diversity of funding sources, the economy and rationality of funds measurement and the quantification of budget performance indicators, so as to form the closed-loop performance management of the whole process and further strengthen the "quality consciousness, benefit consciousness and cost consciousness". The good experience and practices will be further implemented into the future budget preparation, project review and performance management work, the introduction of third
party evaluation, the development of budget performance evaluation audit system, the formation of the whole process of closed-loop performance management system, gradually establish a "performance first" audit management mechanism, improve the output efficiency of funds. To provide solid supervision and guarantee for the university's "open source and reduce expenditure" and "improve quality and efficiency" work, and play the university's governance role.

5. Conclusions

The internal audit supervision mechanism of universities is of great practical significance to ensure the normal operation of the governance structure of universities and the optimal allocation of resources. However, the low status of internal audit, the lack of independence and the weak supervision become the stumbling block of internal audit to play a role. At present, improving the influence of internal audit to university governance is an effective way to promote the innovation and healthy operation of our modern university governance.

References

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