

Research on the Modernization of University Financial Governance Based on the Framework of Governance System

Jia Li

School of Nanjing Agricultural University, Nanjing, 210095, China

Abstract: The establishment of financial governance system is the basis of modern university governance, which plays an important role in optimizing resource allocation, serving discipline development, and preventing financial risks. The governance structure is the core component of the university financial governance system, which realizes the management goal through the reasonable allocation of financial decision-making power, executive power and supervision power. We should straighten out various financial relations according to law, establish scientific financial decision-making power, professional financial execution power, and diversified supervision power, and jointly promote the modernization of the university's financial management system and governance ability.

Keywords: College, Financial governance system, Modernization of governance, Governance capacity.

1. Introduction

The core of financial governance is the financial governance structure, which is the basis of financial governance and an important carrier to determine the efficiency and effectiveness of financial governance. The division of the authority of the management organization and the coordination among various organizations are the key to the financial governance structure, which plays a decisive role in the financial governance process. Since the deepening reform of the higher education system, colleges and universities have further expanded their autonomy, straightened out financial relations according to law, adhered to the president responsibility system under the leadership of the Party committee, adjusted and reformed the institutional setting from the top level design, and established a financial governance system in which the Party committee, the president and the regulatory authority of the school are interconnected and mutually restricted. The school party committee has the financial decision-making power. The financial department under the leadership of the president is responsible for financial implementation, and the audit and supervision department carries out financial supervision to realize the closed-loop management of scientific financial governance decision-making, professional implementation, and diversified supervision. The core focus of current university financial governance is to properly handle the relationship between the university party committee and multiple subjects under the guidance of policies and systems, further supervise the university's financial decision-making power and implementation power by exercising financial supervision power, and thus optimize the university's financial governance structure.

2. Journals Reviewed

The research on university governance structure in foreign countries is relatively mature. As early as 1960, John Corson, an American scholar, introduced governance into the field of university governance in his book "Governance of Colleges and Universities": Modernization of Structure and Process.

He believed that the term "governance" could be used specifically for thinking about colleges and universities. Leigh Hancher and Michael Moran (1989) believe that supervision is influenced by many factors, including formal institutional arrangements, organizational structure, and even historical traditions. These factors constitute the internal elements of the regulatory space and the fundamental factors restricting the supervision process, thus forming a rich research category of foreign supervision on university governance. From the perspective of the practice of foreign university governance, although overseas universities have more abundant types of running schools, the management processes of different universities still have more in common. For example, in terms of structural design, there are university boards, relevant management departments and regulatory organizations (Zhang Baoquan, 1998).

Since the 21st century, China has successively started to incorporate the research on university governance into the academic process, fully drawing on foreign research results, and based on China's national conditions, it has clearly put forward the concept of financial governance, and further combed the relevance of university governance and financial governance. Wu Zhongxin (2001) and Zhang Dunli (2002) are more representative in the research on the connotation and definition of financial governance. They proposed to explore the perspective of financial rights allocation from the perspective of enterprises and emphasized the importance of financial rights arrangement mechanism. The essence of university governance structure is to construct a decision-making power structure that can effectively respond to various types of conflicts and meet the needs of multiple interests (Gong Yizu, 2009). Zhang Dexiang (2016) pointed out that management and supervision constitute the basic core of modern university governance in China. University governance mainly consists of governance system and governance capability. The former refers to a complete set of university system and the norms and procedures in the system, while the latter refers to the ability to make the governance system operate. The governance level and governance ability together constitute the whole university governance and

jointly promote the effective operation of the university (Qiu Shuiping, 2020). Liu Yue and Hui Meining (2011) proposed that "compound co governance" should be regarded as the future trend of modern university governance. Compound co governance refers to the cooperation and supplement of different governance modes in university governance, and the synergy of different governance modes in university governance. Gradually, through the relevant attention to university governance in China, some studies began to discuss paying more attention to university financial governance.

Financial governance is the core of university governance. In essence, financial control is to maximize the financial efficiency and value of the university by controlling and coordinating the stakeholders in the university governance process (Li Dan, 2012). The literature on the meaning of financial governance mainly focuses on the enterprise level. Financial governance at the university level is generally defined as a series of institutional arrangements to coordinate the status and influence of stakeholders in the university financial system through the different configurations of university financial governance rights among stakeholders, so as to achieve the checks and balances of rights and improve efficiency (Yu Chang, 2009); School financial governance is a system that checks and balances the responsibilities, rights and interests of relevant stakeholders in financial activities (Zhao Jianjun, 2008). Zhang Yun (2012) pointed out that the meaning of financial governance of public universities can be defined as: taking financial rights as the basic link, through institutional arrangements, establish the position and role of various interest subjects within the scope of public universities in the flow and division of financial rights, and form an effective financial incentive constraint mechanism, so as to achieve the mutual check and balance of responsibilities, powers and interests among relevant interest subjects, and achieve the harmonious unity of efficiency, efficiency and fairness. At present, the research on university financial governance mainly focuses on the existing deficiencies and suggestions, financial supervision and other aspects. Financial supervision is more relevant to this topic.

The relevant literature on insufficient and proposed financial governance of universities discussed the imbalance in the current financial governance structure of universities and proposed corresponding countermeasures (Xu Lei et al., 2020; Sheng Guangming et al., 2021; Hu Bo, 2015; Chen Weixiao et al., 2015), such as the non-standard management of scientific research funds (Zhao Shanqing, 2015); Deficiencies in budget management (Zhao Chuanren, 2013), etc. In view of the early reform of the education system and the optimization of the financial governance structure of colleges and universities in developed countries such as Britain and the United States, a large number of domestic studies have drawn experience from the financial governance of foreign universities (Sheng Guangming et al., 2021; Hu Bo, 2015; Chen Weixiao et al., 2015). For example, Chen Weixiao et al. this paper discusses how to build a financial governance structure with the board of directors as the core. In addition, some scholars proposed innovative solutions such as classified management (Chen Weixiao et al., 2015) and the introduction of artificial intelligence (Xu Min, 2019) based on China's specific national conditions and the development of emerging technologies.

3. The Construction Logic of University Financial Governance System

3.1. Financial System Construction is the Foundation of Governance System Reform

Guo Peng (2020) pointed out in "Taking Accelerating the Modernization of Educational Financial Governance as an Important Task of Educational Financial Work in the New Era" that to implement the requirements of comprehensively governing the country according to law, it is necessary to strengthen the awareness of handling affairs according to systems and laws; We will promote the institutionalization, standardization and routinization of the management of the use of educational funds, and achieve legal governance in the field of educational finance. In recent years, it is often pointed out in the inspection and rectification circulars of colleges and universities that no relevant system has been formulated or revised for a certain problem. The university's internal control system construction should always be consistent with the national, ministerial and local policies and regulations, timely carry out the "abolishment and establishment" of the system, standardize the procedures, avoid the blind spots of system supervision, and strengthen the pertinence of system implementation.

The construction of the financial system is the basis for promoting the reform of the financial governance system. Through the top-level design of the establishment of rules and regulations, the financial organization structure is defined, the financial management system is improved, and the financial operation mechanism is optimized to give play to the financial governance efficiency. The vitality of the system lies in implementation. In practical work, the construction of financial system should actively apply to the sustainable development requirements of school teaching, scientific research and administration. Through improving the financial governance structure system, efforts should be made to build a financial input index system, responsibility system, performance system and supervision system that meet the requirements of high-quality development.

3.2. Straighten Out the Relationship between "Unified Leadership" and "Hierarchical Management"

The core of the reform of the higher education system is to establish a modern university governance system, reform the government's direct control over universities, end the situation where school level management has too strict control over the running of colleges, promote the autonomy of universities, and enhance the vitality of running schools. Conforming to the requirements of the complexity of modern university governance and realizing the transformation from traditional financial management concept to financial governance concept, it is necessary to straighten out the allocation of relevant interests among stakeholders, and coordinate and balance the governance structure, operation mechanism and governance mode of financial rights, responsibilities and interests among stakeholders. The implementation of the financial governance system of "unified leadership and hierarchical management" is to establish a series of resource allocation and interest balance mechanisms, and establish a multilateral governance system in which all stakeholders participate and make decisions into

a multi-level governance structure. To implement the goals and tasks of the construction of the university's financial governance system, we need to handle the relationship between centralization and decentralization, achieve macro control and micro invigoration, stimulate the motivation of grass-roots units to carry out financial work, and mobilize the economic vitality of secondary units.

First of all, define the allocation mechanism of financial power and administrative power of the university, and establish and improve the economic responsibility system of responsible persons at all levels. According to the financial management level, allocate financial power among the party committee, president, chief accountant, financial department heads and staff in colleges and universities, exercise the power according to the provisions and assume corresponding economic management responsibilities, and promote the legalization of functions, authorities, responsibilities and procedures in the operation mechanism under the governance mode of power responsibility coordination.

Secondly, the financial governance mechanism should be established according to the principle of unified leadership and centralized management. First, establish a school financial leading group led by the Chief Accountant to provide financial decision-making basis to the Standing Committee of the Party Committee and the President's Office. The second is to standardize the rules of procedure of the management organization. The Party and government leading groups and the financial leading group shall fully demonstrate when deciding or drafting major economic issues, and conduct professional consultation when necessary. The third is to do a good job in the division of responsibilities of finance, audit, supervision and relevant departments, define the responsibility boundaries of the reasonable demonstration of fund approval, review and supervision of use, performance evaluation of project settlement and other processes, and achieve mutual coordination and balance among financial decision-making, implementation and supervision.

Finally, straighten out the management authority and financial relationship between the university and the hospital. In accordance with the principle of "reasonable decentralization and full authorization", the University allocates school running funds for secondary colleges according to the strategic objectives, and grants the secondary colleges the right to independently allocate financial resources, shift down the management focus, delegate management rights and responsibilities, and clarify the main position of the secondary colleges in financial management. At the same time, the financial target management of the secondary college should be well done, the performance indicators should be quantified, and the responsibility assessment should be clarified. The management of the university implements macro decision-making, supervision and coordination on the annual work objectives of the college. It neither puts forward unrealistic and excessive requirements nor allows it to take daily work as a goal, which is a mere formality. To achieve macro control and micro invigoration can not only avoid excessive concentration of resource allocation among colleges and departments, but also fully mobilize the enthusiasm of secondary units.

4. Modernization of University Financial Governance Structure

In July 2021, the Finance Department of the Ministry of

Education issued "the Opinions on Further Strengthening the Financial Governance of Central Colleges and Universities", which emphasized: "Clarify the financial governance responsibility and improve the financial governance system", and pointed out the importance of implementing the financial governance leadership responsibility, clarifying the division of financial governance responsibilities, improving the economic responsibility system at all levels, and strengthening the financial governance responsibility of secondary units. Financial governance is the key link of university governance, which directly affects the effectiveness of the university in optimizing resource allocation, teaching and scientific research development and construction, financial risk prevention, etc. In order to speed up the construction of modern universities, we should first change from financial management to financial governance, improve the construction of financial governance system, constantly improve financial governance ability, and build a modern financial governance structure.

4.1. The Financial Governance Decision-making Organization is Oriented and Focuses on Following the Law

The principle followed by the financial governance decision-making body is the core leadership of the school party committee. Adhere to the unified leadership of the School Party Committee, and play its important role in setting direction, seeking strategy and ensuring operation. We will fully implement the president responsibility system under the leadership of the Party committee, and establish a financial leadership mechanism in which the Party and government work together, each functional department works together, and responsibilities are clear.

First of all, make clear the overall leadership of the school party committee over financial work. The school party committee should fully implement the party's and the country's financial policies, policies, decisions and arrangements, abide by the country's financial laws and regulations, and take the leadership responsibility for the school's financial work. The Party Committee discussed and decided on major financial matters related to the school's development strategy, formulated financial management system, and planned to establish a long-term financial incentive and restraint mechanism. Support the Chief Accountant (the leader in charge of finance), the person in charge of the financial institution, and the financial personnel to perform their duties according to law, support the internal audit work, and support the discipline inspection and supervision department to investigate and deal with financial laws and regulations and financial discipline violations.

Secondly, strengthen organizational leadership and implement the main responsibility. Party and government leaders should strengthen the responsibility and awareness of financial management subjects, strictly abide by national financial laws and regulations, treat financial discipline as electrified high-voltage lines, strictly use power, avoid opportunities and space for abusing discretion, and use systems to limit power. The school leaders take the lead in implementing the main body of responsibility, personally deploy, coordinate and closely supervise the major financial decisions, important investment projects, large capital expenditures and other economic matters of the school, and earnestly do a good job in financial management within the

scope of responsibility.

Third, improve the financial decision-making system, establish and improve the rules of procedure and financial advisory bodies. Under the premise of implementing the national requirements of "one post, two responsibilities", Party and government leaders should make decisions on major economic issues of the school through collective discussion of the Party committee. Organize professional committees to conduct scientific argumentation on major economic issues, and submit them to the school's Party committee for collective discussion and deliberation after being studied and evaluated by the school's financial leading group. Establish and improve the financial rules of procedure and accountability system. The school party committee should give play to the authority and professional advantages of the professional committee, coordinate the demands of multiple interests, improve the identification and management of financial risks, and implement the responsibility of the main body of financial management. While setting up a financial leading group, colleges and universities can also set up risk control committees, asset management committees, budget committees and other professional institutions, which are composed of party secretary, president, faculty representatives, members of professional financial and accounting institutions and other stakeholders, to directly or indirectly lead and participate in the financial decisions of the school.

4.2. Financial Governance Executing Agency is the Key Point, and the Key Point is to Straighten Out the Relationship

The financial work is the basis and support for ensuring the sustainable development of the school and improving the comprehensive governance capacity, and carries the important task of ensuring people's livelihood, operation and key points. Establish a financial management system of "unified leadership and hierarchical management", implement the principal responsibility of the president for financial management, define the hierarchical responsibility system for financial management of responsible persons at all levels, establish an internal incentive mechanism, strengthen the construction of professional teams integrating industry and finance, and continue to improve the construction of financial governance enforcement agencies.

First, implement the headmaster responsibility system under the leadership of the Party Committee. As the school legal person, the headmaster is fully responsible for financial management, organizing and implementing major financial decision-making matters, strengthening the management of state-owned assets, strengthening internal audit supervision and information disclosure, reporting the implementation of major financial decisions to the Party Committee, and reporting financial reports to the school staff representatives. The second is to set up the post of chief accountant, organize and implement the financial management, cost management, budget management, accounting and accounting supervision of the school under the leadership of the president, and participate in the analysis and decision-making of important economic issues of the school. Implement relevant national financial laws and regulations, improve the financial system construction, prevent financial risks, and improve the financial security capability. Third, for schools without the post of chief accountant, the leaders in charge of finance

should assist the principal in handling the daily financial business of the school, represent the principal externally to expand financing channels, tap the potential of capital operation, do a good job in external audit and inspection, and connect with banks, tax authorities and other external businesses; We will strengthen the overall planning of funds, optimize the allocation of resources, strengthen the dynamic monitoring of budget implementation, strictly control expenditure, improve the quality of accounting, prevent and control fund risks, comprehensively carry out the reform of budget performance management, improve performance indicators, improve the efficiency of fund use, and ensure the healthy and orderly development of financial work in the school. The fourth is to establish a professional financial management organization. As the only first level financial executive organization of the school, the financial department directly participates in the discussion of financial decision-making and the comprehensive management, accounting and supervision of economic activities of the school. Fifthly, the financial director of colleges and universities should be a manager with high financial professional and technical level, who is the direct manager and executor of the financial work of the school. He should fully master the relevant national financial laws, regulations, policies and systems, ensure that the financial management is compliant and efficient, and have strong business and organizational coordination capabilities. The main responsibilities of the person in charge of the financial department are to take multiple measures to "increase income and reduce expenditure", manage budget and final accounts as a whole, build financial informatization, cultivate financial talents, collect taxes and fees, and conduct accounting to ensure the smooth operation of the school's financial work. Sixthly, the school builds a multi-level economic responsibility system according to the management system level, and the tasks and responsibilities involved in financial work are broken down and implemented to relevant units, departments and individuals. From the school principal to the financial personnel at the grassroots level, the management is carried out from top to bottom, with each level taking on its own responsibility, and every economic unit at the grassroots level implementing its own economic responsibility.

4.3. The Financial Governance Supervision Organization is the Guarantee, Focusing on Dynamic Monitoring

Financial supervision is an important link in the financial governance of colleges and universities. Its specific content includes but is not limited to budget preparation, budget implementation, review of financial reports, review of capital receipts and expenditures, and review of asset management. Emphasis is placed on the internal and external audit of financial supervision in colleges and universities to review and supervise violations, establish and improve the financial governance system of colleges and universities with financial supervision as the core, and build a coordinated governance framework for internal and external supervision of colleges and universities, To supervise and balance the financial decision-making power and execution power, and optimize the financial governance structure of the school.

The main body of internal financial supervision is the relevant departments dominated by the school's audit and supervision departments, as well as the special committees set

up by colleges and universities, including the audit committee, the budget committee, the internal control committee, the teachers' congress, etc., which represent the rights of teachers, faculty and students in different interest groups of the school, play the supervisory role of different interest groups, and make financial supervision more effective and independent. The audit department brings all economic activities of the

school into the audit scope, gives play to the effective financial supervision role of internal audit, and supervises the implementation of financial policies and economic decisions. In particular, we will focus on economic responsibility audit, financial budget and final accounts audit, and capital construction project audit to prevent and stop violations of financial laws and regulations.

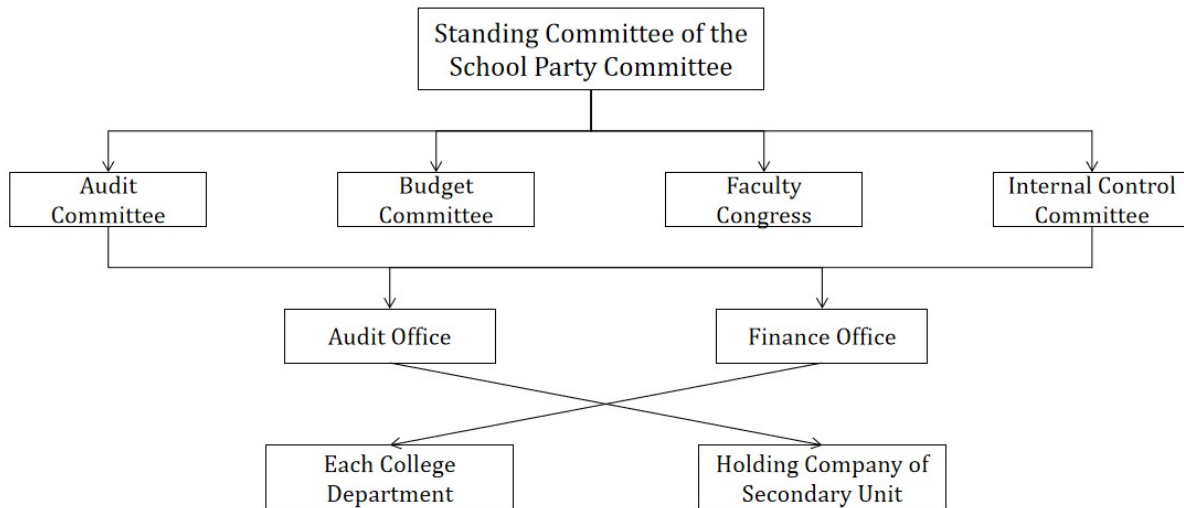


Figure 1. Internal governance system of university finance.

External financial supervision is mainly carried out through the special office of the National Audit Office, the Supervision Bureau of the Ministry of Finance, the Ministry of Education and other national departments to predict the implementation of the major financial policies of the Party Leadership Group of the Ministry of Education, the decision-making, implementation and effect of major economic matters, the authenticity, legality and effectiveness of budget management and financial revenue and expenditure, the

management, use and effectiveness of state-owned assets, and the formulation and implementation of the financial internal control system Evaluation and monitoring. External financial supervision also includes social audit, mainly because the school actively discloses financial data to accept social supervision. Most university financial disclosure work also explains the financial situation of the school, which is a useful supplement to the financial norms of the school.

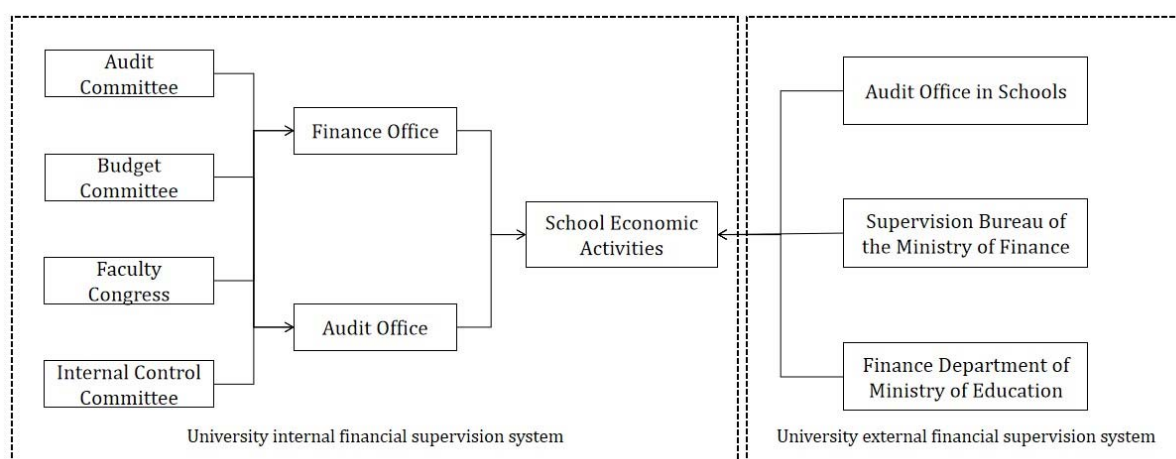


Figure 2. University financial governance supervision system.

Strengthen the integrated construction of comprehensive supervision. Establish financial, auditing, discipline inspection departments such as the division of responsibilities, within the school set up relevant committee joint supervision, realize the multi-stakeholder through the independence of the external supervision to realize addition to the internal audit

and checks and balances, and clear the funds investment feasibility study, perform the responsibility of the supervision and performance evaluation of links later in the process of boundary, Forming an operation mechanism in which decision-making power, enforcement power and supervision power restrict and coordinate with each other.

5. Conclusion

University financial governance is a series of institutional norms that focus on the rational allocation of financial resources and scientifically coordinate financial decision-making, implementation and supervision power. The modernization of the financial governance structure of socialist universities with Chinese characteristics is to adhere to the president responsibility system under the leadership of the Party committee, establish a financial leadership system in which the Party and the government work together, all functional departments work together and have clear rights and responsibilities, plan to establish a long-term incentive and restraint mechanism for financial affairs, build a coordinated governance framework for internal and external supervision of universities, and continue to optimize for higher university governance efficiency.

Acknowledgment

This work is supported by the national special fund of the 2022 basic scientific research plan of the central university, Project number: KYGL2022012.

References

- [1] P. Guo: Taking accelerating the modernization of educational financial governance as an important task of educational financial work in the new era, *Educational Accounting Research*, (2020) No.1, p.3-7.
- [2] S. P. Qiu: On some important issues of modern university governance with Chinese characteristics, *Peking University Education Review*, vol.18 (2020) No.1, p.120-133.
- [3] W. X. Chen, H. J. Hua and Y. Deng: The Enlightenment of the Financial Governance Structure of American Colleges and Universities to China, *Finance and Accounting Monthly*, (2015) No.02, p.57-59.
- [4] J.Y. He: University governance structure in the view of modern university system, *Think Tank Era*, (2019) No.44, p.93-94.
- [5] J. Chen: On the construction of internal governance structure of universities in China, *College Education Management*, vol.11 (2017) No.3, p.41-47.
- [6] Y. Z. Gong: University governance structure: the cornerstone of modern university system, *Educational Research*, vol. 30, (2009) No.06, p.22-26.
- [7] Y. Zhang: Research on the financial governance of public universities in the perspective of building modern university system, *The Chinese Certified Public Accountant*, (2012) No.10, p.71-73.
- [8] Y. Liu, M. N. Hui: Analysis of university financial governance model based on modern university governance, *Friends of Accounting*, (2011) No. 4, p.24-26.
- [9] J. Li: Financial Research on the Internal Control System of Scientific Research Funds in Colleges and Universities, *Modern Economic Information*, (2015) No.17, p.159-160.
- [10] J. Li: On the financial management of Chinese universities from the perspective of internal control, *Money China*, (2019) No. 8, p.70-73.