



Asset Management Early Warning Analysis in Higher Education Institutions from an Audit Perspective

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Abstract: The prevention of asset management risks has always been the focus of overall asset management in higher education institutions. By combining with the newly formulated Administrative Regulations on the Management of Administrative Public Assets by the State Council, relying on the key audit areas in recent years, and referring to the successful experiences of audit issue rectification in sister colleges and universities, this study focuses on asset allocation, utilization, disposal, and benefits. It takes problem-solving and risk avoidance as the orientation, conducts risk assessment and response analysis, and comprehensively promotes the integration of management in four aspects: establishing sound systems, supervision mechanisms, improving efficiency, and accountability. It establishes an integrated asset management system of "management" "supervision" "benefits", thus providing application value for optimizing the management of state-owned assets and enhancing risk prevention capabilities.

Keywords: asset management; risk; audit; early warning

1. Introduction

The newly promulgated Administrative Regulations on the Management of Administrative Public Assets (State Council Decree No. 738) [1] issued by the State Council in 2021 sets higher standards for the management of administrative public assets. It clearly outlines the requirements for asset allocation, utilization, disposal, budget management, and infrastructure management, emphasizing the promotion of audit supervision by various departments in accordance with the law to prevent risks in the management of administrative public assets. Audit supervision, as a breakthrough point, plays a crucial role in identifying risk points and preventing the loss of state-owned assets.

2. Issues Identified in the Audit Focus of Higher Education Institution Asset Management in Recent Years

In recent years, both the higher authorities and internal audit departments of higher education institutions have intensified their comprehensive audits of various aspects of state-owned asset management. These audits have revealed issues in asset management practices. By analyzing the root causes of these problems, studying improvement measures, and strengthening internal controls, higher education institutions have come to recognize the importance of addressing audit findings and implementing corrective actions to enhance their management capabilities. The following are the main difficulties and focal points identified through the summary and analysis of audit findings in recent years:

2.1 Insufficient Management of Low-Value Consumables

According to Article 12, Section 5 of the Internal Control Standards for Administrative Units (Trial Implementation) (Finance and Accounting [2012] No. 21) [2], it states that "property protection control should establish a daily asset management system and a regular inventory mechanism, establish and improve the management procedures for low-value consumables, clarify responsibilities and authorities, and implement control measures in various stages such as procurement, acceptance, storage, and issuance." According to the requirements outlined in the Management Measures for Materials, Low-Value Items, and Consumables in Higher Education Institutions (Jiao Gong Zi [84] No. 20) [3], efforts should be made to enhance the management of low-value consumables and gradually establish a system for their management. However, currently, some higher education institutions have a gap in the management of low-value consumables. They have not established a ledger for low-value consumables and have not conducted inventory checks and audits of these items. This poses risks to asset management as the accumulation of small losses may lead to the loss of state-owned assets.

2.2 Partial Asset Idleness and Lack of Emphasis on Performance Management

In 2021, the Ministry of Education conducted a survey on the performance evaluation of state-owned asset management, emphasizing the importance of performance evaluation in promoting effective allocation of state-owned assets. Currently, most higher education institutions have not carried out performance evaluations of state-owned asset management, and corresponding systems for performance evaluation have not been established. Meanwhile, during annual spot checks and inventories, it was found that a few units have issues with asset idleness, particularly valuable equipment that has not been effectively utilized and has not fulfilled the critical operational functions of key assets. This situation is inconsistent with the goal of being vigilant against risks and evaluating performance in the use of state-owned assets.

2.3 Deficiencies in Real-Name Management of Assets

According to the Administrative Regulations on the Management of Administrative Public Assets (State Council Decree No. 738), it is required that "departments and their subordinate units should clarify the responsibilities of asset users and managers. In the event of changes in asset users or managers, asset handover procedures should be promptly carried out." This means that the management responsibilities for state-owned assets should be decomposed and implemented at various levels, assigned to specific departments and individuals. However, in some higher education institutions, the registered users of fixed assets are still listed as "blank" "retired faculty and staff" or "general use". Since assets are subject to real-time changes, it is crucial to update asset user information promptly to ensure the accuracy of asset records. Otherwise, there is a risk of inaccurate reporting of state-owned assets, incomplete information, and inadequate supervision.

2.4 Inadequate Fixed Asset Inventory

According to the Administrative Regulations on the Management of Administrative Public Assets (State Council Decree No. 738), it is required that "departments and their subordinate units should conduct regular or irregular inventories and reconciliations of assets." The issue of fixed asset inventory is a focal point of annual audits and a crucial indicator of whether asset management in higher education institutions is in place. Currently, some higher education institutions face challenges in conducting on-site physical inventories due to busy work schedules. There are also issues such as loss of fixed assets, long-term lending without return, lack of asset labeling or failure to replace lost labels, which pose risks of discrepancies between the recorded and actual assets and incomplete information.

2.5 Excessive Configuration of Office Furniture and Equipment

According to the Administrative Regulations on the Management of Administrative Public Assets (State Council Decree No. 738), asset configuration standards should be adjusted in accordance with the requirements of frugality, efficiency, and environmental protection. Higher education institutions have established office furniture and equipment configuration standards for their party and government functional departments based on the relevant standards and provisions outlined in the General Office Furniture and Equipment Configuration Standards for Central Administrative Units (Finance and Treasury [2016] No. 27) [4], taking into account the specific circumstances of each school. However, audits frequently reveal that some higher education institutions have exceeded the price limits for the configuration of a few office furniture and equipment items. In particular, there are cases where high-value assets have been procured without conducting feasibility studies and decision-making processes. This poses risks of resource consumption, inefficient utilization, and wastefulness.

2.6 Delay in Conversion of Construction Projects to Fixed Assets

According to the latest regulations in the Administrative Regulations on the Management of Administrative Public Assets (State Council Decree No. 738), in order to strengthen the management of the conversion of construction projects to fixed assets and improve the efficiency of asset utilization, asset delivery and final settlement should be promptly carried out after the acceptance of construction projects, with a deadline not exceeding one year. However, currently, there is a widespread issue in higher education institutions regarding long-term accounting of construction projects, which affects the accuracy of cost accounting and performance evaluation for various units. The delayed conversion of construction projects to fixed assets can lead to significant risks such as difficulties in reconciling the quantity and amount of fixed assets during future asset accounting, unclear definition of usage and management authority, and delays in the disposal of scrapped assets.

2.7 Inadequate Management of Fixed Asset Disposal

There are numerous issues in the management of fixed asset disposal that warrant research and standardization. In recent years, audits have identified key problems in the areas of disposal conditions, disposal procedures, and disposal income. For instance, disposal conditions are often too generalized, especially concerning assets such as laboratories, classrooms, and dormitory renovations that have not reached their minimum years of use. These assets are often not assessed

by relevant experts, making it difficult to determine whether they are no longer usable or can meet the development needs of the institution. At the macro level, the current process for asset disposal involves unit declaration, hierarchical department approval, disposal implementation, and accounting procedures. However, at the micro level, there is a lack of corresponding mechanisms during the decision-making and execution stages of disposal, such as assessment and evaluation mechanisms, public participation, and expert consultation mechanisms. During the stage of handing over disposal income, there is a risk of personal favoritism within internal units, which can lead to wasteful spending or asset losses for the institution. There is also a risk of improper asset disposal due to the temptation of personal interests.

3. Analysis of the New Regulations on State-Owned Asset Management

Based on the above, it can be seen that the key issues identified in recent years' audits are further clarified and addressed in the Administrative Regulations on the Management of Administrative Public Assets (State Council Decree No. 738), which came into effect on April 1, 2021. At the national level, there is an increasing emphasis on enhancing the effectiveness of supervision at all levels of state-owned asset management and accelerating the improvement of the supervision system. This sends a signal that strengthens state-owned asset supervision by focusing on identifying and addressing issues and risks [5].

The new regulations on state-owned asset management were formulated based on the decision of the Standing Committee of the National People's Congress (NPC) on strengthening the supervision of state-owned asset management. Guided by the objectives of "matching records with reality, maintaining and increasing value, sharing and utilizing, and emphasizing performance", the regulations focus on six aspects: asset allocation, utilization and disposal, budget management, infrastructure management, asset reporting, supervision, and legal responsibility. The aim is to comprehensively enhance the management capabilities and levels [6]. Looking ahead, the key focus is on promoting dynamic management, process management, and information-based management. It involves fulfilling responsibilities, strengthening internal controls, enhancing supervision, and promoting efficiency. The goal is to establish an integrated asset management system that combines management, supervision, and efficiency. This system will provide fundamental guarantees for optimizing the distribution of state-owned assets and promoting high-quality development in universities. Additionally, the regulations specifically emphasize the need to establish a sound asset reporting management system to accurately and objectively reflect aspects such as the total amount of assets and liabilities, the establishment and implementation of management systems, and institutional and mechanism reforms.

Regarding the management of important fixed assets, which includes asset allocation, asset utilization, asset disposal, and asset efficiency, there are different key audit points in each aspect. Coordinating and linking these points can effectively promote the improvement of fixed asset management. Therefore, key audit points need to be implemented through four main mechanisms to achieve effective asset management: daily supervision mechanism, shared utilization mechanism, performance assessment mechanism, and accountability mechanism. Among them, there may be more risks in asset utilization and asset disposal, making them the focus of annual audit inspections. On one hand, it is necessary to further standardize asset utilization, ensuring accountability, maximizing asset utilization, and implementing timely tracking and inventory management. On the other hand, asset disposal should be optimized by refining processes, strengthening justifications, conducting rigorous reviews, and ensuring fairness and transparency. Only when all the processes related to state-owned assets in universities are properly controlled can they achieve maximum benefits and play a significant role in the development of teaching and research endeavors.

4. Reflection on Point-to-Point Auditing Issues and Analysis of Strategies

Based on the study and digestion of higher-level policies, and referring to the successful experiences and lessons learned from sister institutions' annual audit issue rectifications, it is necessary to take measures to improve the situation promptly, considering the school's specific circumstances, with a focus on problem-solving and risk mitigation.

4.1 Emphasizing the Prerequisite of Sound Institutional Framework and Enhancing the Scientific and Feasible Formulation of Policies

In order to further enhance state-owned asset management, it is essential to start with the establishment of regulations and policies. Continuously revising existing regulations and establishing scientifically effective state-owned asset management systems is crucial. Regular inspections of policy implementation should be conducted to identify and address issues in asset management. Strengthening relevant asset management systems and establishing effective communication channels within departments are important to ensure that asset management thinking and policies guide the work of state-owned asset management in universities.

For example, addressing audit issues one and two: timely formulation of regulations on low-value consumables to assign responsibility for the management of low-value consumables to respective units. This includes strengthening physical asset management, conducting random inspections and audits of low-value consumables within each unit, and conducting annual inventory checks to ensure the alignment of records and physical assets, as well as the security and integrity of inventory. In addition, developing regulations on performance management by establishing a comprehensive performance evaluation and assessment system that combines process and outcome evaluation, while also considering the input-output efficiency of funds.

4.2 Seizing the Supervisory Mechanism as a Barrier to Promote Implementation and Enforcement of Different Policies

The establishment of a supervisory mechanism can enhance the level of asset management, solidify the primary responsibility for grassroots asset management, and improve the awareness of being stakeholders and the level of risk prevention at the source in asset management work at the grassroots level. Corresponding supervisory measures should be formulated to ensure mutual supervision and checks among departments and positions. Continuously innovating the new management model of "networking" "digitalization" in the new era and further leveraging the supervisory functions of auditing at all levels will help establish a data supervision and tracking system. Considering that assets are dynamic, a combination of regular inspections and irregular spot checks during important periods should be organized to focus on the purchase, utilization, and sharing of state-owned assets. This approach facilitates the timely prevention of existing risks.

For example, addressing audit issues three and four: enhancing asset inventory efforts by explicitly stating work requirements, strengthening refined asset management. Annually, the entire university should issue fixed asset inventory tasks, utilizing an online comprehensive self-inspection combined with offline random spot checks to conduct dual inventories. Units should be promptly notified to rectify any omissions or deficiencies, keep records of lent items, and retired personnel should promptly return borrowed fixed assets, ensuring that "people leave, assets remain". Assets that have not been labeled or have lost their labels should be promptly relabeled. Leveraging online asset management systems, with a focus on information transparency and maximizing asset utilization, multiple channels should be used to promote idle asset redistribution platforms and asset disposal announcement platforms. This will guide and incentivize secondary units to make efforts in asset sharing and utilization, effectively enhancing the efficiency of state-owned asset utilization[7].

4.3 Seizing the Goal of Improving Efficiency to Optimize Work Processes and Levels

State-owned assets in higher education institutions are closely related to the teaching and research activities of the schools. Managing them well can enhance the competitiveness of the institution and play a crucial role. It is necessary to take measures promptly to optimize and streamline work processes, ensuring the maximization of asset efficiency[8].

For example, addressing audit issues five, six, and seven: further strengthening budget constraints on asset purchases to ensure strict control throughout the asset application and procurement process. For units with special requirements for purchasing specific assets, the principle of reasonable fulfillment of functional needs should be followed. They should provide written justifications for the necessity and undergo rigorous review and approval by responsible leaders. Only when there is a genuine special need can the purchase be approved. For units with significant value asset purchase requirements, the purchasing unit should provide written justifications and a commitment to maximize asset utilization. During annual random asset inventory checks, special attention should be given to high-value equipment. Project construction units should track the entire process from project demonstration, implementation, acceptance, final accounting, to asset transfer and consolidation to ensure comprehensive planning. Relevant units should strictly adhere to the requirements and reconcile the asset accounts of engineering projects, ensuring rigorous asset handover and verification with construction and user parties, and ensuring the accuracy and efficiency of completing the task of converting assets from ongoing projects to fixed assets. Adding necessary requirements to improve the judgment of disposal conditions, adhering to the principles of "openness, fairness, and impartiality", and strictly ensuring the rationality and compliance of disposal procedures. It is essential to ensure the transparency of disposal information and results, enabling assets to achieve maximum benefits.

4.4 Seizing the Means of Accountability to Strengthen the Intensity of Crackdown on Violations

Timely accountability is necessary when instances of weak institutional implementation are identified to foster a culture of effective execution. Following the management system of "unified leadership, centralized management, hierarchical responsibility, and personal accountability", the leaders of asset utilization units in higher education institutions, as the primary executors, should take the lead in implementation, assume responsibility from top to bottom. This not only ensures effective control of the progress of institutional implementation but also eliminates the phenomenon of "paper compliance"

in implementation[9]. Therefore, leaders at all levels should prioritize institutional implementation, leverage the power of publicity, proactively promote the enforcement of various rules and regulations, and prevent privileges and personal favors. If instances are found where collective decision-making or approval procedures are not followed, resulting in losses to national interests or failure to fulfill their own responsibilities, measures such as counseling, corrective actions, accountability, and disciplinary actions should be taken to foster a culture where everyone adheres to and supports the system[10].

5. Conclusion

Based on the findings, it is crucial for the asset management departments in higher education institutions to promptly summarize the key issues identified in the audit, deepen the rectification work, draw lessons from them, and ensure effective follow-up and consolidation of the rectification outcomes. Due to the characteristics of public nature, non-profit orientation, and gratuitous use of assets in higher education institutions, coupled with the complexity of daily work and its intersection with finance, procurement, logistics, and infrastructure, it is essential to establish a new framework for state-owned asset management. This framework should effectively control both the "unit side" and the "supervisory side", conduct in-depth problem research, mitigate various risks, and promote integrated management. Only through such efforts can a positive and interactive situation be formed where various departments complement each other and share resources.

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