

Research on the Impact of Internal Control Construction on Financial Audit in Colleges and Universities

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Abstract: The construction of internal control is an important measure to regulate the economic and business activities of colleges and universities, prevent internal and external risks, and improve management efficiency. Financial audit is a necessary means to ensure the authenticity and reliability of financial information, optimize resource allocation, improve the efficiency of fund utilization, and enhance internal control and management. Both share common goals and processes, aiming to further improve financial and internal management levels and promote high-quality development in higher education institutions. This paper focuses on the two key elements—internal control construction and financial audit—and explores the impact of internal control on financial auditing in colleges and universities from the perspectives of the audit environment, audit risks, audit procedures, and methods. It reveals the role and significance of strengthening internal control in improving the quality of financial audits, optimizing resource allocation, and preventing and resolving financial risks. Moreover, the paper puts forward optimization suggestions for the current problems in internal control construction in colleges and universities. The purpose of this study is to further promote the deep coordination between internal control and financial audit and to support the high-quality development of colleges and universities.

Keywords: internal control construction; financial audit; impact; optimization strategies; colleges and universities

1. Introduction

In recent years, supported by the strategy of building a strong country through education, China's higher education has developed rapidly. The scale of colleges and universities has expanded continuously, sources of funding have become more diversified, and financial and internal management risks have been increasing. Financial audit, as an important means to supervise and ensure the sound, transparent, and efficient operation of college finances and the integrity and accuracy of financial information, has become increasingly important. Internal control, as a key measure in financial management, complements and promotes financial audit, and the two function synergistically.

In November 2024, in order to further strengthen the financial supervision of colleges and universities, the Ministry of Finance issued the Guiding Opinions on Further Strengthening the Internal Control Construction of Higher Education Institutions (hereinafter referred to as the “Opinions”), which clearly requires the effective integration of the establishment, implementation, and evaluation of internal control with audit, inspections, and discipline supervision. It emphasizes fully utilizing the outcomes of the Party and state supervision systems to form a joint supervisory force. Therefore, further strengthening research related to internal control construction and financial audit has become a hot topic in college financial management. It is of great significance in enriching the research system of internal control and audit in colleges and universities, improving audit quality, preventing and resolving financial risks, optimizing resource allocation, and enhancing the efficiency of fund utilization.

2. Concepts and Connotations of Internal Control and Financial Audit

2.1 Internal Control

Internal control refers to the supervisory activities carried out in key areas and projects such as budgeting, revenue and expenditure, procurement, fixed assets, construction projects, contracts, debts, research funds, and foundations, with the aim of improving fund utilization efficiency, optimizing resource allocation, ensuring that all economic activities are legal and compliant, securing assets, and ensuring the authenticity and completeness of financial information, thereby providing strong support for decision-making. The construction of internal control in colleges and universities refers to the process of ensuring the effective implementation of internal control through a series of effective means such as institutional mechanisms, supervision and inspection, and performance evaluation. Internal control construction in colleges and universities mainly includes three aspects: construction of the control environment, implementation of control activities,

and application of control results. The control environment mainly includes the establishment of internal control leadership teams, rules and regulations, platform construction, personnel responsibilities, communication and coordination, and the creation of a supportive atmosphere. The implementation of control activities includes budget control, supervision of income and expenditure, business and asset management, risk assessment, information communication, and internal supervision. The application of control results involves eliminating potential risks and safeguarding the security of funds through relevant intervention measures, with disciplinary inspection and supervision departments stepping in when necessary.

2.2 Financial Audit

Financial audit refers to the comprehensive auditing and evaluation conducted by an independent third-party audit agency in accordance with the law on the financial statements, financial records, and economic activities of an enterprise or organization. The purpose of financial audit is to ensure the authenticity, completeness, legality, and accuracy of financial information. Audit is an important means of financial supervision and one of the key methods for error correction, fraud prevention, and management supervision in enterprises or organizations. Financial audit in colleges and universities includes internal and external audits. External audit refers to audits conducted by relevant government departments such as the education or finance departments, or by third-party institutions entrusted by the government. Internal audit refers to supervisory and inspection activities carried out by internal audit institutions established within colleges and universities in accordance with the law, focusing on financial income and expenditure, economic activities, internal control, and risk management. The financial audit discussed in this paper mainly refers to internal financial audit activities within colleges and universities.

3. Research on the Impact of Internal Control Construction on Financial Audit in Colleges and Universities

3.1 Impact of Internal Control Construction on the Financial Audit Environment

High-quality internal control construction promotes financial audit work. On one hand, it optimizes the audit atmosphere. High-quality internal control can create a rigorous and standardized financial work environment, enhance the understanding and awareness of financial management among all cadres and staff in colleges and universities, encourage conscious compliance with various rules and regulations, and active cooperation with audit work, effectively ensuring the smooth progress of audits. On the other hand, it enhances the status of auditing. Internal control construction itself can be carried out as a part of audit work, integrated into the audit process, and provide sufficient data and information for auditing. This not only strengthens the audit team, reduces audit costs, and improves audit supervision effectiveness, but also effectively enhances the influence of financial audit within the internal management of colleges and universities.

3.2 Impact of Internal Control Construction on the Financial Audit Process

(1) Impact on the audit planning stage: The results of internal control risk assessment can provide an effective basis for audit work, improve audit targeting, avoid blind audits, and prevent waste of audit resources. For example, by analyzing internal control construction to identify weak management links and high-risk areas, the audit focus can be clarified and audit resources allocated reasonably. In addition, internal control construction can expand the scope of audit work, extending audits beyond economic activities, offering opinions and suggestions, and promoting the transformation of financial audit into comprehensive and research-oriented audits, thereby improving audit efficiency.

(2) Impact on the audit implementation stage: Through internal control activities such as authorization approval and budget control, auditors can select appropriate sampling methods and scientifically determine sample sizes to improve audit efficiency. Internal control construction expands the channels for obtaining audit information; for instance, auditors can verify the legality of transactions and the authenticity of financial expenditures by reviewing internal control-related documents, procurement approval records, meeting minutes, etc. Internal control also helps optimize audit procedures: for information and data with strong internal control, verification steps can be reduced, while for weak control areas, substantive tests should be strengthened, such as walkthrough tests, control tests, cutoff tests, etc., to ensure the authenticity of financial data.

3.3 Impact of Internal Control on Financial Audit Results

Internal control helps promote the implementation of audit findings, consolidates audit efforts, and strengthens the application of audit results. First, standardized financial data under internal control can effectively reduce audit error rates, improve audit quality, and reduce audit risks. At the same time, audit results combined with internal control reflect not only the financial work but also the internal control work. Audit work can help improve financial management and strengthen

internal control in colleges and universities. Second, internal control and audit coordination form a supervisory closed loop, enhancing the execution of audit results and increasing audit authority. Finally, internal control construction helps promote the transformation of traditional financial audit from “post-event supervision” to “whole-process risk prevention and control,” facilitates deep integration of audit outcomes with research-oriented audits, strengthens the application of audit results, turns problem rectification into improvements in institutional mechanisms and internal management efficiency, and promotes the implementation of major policies, projects, and important funds.

4. Analysis of the Current Situation of Internal Control and Financial Audit in Colleges and Universities

In recent years, with the increasing emphasis of education authorities on the construction of internal control in colleges and universities, especially after the issuance of the Opinions, colleges and universities have further strengthened internal control construction based on their actual conditions. Management in areas such as budgeting, revenue and expenditure, asset management, and financial approval has become more standardized, institutional mechanisms more complete, and internal control has achieved positive results. Regarding financial audit work, internal audit has been increasingly improved, with comprehensive audits conducted for incumbent and outgoing leaders of universities, secondary units, and university-affiliated enterprises. Currently, internal audits in colleges and universities still mainly rely on traditional audit methods, with relatively limited use of information technologies such as big data.

While fully affirming these achievements, it is necessary to recognize that there are still some problems and deficiencies in the current internal control construction and audit work in colleges and universities, mainly reflected in the following aspects: First, some colleges and universities do not pay enough attention to internal control construction; their institutional mechanisms are incomplete and implementation is inadequate. Risk assessment work is superficial, failing to effectively identify, predict, and respond to potential risks and challenges, and communication and coordination between departments are poor. Second, financial audit methods are relatively traditional, with insufficient application of information technology. There is a lack of connection between audit and internal control; internal control construction is not integrated into the audit process, audits do not participate in the rectification of internal control defects, and coordination between internal control and audit is insufficient, leading to repeated reviews and reduced efficiency. Third, audit problem rectification is inadequate, and audit results are underutilized. For some audit findings, supervision is insufficient, and rectification is incomplete, meaning that the role of audit has not been fully realized. The joint application of audit results is limited; there is little effective connection with cadre performance evaluation, promotion, and appointment; few cases are transferred as problem clues; and there are relatively few cases where disciplinary commissions supervise or directly handle rectification or investigations.

5. Countermeasures to Enhance the Synergy between Internal Control Construction and Financial Audit in Colleges and Universities

5.1 Raise Awareness, Strengthen Internal Control Construction, and Consolidate the Audit Foundation

Colleges and universities should further elevate the importance they attach to internal control construction and financial audit, especially by intensifying grassroots publicity and education efforts. Focus should be placed on the school’s central tasks and leadership’s key concerns, management difficulties and bottlenecks, issues of interest to faculty and staff, and major economic matters. Relevant theoretical knowledge should be popularized, policies and regulations interpreted, and audit project plans reasonably arranged to effectively enhance the awareness and participation of the majority of faculty and staff in audit work. Internal control construction should be incorporated into the university’s performance evaluation system, thereby compelling cadres and staff to conduct economic activities in compliance. A combination of online and offline methods and multiple channels should be employed to showcase achievements in internal control construction, publicly disclose audit reports, create a good environment, and guide faculty and staff to develop a conscious habit of compliance and discipline. Colleges and universities should integrate various internal information resources such as financial systems, asset management systems, and academic management systems, break down information barriers between departments, connect internal control and financial audit data chains, establish integrated platforms, strengthen data co-construction and sharing, and strengthen supervision of special internal control processes in key areas (such as scientific research and infrastructure construction), laying a solid foundation for promoting deep synergy between internal control construction and financial audit.

5.2 Improve Organizational Structures, Strengthen System Construction, and Promote Deep Synergy between Internal Control and Audit

Colleges and universities should further strengthen the organizational leadership of internal control and financial audit work. Internal audit institutions should be independently established and directly led by the university's main responsible leaders to prevent excessive external interference in financial audit work. Explore merging internal audit institutions and internal control institutions into one entity with "two plates," coordinating internal management and financial audit work to effectively promote synergy and integration of various tasks. Focus on institutional and mechanism construction, taking the building of a clean university as a breakthrough point. Closely focus on key areas such as university admissions, infrastructure projects, teacher ethics, logistics management, university scientific research funds, and financial audit to further improve systems and mechanisms, thereby confining operations within the "cage" of regulations. Establish a dynamic update mechanism for internal control systems, revising and improving internal control and audit systems promptly in response to major national policy changes. Further strengthen team building by strictly controlling audit personnel entry standards, selecting comrades with strong political integrity, excellent conduct, and strong principles to engage in internal control and audit work. Enhance continuing education for internal control and audit personnel, conduct cross-training in related fields of knowledge and skills, and build a research-oriented audit team.

5.3 Comprehensive Integration and Cross-Embedding: Strengthening the Joint Application of Internal Control Construction and Financial Audit

Colleges and universities should actively promote the deep integration of internal control construction and financial audit work, fully leveraging the positive effects of both to improve audit efficiency and support the high-quality development of colleges and universities. First, during the audit planning stage, based on internal control construction, the risk assessment system should be further improved. It should align with the actual situation of colleges and universities and focus on key indicators such as asset-liability ratio, funding self-sufficiency rate, and research funding receipt rate. A risk early warning system should be established and monitored through information technology. Once indicators deviate, timely warnings should be issued to facilitate prompt intervention. The phased risk assessment results should serve as an important guide for audit work, determining the main directions of audit activities and improving audit effectiveness. Second, during the audit implementation stage, internal control phase results should be fully utilized to reduce repetitive audits by leveraging internal control evaluation reports. Audits should focus on problems found in internal control, defects in systems and mechanisms, and conduct in-depth audit work. Strengthen the full-process management of internal control supervision and evaluation, give full play to the role of internal control audit supervision, and pursue retrospective responsibility for significant internal control defects in financial reports that were not discovered or disclosed.

5.4 Multiple Measures to Improve Audit Quality and Efficiency, Deepen the Application of Audit Results

Colleges and universities should fully utilize the achievements of internal control construction to improve audit quality and efficiency, and deepen the application of audit results, giving full play to the roles of audit supervision, guidance, and promotion. Innovative audit methods should be further explored, enhancing the use of information technology, big data, blockchain, and other technologies in financial audit work in colleges and universities. Internal control problem rectification should be incorporated into the audit follow-up mechanism, fully exerting the audit supervision function and forming a closed loop. For example, for the rectification of major internal control defects such as contract approval authority, the audit department should track the entire process to ensure legality and compliance, effective rectification, and elimination of risk hazards. For audit feedback issues, responsibility subjects should be further clarified in conjunction with internal control work, and a thorough analysis should be conducted to determine whether there are internal control management loopholes that should also be rectified. Special inspections and supervision on audit problem rectifications should be carried out to ensure the issues identified by audits are effectively resolved and to maintain the authority of audit supervision. Strengthen cooperation between audit supervision and internal control management, disciplinary inspection, supervision, and inspection forces, promote interconnection and sharing of audit results with other supervision outcomes, and apply them comprehensively. Combine audit results with budget indicators, cadre appointments and removals, and rank promotions to expand the scope of result application.

6. Conclusion

Internal control construction and financial audit are both important means and tools for strengthening internal

management, improving management efficiency, and promoting development in colleges and universities. They are closely related, mutually influencing and promoting each other. Internal control construction in colleges and universities has a profound impact on the financial audit environment, processes, and application of results; likewise, financial audit can also drive and promote internal control work, with the two complementing each other. Colleges and universities should adhere to the overall work guideline of “strengthening management, auditing according to law, focusing on the center, and serving the overall situation,” further improve organizational structures, strengthen institutional mechanisms, enhance the internal control awareness and compliance operation awareness of all staff, and promote financial audit work with high-quality internal control personnel. They should deepen the application of audit results, integrate and coordinate with supervision from disciplinary inspection, supervisory inspection, and organization and personnel departments, forming a good pattern of “pre-event warning, in-process tracking, and post-event evaluation,” fully exerting the role of audit supervision, and better adapting to the new situation and requirements of higher education development.

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