

Research on the Value-Added Service Path of Internal Audit in Universities

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Abstract

With the implementation of the strategy of revitalizing the country through science and education, the internal and external environment for the development of universities has undergone profound changes. The scale and total amount of funding for universities have gradually increased, the sources of funding have become increasingly diversified, and the autonomy of education has gradually strengthened. Based on this, the risks and challenges faced by university governance are increasing day by day. As an important means of university governance, internal audit should take supervision as the starting point, value-added as the goal, and service as the essence. It should play an important role in improving the level of university governance, assisting risk prevention and control, enhancing comprehensive competitiveness, and promoting the achievement of school goals. This article first explains the profound connotation of value-added services for internal audit in universities, and points out the problems faced by value-added services for internal audit in universities in terms of audit intervention time, audit mode, audit methods, service effectiveness, etc., based on practical work. The reasons are analyzed, and corresponding improvement suggestions are proposed.

Keywords: universities, internal audit, value added services

1. Introduction

The report of the 20th National Congress of the Communist Party of China pointed out that “education, technology, and talent are the fundamental and strategic supports for the comprehensive construction of a socialist modernized country.” The essence of technological competition is the competition for talent, and the essence of talent competition is the competition for education. At present, China is on a new journey to achieve the second centenary goal. As the place of higher education,

universities shoulder the basic mission of talent cultivation and scientific research. Its governance capacity system and modernization construction of governance capacity are not only related to its own development, but also profoundly affect the realization of the goal of socialist modernization of the country.

Internal audit, as an important tool for internal control and organizational governance in universities, uses systematic and standardized procedural methods to prevent risks, improve management, optimize resource allocation, and

serve the reform and development of the school. Traditional compliance audits are often limited to revealing violations of discipline and rules after the fact, tracing the source and analyzing and evaluating the economic, efficiency, and effectiveness of value-added services as a whole, which is insufficient to meet the needs of modernizing the governance system and governance capacity of universities. With the development of the economy and society, the internal audit department can only maximize its own and organizational value by actively adapting to internal and external environmental changes and providing value-added services to the organization. Therefore, it is of great significance to strengthen the research on the value-added service path of internal audit in universities in the new era.

2. The Connotation of Value-Added Services for Internal Audit in Universities

The International Institute of Internal Auditors defines “added value” as “internal audit, through confirmation and consulting services, increases the organization’s opportunities to achieve established goals, confirms operational improvements, and/or reduces the degree of risk exposure, thereby creating value for the organization.” The value-added services of internal audit in universities are reflected in the independent and objective supervision, evaluation, and recommendations of the university’s internal audit department on management activities such as financial revenue and expenditure, economic activities, internal control, and risk management, providing corresponding reference information to the school’s management decision-making level or relevant functional departments, and creating excess value under information free conditions. (Wang Jinyue, 2018) This excess value can be either the direct value measured by the available amount to reduce costs or increase returns, or the indirect value to reduce risks, promote unit governance, and achieve goals.

In 2018, the newly revised and released “Regulations of the National Audit Office on Internal Audit Work” defined the responsibilities of internal audit as “supervision, evaluation, and recommendations”, which added the function of “recommendations” on the basis of the 2003 version. The “Regulations on Internal Audit Work in the Education System” issued by the Ministry of Education in 2020 fully defines the responsibilities of internal

audit in accordance with the regulations of the National Audit Office. The successive release of a series of documents marks the transformation of internal audit from a “problem supervision type” to a “value-added service type”. (Chen Zheyang, 2022)

3. Analysis of the Problems and Reasons for the Value-Added Service Function of Internal Audit in Current Universities

The value-added services of internal audit in universities are the inheritance and development of the compliance audit model. By moving the audit nodes forward, practical and effective value-added audit services are provided at the root of problems and the early stages of risks, enhancing the governance and risk resistance capabilities of universities. However, there is still a certain gap between the implementation and expected results of the value-added service function of internal audit in universities, mainly reflected in aspects such as audit intervention time, audit mode, audit methods, and service effectiveness.

3.1 Audit Time Lag

Value added services require internal audit to fully leverage the role of the audit “epidemic prevention system”. Therefore, the intervention time of internal audit should run through the entire process of audit matters before, during, and after the audit, in order to identify problems and rectify them immediately, prevent the expansion of risks and loopholes. However, currently, in addition to the gradual implementation of full process tracking audits for large-scale infrastructure projects, other internal audit matters such as economic responsibility audits, financial revenue and expenditure audits, and research funding audits in universities mainly rely on post audit.

The reason for this is that the internal audit related system and rules are not sound. Although the National Audit Office, Ministry of Education, China Internal Audit Association and other relevant institutions have clearly defined the function of internal audit “consultation and suggestion” in relevant document standards, most universities have not established specific rules on how to implement them. Issues such as “what needs audit consultation”, “what is the audit consultation process”, and “how to use audit consultation results” are still unclear, and the standardization of implementation is difficult to guarantee. Secondly, there is a lack of

risk assessment standards. During the process of risk assessment and identification, auditors are prone to blind spots in their work, resulting in a high degree of subjectivity and a lack of effectiveness and feasibility in their proposed suggestions. The relevant functional departments and secondary colleges of universities, driven by the instinct of seeking benefits and avoiding harm, will inevitably selectively conduct audit consultations. The adoption rate of audit opinions is not high, and the internal audit department considers that “the less done, the smaller the audit risk”. The initiative of consulting suggestions for pre audit nodes is also not strong.

3.2 Limitations of Audit Mode

The internal audit of universities should integrate the concept and methods of proactive risk control, quantify risks through comprehensive assessment of unit risks, concentrate audit resources on high-risk areas, and minimize residual risks. However, the current internal audit model of universities is mainly based on account-oriented auditing, supplemented by system-oriented auditing, and risk-oriented auditing is rarely carried out. (Ding Xue'er, 2020) There are more specific issues related to financial statements, limited to error detection and correction, and less comprehensive risk control for the organization to achieve its goals.

The main reason for this is that the comprehensive quality of auditors still needs to be improved. Risk-oriented auditing has led to the expansion of audit scope and content, requiring analysis of the internal and external environment, industry standards, institutional processes, and other situations of the audited unit in conjunction with financial statements and statistical data. This has put forward higher requirements for the professional ability and quality of auditors. However, due to factors such as historical evolution, the personnel structure of internal audit institutions in universities is single, with finance as the main component and a lack of professional talents in management, engineering, computer science, law, and other fields, making it difficult to meet the current demand for audit consulting services in university governance.

3.3 Outdated Audit Methods

With the construction of smart campuses, the level of informatization of audit objects

continues to improve, and audit value-added services require the continuous expansion of audit business. Good audit value-added effects must be supported by a high level of informatization. The 2020 Regulations on Internal Audit Work in the Education System (Order No. 47 of the Ministry of Education) require the improvement of internal audit informationization construction. However, the current internal audit of universities mainly relies on manual review of original vouchers, accounting statements, meeting minutes, and other raw materials for auditing. Computer assisted auditing is rarely carried out, resulting in low audit efficiency and relying heavily on the professional quality and professional cultivation of internal auditors to ensure audit effectiveness.

The reason for this is that there is insufficient emphasis on the construction of information technology in the unit, and a one-sided view of the system construction and information input maintenance costs and workload brought by audit information technology construction, believing that conventional audit methods are sufficient to cope with current audit matters, and the cost-effectiveness of audit information technology construction is not high. The second issue is the existence of data silos between departments. The integrity and accuracy of data collection directly affect the quality and efficiency of audit informationization. However, there is a dilemma in the informationization construction of various departments in universities, with different progress and standards. Moreover, due to confidentiality, information security and other factors, each unit creates obstacles to information sharing and transmission, making it difficult for informationization auditing to obtain data support.

3.4 Poor Service Performance

The prerequisite for promoting value-added services through auditing is that the management and the audited entity can accept and adopt the audit results. However, some audited units in some universities currently do not attach enough importance to the opinions and suggestions put forward by internal auditing, and the improvement measures are ineffective. Some problems are repeatedly reviewed and repeated, resulting in the fact that internal auditing only generates “costs” in unit management, and value appreciation cannot be

discussed.

The reason for this is that the independence of auditing is still insufficient. Currently, departmental universities have not yet established independent auditing institutions, and there are situations where they work together with disciplinary inspection, party and government, finance and other departments. Even internal auditors of departmental universities directly participate in the decision-making and execution of business activities, making it difficult to guarantee the independence and objectivity of auditing, and the prerequisite for effective value-added services is difficult to guarantee. (Ge Yujiao & Zhang Qin, 2019) The second issue is the insufficient construction of audit culture. The internal audit department of universities is not only an important institution for internal control of units, but also a secondary functional department of units. Due to its supervisory nature, it is inevitable to have conflicts of interest or emotional disharmony with other higher-level departments and colleges. Due to the need to provide relevant information, explain relevant situations, and provide feedback on rectification in order to cooperate with internal auditing, some departments even narrowly believe that internal auditing is just “finding faults” and have a mentality of rejection and resistance towards it. The third issue is that the application of audit results is not yet sufficient. The current main mode of using audit results is to require the audited unit to rectify the problems found in the audit within a specified period of time and submit a rectification report. There are many concerns when applying the audit results to cadre assessment, appointment and dismissal, rewards and punishments, and there is insufficient coordination and linkage with the use of disciplinary inspection and patrol audit results.

4. Suggestions for Enhancing the Value-Added Services of Internal Audit in Universities

In the current stage of popularization of higher education in China and continuous reform of the education system, the internal audit department of universities should take multiple measures to provide value-added services for the modernization of the university governance system and governance capacity, ensuring that the goals of internal audit are consistent with the development goals of the university.

4.1 Establish a Sound Internal Audit System

Firstly, it is necessary to establish standardized systems and processes related to internal audit value-added services, clarify which content items belong to the scope of value-added services, specific consulting service processes, use and feedback methods of service results, responsibilities and authorities of relevant departments, etc. A sound institutional mechanism can standardize the behavior and work procedures of internal audit and related personnel. Secondly, it is necessary to establish a scientific and comprehensive evaluation standard “scale”. Audit information, audit process, and audit opinions should be objective, fair, and scientific, and should be used to evaluate the compliance, appropriateness, and effectiveness of organizational management activities in a reasonable and evidence-based manner. At the same time, the evaluation criteria should closely follow the implementation of the school’s major deployment of the Party and the state, the construction of the Double First Class and other medium - and long-term development strategic plans, and enhance the timeliness and effectiveness of value-added services.

4.2 Enhance the Professionalization of the Audit Team

Audit recommendations can only be accepted by the audit subject and generate value appreciation when considering their ability to execute and effectively solve current problems. The implementation subject of audit matters is auditors, and the comprehensive quality and professional ability of auditors play a decisive role in the appropriateness, pertinence, feasibility, and other aspects of audit recommendations. Internal auditing in universities should strengthen the construction of audit team capabilities. Firstly, it is necessary to enrich the structure of internal audit personnel in universities, expanding from a single finance major to audit, economics, engineering, law, computer science, and other fields. In the context of limited staffing system, universities, as gathering places for various talents, can optimize personnel composition by hiring teachers and students from relevant majors as part-time auditors. Secondly, it is necessary to participate in various business training, continuing education, professional qualification exams, and higher-level institutions’ “audit instead of training” to promote the comprehensive quality

improvement of auditors. Finally, it is necessary to draw strength from intermediary agencies and complement the advantages of external auditors' rich experience and diverse thinking and methods with internal auditors' familiarity with the internal control environment of the unit and easy determination of audit priorities, forming a "1+1>2" value-added service "combination fist".

4.3 Strengthen the Construction of Audit Informatization

Firstly, we need to shift our auditing mindset. General Secretary Xi Jinping emphasized the need to adhere to strengthening auditing through technology and enhancing the construction of auditing informatization. The National Audit Office proposed to seek efficiency from informatization, resources from big data, and take the path of strengthening auditing through technology. In the current context of big data, with the informatization of audit objects and the complexity of audit content, internal auditors in universities should fully recognize the significant role of audit informatization in reducing audit risks, providing risk warnings, and assisting in audit standardization. Only modern audit concepts and digital auditing can match the mission and requirements of internal auditing in the new era. Secondly, we need to break down data barriers. The process of information-based auditing is to allow more data to escape and auditors and audited units to escape less. How to smooth the data transmission path and eliminate transmission bottlenecks has become the key. In the process of informatization construction of internal audit departments in universities, they should actively coordinate with state-owned assets, infrastructure, finance, scientific research and other departments on the progress and standards of information system construction, and achieve real-time transmission and sharing of data through the establishment of data warehouses or "intermediate warehouses".

4.4 Strengthen the Creation of Audit Environment

Firstly, it is necessary to strengthen the organizational leadership of internal audit institutions, by establishing independent audit institutions, direct leadership of the main responsible persons of centralized units, setting up audit committees, and coordinating audit proceedings, etc., to enhance the independence

and authority of internal audit and ensure the effective implementation and good service effectiveness of audit value-added services. (Zhou Ningxin, 2021) Secondly, it is necessary to strengthen audit publicity by promoting the management functions of internal audit services in schools through the distribution of promotional brochures, conference transmission, news push, and other modes. At the same time, attention should be paid to communication and exchange with the audited units and school management, forming a good atmosphere of "combining supervision with service". Enable leaders at all levels to shift their mindset from 'I am audited' to 'I should audit' and 'I want to audit', actively cooperate with internal audit, jointly identify risk loopholes, promote unit governance improvement, and achieve goals. Finally, it is necessary to strengthen the application of audit results. The internal audit department of universities should pay attention to timely feedback to the audited units on the common and typical tendency problems found during the audit process, jointly promote the repair of internal control risk loopholes, and focus on the latter half of the audit. And establish information sharing with disciplinary inspection, personnel, organization, finance and other supervisory forces, take audit findings and rectification situations as important basis for annual assessment, personnel appointment and dismissal of the unit, and make them the key content of the unit's supervision and inspection, to jointly promote the implementation of rectification.

5. Conclusion

Anthony, former president of the International Institute of Internal Auditors Ridley once looked forward to the development prospects of internal audit, pointing out that only by constantly updating concepts, conforming to the trend of the times, optimizing audit paths and methods, can internal audit not be eliminated by history. Currently, with the continuous advancement of education system reform, internal auditing in universities should actively integrate into the improvement of university governance, prevent risks, and safeguard the development goals of the school's cause. While achieving organizational value appreciation, it can also maximize its own value.

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