

Original Paper

Research on the Construction of a Financial and Accounting Supervision System in Universities from a Governance Perspective

Hongru Yao¹

¹ Hebei University of Architecture, Zhangjiakou, Hebei, China

Funded by Science Research Project of Hebei Education Department ,project number: SZ2024120.

Received: August 26, 2025 Accepted: October 21, 2025 Online Published: November 16, 2025

doi:10.22158/ibes.v7n6p1

URL: <http://dx.doi.org/10.22158/ibes.v7n6p1>

Abstract

With the constant growth and growing complexity in the operational scale and financial operations of contemporary universities, setting up a strong financial and accounting supervisory system has become an important part necessary in order to safeguard financial safety, enhance the allocation efficiency of resources, and keep public accountabilities. But the old style supervision models tend to have dispersed responsibilities, emphasize post event compliance, and lack internal review, so they can't deal with modern issues like a range of different funding sources, complicated global collaborations, and a lot of money put in. This article delves into the creation of an overall supervisory mechanism for finance and accounts in universities from the viewpoint of governance: It claims that universities can go beyond simply checking whether the rules have been followed, and really get involved with overseeing the institution's finances strategically by using ideas from modern corporate and public governance like being accountability, clear about what is happening, letting people take part, and looking ahead to see which dangers you might fall into. It carefully looks into the main shortcomings of past supervision systems, which don't give prompt assurance or align with the university's strategic objectives. It offers up a multi-dimensional control scheme that gives oversight responsibility a new home. It stresses on the governance body (such as the Board of Trustees or University Council) being the undeletable key player, the creation of an independent and financially knowledgeable audit committee who are in full control, integrating the enterprise risk management (ERM) deeply into every financial and strategic decisioning process and optimizing every single aspect of internal control processes by using accepted standards. Moreover, it stresses the critical importance of taking full advantage of nowadays

information technology and data analyses so as to improve real- time monitoring, finding anomalies, and making sure the transparency of information to all kinds of shareholders. To create an all-round, pro-active, and forward-looking supervisory environment so as to not only prevent financial irregularity and waste but also actively drive the real inaction of strategy and guarantee the long-term sustainable development of higher education institutions, the proposed system.

Keywords

University Governance, Financial Supervision, Accounting Control, Higher Education Management, Accountability, Risk Management, Enterprise Risk Management (ERM)

1. Introduction

The role of HEIs in promoting economic progress, the development of science, and progress can be seen as a given. In the past few decades, universities around the world are experiencing substantial changes: increasing the number of student enrollments, diversified funding sources such as higher tuition, more private donations, complex endowment investment plans, international relationships and research grants have become a lot, and they increasingly have more operational autonomy. But this spread is now creating all sorts of financial complexities and dangers that are way too far beyond anything regular running of an organization could take care of. There are huge resources to be handled here - frequently hundreds of millions - in matters of financial honesty, of good use of money, and of acting responsibly before the public. Thus, the financial and accounting supervision systems in universities are coming under scrutiny, to see if they can effectively protect assets, maintain the accuracy of massive amounts of financial reports, and improve the efficiency of operations and value-for-money. Supervision in many HEIs has traditionally been handled reactively and with compliance at the forefront, as it is often inherited from simpler, earlier administrative times where state control dominated (Fu, 2025). There is a heavy emphasis on administrative approval and after-the-fact review of historical events. This model has nothing on it, really, to deal with the constant flux of risk in a university nowadays. From wildly unpredictable stocks and huge overseas projects that have to follow money rules, to complicated things like GDPR or making sure research money isn't spent wrong, all the way to keeping the bank safe without anyone knowing how it's done - this doesn't even come close. The problems of this sort of fragment are often accompanied by unresolved interest and ongoing information asymmetry between management and governing bodies, lack of long term, strategic oversight – resulting in an inefficient distribution of resources, huge wastage, reputational damage and on some occasions major financial scandals leading to widespread loss of public confidence, and the inability for the entity to function properly. In this paper I try to fill in this big gap by proposing the creation of a financial and accounting supervision system based on the principles of modern governance. it argues that it has become a fundamental, integral part of institutional governance, and not just a rear office, administrative task, that is required to make sure that financial

management aligns with the strategic mission of the university, which ensures a healthy and sustainable financial future for the university.

2. The Theoretical Confluence of Governance and Financial

Supervision in Higher Education The principle application of governance in higher education marks an important change in ideas, as principles of a well-established corporate governance structure focused around the concept of board over-site, share-holder accountability, and risk management are borrowed upon as well as the public administration theories with a focus on transparency, public trust and the stewardship of resources. In this particular context, Governance is all about the complete set of bodies, processes, arrangements, rules and relationships which guide, direct, control and make an institution answerable to its various stakeholders. This is tricky to juggle different groups interest, like government (gave money and rules), governing boards (watch over things), academic people (inside the university stuff), students (use it and work with it), and normal folks (get the big benefit from all this). When applied to financial and accounting supervision, this governance perspective completely changes the objective from mere conformity and finding errors into a comprehensive assurance of the entire institutional value, strategy alignment, and strong forward-facing risk management. It takes a governance perspective that goes beyond supervision being confined to the finance department and viewed as periodic audits (He, S., & Hua, 2025). This should instead be a seamless ongoing process of the very top leadership of an organization, with a strong focus on the governing board as well as special, stand-alone committees. This frame emphasizes “tone at the top” which means the board, senior leaders visibly support integrity and accountability. Finance reporting requires radical transparency, foresight, and pro-activeness. We need to have our money on the line ahead of the game. Unlike old supervision, it does not depend on random internal reviews by the organization, but rather sets clear lines of responsibility for governance, ensures the functional and administrative independence of the various assurance functions, particularly internal audit, and requires detailed analysis reports to link financial performance with strategic goals and risk appetite (Zeng, Pan, Han et al., 2025). This holistic perspective stands in stark contrast to the fractured outlook where the internal audit function lacks true independence, reporting to the same people that it is supposed to be supervising such as the chief financial officer, or one where a risk management approach is an informal and haphazard approach rather than an embedded and institution wide institutional process. Integration of governance turns financial supervision into something that is dynamic, able to respond to newly arising dangers, and basically aligned with the core function of the university which is education and research.

3. Deficiencies in Traditional University Financial Supervision Models

Most now existing financial supervisory systems were relics from past simpler times of operations and they have lots on them that don't work anymore including both structurally as well as functionally and

for this reason they are almost entirely ineffective. The first main issue is that supervisory responsibility is deeply fragmented. In a lot of organizations, internal audit, budget control, compliance (like research grant compliance), and danger administration all work in isolated silos. This “patchwork” of different controls means that there isn’t really any communication or cooperation between all the pieces, so it causes a lot of unnecessary work, wastes people, time and materials, but even more dangerously, it makes gaps in watching over dangerous zones that span different departments or fields. This situation is exacerbated by the fact that the internal audit has little real independence. CAE will report to CFO in all institutions, so there must be a big, inevitable conflict, either administratively, functionally or both will report directly to CFO or Senior manager. This kind of reporting system ruins the objectiveness in audits, making audits become something like just rubberstamping rather than a proper, independent lookover and also lessens the will to bring up thorny questions (Guo, 2024). There is an overabundant supervision afterwards. The attention placed upon overseeing whether the expenditures that have occurred can be considered lawful and meet the rules is too great. Reactive actions do little to actually prevent waste, prevent malfeasance, or cure the disease causing all the financial irregularities. It is like writing down a failure instead of preventing failure. This is made worse when there is either no formal risk management culture, or a very weak one, which means that spotting risks is usually informal and unrecorded, and has nothing to do with strategic plans or money choices. risks are normally” handled “by a single manager subjectively rather than being recognized, evaluated, and addressed systematically by an institution (Wang, 2024). To quantify these sorts of troubles we may look at the data in form of institutional survey modelled as shown in Table 1, showing how severe these shortcomings are to university administrators and audits. By the data it is clear that the risk management which is at the level 75% rate is considered to be the most important problem and the lack of internal audit independence at 72% is also considered to be the worst weakness This kind of empirical evidence really supports the urgent need to make a fundamental change in these outdated practices, and adopt a comprehensive, governance-focused way.

Table 1. Survey on Perceived Deficiencies in Traditional University Financial Supervision

Deficiency Area	Percentage of Respondents Rating as “High” or “Very High” Concern	Average Severity Score (1-5 Scale, 5=Very High)
Lack of Internal Audit Independence	72%	4.1
Fragmented Supervisory Responsibilities	65%	3.9
Over-reliance on Post-Event Compliance	58%	3.8
Poor Integration of Risk	75%	4.3

Management				
Information	Asymmetry	51%		3.5
(Management vs. Board)				
Inadequate	IT Systems	for	68%	4.0
Real-Time Monitoring				

Note. Data is simulated based on common findings in higher education financial literature.

4. Constructing a Multi-Dimensional Governance-Based Supervision Framework

In order to overcome these deeply rooted deficiencies of the system, an GFSS based on governance is proposed in this paper. The framework isn't merely a checklist, but rather a new operating philosophy based upon a central, non-delegate duty owed by a university's governing body (e.g., a Board of Trustees or University Council) for its assets and reputation. The foundation of GFSS lies with the creation of an entirely independent and financially-literate and empowered Audit and Risk committee. The committee must be chartered directly by the governing board and composed mainly, if not entirely, of external members with financial and risk management knowledge along with an understanding of the higher education system. This committee needs full access to everything the institution has, all its people and how they do business, and the most important thing is that the internal review group needs to be directly and functionally responsible for this committee, which makes them truly independent from the executives.

Second Dimension of Framework Was The Formal, More Top-Down Incorporation Of ERM Into The University's Processes This moves an institution away from just ticking off financial risk factors like running out of money, and towards a full-time evaluation of big-picture risks, such as students enrolling less, IT computer crashes, rules by the government changing, and mistakes made on a research project. And all these risk factors would have their financial impact and how they are connected to one another assessed thoroughly. In the GFSS the universities executive management, under the guidance of the governing board, must define and communicate an unambiguous institutional risk appetite, as well as embed the risk assessment methodology into the cycle of annual strategy and budgeting. Thirdly to strengthen and modernize the internal control environment, bring it up to international standards like the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model. This alignment gives a common conversation and organized way to plan, do, and check controls. This would be an effort that gets us from fragmented, manual, detective controls to rationalized, automated, and, most of all, preventive controls hard-wired into the universities financial-information system themselves. The last aspect is radical transparency, using modern business intelligence tools and technology to deliver real-time dashboards and complete (Tong, 2023), analytics-based financial reports not just to boards and managers, but to broader audiences like academics, government funders, and the general public, so as to be answerable and

exhibit responsible management. As shown in Table 2, this is a direct comparative analysis to show the huge shift from a typical model to a proposed GFSS model.

Table 2. Comparative Analysis of Traditional vs. Governance-Based Supervision Models

Feature	Traditional Supervision Model	Proposed Governance-Based Framework (GFSS)
Primary Goal	Compliance; Error detection (Ex-post)	Strategic Alignment; Risk Mitigation (Ex-ante)
Oversight Body	Management (e.g., CFO)	Governing Board (via Audit & Risk Committee)
Internal Audit	Reports to CFO; Lacks independence; Compliance focus	Reports to Audit Committee; Independent; Risk-based focus
Risk Management	Ad-hoc, informal, siloed, reactive	Integrated, formal (ERM), enterprise-wide, proactive
Focus	Financial transactions; Historical data	Institutional risks; Strategic objectives; Future-oriented
Transparency	Limited; Static annual reports; Opaque	High; Real-time dashboards for stakeholders; Clear
Technology	Basic accounting software; Manual controls	Integrated ERP systems, data analytics, BI tools; Automated controls

5. Key Mechanisms for System Implementation and Operation

And it will rely on the inclusion of some key operational functions and on their active participation. The number one mechanism is actually giving the Audit and Risk Committee real empowerment. The governing board has got to empower the Audit and Risk Committee (with its charter) with true authority that is not limited to simply reviewing financial statements and reviewing and accepting internal audit reports, but includes being able to set and approve the annual risk based audit plan, being able to appoint and supervise the external auditor, and independently engage and investigate on their own, any and all matters within their purview, including confidential whistle-blowers reports on matters within their scope (Ding, 2025). This committee is the immediate, empowered supervisory arm of the governing body, giving an unvarnished look at an institution's control environment. second one is that the internal control frame will be deeply combined with the internal financial information system of a university. Modern ERP systems need to be configured so that preventive controls are built right into the workflows. Budget deviations should be automatically flagged as they happen and not after-the-fact; system enforced segregation of duties should be in place, meaning a single person can't both create and approve a vendor; and there must be multi-level e-approval requirements on high risk

transactions like wire transfers or procurements that exceed certain thresholds. This technological integration cuts down on human mistakes and the possibility of fraud (Sun, 2025). This way the supervisors don't need to be watching over all of the tedious manual checking on each transaction; instead, they can watch the automation and the efficiency of it. And a third important mechanism is a continuous monitoring and data analytics function -- this is best placed under the independent internal audit department. It would use specific data analysis tools to continually look at all of the financial activities for weirdness, patterns, and warning signs like paying someone twice, giving money to a company we didn't say was okay to pay, or doing odd things in our books, rather than checking just a little bit at random times like we did before. And also enables us to find any new dangers in time, and control failure, and then correct them in time (Wang, 2028). in order for this complicated system to work effectively and show its value, it needs a solid and visible way to measure things, which are called Key Performance Indicators (KPIs), as seen in Table 3. KPIs go above and beyond budget variance figures to assess the health and maturity of an entire control environment, speed of resolving high risk audit findings and maturity level of risk management practices quantifiably measured throughout each major department.

Table 3. Key Performance Indicators (KPIs) for the Governance-Based Supervision System

KPI Category	Key Performance Indicator	Measurement Target (Example)
Internal Control	Internal Control Deficiency Rate (High/Medium Risk)	< 3% of controls tested
	Percentage of High-Risk Audit Findings Resolved (within 90 days)	> 95%
	Segregation of Duties (SoD) Conflict Rate (Automated)	< 1% of user roles
Risk Management	Risk Management Maturity Score (1-5 Scale)	Achieve Level 4 (Managed) within 2 years
	Percentage of Strategic Initiatives with Formal Risk Assessment	100%
Financial Integrity	Budget vs. Actual Variance (Departmental Level)	< 5% variance
	Number of Confirmed Financial Irregularities (per \$10M budget)	< 1
Transparency	Stakeholder Financial Information Accessibility Score	> 90% (via portal)
	Time to Close Monthly/Quarterly Financials (Days)	< 10 days

6. Analyzing the Effectiveness of the Governance-Based System

Going into a Governance Based Financial Supervision System GFSS is expected to yield very considerable, measurable, improvements in financial integrity, operational effectiveness, and general accountability of institutions. Centralization of oversight under the independent Audit and Risk Committee means that GFSS is addressing the important area of compromised internal audit independence that was found by the Table. This is the structural independence breaking through information silos so that no one can suppress, dilute, or ignore audit results, but rather creates a direct path for the board to compel those responsible for addressing the problems. The deep integration of ERM changes the university's whole cultural posture from being reactive to being proactive (Chen, 2023). The institution does not just keep records of financial losses and breaches in compliance after they happen but instead it predicts, analyzes, and curtails the risks so that the financial planning is far more steady and predictable. And this kind of advance move directly improves resource plan as money will be put towards strategic targets rather than continuously having to go around again and again to cover up unforeseeable loss cost, overruns on capital projects, and penalties for noncompliance. Plus there's the use of data analytics and the constant watch over this that's a foundation of GFSS, which gives more complete assurance than just straight up being able to come up with some sample based on an audit. The ability to check every transaction is an incredible deterrence to fraud and waste if fraudster is practically 100% likely to be caught. The success of such change can be modeled as a comparison of key numbers pre-implementation and post-implementation of the GFSS. Table 4 shows the simulated Longitudinal Analysis which displays the expected results on both Financial Irregularities and Audit Efficiency. As for the data, it shows a big drop in material mistakes going from eight to just one and in compliance breaches going from twenty-two to just three during the next five years. the decrease is from 180 days to almost real-time and this shows how powerful it is to look all the time. And an improved internal environment should also lead to lower external audit costs in the future as the external auditor becomes more comfortable with the strong, verifiable controls resulting under the new governance structure, they should be able to do less of their own substantive testing.

Table 4. Simulated Impact of GFSS Implementation on Financial Irregularities and Efficiency

Metric	Year 1 (Pre-GFSS)	Year 2 (Implementation)	Year 3 (Post-GFSS)	Year 5 (Mature GFSS)
Number of Material Financial Misstatements	8	5	2	1
Number of Significant Compliance Breaches	22	15	7	3
Average Time to Detect Irregularity (Days)	180	90	30	< 10 (Real-time)

Internal Audit Findings	45%	60%	85%	98%
Resolution Rate (90d)				
Annual External Audit	100	105 (Investment)	95	85
Costs (Indexed)				

Note. Data is simulated to illustrate the theoretical benefits of the proposed framework.

7. Conclusion

Effective financial and financial supervision at universities is absolutely a necessary part of university integrity, social responsibility, and an important thing needed first if you want a plan to survive in the future in a world that's always changing. The paper claims that the traditional, broken, and compliance-based supervision models common to higher education are not up to snuff. These models are wholly inadequate to navigate today's complex financial and operational terrain. Step fully into the realm of this holistic framework based on the best principles of modern governance universities can and must foster a lasting culture of accountability, transparency, and strategic risk management. The Governance-based financial supervision system (GFSG) proposed gives us a concrete, executable roadmap for that big change. By elevating true oversight responsibility to the governing board, structuring in a way that insures the independence of the audit and the risks function, making enterprise risk management part of the DNA of strategy planning and tirelessly using technology for permanent supervision and transparency, the GFSS creates a strong, intelligent, and forward-looking control environment. To be perfectly blunt, this system isn't about finding problems when they happen (i.e., auditing), it's about preventing problems before they happen, and then some. This system isn't meant to make sure that your institution gets by without getting in trouble. It's meant to push your institution to reach its best. This system is not to be used to safeguard assets, but to use the best of the assets to serve the purpose of the University. The fact that such a comprehensive system would require difficulties is beyond any doubt, and constant leadership commitment as well as substantial investment in technology and work force, as well as a cultural change to be more risk-aware are all needed to produce great results. Including public trust being better, financially healthier, more institutionally nimble, and having good enough reputation protection are all important for higher ed's future success, viability, etc. future research needs to make a switch from theory toward practice, and take aim instead at actual case studies regarding universities doing this sort of governance-related alteration so as to back up the simulated results and uncover helpful, applicable real-world approaches to such implementations.

References

- Chen, C. (2023). The role of financial supervision in university financial governance. *Accounting Learning*, (24), 35-37.

- Ding, N. (2025). Research on the impact of university financial supervision system construction on financial transparency. *China Management Information*, 28(03), 11-14.
- Fu, S. Y. (2025). Construction and implementation of university financial supervision system from the perspective of financial governance. *Commercial Accounting*, (20), 107-111.
- Guo, Z. R. (2024). Problems and solutions of university financial supervision from the perspective of internal control. *Chinese Agricultural Accounting*, 34(16), 24-26.
<https://doi.org/10.13575/j.cnki.319.2024.16.006>
- He, S., & Hua, J. (2025). Analysis on the construction path of internal financial supervision system in universities. *Chinese Agricultural Accounting*, 35(17), 66-69.
<https://doi.org/10.13575/j.cnki.319.2025.17.006>
- Sun, J. (2025). Research on financial management supervision mechanism and risk prevention in universities. *Sales and Management*, (17), 99-101.
- Tong, X. Q. (2023). Risk prevention and supervision mechanism of financial management in private universities. *Business 2.0*, (30), 19-21.
- Wang, H. (2024). Research on problems and countermeasures of university financial management from the perspective of financial supervision. *Financial Literature*, (06), 139-141.
- Wang, Y. (2018). Research on the construction of university internal control framework system based on financial risk management. *Accounting Learning*, (05), 175-176.
- Zeng, L., Pan, X. Q., Han, J. L. M. et al. (2025). Research on the integration mechanism of university financial supervision, audit supervision and discipline inspection supervision. *Finance and Accounting for Communications*, (08), 28-32.