Research on Risks and Governance of Long- term Suspended Current Accounts in Higher Vocational Colleges from the Perspective of Internal Control

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Abstract: A large number of long-term suspended accounts for current accounts have been identified in the financial management of higher vocational colleges. They will reduce the accuracy of the accounting information and cover up financial and operating risks. In terms of internal control, this paper systematically presents the definition, accounting standards and management characteristics of current accounts in higher vocational colleges, analyzes the main types, manifestations and related risks of long-term suspended accounts, and identifies internal control deficiencies such as a lack of connection between budgeting and accounting, insufficient inter-departmental coordination, and weak supervision. Based on the above, governance approaches are proposed to enhance the alignment of budgets and accounts, establish a cooperative reconciliation mechanism, strengthen audit and accountability, etc. Suggestions are also made for governance-effect evaluation, process optimisation, information system development and long-term mechanism construction, providing a reference for higher vocational colleges to improve the quality and efficiency of current-fund management.

Keywords: internal control; higher vocational colleges; current accounts; long- term suspended accounts; risk governance

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Introduction

As one of the main institutions of higher education, a standardised and scientific system of financial management needs to be established at the college level to ensure the quality of teaching and learning and promote all-round development. Fund management at present serves as the foundation for institutional financial management and includes all kinds of funds, such as advance payments, accounts receivable, temporary payments and temporary receipts; these directly affect capital safety and the quality of accounting information. However, many higher vocational colleges still have long-term suspended current-fund accounts in practice. Some accounts have remained unadjusted for a long time, thus violating the timeliness requirement of accounting measurement, may lead to implicit losses, and are also subject to the risk of integrity violations. At present, the primary problem of financial management in higher vocational colleges is how to systematically identify risks, analyse their causes and build a governance mechanism based on internal control.

1.Overview of current accounts and Internal- Control Requirements in Higher Vocational Colleges

1.1 Definition, Scope and Accounting Standards of current accounts

current accounts refer to the amounts due from or owed to others by an institution's economic activities at present, reflecting creditor-debtor relationships between the institution and other parties. In line with the Government Accounting Standards System, the main items covered by current accounts in higher vocational colleges are generally recorded under accounts receivable, advances paid, other receivables, accounts payable, advance receipts and other payables. Accounting standards require that all current-fund transactions occur promptly, detailed accounting based on economic events should be carried out, and regular reconciliation and clearance need to be conducted to ensure the consistency of accounts with actual circumstances and among different accounting ledgers. Current regulations require that current accounts be cleared in a timely manner and that outstanding items be settled as far as possible by the end of the fiscal year, though full settlement by year-end is often not feasible in practice due to the continuity of economic activities and the timing of reimbursements. A scientific definition of the scope of current accounts and strict adherence to accounting standards are the basic requirements for financial management at higher vocational colleges.

1.2 Particular Features of the Current Fund Management System for Higher Vocational Colleges

Higher vocational colleges have shown some differences in their present-day fund management compared with general administrative and public-service institutions. The sources of the school's operating funds are diverse; they include fiscal allocations, tuition fees, training income, horizontal research project funds, etc., and these funds have different settlement methods and administrative requirements. Teaching and research activities generate a large number of staff travel advances, prepayments for equipment procurement, school-enterprise cooperative funds and other transactions, which are characterised by many items, scattered amounts and highly irregular time horizons. Frequent changes in staff, such as job transfers, retirements and resignations, may result in unpaid loans after the employee leaves the institution, creating a legacy suspended account. In addition, the model of school-enterprise integration for industry-education cooperation also has more complicated capital flows between colleges and enterprises and thus adds to the current fund management problems. The above reasons require a special current-fund management system for higher vocational colleges.

1.3 Core Internal Control Requirements for Current Fund Management

The first purpose of the institution's internal controls is to guarantee the legality of its economic activities and protect the safety and security of assets. The main internal control requirements for the present fund management are pre-event approval, in-process supervision and post-event review. Before the event, verify the truthfulness and reasonableness of the economic transaction; standardise the process for borrowing approval, and separate the duties of handler, approver and financial reviewer. Dynamically monitor the ageing of current-fund accounts during implementation, set early-warning thresholds, promptly issue reminders for overdue items, and conduct timely settlements. After the occurrence of events, aging analysis statements for current accounts will be prepared at regular intervals, and special investigations will be conducted on abnormal accounts. Separation of Incompatible Positions: Bookkeepers should be independent of transaction handlers and approvers. Internal-control norms also require the construction of an accountability mechanism, designating clearance responsibilities for specific departments and individuals, and thus forming a closed-loop management system.

2.Current Situation and Risks of Long- term Suspended Current- Fund Accounts in Higher Vocational Colleges

2.1 Major Types and Manifestations of Long- term Suspended Accounts

The main types of long-term suspended current-fund accounts in higher vocational colleges include long-term unreimbursed borrowings, unsettled advance payments, poorly collected receivables, and temporary receipts recorded on the books without timely revenue recognition. Long-term unreimbursed borrowings are relatively common; faculty members borrow money for official trips, equipment purchases and other reasons, but do not receive reimbursement due to missing invoices, changed circumstances or negligence. Some procurement projects have been subject to extended non-offsetting prepayment periods due to slow supplier performance or contract disputes. Receivables, service fees and joint-training charges from school-enterprise partners are still on the books because there is no good collection mechanism. Temporary receipts cannot be allocated properly because the purpose of the incoming funds is unclear or the counterparty information is incomplete. All these kinds of suspended accounts continue to exist in the financial system of many higher vocational colleges and have accumulated a large number of long-standing unsettled items.

2.2 Financial and Operating Risks of Long-term Suspended Accounts

A long-term suspended account will pose some risks to the financial department and the institution. Financially, they expand the scale of assets and liabilities, distort the actual financial situation, and thus reduce the reliability and usefulness of financial statements. Some of the long-term unamortized borrowings are capital occupation; these funds may be unrecoverable and result in direct economic losses upon departure from the institution or deterioration of the debtor's business conditions. A large number of suspended accounts will increase daily accounting work and reduce financial efficiency. Occupied and unrecovered capital reduce disposable institutional funds and limit funds available for regular school operations. Uncleared current-fund accounts are also often subject to audits. Multiple audit rectification demands will reduce the overall management evaluation and public image of the college.

2.3 Analysis of Internal Control Deficiencies Indicated by Long-term Suspended Accounts

Persistent long-term suspended accounts indicate serious deficiencies in the internal control system of higher vocational colleges. Some institutions have reduced the formality of the approval process for borrowing; there is no substantive review of the purpose of borrowing or repayment schedule, and the approval opinion lacks legal effect. Implementation: Job responsibilities are vague; the business department believes that the current-fund clearance is the responsibility of the finance department, but the finance department considers it to be the responsibility of the business department, and thus there is no clear accountability and no leading party for the clearance work. Internal audit does not conduct regular and deep inspections of the current-fund ageing problem, fails to address it promptly, and is not held accountable for abnormal suspended items. Many financial systems in information technology do not have automatic ageing warnings and require manual sorting; therefore, overdue projects are detected later. The above internal control deficiencies create a vicious circle: although annual clearance is carried out, new suspended accounts continue to appear.

3.Root- Cause Analysis of Long- term Suspended Current- Fund Accounts in Higher Vocational Colleges

3.1 Disconnection between Budget Management and Current- Fund Accounting

Weak links in the connection between budget management and current-fund accounting are the root cause of long-term suspended accounts. Most higher vocational colleges use annual budget management, but their budgets focus mainly on overall revenue-expenditure balance and do not include current accounts in the budget-execution monitoring system. To meet the budget execution progress requirements, project managers will take out loans or pay in advance. However, actual subsequent expenditures and timely returns of surplus funds are not included in the budget execution assessment. Year-end rush-to-reimburse practices lead to concentrated write-offs of borrowings at the end of the fiscal year and thus impose a heavy short-term review burden on finance staff. Some non-compliant reimbursement documents have been returned for correction and thus extended the account suspension period. As current-fund clearance is not included in the budget-execution evaluation index, the business department lacks an internal incentive to cooperate with the clearance initiative.

3.2 Lack of inter-departmental coordination and delayed information transmission

Currently, the fund management department, business division, asset-management office, logistics centre and others are all involved. There is no coordination among the departments, so the problem of old overdue accounts cannot be solved. After borrowing, the finance department will have capital-payment information; the business department will know how far along the project implementation is, and the asset-management department will have received asset-acceptance data, but this information is still scattered and not shared effectively. When the transaction handler changes or a job transfer occurs, the relevant current-fund information is not passed on simultaneously. Successors are unaware of the past, and thus the chain of inheritance is broken. Most of the aging analysis statements prepared by the finance department are for internal use only, and timely notifications and collection prompts for relevant business units have not been issued. Late information transmission results in a delay of payment and a long-standing overdue account due to a missed optimal clearance window.

3.3 Weak internal supervision and no clearance mechanism

Weak internal control and deficiencies in the clearance system fail to provide timely corrective measures for the long-term suspended-account governance. Some higher vocational colleges have a small number of internal audit staff and limited audit scope; therefore, regular special audits of current accounts cannot be carried out. Most of the existing internal audits are limited to checking the accuracy of bookkeeping and do not delve into the reasons for old-age rationality or the authenticity of economic transactions. Most institutions have not established an official system for periodic clearance and classified disposal. No clear procedures or norms have been established for the above measures of debt collection, write-off after official approval and legal proceedings. Departments are hesitant about and have made little progress in the actual clearance work. Due to unclear accountability for the former staff, some old problems have not been resolved and there is no authorised decision-maker to resolve them.

4.Governance Approaches for Long- term Suspended Current- Fund Accounts in Higher Vocational Colleges

4.1 Source- end Control by Improving Alignment between Budgeting and Accounting

The governance of long-term suspended accounts should start at the source and strengthen the integration of budget management and current-fund accounting. The current accounts will be added to the budget-execution indicator monitoring system. At the time of budget preparation, the project manager will present a plan for borrowing and prepayment, and its reasonableness will be verified during budget approval. The progress of the current-fund clearance will be used as a reference for assessing budget implementation in the budget execution stage. Approval for future loans shall not be granted to departments that have had prolonged unsecured loans. The Finance Department will review whether there is a need for such economic activity, if the budget quota has been exceeded, and whether it can be repaid on schedule before approving the application. A link mechanism will be established between borrowing write-off and budget surplus: Departments with long-standing unreimbursed projects will be given deduction points or notices in the budget assessment, and business units will be required to clear current accounts promptly.

4.2 Formation of cross-departmental coordination and periodic reconciliation mechanisms

Institutional Design and Information Sharing are needed to address the problem of inter-departmental coordination. A joint-meeting system for current-fund management will be established under the leadership of the vice-president in charge of finance, and regular reports on suspended-account status and coordination of cross-departmental clearance bottlenecks will be made by the finance, business, asset-management and audit departments. Set clear divisions of responsibility: Business Departments are responsible for borrowing use and reimbursement applications; Finance Departments handle accounting and aging analysis; Asset-Management Departments provide asset-acceptance information; Audit Departments supervise and conduct spot-checks, and all these parties form a full-cycle responsibility loop. Three levels of reconciliation will be established: monthly ageing warning notifications, quarterly verification by the business department, and annual overall inventory. The ageing analysis statement will be given to the relevant person for a reply. An internal information-sharing module will be added to the campus office platform to display fund status, handler information and approval progress in real time.

4.3 Enhancing the Strength of Internal Audit and Accountability Systems

The internal audit will serve as a strong support for managing the extended-suspension accounts. Current-fund management should be added to the annual internal audit work plan for special audits or reviews in conjunction with economic responsibility audits. Pay attention to whether there is a genuine reason for the large-value, long-term suspended account. Clues of irregular borrowing, false reimbursement and fund misappropriation found in the audit shall be promptly reported to the relevant department according to regulations. An accountability system for suspended accounts shall be established with graded responsibilities according to the age of the account: handlers bear direct accountability, department heads bear administrative accountability, and financial approvers bear related accountability. The person in charge of the long-term suspended account shall be held accountable under the rules for causing financial loss due to their own fault. At the same time, the old suspended accounts will be handled in batches. Items identified as irrecoverable and meeting the criteria for write-off will be formally approved and then written off to address stock shortages without being permanently booked.

5.Governance- effect Evaluation and Suggestions for Continuous Optimization

5.1 Phased- effect Evaluation of Long- term Suspended- Account Clearance

Establish a scientific evaluation system after implementing governance measures to evaluate the results of clearance objectively. Quantitative evaluation indices should cover the total change in suspended-account volume, optimisation and enhancement of ageing-structure, and timely clearance rate. The three main parameters are the new number of suspended accounts per year, the proportion of overdue accounts and the resolution rate of old suspended accounts. Both semi-annual process monitoring and annual result evaluation will be used as the evaluation cycle. Evaluation will be carried out by means of self-assessment and external audits conducted by third-party accounting firms or other competent departments. Evaluation reports need to be submitted to the institution's decision-making body for changes in governance strategy and assessments of departmental performance. Formulate and track rectification measures for the problem of incomplete resolution of stock suspended accounts and weak control over newly generated suspended items.

5.2 Optimisation of the internal control process and information system support

Strengthen the Construction of Internal Control and Information Technology Support for Continuous Governance. Full-cycle current-fund management workflows will be re-engineered. Reduce the number of approval levels and strengthen risk points; add internal control requirements such as separation of duties, hierarchical authorisation and aging warnings to the business process. For informatisation, a special current-fund-management module should be added to the financial management system for end-to-end online processing of borrowing applications, approval workflows, payment accounting, aging warnings and settlement reminders. The system will automatically generate an ageing analysis report, issue an overdue collection notice, and prohibit borrowing privileges for expired items to prevent errors due to manual operation. Strengthen data interconnection among financial systems and asset-management, education-administration and other business systems to achieve automatic synchronisation of project progress and asset acceptance information, thereby supporting timely write-off of current-fund accounts.

5.3 Suggested Construction of a Long-term Mechanism for Continuous Governance

Long-term suspended-account governance should not rely on a single-off-centre clearance; normalised long-term mechanisms need to be built. The current fund management will be incorporated into the institution's internal control system, and governance measures such as budget alignment, inter-departmental coordination and audit supervision will be formalised in written rules to prevent deterioration due to personnel changes or changes in leadership. An annual report system for the current-fund management will be established to report on the general situation, clearance progress and other problems at the faculty representative congress or party committee each year to enhance management transparency. Provide professional training for the financial staff on the latest fund accounting standards, risk assessment and clearance methods. At the same time, widespread publicity and training on financial discipline and reimbursement codes will be organised to reduce borrowing backlogs at the cognitive level. Periodically conduct post-governance reviews and, based on the results, modify administrative rules and operating procedures to ensure the flexibility of the governance system.

3.Conclusion

Although long-term suspended current-fund accounts are a typical problem in the financial management of higher vocational colleges, they result from many reasons, such as institutional design flaws, weak process control, lack of staff awareness and technical support, etc., and thus pose serious governance risks. From the perspective of internal control, this paper will clarify the accounting requirements and administrative features of the current fund, analyze the risk manifestations and internal control deficiencies of long-term suspended accounts, and explore the deep-seated causes, such as budget-accounting disconnection, poor inter-departmental coordination, and weak internal supervision. Systematic Governance Recommendations are put forward to cover source-end control, coordination mechanisms, audit-based accountability, effect evaluation and long-term mechanism construction. Higher vocational colleges should operate according to their actual circumstances, strengthen internal controls, and incorporate current-fund administration into regular financial management. Dual driving forces of institutional reform and technological advancement will be used to resolve existing suspended accounts gradually and strictly regulate new additions of suspended items; thus, the standardisation of financial management will be promoted, and strong financial support for high-quality institutional development will be provided.

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