

A Brief Discussion on the Three Major Modules of University Financial Management and the Current State of Budget Performance Management

Pitan Liu*

Shangqiu Normal University, Shangqiu, 476000, China

**Corresponding author: sysssj@squ.edu.cn*

***Abstract:** In the context of the new era, the national governance capacity and level have greatly improved. With the continuous deepening of fiscal management reform, fiscal management capabilities and levels are enhanced annually with the application of new technologies. Particularly in recent years, budget performance management has been increasingly demanded across various industries, with stricter performance requirements for public university financial and project funds. This paper, drawing from personal work experience, presents insights and views on the key aspects of university financial management, the current state of performance management, and the feasibility of specific operations, serving as a discussion point within the industry.*

***Keywords:** University financial management, budget performance, management status*

Having worked on the frontline of university finance for over a decade, I have pondered various issues, such as problems in centralized payments and false transactions in public card expenses. However, these are isolated and fragmented issues. It wasn't until I took on budget and final account responsibilities last year that I started contemplating financial framework issues, leading me to summarize university financial work into six words: "budget, accounting, final account," three major modules. Those with some financial expertise are familiar with these terms. Here, I modestly share my rudimentary understanding with everyone.

1 The Relationship Between Budget, Accounting, and Final Account in University Financial Work

In my work, I increasingly recognize the importance of budget work in university financial management. Perhaps due to my involvement in this area, I see its significance. If budget work is the "head" of university financial management, then accounting is the "body," and final account work is the "tail." Can you clearly state which is more important? Evidently, all are crucial. The head represents direction, indicating the focus of the school's work for the year, and financial resources are allocated accordingly. Accounting, as the body, is the core of financial management, running through the daily business of the year. Final account work, as the tail, wraps up financial work for the year, involving extensive data reporting, statistical analysis, and summarizing from numbers to words. This provides accurate information for school leaders' decision-making for the next year. The saying "it's crucial to wrap things up well" underscores the significance of final account work, an essential link in university

financial management.

2 Key Points, Content, and Focuses of Budget Work in University Financial Management

2.1 Time Nodes and Content of Budget Work

Budget work starts at the beginning of the financial management year. As the saying goes, "The year's plan starts in spring," and indeed, this work starts and ends in spring. Generally, it begins in December and ends by the end of March the following year. The primary reason is that the National People's Congress and the Chinese People's Political Consultative Conference start in early March and conclude by the end of the month, where the annual budget is approved.

Actually, the preparatory work for the next year's budget starts in July or August, typically during the holiday period. However, the finance and education departments remain operational. Universities primarily collect and organize three-year plans and key projects from departments and colleges, aligning with the three-year fiscal planning of the finance department. The official work begins in October, using the personnel count in October as a baseline. Personnel funds are roughly determined. This period involves significant work, such as adding new staff, removing transferred staff, changing institution names, and so on. In early December, universities issue budget requirements like department special funds reporting, primarily for major and minor departmental projects excluding routine office business. This is summarized and compiled by the end of the month. By early January, as the holiday season approaches, the numbers for personnel and project funds are finalized. During this period, final account work is also crucial. The previous year's budget and final account data serve as references for this year's budget. The preliminary numbers for personnel funds and project funds are determined. By the end of February or early March, at the start of the new semester, the university's budget for the year, including all revenues, is prepared. In recent years, many universities have horizontal research project funds, collaborating with local enterprises on technical guidance and patent transfers, supporting local economic construction.

2.2 Key and Difficult Points in Budget Work

First, the key investment directions for project funds are determined based on the projects reported by various departments and colleges to the university. Due to limited financial resources and numerous tasks, only the most important, essential, and unavoidable projects can be undertaken within the available budget, and these projects are repeatedly reviewed and selected by school leaders. Secondly, the focus on personnel fund guarantees involves determining the amount of personnel funds based on student information from the provincial admissions office and calculations by the finance department according to the student numbers for the year. However, expenditures are based on personnel salaries, requiring consistent adjustment numbers for each active employee reported in December to match the payroll. This verification process involves nearly 2,000 people, and inevitably leads to omissions and errors, particularly due to differences between the personnel information system and the financial budget system during import. Furthermore, balancing the contradiction between limited budget revenues and the relatively unlimited budget expenditures requires constant communication and coordination among department leaders. March and April are particularly challenging periods, with numerous project feasibility studies and financial distribution discussions among financial directors, financial supervisors, school leaders, and department and college leaders. Finally, the budget allocation

is determined by the party committee meeting and distributed to departments and administrative units.

3 Key Points to Grasp in University Financial Management Accounting Work

Currently, university financial accounting work is mainly divided into two parts: the process of reimbursement and bill-making, and the process of payment, which is also the settlement process. Different universities have different departmental setups. At our university, we previously had two accounting departments: Accounting Department I and Accounting Department II. Accounting Department II initially handled the financial business of small units within the university, such as the hospital, logistics development center, and labor union. Over time, Accounting Department I expanded its business, resulting in the complete separation of accounting and cashier functions. Here, I summarize the accounting work into three critical stages: bill-making, payment, and entry into accounts. These stages reflect the two main functions of accounting: calculation and supervision.

First, let's discuss bill-making for reimbursements. Frontline financial staff must thoroughly learn and understand the standards related to reimbursements, such as travel expenses, meeting standards, and fixed asset standards. This knowledge allows them to explain the standards clearly and justifiably. Additionally, they must continually enhance their service awareness, akin to bank staff. Departmental and college staff often go through numerous approvals before coming to the financial office, believing everything is in order, only to find out there are still issues that prevent reimbursement. This situation can lead to dissatisfaction and impact the year-end financial evaluation, which might be lower due to service attitude or tone of communication. Many universities now employ a document checker to ensure initial document compliance before accounting personnel process the entries. Ensuring accurate entries for personal or unit expenses and specific details is crucial, even if there are further review stages. The review process is vital, especially for large project funds, ensuring accuracy in account subjects, budget availability, and eventual payment.

Next, the payment process involves centralized payment applications authorized by the finance department and direct payments. The daily volume of authorized payments can be high, especially after project completions. Payment personnel should preliminarily check account subjects for accuracy before processing. Direct payments, especially for specific projects, must align closely with the budget and include all necessary documentation like contracts and invoices. After daily payment applications are processed, they must reconcile with the day's accounting entries, akin to the cashier and accountant reconciling their records. This process includes bank payments, typically handled by two people, with a third person verifying transactions exceeding a certain amount.

Finally, the entry into accounts involves three main components: financial appropriations, tuition fees (mainly around the start of the academic year in September), and other account transactions such as funds from the National Natural Science Foundation or local government training funds. This requires distinguishing between financial appropriations and other funds, crucial for year-end reconciliation and final accounts.^[1]

4 Key Points in University Financial Management Final Accounts

If the preliminary budget and accounting work is done well, final accounts work becomes significantly smoother. Firstly, it involves matching the financial appropriations allocated by the finance department. If there are discrepancies in the recorded income categories during accounting, it will be challenging to match. The audit department is responsible for finalizing major construction project accounts. The overall approach to final accounts focuses on expenses, primarily based on financial appropriations, covering all income and expenses for the year, and using accounting calculations as the final basis. This process involves aligning functional and economic subjects into a unified framework, distinguishing between basic and project funds.

Key points include distinguishing the scope of basic and project funds. Personnel and public expenses fall under basic funds, while most financial appropriations for specific purposes fall under project funds. Ensuring consistency between different tables and the main summary table is crucial, as discrepancies can reveal issues during audits. For instance, the total expenditure on other goods and services should not exceed 30% of the total expenditure on goods and services, a requirement that applies to both basic funds and project funds separately. Additionally, expenses related to basic construction, primarily buildings, must align with the audit department's final figures. Specific project expenses, such as office equipment or maintenance, should be clearly categorized, and distinctions between budget subjects and actual accounting subjects must be maintained.

Having discussed the critical and challenging aspects of the three major modules in university financial management, let's now consider the understanding and current state of university budget performance management.

Since 2012, China has entered a comprehensive performance management phase. On September 21, 2012, the Ministry of Finance issued the "Budget Performance Management Work Plan (2012-2015)," outlining a blueprint for a comprehensive budget performance management system covering all financial funds and the entire process of budget preparation, execution, and supervision. The 2017 report of the 19th National Congress of the Communist Party of China explicitly proposed establishing a comprehensive, standardized, transparent, scientifically sound, and strongly binding budget system, fully implementing performance management. On November 29, 2018, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on Fully Implementing Budget Performance Management," requiring comprehensive planning for implementing budget performance management, deeply integrating performance concepts and methods into the entire budget process, and building an all-encompassing, all-process, all-coverage budget performance management system. This marked the beginning of a new era of comprehensive performance management in China's financial system. The Ministry of Education has also issued related performance management documents, and implementation has been deepened annually at all levels. The implementation of budget performance management in public universities is an extension of the national fiscal modern governance concept in both breadth and depth. Based on my university's implementation, I offer my insights into the current situation.^[2]

5 Emphasizing Performance Throughout the Entire Process of Project Budget Management

Every year in August and September, the university organizes projects based on a three-year plan. Before 2018, the basic information of projects was input into the comprehensive budgeting system for

three years, and the finance department determined the project amounts based on the project details or other comprehensive factors. At that time, the importance of performance was not emphasized. The 13th Five-Year Plan explored, established, and gradually improved the project database, while the 14th Five-Year Plan aimed to integrate and further perfect the database. The principle of "spending must be justified" has become a significant aspect of national financial management.

6 Exploring the Performance Evaluation of Personnel and Operational Expenses

Personnel expenses account for more than half of the total budget in universities, and operational expenses account for about one-third. Personnel expenses are a rigid indicator that typically only increases unless there is a significant reduction in staff. Operational expenses are essential for the normal functioning of units and are unlikely to be substantially reduced. In recent years, the central government's regulations on controlling the "three public expenses" have been effective.^[3]

6.1 Human Resources Department Responsible for Personnel Expenses Performance

The Human Resources Department can provide semi-annual and annual performance evaluations of personnel expenses, analyzing benefits from the perspectives of cost, economic and social benefits, talent cultivation and retention, and overall quality improvement. A focus on salary increases without considering financial constraints is unbalanced. Achieving better economic and social benefits at lower costs is crucial. Like enterprises seeking efficiency through production, administrative units should seek efficiency through management, emphasizing both revenue generation and cost-saving, especially in a challenging economic environment.

6.2 Logistics Service Center Responsible for Operational Expenses Performance

This responsibility stems from the significant expenditure on utilities, property management, and other logistical operations. Financial and logistical departments jointly manage office and teaching-related operational expenses and small special projects.

6.3 Finance Department Responsible for Tuition Reimbursement Performance

When tuition fees are used to cover personnel salaries or housing funds, the resulting benefits should be highlighted and explained separately. Similarly, operational expenses covered by tuition fees should be detailed, showing the corresponding performance results. For example, if 5 million yuan is allocated annually for scholarships, the impact on students and their families should be clearly stated.

6.4 Project Leaders and Key Team Members Responsible for Project Performance

Each year, certain project funds are allocated, some from financial appropriations and some from university funds like tuition fees. Projects must have performance goals before initiation, supervision during implementation, and evaluation afterward. Post-evaluation results should be applied to future planning.^[4]

7 Discussion and Division of Performance Evaluation for Other Fund Expenditures

Before 2019, horizontal research funds were included in other funds in the final accounts. Afterward, they were classified as operational funds. Currently, the performance evaluation of individual horizontal research funds is still in the exploratory stage. National-level vertical research funds, such as those from the National Natural Science Foundation and Social Science Foundation, are not directly subject to financial performance evaluations because their funding channels directly deposit into the university's primary account, bypassing the finance department's allocation to the institution. Consequently, the finance department does not evaluate the performance of these research projects. However, the performance of these funds is rigorously assessed through project completion evaluations several years later.^[5]

Firstly, it is essential to enhance the awareness of financial personnel regarding fund performance management. This can be achieved by continually learning from higher-level directives to strengthen the concept of fund performance. Ensuring that every expenditure is justified is crucial. Additionally, financial staff should regularly educate and explain the importance of performance management to other departmental personnel, as performance management embodies high-quality development in the new era.

Secondly, improving the performance awareness of unit expenditure personnel is necessary. Handling different project funds can gradually enhance the performance awareness of personnel across various departments. Over time, they will become proficient in writing performance reports. Summarizing these reports twice a year and familiarizing themselves with recurring projects over three years will help. For instance, the Information Technology Center could plan how to write budget performance reports for annual computer exams, summarizing the performance results in March and September, and compiling a comprehensive annual report based on the two summaries.

Thirdly, raising the performance awareness of key departmental supervisors, such as those in human resources, research, academic affairs, and logistics, is crucial. These departments typically manage significant funds, and their supervisors need to consider the economic, efficiency, effectiveness, and social impacts of their expenditures. After two to three years of enhancing the performance awareness of key departmental leaders, the process becomes more manageable. While raising the performance awareness of operational personnel is somewhat effective, it is not as impactful as having leadership focus on performance, as leadership attention usually ensures better outcomes.^[6]

Conclusion

The above discussion presents some ideas on how to manage the performance of various funds. Enhancing personnel performance awareness is critical. To improve the performance management concepts of departments and some teachers, I suggest that the English Department, the School of Information Technology, the Academic Affairs Office, and the Continuing Education College take responsibility for the comprehensive evaluation of key funds. After funds are allocated or spent, the outcomes should be assessed. For example, in the case of the College English Test (CET-4 and CET-6), the number of participating students, total fees collected, number of exams conducted, exam days, number of invigilators, and support staff can all serve as quantitative indicators.

References

- [1]. Relevant documents on financial and performance management from the Ministry of Finance and the Ministry of Education.
- [2]. Liang Xiaohua, "Performance Evaluation of University Fixed Asset Management Based on Improved Hierarchical Fuzzy Comprehensive Evaluation," *Administrative Institution Assets and Finance*, 2018.
- [3]. Bin Yangfan, "Thoughts on Financial Management Reform and Innovation in Chinese Universities in the New Era," *China Market*, 2021(31).
- [4]. Qian Yali, "Research on the Difficulties and Countermeasures of University Financial Management," *China Management Informatization*, 2020(24).
- [5]. Bao Xiyi, "Innovation of University Financial Management Models in the Context of Big Data: Problems, Characteristics, and Paths," *Administrative Institution Assets and Finance*, 2020(17).
- [6]. Xie Gang, "Research on the Innovation of University Financial Management in the Context of the Internet," *Commercial Accounting*, 2019(18).