

Evaluation of Internal Control Efficiency in Finance Department of RMUTI Sakon Nakhon Campus

Wimonsiri Musika* and Phetphairin Upping **

The objective of this research is to evaluate internal control and efficiency in the finance department of RMUTI Sakon Nakhon Campus. A qualitative method was used, together with a review of prior literature and government reports. This qualitative data is the result of in-depth interviews with the seven finance staff in RMUTI Sakon Nakhon Campus. Period of this study between November 2012 – February 2013. The result of this study indicated that the internal control in receiving government revenue shows clear a policy in relation to regulations and rules from the top management of RMUTI Sakon Nakhon Campus. The study shows that the internal staffs who control withdrawing government expenditure have acted responsibly. Also the internal control returning budget to central finance government shows strict rule practicing has been administered. However, the internal control of cash sometime shows daily counting and recording of cash in hand. The findings suggest that top management of RMUTI Sakon Nakhon campus should support strict rules when counting and recording cash in hand. Daily counting and recording of cash in hand are strongly recommended for safe and efficient practices for cash in hand management.

1. Introduction

Similar to their counterparts in business, colleges and universities are facing increasing demand for accountability and good governance in the public sector (Zakaria et al., 2006). Students, for example, demand a strong institutional commitment to higher quality teaching. Politicians and oversight agencies want assurances that educational institutions are contributing to some definition of public good (e.g. economic development), as well as complying with laws and procedural regulations. Donors and grant providers ask for proof that their contributions, and investment have been well spent in terms of their own agendas and priorities; and alumni want an assurance that the reputation of their alma mater is being advanced so that the value of their degree continues to grow (Kearns, 1998). The internal auditing function as part of the corporate governance structure plays an increasingly important role in monitoring the internal control system of the company.

The internal controlling and auditing function as part of the corporate governance structure, plays an increasingly important role in monitoring the internal control system of the company and its financial reporting systems (Fadzil et al., 2005). The demand for good corporate governance now equally applies to institutions for higher education as well as the corporate sector.

Accordingly, university management must give equal attention to the processes and governance mechanisms of their institutions (Balderston, 1974). Internal auditing was identified as one of the key participants to promote good governance in the corporate

*Wimonsiri Musika, Faculty of Industry and Technology, Department of Business Administration, Rajamangala University of Technology Isan, Sakon Nakhon Campus, malnest@hotmail.com

** Phetphairin Upping, Faculty of Industry and Technology, Department of Business Administration, Rajamangala University of Technology Isan, Sakon Nakhon Campus, phetphairin_u@hotmail.com

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sector (Ali Abdul Kadir, 2000). However, the management of institutions of higher education should realize the importance of the internal controlling and auditing function in their situations.

The aim of this paper is to determine whether the internal auditing function are being established in the higher education institutions in Thailand, also its role in supporting the governance of the institutions. The object of this paper is to focus on the evaluation of internal control efficiency in the finance department a case study of RMUTI Sakon Nakhon Campus.

The rest of the paper progresses as follows. The next section reviews the related literature on internal control system, new public management (NPM) and internal control system in Thai universities. This is followed by the methodology, and the findings and last section conclusions.

2. Literature Reviews

After the 1997 Thai economic crisis, the Asian Development Bank (ADB) which provided funding to the Ministry of Education requested that all public universities become autonomous in order to improve the efficiency of administration (Kirtikara 2003; Sangnapaboworn 2003). In securing the education loan for public universities, the Thai government made a commitment to the Asian Development Bank (ADB) that existing public universities would be incorporated by 2002. Good governance was introduced as an important practice through the concept of autonomous public universities (Kirtikara 2001). The autonomous status would allow universities to manage their own affairs in three major areas: academic, personnel and finance, with a need for accountability to stakeholders by transparency and disclosure of accurate and comprehensive information (Kirtikara 2003).

Accounting reform is viewed as an important component of corporate governance in the Thai public universities as it will assist in meeting the requirements of transparency, accountability and value for money of public university's activities. Reform will include changes to the budget system, accounting system and performance measurement system. Performance evaluation of faculties' functional units as well as senior administrators is to be carried out by a university council. The internal audit unit will be strengthened to undertake internal auditing and performance evaluation, in addition to simplify auditing accounts normally carried out by public agencies. Reporting, auditing and assessment will become regular features and are a manifestation of the transparency and accountability dimensions of good governance (Kirtikara 2003). A systematic transition of public higher education institutions from being a part of the Civil Service to autonomous institutions will happen. Indicators of preparedness for the transformation will be developed by the Public Sector Development Commission (PDC) (Office of the Comptroller General Department 2003). There is the belief that the capacity for governance in term of autonomous management will be strengthened (Kirtikara 2003).

The change to autonomous status will pose new responsibilities for the university management especially in an environment of reduced government funding. In response to this many universities have had to be innovative in their funding sources. This has led to the concept of the entrepreneurial university. This will be further discussed in the next section.

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2.1 Internal Control System

The internal control system plays an important role in the internal auditing practices since the internal auditors might be considered as being specialists in management control (Chamberlain et al., 1987). Internal auditing practices appraise the effectiveness of internal control systems, which is a definition of internal auditing and which also includes an appraisal of the actions by management to correct situations, which are at variance with planned outcomes. The definition of internal control systems reveals that it is not fundamentally different from management control, which has an essential component of control such as planning, organizing, staffing and directing (Chamberlain et al., 1987). The primary objectives of an organization's system of internal control are to provide administrative management with reasonable assurance that financial information is accurate and reliable. The organization complies with policies, plans, procedures, laws, regulations and contracts. Assets are safeguarded against loss and theft. Resources are used economically and efficiently. These established objectives and goals allow for operations and program agendas to be met. Internal auditing focuses on an evaluation of this system or framework of internal control.

2.2 New Public Management (NPM)

New Public Management (NPM) is used to describe the change in management practices of the public sector towards more private sector practices with a focus on results rather than processes (Hood 1995). NPM can be viewed as a component of good governance leading to improved organizational performance in the public sector (Bowornwathana 2000; Mimba, Helden & Tillema 2007; Painter 2006; Tambulasi 2007), and it has become central to the change in management practices (Hood 1995; Painter 2006; Yamamoto 1999).

The objective of the change in management practices is to increase efficiency and effectiveness in an attempt to improve the overall performance and accountability of the public sector (Boston 1991; Simpson 2004). Therefore, NPM introduces a new imperative for efficiency and transparency into all elements of the public sector (Boston 1991, Hood 1995). An NPM focus combines the aspects of administration such as planning, organizing and controlling with the aspects of management such as the management of human, financial, physical, information and political resources (Borins 1994; Hood 1995; Larbi 1999; Osborne & Melaughlin; Painter 2006; Yamamoto 2004).

According to Manning (2001) New Public Management (NPM) may be difficult to apply in developing countries due to differences in the characteristics of developing countries compared to developed countries. To further review the difficulties with NPM reform in developing countries reference to the work of Mimba, Helden & Tillema (2007) helps in understanding the reasons that limit its success. Mimba, Helden & Tillema (2007) have identified four factors which can influence NPM reforms in developing countries:

1. Low institutional capacity
2. Limited involvement of stakeholders
3. High levels of corruption and
4. High level of informality.

Low institutional capacity relates to lack of necessary infrastructure and ability to achieve the goals set. This can be evidenced by: weaknesses in regulatory practice, a low level of

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public accountability, administrative inefficiencies, limited human resources, lack of facilities, insufficient funding, lack of transparency, and an inability to deliver goods and services to the citizens. A limited involvement of stakeholders can occur when the public sector management only pays attention to the more powerful stakeholders which could either be internal, such as public sector officials and civil servants, or external, such as the international funding agencies. Often the citizens of the developing country have limited involvement. Situations can also arise where civil servants use their power in the wrong way to gain benefit for their own self. This corruption leads to an increase in the costs of delivery of public goods and services to the citizens. Factors supporting the incidence of corruption are weak control systems and gaps between the needs and incomes of civil servants. Informality reigns when formal rules and regulations are not followed.

A number of studies in developing countries highlight the above barriers. Samaratunge, Alam & Teicher (2008, p.42) provides a discussion of the NPM reforms in Asian countries: Bangladesh and Sri Lanka. Both in Bangladesh and Sri Lanka the reforms were deemed not successful due to the “absence of strong political power and weak accountability systems” (Samaratunge, Alam & Teicher 2008, p.42). The NPM reforms focused on structural changes rather than attempting to introduce rule-based government or installing the necessary infrastructure to support NPM practices. As a result the NPM reform was unsuccessful due to the complexity of change due to both the lack of the necessary tools and the risks associated with the political climate.

In developing countries, research in Nepal and Malawi has highlighted both drivers for and barriers to reform (Atreya & Armstrong 2002; Tambulasi 2007). In Nepal drivers for administrative reforms were in line with NPM with the catalysts being external pressure from the international agencies such as the International Monetary Fund, the World Bank and the Asian Development Bank and internal pressures due to the lack of effective governance and lack of a well functioning public organisation (Atreya & Armstrong 2002). The weakness of institutions and procedures posed a higher risk of corruption and were identified as barriers to the reform. It seems that administrative inefficiencies of the government in Nepal limited the success of the reform process (Atreya & Armstrong 2002). In Malawi, the NPM reform drivers were internal pressure for the need to increase managerial control and decreased political power at the local government level. Reform in Malawi’s local government is similar to the other developing countries wanting a shift towards more efficiency, effectiveness, accountability, and transparency of public management. However, low institutional capacity due to lack of qualification and skills of people who work in the Malawian government sector weakened the reform. Also a high level of informality led to a lack of sufficient control over the local government (Tambulasi 2007).

2.3 Internal Control system in Thai universities

The internal controlling function as part of the corporate governance structure, plays an increasingly important role in monitoring the internal control system of the Thai public sector including Thai public universities.

Chaimuangdee (2005) observed the internal control in Rajapat Chaing Mai University. The result of the study suggested that the government body should formally establish an internal auditing department and report to an official who will ensure the deficiencies are promptly considered and corrective actions taken.

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According to Panruangrong (2006) emphasized on evaluation of internal control efficiency in Chaing Mai University. The study used COSO model to compare with the internal control system in Chaing Mai University. The finding showed that Chaing Mai University has strongly internal control practice by following COSO model.

Moreover, this paper attempts to presents the evaluation of internal control efficiency system in Thai public university a case study of RMUTI Sakon Nakhon Campus.

3. Methodology

The study begins with a literature review concerning the internal auditing and controlling in government agencies in Thailand. A qualitative method was used, together with a review of prior literature and government reports. The qualitative data is the result of in-depth interviews with the seven finance staffs in RMUTI Sakhon Nakhon Campus. Four steps of the Receiving and Payment 2005 Act by the Ministry of Finance are designed for structure interviewing to finance staffs of RMUTI Sakhon Nakhon Campus: receiving government revenue, government payment, returning budget to central finance government and cash in hand management. During the interviews, questions were asked focusing on the evaluation of four steps of internal control efficiency.

3.1 Reliability of the Questionnaire Interview

The questionnaire was developed by using structured interview questions and open-ended questions. The survey questions were based on the review of the literature and the Receiving and Payment 2005 Act by the Ministry of Finance. The questionnaire has also been tested and adapted based on the views of 3 finance staffs in Thai universities and 3 lecturers in Thai accounting academics.

4. The Findings

4.1 Profile of Respondents

The majority of the respondents are females finance staffs and the age between 25-45 years with bachelor degree. RMUTI has established on 2007 with a new university and a small campus. However, finance staffs of RMUTI Sakon Nakhon Campus are young people and active learning.

4.2 Evaluation of Internal Control Efficiency

This paper focus on evaluation of internal control efficiency by presenting only four steps on Receiving and Payment 2005 Act by the Ministry of Finance: Cash Receiving, Government payment, Returning budget to central finance government and Cash in hand management. Table 1 shows information on the receiving cash practices.

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Table 1: Receiving Cash

Internal Control Activities	The result of internal control practices	Evidences
1 Cash and Cheque Receiving	<ul style="list-style-type: none"> - Clearly policy setting regulations and rule for receiving cash and cheque - Evidence for receiving cash and cheque - Recheck and correcting of the amount and evidence - Daily summary of total receiving - Confirm Online receiving cash - The process of Cheque receiving 	<ul style="list-style-type: none"> - Policy setting for strong regulation and rules document - The Receive copy - Pay-in copy Transferred report by GFMS
2. Control Receiving	<ul style="list-style-type: none"> - Running Number of the receive 	<ul style="list-style-type: none"> - Control of the Receive
3. Auditing	<ul style="list-style-type: none"> -Auditing by Internal and External auditor 2 times per a year budget 	<ul style="list-style-type: none"> - Auditor reporting

Table 1 reported that the receiving revenue practices: cash and cheque receiving, control receiving and auditing are efficiency internal control system. RMUTI Sakon Nakhon campus has clearly policy setting about regulations and rules of the receiving from the top management. The result supports the strong internal control of RMUTI Sakon Nakhon campus receiving.

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Table 2: Payment

Internal Control Activities	The result of internal control practices	Evidences
1.Payment	<ul style="list-style-type: none"> - Clearly setting responsibility finance staffs 1. Approve cash and cash in bank 2. Keeping Cash 3. Recording cash deposit 4. Bank Reconcile <ul style="list-style-type: none"> - Regulation and rules for cash management - the amount approve setting - Co-Signature - Recheck evidence before payment 	<ul style="list-style-type: none"> - Policy setting for regulations and rules
2. Cheque Controlling	<ul style="list-style-type: none"> - Running number of Cheque payment 	<ul style="list-style-type: none"> - Cheque Control
3. Auditing	<ul style="list-style-type: none"> - Auditing by internal and external auditor at least 2 times per a year budget 	<ul style="list-style-type: none"> - Auditor reporting

Table 2 showed that the payment practices: payment, cheque controlling and auditing are efficiency internal control system. RMUTI Sakon Nakhon campus has clearly policy setting about regulations and rules of the payment from the top management. The result supports the strong internal control of RMUTI Sakon Nakhon campus payment.

Table 3: Returning budget to central finance government

Internal Control Activities	The result of internal control practices	Evidences
Returning budget to central finance government	<ul style="list-style-type: none"> - Recheck between receiver and sender before transaction within the time frame 	<ul style="list-style-type: none"> - Document for returning budget to central finance government

Table 3 reported that the returning budget to central finance government is efficiency internal control system. RMUTI Sakon Nakhon campus has clearly return practice. The result supports the strong internal control of RMUTI Sakon Nakhon campus returning.

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Table 4: Cash in hand management

Internal Control Activities	The result of internal control practices	Evidences
1. Cash Keeping	<ul style="list-style-type: none"> - The committee of cash counting - Daily Cash in hand - Open bank account by government account - Approve open bank account by authorized - deposit cash every day and deposit the next day after receiving cash after 4.00 p.m. 	<ul style="list-style-type: none"> - The letter of cash counting committee
2. Auditing	<ul style="list-style-type: none"> - Keeping cash in Safe deposit box - infrequently daily cash counting cash - auditing by internal and external auditor 2 times a year budget 	<ul style="list-style-type: none"> - Daily Cash Reporting - Auditor Reporting

Table 4 showed that cash in hand management is efficiency internal control system. RMUTI Sakon Nakhon campus has clearly cash in hand management practice. However, the result reported that finance staff of RMUTI Sakon Nakhon has rarely daily cash counting. The evidence shows that everyday cash counting are recommended for cash internal control of RMUTI Sakon Nakhon campus.

5. Conclusions

The result of this study indicated that the internal control in receiving government revenue shows clear policy, regulations and rules from the top management of RMUTI Sakon Nakhon Campus. The study shows that the internal staffs who control withdrawing government expenditure have acted responsibly. Internal control in returning budget to central finance government shows strict rule practicing has been administered. However, the internal control of cash sometime shows daily counting and recording of cash in hand. The findings suggest that top management of RMUTI Sakon Nakhon campus should support strict rules when counting and recording cash in hand. Daily counting and recording of cash in hand are strongly recommended for safe and efficient practices for cash in hand management.

Therefore, The results show that the evaluation of the internal control system is as per Receiving and Payment 2005 Act by the Ministry of Finance. This study has also provided some evidence on the extent of the internal control practices and the influence it has on the internal control system.

This study also suggests that scope of internal control system in university is similar to the Receiving and Payment 2005 Act by the Ministry of Finance, Thailand. And supported the

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new public management (NPM) practices. However, there are difference practices depend on difference organizational environment.

5.1 Limitations of the Study

This study provides only a case study evidence that the internal control practices of higher education in Thailand. However, this may not be a valid assumption since the study only one case in Thailand and also years of experience of the finance staff are not included in the study.

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