

# Problems and Countermeasures in the Accounting of Public Institutions

Tongtong Hou\*

Wuhan City Drainage Pump Station Management Office, Wuhan City 430000, Hubei Province, China

\*Correspondence to: Tongtong Hou, Wuhan City Drainage Pump Station Management Office, Wuhan City 430000, Hubei Province, China; Email: [420522836@qq.com](mailto:420522836@qq.com).

**How to cite:** Tongtong Hou. Problems and Countermeasures in the Accounting of Public Institutions. *Global Economic Perspectives*, 2024; 2(1). Doi: [10.37155/2972-4813-0201-5](https://doi.org/10.37155/2972-4813-0201-5).

**Abstract:** With the continuous development of the economy and society, public institutions, while fulfilling their public service functions, are also facing increasingly complex financial management challenges. Accounting, as the fundamental link in financial management, is undoubtedly of great importance. However, in practical work, public institutions often encounter numerous problems in accounting, which not only affect the authenticity and accuracy of accounting information but also hinder the improvement of the efficiency of public institution management. Therefore, a thorough exploration of the problems in the accounting of public institutions and the proposal of practical and feasible countermeasures are of great significance for promoting the improvement of the financial management level of public institutions.

**Keywords:** Public institutions; Accounting; Existing problems; Countermeasures

## Introduction

This paper explores the main problems in the accounting of public institutions, such as incomplete systems, varying qualifications of accounting personnel, weak foundational work, inadequate internal supervision, and lagging informationization processes. Corresponding strategies are proposed to address these issues, including improving accounting systems, enhancing the qualifications of accounting personnel, solidifying foundational accounting work, strengthening internal supervision and control, and advancing the construction of accounting informationization. Through

the implementation of these strategies, the aim is to enhance the standardization, accuracy, and efficiency of accounting in public institutions, thereby ensuring the financial health and sustainable development of these organizations.

## 1. The Importance of Accounting in Public Institution Management

The significance of accounting in the management of public institutions cannot be overstated. As a crucial component of the public financial system, public institutions bear the responsibility of providing social public services and promoting societal development, with their funding primarily relying on government



allocations and financial subsidies. Therefore, the accuracy and standardization of accounting directly impact the efficiency and effectiveness of financial fund utilization.

Through proper accounting, public institutions can comprehensively and systematically record and reflect their economic activities, providing timely, accurate, and complete financial information for decision-making. This contributes to strengthening internal management, regulating economic behavior, and enhancing financial management capabilities<sup>[1]</sup>. Additionally, accounting serves as a vital basis for external supervision and auditing of public institutions, ensuring the secure and compliant use of financial funds.

Moreover, with the continuous development of China's economy and society, coupled with ongoing reforms in the financial system, the demands for accounting in public institutions are progressively increasing. Strengthening accounting practices and improving the quality of financial information hold significant importance in driving the reform and development of public institutions, ultimately elevating the level of public services.

## **2. Main Issues in Accounting of Public Institutions**

### **2.1 Inaccurate Accounting Information**

The inaccuracy of accounting information has emerged as a pressing challenge that public institutions urgently need to address, with intricate underlying causes. Foremost among these is the lack of professional competence among some accounting personnel. When dealing with increasingly complex accounting transactions, they may make operational errors or misinterpretations due to inadequate understanding of new accounting standards and regulations. This not only damages the accuracy of accounting information but also directly affects the decision-making process of the organizational leadership regarding financial conditions.

Furthermore, deficiencies in the foundational work of accounting in public institutions cannot be ignored. For example, if the design of accounting subject categories lacks scientific rigor and attention to detail, it may lead to the omission or confusion of crucial financial information. Such distorted information is

further magnified during the preparation of financial statements, as some units might excessively pursue the visual perfection of reports, neglecting the authenticity and accuracy of the substantive content behind them. These types of financial statements not only fail to comprehensively and objectively reflect the true financial status of the unit but may also become an "invisible killer" misleading internal management and external investors' decision-making.

Over time, this lack of accuracy in accounting information not only weakens the internal management capabilities of public institutions but also poses a serious threat to their long-term stability and development by potentially damaging their reputation among external investors and stakeholders.

### **2.2 Incomplete Accounting Report System**

The incompleteness of the accounting report system is a prominent issue facing public institutions. Despite the inclusion of an income and expenditure statement in the accounting reports of Chinese public institutions to reflect the unit's financial inflow and outflow, the limitations of this statement are becoming increasingly evident. This inadequacy makes it challenging for public institutions to accurately grasp their own cash flow situation, hindering effective monitoring and management of cash flow, which is undeniably vital in modern financial management and serves as the lifeline for the normal operation and sustainable development of an organization.

Moreover, the lack of a comprehensive report reflecting the usage of cash flow poses a significant challenge to the financial management of public institutions. In addition to this, there is a notable absence of specialized reports in the accounting report system of public institutions that reflect changes in fixed assets and funds. Fixed assets are crucial assets for public institutions, and their fluctuations directly impact the operational capabilities and development potential of the unit. Funds, being unique financial resources for public institutions, also play a pivotal role in evaluating the financial status and operational performance of the unit<sup>[2]</sup>. However, the absence of dedicated reports to reflect this information often leaves public institutions in a predicament of incomplete and inaccurate data during financial analysis and decision-making, undoubtedly increasing the risks and

uncertainties associated with decision-making.

### **2.3 Lack of Effective Accounting Management**

The absence of effective accounting management is a significant issue that public institutions face in financial management. Firstly, some public institutions do not prioritize the establishment of financial management systems, failing to formulate scientific and reasonable financial management systems based on the actual situation and development needs of the unit. This leads to a lack of clear guidance and standards in practical accounting operations, making it prone to confusion and errors.

Secondly, although some public institutions have established financial management systems, they often remain superficial and fail to be effectively implemented. This may be due to the irrational design of systems, insufficient enforcement, or inadequate understanding of the system by relevant personnel. In such cases, the accuracy and standardization of accounting work cannot be ensured.

Additionally, public institutions face issues with accounting standards. Some units have not developed detailed and specific accounting standards according to the actual needs of accounting, leading to a lack of unified standards and criteria for accounting personnel in handling financial transactions. This not only affects the accuracy and comparability of accounting information but may also expose the unit to financial risks.

Finally, the lack of effective accounting management is also reflected in inadequate supervision and inspection of accounting work. Some public institutions have not established sound internal audit mechanisms, failing to conduct regular and comprehensive reviews and evaluations of accounting work.

## **3. Strategies for Optimizing Accounting in Public Institutions**

### **3.1 Strengthening Accounting System Construction**

Strengthening accounting system construction is a crucial task that public institutions cannot afford to overlook, as it directly relates to the standardization and efficiency of financial management. Firstly, aligning closely with the latest requirements of national laws, regulations, and accounting standards is key. Public institutions should stay vigilant about updates to relevant regulations and standards, ensuring that

their accounting systems remain synchronized to avoid financial risks resulting from non-compliance.

Secondly, when formulating accounting systems, public institutions should fully consider their actual circumstances. Different institutions exhibit variances in business characteristics, management needs, and other aspects. Therefore, a one-size-fits-all approach to accounting systems is not suitable. Instead, personalized design based on the specific circumstances of the unit should be undertaken to ensure relevance and practicality.

Additionally, accounting systems should clearly define the basic principles and methods of accounting. This includes determining fundamental principles such as the accrual basis and historical cost principles, as well as specifying norms for accounting methods like account classification, voucher preparation, and ledger registration. The clarity of these principles and methods contributes to standardizing accounting treatment, enhancing the accuracy and comparability of accounting information.

Finally, standardizing the accounting process is also a crucial aspect of accounting system construction. From the collection and verification of original vouchers to the preparation of journal vouchers, ledger registration, and the final compilation of reports, each step should have clear operating standards and process connections to ensure the orderly progression of accounting work and the authenticity and completeness of accounting information.

### **3.2 Enhancing the Qualifications of Accounting Personnel**

Elevating the qualifications of accounting personnel is paramount for optimizing accounting work in public institutions. When selecting accounting personnel, public institutions should establish strict selection criteria, focusing on candidates' professional backgrounds, practical experience, and professional ethics. By selecting accounting professionals with solid expertise and extensive practical experience, public institutions can build a high-quality accounting team, providing robust talent support for accounting work.

In daily operations, public institutions should reinforce the training and education of accounting personnel. Regular training courses on accounting theory, accounting standards, financial management,

and related topics can help accounting professionals stay abreast of the latest knowledge and skills, enhancing their proficiency and professional competence. Encouraging active participation in business exchanges and case analyses can further elevate their practical and problem-solving abilities<sup>[3]</sup>.

Moreover, public institutions should pay attention to the career development of accounting personnel. By offering continuing education and career development opportunities, such as participating in industry seminars, attending refresher courses, or obtaining higher-level accounting certifications, institutions can inspire a passion for learning and ambition among accounting professionals. This encourages them to continually enhance their professional competence and overall capabilities. In this way, public institutions can not only have a highly qualified accounting team but also create a favorable environment for the professional growth and development of accounting personnel.

### 3.3 Improving Foundational Accounting Work

Enhancing foundational accounting work is a crucial step for public institutions to elevate their financial management capabilities. This requires public institutions to standardize the accounting process from the source, ensuring that every economic transaction receives accurate and timely recording and processing.

Firstly, public institutions should establish a robust system for managing original vouchers, clearly defining the requirements for obtaining, preparing, and reviewing original vouchers to ensure their authenticity and legality. This serves as the starting point for accounting work and forms the foundation for ensuring the quality of accounting information.

Secondly, public institutions should standardize the process of preparing and reviewing journal vouchers, ensuring that these vouchers accurately reflect the content and amounts of economic transactions. This provides a reliable basis for subsequent ledger registration and report compilation.

Additionally, public institutions should strengthen the management of accounting ledgers, establishing a sound system for ledger registration to ensure the accuracy and completeness of ledger records. Through regular reconciliation and closing procedures, institutions can promptly identify and rectify errors and omissions in accounting, guaranteeing the authenticity

and accuracy of accounting information.

Lastly, public institutions should prioritize the preparation and review of accounting reports, ensuring that these reports truthfully and comprehensively reflect the financial status and operating results of the institution.

### 3.4 Strengthening Internal Supervision and Control

Optimizing internal supervision and control is a crucial means for public institutions to ensure financial robustness and enhance management efficiency. To achieve this goal, public institutions should establish a comprehensive internal control system, clearly defining the responsibilities and authorities of each department and position, and creating a mechanism of mutual constraint and supervision.

Firstly, public institutions should establish a sound internal audit system, conducting regular audits of financial transactions and economic activities to ensure their compliance and the authenticity of accounting information.

Secondly, public institutions should intensify internal supervision by establishing an independent supervisory department or appointing specific individuals responsible for supervision. Real-time tracking and monitoring of various economic activities should be implemented to ensure the standardized operation of economic activities<sup>[4]</sup>.

Additionally, public institutions should improve their risk control mechanisms by identifying and assessing various potential risks, formulating response measures, and reducing the likelihood of risk occurrence. For significant risk issues, collective decision-making and approval systems should be implemented to avoid losses resulting from individual decision-making errors.

Lastly, public institutions should prioritize the role of information technology in internal supervision and control. Utilizing information technology tools can enhance the efficiency and accuracy of supervision. For example, establishing a financial management information system facilitates data sharing and real-time monitoring, improving the timeliness and relevance of internal supervision.

Through the optimization of internal supervision and control, public institutions can ensure the sound operation of finances, enhance management

efficiency, and provide strong support for the sustained development of the institution.

### 3.5 Advancing Accounting Informationization

Advancing accounting informationization is a crucial avenue for public institutions to enhance the modernization of financial management. Firstly, public institutions should select accounting software that suits their business characteristics and management needs, ensuring comprehensive functionality, user-friendly operation, and secure reliability. Through accounting software, public institutions can achieve automated processing of accounting data and generate reports automatically, significantly improving work efficiency.

Secondly, public institutions should strengthen the electronic management of accounting data. By establishing a robust database system for centralized storage, backup, and management of accounting data, institutions ensure the security and traceability of data. Utilizing data mining and analysis technologies, public institutions can delve into the value information within accounting data, providing robust support for decision-making.

Additionally, public institutions should focus on cultivating and attracting talents with expertise in both accounting and informationization. Through training and learning, existing accounting personnel can enhance their information literacy and operational skills. By bringing in talents with a combined background in accounting and informationization, institutions inject new vitality into the accounting informationization construction.

Lastly, public institutions should actively promote the integration of the accounting information system with

other management systems, achieving data sharing and collaborative work to enhance the overall management efficiency of the institution.

## 4. Conclusion

In conclusion, the challenges faced by public institutions in accounting cannot be overlooked. However, through the implementation of strategies such as improving systems, enhancing personnel qualifications, solidifying foundational work, strengthening internal supervision, and advancing informationization construction, these issues can be effectively addressed. Looking ahead, public institutions should continue to deepen accounting reforms, adapt to the development requirements of the new era, enhance financial management capabilities, and levels. This will enable them to better fulfill their public service responsibilities and contribute to the harmonious and stable development of society.

## References

- [1] Li Dongmei. Issues and Countermeasures in Accounting of Public Institutions[J]. *China Collective Economy*, 2020(06): 154–155.
- [2] Jiao Lihua. Discussion on the Characteristics of Accounting and Audit Issues in Public Institutions[J]. *Business News*, 2020(05): 63.
- [3] Li Manyuan. Research on Issues in the Accounting System of Public Institutions[J]. *Financial and Accounting Studies*, 2020(05): 141+143.
- [4] Ba Xiumei. Issues and Solutions in Accounting of Public Institutions[J]. *Taxation*, 2020, 14(03): 87+89.