

Innovation and Development of Government Internal Control in the Post New Public Management Scenario

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Abstract Originated from the emerging of the new public management theory, government internal control is promoted by the commission responsibility view. Under the background of the macro environment of the post – NPM movement and the era background of advocating law – based governance and the construction of service – oriented and nomocracy – oriented government in our country, this paper intends to discuss on its influence on government internal control theory and practice in our country. Besides, this paper proposes suggestions on innovating implementation method, intending to provide enlightenments and references for the theoretical research and practical application in this field.

Keywords government internal control; New public management; Post – NPM

1 Introduction

The emerging of the new public management theory and the development of the commission responsibility view play an active role in promoting and guiding for the government internal control in both theory and method. As the important constituting part of state governance, the reform on government internal control has achieved significant progress in recent years. However, compared to the compulsive requirements on listed companies on internal control validity audit and self – evaluation report system in our country, there are many problems on government

internal control including insufficient whole harmony, less attention and serious information isolated island problems between departments. Therefore, this paper intends to discuss on the influence on government internal control under the background of post – NPM movement and the advocating of law – based governance and anti – corruption, as well as the construction of service – oriented and nomocracy – oriented government, to propose the thinking on the innovative implementation approach for government internal control in our country.

2 Status and Difficulties of Government Internal Control in Our Country under Post – NPM Movement Background

2.1 In Lack of Internal Environment Harmony

At present, the separated national management process and the fragmented management caused by the increase of management level and the bureaucrat scale caused by longitudinal decentralization of authority as well as the improvement of the division of labor caused by horizontal decentralization of authority lead to the low national governance efficiency, which has become the obstacle for the state governance and development, mainly embodied on the following aspects: Serious local government protectionism. At the same time of playing an active role in motivating the initiative and enthusiasm of economic development of interest subjects such as local government and government departments, the decentralization system may also lead to negative actions such as local selfish departmentalism, departmentalism and interest group because of over decentralization and oversize authority; it weakens the authority of centralization, leading to the phenomenon such as the so called “the government decree is only valid within Zhongnanhai” and “Decentralization by nine regional leaders”.^[1]

2.2 In Lack of Effective Mechanism on Risk Evaluation

During the process of realizing the target of governments, seldom governments conducts systematic evaluation on risks to be faced with. For example, in order to pursue for work performance, some local governments borrow money, guarantee and invest in large quantity in a violating way, and the liabilities of some local governments have achieved 3 times of that of the fiscal revenue, leading to significant financial risk and government debt crisis. According to public data, up until the end of 2015, the aggregate liability in our country had achieved 168.48 trillion yuan, 21% of which was from government departments; the rate of government departments achieved 57% including the debts on some financing platforms and possible debts. In 2015, the total outstanding liability of

the central and local departments in our country achieved 26.2 trillion yuan, and the local government debt balance in our country had achieved 15.4 trillion yuan up until the end of 2014. The main reasons for debt crisis include financial system problem, the failure of identifying and disclosing local government debt risk in time by annual budget, in lack of effective mechanism to restrain the financial opportunism; besides, the growth of GDP is taken as the core index for work performance for promotion of local officials and evaluation mechanism; however, the index which takes outstanding obligation scale and debt structure as the supervising and evaluating debt risk structure and the index which takes fiscal revenue growth rate as the debt paying ability are not included into the evaluation system for promotion of local government officials.^[2]

2.3 In Lack of Standard Internal Control Activities

Firstly, in lack of control procedures for business approval process, leading to frequent abuse of examination and approval authority by leaders. Secondly, in lack of control procedures for asset management, leading to problems such as unclear accounts and accounts inconsistent with reality on national asset disposal process, resulting in loss of national assets in quantity. Thirdly, in lack of control procedures for budget. There is no plan and predictive analysis on budgeting, leading to inconformity between the internal budget and the reported financial budget.

2.4 Serious Information Isolated Island between Departments

On aspect of information, there is serious information isolated island problem between government departments. Most government database and information systems are strictly restrained to longitudinal communication path, and it is impossible for government departments to share information with other government institutions. For example, tax bureaus in many places in our country store tax information by utilizing a large amount of space, leading to serious waste in space, and it is difficult to integrate paper data effectively. Taking household registration system

as another example, individual household registration data is isolated, and it is difficult for government management departments to conduct overall acquaintance and effective analysis. Besides, during the “golden week”, there are heavy traffic in various large cities, because the information mastered by the department of tourism and that mastered by the department of traffic cannot be shared with each other, and it is difficult for the latter one to plan for traffic in an accurate and effective way. The longitudinal and transverse information obstacles within government institution are combined with the longitudinal barriers between departments, leading to serious influence on information sharing, hindering the cooperation between these institutions.

2.5 In Lack of Independency on Internal Supervising Department

The government internal supervision in our country is mainly implemented by internal audit department, which is the important constituting part of government department internal control system. It is necessary for internal audit department to strengthen daily supervision and process control, and correct the behaviors out of control, and fill up loopholes. The more effective the internal audit is, the less the possibility of violating laws and rules in government departments is. At present, in consideration of authorized strength and cost, there are problems in internal supervision departments of various governments such as unclear division of functional authorities, as well as independent, merged and subordinate forms; external supervisions are needed, including government audit as well as supervision by the National People's Congress and the Chinese People's Political Consultative Conference.

3 Suggestions and Countermeasures for Government Internal Control under Post – NPM Background

3.1 Improvement of Government Integrated Harmony

Strengthen central government centralization system. At present, the deepen reform in our country

has entered into the abyssal region, and it is necessary for the central government in our country to advocate moderate centralization of authority, to delay the problems of low management efficiency such as poor harmony between departments and lack of public organization responsibility caused by department discretion because of the market oriented and responsibility oriented reform of decentralization of authorization. It is necessary for the central government to unify decision by applying more control to subordinated institutions by the central government, to strengthen the political processing capacity of the central government, and coordinate between different organizations such as public departments, non – profit organizations and private enterprises, to realize the integrated dispatching to public management.

3.2 Improvement of Government Risk Awareness

Risk evaluation means that government departments shall conduct evaluation on external and internal risks, and formulate strategies to reply to the risks. Therefore, it is imperative for our governments to adopt effective measures to control local government debt risk. In short term, it is available to widen financing channels by means of asset securitization and introducing private capital to relieve local government debt risk. In long term, it is required to start from the system, to arrange the relation between the central government and local governments, and establish the fiscal system with matched office authority and financial authority, for example, reasonable division of office authority between governments, perfection of local tax systems and perfect transfer payment system; perfect work performance evaluation mechanism, and restrain the investment impulsion by local government, and take local government debt paying ability as one of the work performance evaluating indexes, to restrain the internal driving force of blind borrowing; prevent local financial risks by stipulations such as bonding in quota by the State Council and deficit filing for provincial government; perfect the supervision system by the National People's Congress, to standardize local government behaviors.

3.3 Standardization of Internal Control Activities in Institutions

As a kind of internal self – supervision and perfection means, government internal control promotes government departments to pay attention to self; institutional improvement and prevent business risk during the implementation process. The prevention and control of business management risk shall start from institution layer and operation layer, to standardize the institutional establishment construction and distribution of rights and liabilities of business operation of government departments in an institutional and programmed way. The key for internal control of institution layer is on the design of the separation of the three authorities of decision, implementation and supervision, and the key for internal control of operation layer is on the establishment of the business operation management system of “taking budget management as the principle line, and taking capital management and control as the core”^[3].

3.4 Implementation of No Obstacle Communication and Cooperative Governance

Implement information sharing. Realize interactive governance of public department, private department, non – profit department and social citizens, and establish a successful digital information network as the support. For example, it is available for local governments to realize tax electronic computerization by utilizing electronic computerization, to analyze local industry status by enterprise trading data, to formulate industry policies in a targeted way, to improve the service quality and efficiency of governments. For another example, the household registration system, more information of citizens will be included into the household data by public management department, to become the “active” data; it is possible for the department of travel and the department of transport to realize real time information sharing, to plan for transportation in an effective way, and government management departments can conduct effective analysis, to promote the urban management efficiency and

the public service level. Information technology can be utilized for effective cooperation without restrained by organizational boundaries, to realize the resource sharing between organizations.

3.5 Perfection of Internal Supervision Institution

Internal supervision institution is the self – correction and repair mechanism during the implementation process of government internal control. Therefore, it is especially important to give full play to internal audit function; firstly, establish independent internal audit institution, to promote the chief auditor system by legislation. Independence is the essence of audit, which is embodied on the independence of audit personnel, the independence of expenditure and the independence of institution; secondly, develop value – added internal audit service, and enrich internal audit functions and powers.^[4] Besides the basic function of investigating and treating the affairs violating discipline or regulation, internal audit institution can promote the perfection of the internal management and control system by internal control evaluation and risk evaluation; give full play of communication, to providing advice for the decision – making layer.

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