

A Comparative Study of the Theoretical Framework for Evaluating the Effectiveness of Internal Control between China and the United States

Xuying Chen, Wenchuan Chen

Nanfang college of sun-yat-sen university, Guangzhou 51000, China

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Abstract: With the rise of the new public governance theory and the deepening reform of our government system, the issue of government internal control is receiving increasing attention. Taking the United States as a reference object, this paper constructs a framework from eight aspects: evaluation demand side, evaluation subject, evaluation object, evaluation objective, evaluation idea, evaluation criteria, evaluation method and evaluation supervision. Comparing with the effectiveness of the internal control of the Chinese government, it puts forward relevant suggestions for establishing and improving the internal control system of the government department in China, and hopes to provide a reference for scientific and reasonable evaluation of internal control, which is beneficial to the transformation to a service-oriented government and a rule-based government.

1. Introduction

In recent years, our government has put forward the governance objectives of "governing the country according to law", "speeding up the transformation of government functions, building a service-oriented government" and "fighting corruption and promoting honesty". It can be seen from the previous announcements and talks of the central government that strengthening the effective restriction on the functions and powers of the government and strengthening the internal supervision mechanism are the important contents of promoting the comprehensive deepening reform in our country. The author believes that the implementation of the government internal control system in line with the needs of the people is an urgent need and strong guarantee for China's economic and social development. However, compared with the western countries, there are still many deficiencies in the research progress, emphasis and execution of government internal control in China, and government failure occurs from time to time. The United States is a pioneer in the study of government internal control. After nearly half a century of practice revision, its sound internal government control system can respond to citizens' needs in a timely manner, thereby effectively increasing public recognition and government credibility, and building internal government control for countries. The system provides an important reference experience. In order to better adapt to the political development needs of the new era, China urgently needs to draw on the successful experience of Western advanced countries, based on China's basic national conditions and actual needs, and in-depth study of effective government internal control system.

2. Analysis and comparison of internal control between Chinese and American governments

Based on the research framework of Chen Wenchuan and Yu Yingmin (2015), this paper intends to discuss through "evaluation demand side", "evaluation subject", "evaluation object", "evaluation target", "evaluation idea", "evaluation standard", "evaluation method" and "evaluation supervision". Hope to provide useful reference for the improvement of the internal control system of our government.

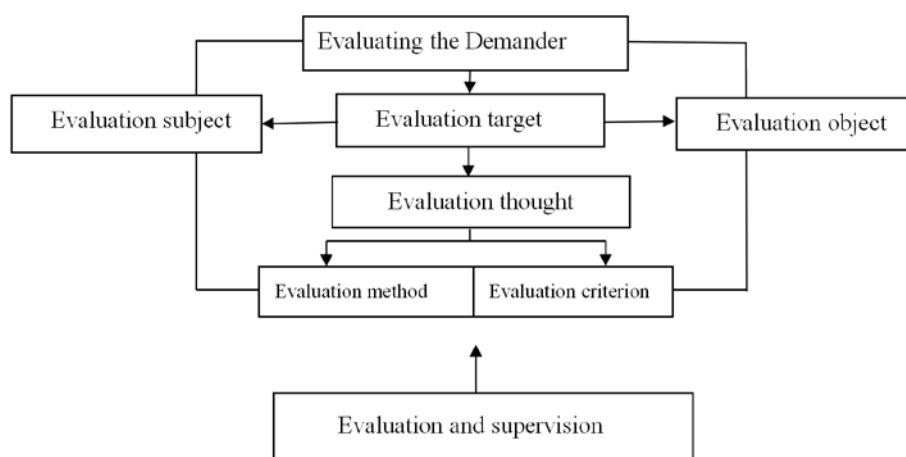


Figure 1. Theoretical Framework of Government Internal Control.

2.1. Evaluating the Demander

GAO believes that the government is the agency of social citizens, and the fiduciary responsibility refers to the responsibility of the government or other organizations to explain their management to the social groups. Citizens are not only the owners of the government, but also the providers and recipients of public resources and services. Therefore, in the amendments to the Federal Government Internal Control Guidelines (hereinafter referred to as the Federal Guidelines) in 2014, it can be found that the reporting objectives focus on external financial reporting. In recent years, according to the study of national failure, American scholars have put forward new public management theory and interest related theory, advocating that the government should establish a reasonable and efficient mechanism to achieve good governance. The federal government began to establish a flexible governance model, advocating to change the habit of operating according to rules and regulations, so as to better build a government system of humanized services. COSO mentioned that internal control is a process of integration with the business and is a reasonable guarantee rather than an absolute guarantee. This kind of humanized setting, although based on the American private freedom culture and unwritten legal system, still has important reference value for solving the problem that the growing public demand of the Chinese people is not compatible with the government's governance ability.

The Constitution of our country stipulates that the people are the masters of the country and that the government is trusted by the people. However, in the relevant laws and regulations of government internal control, the discussion of evaluating the demander is absent, and the fiduciary responsibility is not well reflected in the rules. At the executive level, NPC, Party committees, government management departments and audit departments at all levels, as representatives of resource providers and service recipients, have actually become the main demand side of evaluation. However, although government departments can share all kinds of government responsibilities, they can not represent the meaning of sovereignty. The actual actions of government departments fail to meet the expectations of the public, nor can they effectively fulfill their reporting responsibilities. They are mainly reflected in the inadequate, incomplete, inconsistent with public expectations and inadaptability to the public's understanding ability. The Third Plenary Session of the 18th CPC Central Committee proposed to promote the modernization of the national governance system and governance capacity, but there is still a dilemma in the internal control of the government. China is a statute country, a difference between culture and legal system, and the goal of building a service-oriented government must be specific to the laws and regulations that are constantly being revised in response to the actual needs of the people.

2.2. Evaluation subject

The internal control system of the U.S. government is clearly designed by the General Audit Office under Congress to form a guidance document for the internal control principles of the federal

government. Chief Financial Officers of Federal Government Departments formulate internal control rules in accordance with the guidelines of the General Audit Office and in line with the actual situation of their respective departments. In the federal administrative organs, legislative organs, judicial organs and other budget units, the Office of the Inspector-General has been established, which audits and gives opinions. Congress guarantees the Department funds and budgets of the General Audit Office and the Office of the Inspector General to enable it to investigate corruption, fraud and mismanagement independently of other government departments. Congress also grants the General Audit Office the privilege to report directly to the President and Congress when it finds significant deficiencies. American academics generally believe that the main body of internal control responsibility is not only the government management, but also the internal audit organization and all employees. From a broader perspective, it should also include the Supreme Audit Institution, legislation, the judiciary, and civil society. In this sense, Congress, the Federal Office of Administration and Budget (OMB), and the COSO of the private industry associations all fall within the scope of evaluation.

2.3. Object of evaluation

The effective control of the Federal Government in various areas of government internal control is largely attributed to the sound legal and regulatory system of the United States. The Budget and Accounting Procedure Act guarantees that the federal government can use budgetary funds reasonably and effectively, and that public services can be implemented fairly and fairly. The Federal Governor Financial Integrity Act (FMFIA) of 1982 guarantees the realization of its goals and stipulates that it is necessary to report the flow of funds truthfully on the basis of restricting the actions of federal government departments. The legal system dominated by FMFIA requires the federal government to make sustained assessments and reports on the internal control and control systems of various administrative departments by auditing agencies. The Chief Financial Judge Case, promulgated by Congress in 1990, and the Federal Financial Management Improvement Program, promulgated in 1996, established the CFO system, which promoted the federal government's continuous introduction and application of modern business management and financial management ideas and methods. Technology, which improves the management effectiveness of the federal government. In the 21st century, the "Unfair Payment Information Act" and the "Federal Information Security Management Act" were promulgated one after another, ensuring the security of information and data, and responding to the internal control demands of the information age. In recent years, American academics and COSO still carry out detailed research around improving the efficiency of government governance.

Considering the cost budget, the internal control of government departments in our country has not been controlled in all fields of activities. Relevant laws and regulations and inner-party regulations have been promulgated, focusing on preventing the economic and business risks of government departments at the operational level, focusing mainly on preventing corruption and asset preservation. Although the Accounting Law and Auditing Law are related to internal control, they are mainly aimed at enterprises, the Budget Law, the Government Procurement Law and the Accounting System of Administrative Units, but they are limited to the control of economic activities. The inner-party rules and regulations of the Communist Party of China, such as the Regulations on the Supervision within the Party of the Communist Party of China, only focus on anti-corruption, but fail to reflect other important connotations of internal control. The "Guidelines for Internal Control Evaluation of Auditing Organs" implemented in 2004 and the administrative norms introduced in 2014 are only outlines of the framework, and are only for economic business, and are mainly based on asset preservation, which is not comprehensive enough. The "Basic System for Internal Control of the Ministry of Finance" introduced in 2015 further improved the internal control of the government, but only required the establishment of an internal control committee within the financial system and the implementation of the system. Throughout the internal control system of the entire government in China, first of all, the scientific nature of the prior decision-making evaluation is insufficient, which leads to the occurrence of political achievements. Secondly,

the power of the object is not blame, the internal control object is narrow and redundant, resulting in many defects. Again, the independence is insufficient. The weak control at the grassroots level leads to frequent occurrences of leadership personal power over internal control. In order to evaluate the integrity of the object, we should develop the advanced functions of internal government control, and strive to improve the efficiency of government governance and improve the ability of administrative decision-making.

2.4. Evaluation method

In the internal control of the U.S. government, there are many evaluation methods, such as flow chart method, sampling method, inquiry and observation, etc. Although the national conditions of China and the United States are different, most of the internal control evaluation methods adopted by the United States are applicable to China. Internal control evaluation in China is generally divided into qualitative method and quantitative method. In the process of using qualitative method, sampling method is the most widely used method. The most commonly used quantitative methods are analytic hierarchy process (AHP) and economic quantitative analysis (EQA). However, qualitative analysis is generally subjective, and the conclusions drawn from the research are weak. Compared with the qualitative analysis method, the quantitative analysis method is more scientific, and can comprehensively evaluate the financial reports of government departments and reduce the subjectivity in the analysis process. Comparing the evaluation methods of China and the United States, there is little difference between the two methods. However, the US government department requires the internal control system to be standardized and unified with the evaluation standards. In contrast, China's use of evaluation methods in practice activities is not rigorous and its positioning is not clear, and it should be accelerated to improve the level of internal control.

3. Enlightenment and Suggestions of American Experience to China

3.1. Combining Practice with Theory to Speed up Research and Legislation

The internal control of American government is a complete and huge system which combines theory with practice, develops rapidly, responds promptly and takes macro and detail into account. It brings great reference value to the reform of internal control system in the world. In view of China's national conditions, the internal control system of the government should be combined with practical activities to accelerate the innovation of the legislative system. 1. In order to improve the efficiency and operability of research, we should give full play to the strong and efficient advantages of our government, lead the research and legislative process, and provide corresponding resources to vigorously develop industry associations. Trade associations have the advantages of professionalism, coverage, theory and practice. For new or sudden problems, they can collect data in time and give preliminary treatment opinions, which can provide basis and data for further research. 2. In order to avoid the phenomenon of "criteria overload" in the United States, optimize the construction of "service-oriented government" in China, and effectively improve the gaps in the initial stage of internal control development, the evaluation system and other norms should be based on principles and aim at both objectives. Process and defect-oriented, comprehensive, systematic, necessary operational details, and minimum standards for design requirements.

3.2. Improving the Government's Internal Control System and Accelerating the Guidance and Complementary Promulgation

The current internal control laws and regulations of the government and the inner-party rules and regulations system in our country have not formed a complete system, and the operation is not strong, so it should be further improved. 1. In view of the defects that have occurred, we should draw lessons from the mature experience of foreign countries, promulgate detailed guiding principles as soon as possible, formulate feasible evaluation criteria, and begin to study the internal control issues of the effectiveness of government governance and scientific decision-making. 2. In order to guarantee the independence of audit and supervisory organs, it is necessary to separate

audit organs at all levels from the administrative system, and to entrust the functions of control design to audit organs with strong professional competence. 3. To clarify and clarify the specific business rights and responsibilities to each position of the government department, and design an internal control system and an accountability improvement mechanism accordingly. Without internal control at the unit level, internal control at the business level cannot function effectively (Liu Yongze, 2015). 4. In line with the development of information technology, it is imperative to improve the professional competence and statistical and communication capabilities of audit internal control personnel. 5. Improving the information disclosure mechanism is an important means to improve the transparency of government information and strengthen the supervision of government departments and public opinion supervision. The government should focus on improving the clarity and timeliness of the report information and building a big data system platform based on the relevant modules of the budget.

3.3. Give Full Play to Our Country's System Advantage and Strengthen the Construction of Three-dimensional Supervisory System

Compared with the United States, our country has the advantages of the inner-party supervision mechanism and the CPPCC supervision mechanism. The establishment of the internal control evaluation system should give full play to the advantages of the existing system and improve the deficiencies. The CPC's meticulous work in the ideological field is an effective mechanism for establishing internal control. The purpose of "serving the people" is consistent with the sense of fiduciary responsibility. Through the Party's supervision system, we can timely obtain defective feedback information, establish the sense of fiduciary responsibility and learn the necessary basic knowledge of internal control. Then, through the leading role of Party members, we can strengthen the promotion of professional ethics and ethical values in the civil service system. After the independence of the Chinese Communist Party's Disciplinary Inspection Committee, it has achieved remarkable results in supervising party members and cadres and fighting corruption. However, the independence of the grassroots disciplinary committee has not been guaranteed, and the government has not been able to conduct internal control evaluation and supervision in all aspects. Therefore, effective supervision of party members and cadres should be implemented at all levels. This requires expanding intra-party democracy and conducting effective evaluation and supervision of internal control from the bottom up. The quality of political affairs has been improving year by year, but the professional ability of internal control supervision still needs to be strengthened. Joint research and report interpretation should be carried out based on the professional capabilities of industry associations. Further design the entire evaluation mechanism, clarify the powers and responsibilities of the party committee, the financial department, the audit supervision department and the CPPCC, and strengthen the coordination with internal audit and performance audit in the design process to change the situation of multi-long water management.

4. Conclusion and deficiency

The internal control of our government departments is in the early stage of development. It can provide new ideas for the development of China's internal control to draw lessons from the excellent research results and beneficial measures of the United States government scientifically. Effective evaluation system of internal control of government departments is conducive to the establishment of anti-corruption mechanism, combating corruption and crime, and promoting the construction of legal government and service-oriented government in China (Zhu Rongen, 2003). A sound government internal control evaluation system is also conducive to improving the management level and effectiveness of government internal institutions to adapt to the needs of national development under the new situation. The comparative analysis of this paper is still very shallow, limited to the lack of public information of government departments, and failed to conduct empirical research, which needs further discussion.

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