

## **Analysis on the Path of Strengthening Internal Control of Local Finance**

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**Abstract:** Due to the combined forces of internal and external factors, China's local fiscal internal control is highly prone to risks. Strengthening local fiscal risk management has the effect of promoting local economic growth and improving the national fiscal system. This paper mainly discusses the types of risks that are prone to occur in the local fiscal system, the stage factors that affect the internal control of local finance, and the improvement of the specific path of internal control of finance.

### **1. Risks in the current local financial management system**

#### **1.1 The matching of financial power and power is low**

With the deepening of China's tax reform, the central government's fiscal power has increased, and local fiscal power has been reduced accordingly. There is a tendency for the government's financial power and power to separate. This has caused a situation in which financial power has moved up and decentralization has been made. The two can't match. Although most of the taxes in China's current tax system are local taxes. However, most of these taxes are tax types with less tax sources and more difficult taxes. The ratio of central and local tax sharing is low. As the main source of local finance, taxation determines the degree of completion of local fiscal functions.

#### **1.2 The proportion of local financial liabilities is too high**

Our government debt includes the debts of the central and local governments. The central government mainly obtains through the issuance of government bonds, and the local government debts are diverse and complex. This is particularly evident in the case of implicit debt. In general, China's local fiscal debt ratio is relatively high, especially implicit debt growth is fast, and structural local risks cannot be ignored. At the same time, local debt risks may have an impact and impact on macroeconomic regulation and control.

#### **1.3 The level of local financial fund management needs to be improved**

The level of local fiscal expenditure management still needs to be standardized. The local finance has long-term problems of excessive balance of funds and low efficiency of fiscal expenditure. Financial expenditure supervision is not in place, the local financial system needs to be improved, and financial funds are wasted.

### **2. The influencing factors of internal fiscal internal control**

The internal control of local finances must first focus on the factors affecting environmental control. As the basis for local financial construction and control, environmental factors influence and constrain the content and strategic methods of internal control. The external environment, including social systems, economic environment, political environment, etc. For local government

management, these factors cannot be ignored. The internal environment includes financial resources and resources, material resources and environment, and cultural environment. These factors affect the allocation of local government financial funds. In addition, environmental control, which plays a role in regulating local financial work, also regulates the behavior of internal government administrators, and determines the concepts and guidelines of local government administrators to work, and the decision-making level of financial management here. The role played is even more obvious. Only management can raise standards, establish requirements, attach importance to fiscal risk assessment and control, and establish a good model for the department to lay a good foundation for internal control.

In addition, local financial internal control also has problems in implementing control costs. On the one hand, it comes from the decision-makers, the loss of human and financial resources caused by the mistakes in decision-making in internal control. On the other hand, it comes from the unclear distribution of internal staff responsibilities and the loss of efficiency caused by the ambiguous organizational structure. The inability to separate incompatible positions is more likely to lead to the consequences of collusion. If you can't do job restrictions, let alone improve efficiency. In short, for internal control, finding a balance between efficiency and cost is a long-term issue.

### **3. Strengthen the specific path of internal control of local finance**

#### **3.1 Improve the recognition ability of local government risks**

Risk identification is the process of identifying and reflecting the risks that may occur in a business process using a risk identification tool. This is also a long-term, dynamic process that is a prerequisite for the government's internal fiscal control. Risk identification has a high technical threshold, requiring local governments to set up professional risk identification teams to conduct a comprehensive systematic analysis of business processes, including analysis of departmental organizational structure and business processes, clarifying the possibility of risk occurrence and risk tolerance of each link. It includes appropriate and effective risk identification methods, such as fault tree analysis and brainstorming analysis. It also includes the way to build a risk database, which classifies and summarizes the identified risks in the form of texts and graphical tables, and compares them to draw conclusions and avoid risks.

#### **3.2 Improve the local financial internal audit system**

The formulation of fiscal policies by local governments must be in keeping with the spirit of the central fiscal policy, ensuring that the localities follow the central authorities and achieve consistency. At the same time, the formulation of local policies is also in line with the local economic development. Therefore, the local government should establish an internal self-censorship system to ensure that the local and central fiscal policies are in the same line, to ensure the perfection of the fund management system, and to ensure compliance and transparency in daily management. Every policy is based on evidence, and every business is open and transparent. Supervise and inspect the authenticity of the legality of financial revenues and expenditures. This is conducive to the supervision of financial administration and improve the efficiency of financial administration.

#### **3.3 Enhance the professionalism and ability of government management personnel**

The daily work of the government's financial department is closely related to the professional literacy of its internal management personnel. Incompetent separation of duties in the financial department staffing structure. Avoid cross-disciplinary positions, clarify the boundaries of job powers, and enable employees to perform their duties. At the same time, the financial department should arrange it in suitable positions according to the different levels of competence and areas of expertise, and refine its job responsibilities, and exert its capabilities to a greater extent to enhance work enthusiasm and improve government efficiency.

### **3.4 Build a financial fund audit system**

At present, China pays insufficient attention to the audit of financial funds. The financial fund auditing system is better used in some countries. It can focus on auditing the financial revenues and expenditures, the authenticity, efficiency and legitimacy of assets and liabilities and profits, so as to strengthen the supervision of funds and property management. Ensure that all financial income of each unit is legal and reasonable and be included in the unified management system. The amount due to the financial account should be paid in full and on time. Ensure that the fees are in a reasonable range. Ensure that the expenditures of all uni.

### **4. Conclusion**

Local government fiscal risks have been accompanied by the establishment of the local fiscal system. At the same time, local finance is closely related to the local fiscal system and the level of economic development. Strengthening the internal control of local finance can effectively identify risks in financial operations, conduct risk management in a timely manner, and ensure the smooth operation of financial conditions. Therefore, in the face of insufficient attention to the internal control of the local finance, we should fully recognize its utility and lay a solid foundation for China's economic development and social stability.

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