THEMATIC-compilation-of-relevant-information-submitted-by-china

article 9, paragraphs 2 and 3 uncac

management of public finances

china (sixth meeting)

administration of public finance in china

as finance is the foundation and an important pillar for a country’s governance, a clean and efficient financial administration is an indispensable link of china's overall strategic campaign against corruption. over the recent years, the chinese government has been committed to standardizing and improving the administration of public finance, and to building a modern financial administration system for the prevention of corruption from the source by improving norms and rules, standardizing operation, enhancing publicity, and strengthening supervision, etc.

i. building a standardized budget management system

in 2014, china revised the budget law of the people's republic of china, and with this law serving as a basis, china has made efforts to promote the reform of budget administration, and has initially established a comprehensive, standard, open and transparent modern budget management system that helps lock power in the cage of legal regime.

1. improving the government’s budget system

the chinese government’s budget is its annual financial revenue and expenditure plan that is reviewed and approved according to the statutory procedures and has legally binding force. the state council prepares the draft of central budget that is executed upon approval by the national people's congress; local governments at various levels prepare their own draft budgets that are implemented upon approval by the local people's congress at the corresponding level. to work out unified government budget and fully subject fiscal funds under legal regulation, china has clearly defined in the new budget law the respective scopes of general public budget, governmental fund budget, state-owned capital operation budget and social security fund budget. the country included all of the government’s revenue and expenditure in the budget administration to fully reflect the total volume, structure and administration activities of the government’s revenue and expenditure, thus achieving completeness and unification of the budget system.

2. establishing a transparent budgeting and accounts settlement system

openness and transparency are the essential characteristics of the modern financial system, and are necessary for building a sunshine government and a responsible government. in recent years, the chinese government has continued to expand the scope of open budget and settlement. except for confidential information, all the departments or agencies using fiscal monies are required to make public their budget and final accounts.
In 2014, 99 agencies at the central government level released their budget and final accounts, and 31 provinces (autonomous regions and municipalities) disclosed all their general public budgets and the corresponding departmental budgets for the local regions. At the same time, the disclosed information was further broken down with greater details: for the budget and final accounts of the central government and various departments, information was made publicly available to the extent of items and subjects in the functional classification of expenditure, and the budget and final accounts of special transfer payments were disclosed by region and subject. The process for making public the budget and final accounting was also standardized, and the performance evaluation of the openness in this field was strengthened.

3. Hard Budget Constraint
To ensure that fiscal funds are used in an increasingly effective and standardized manner, the Chinese government has adopted measures to harden the budget constraint. China's government budget, after being approved by the National People's Congress, cannot be changed at will, and all the expenditures must be executed in strict accordance with the budget. Expenditures of local governments, departments and agencies at all levels must be based on the approved budget, without any expenditure for issues beyond the budgeted arrangements. During the execution of each annual budget, except for such emergency expenses as disaster relief that should to be resolved with contingent funds, generally no policy will be rolled out for increasing the year’s expenditure; in the event emergency policies must be announced, the funds should be approved on the basis of budgetary arrangements for later years. Expenditures of all departments have to be executed in accordance with the budget accounts and items. If it’s necessary to make alternative use of funds between different budget accounts, budget levels or projects, the rules and regulations of the government's treasure department shall apply. Governments at all levels and all agencies with a budget should act in strict accordance with the financial discipline, strictly carry out supervision and hold everyone accountable for the use of fiscal funds, and severely crack down on illegal activities.

In addition, the Chinese government has adopted such measures as improving annual budget control, regulating local governments’ debt administration, promoting budget performance administration in the whole process, and standardizing preferential tax policies, for the purposes of improving budget administration in an all-round, multi-layer manner and better playing the budget’s financial functions.

II. Constantly improving the modern treasury administration system
To further regulate financial administration, the Chinese government has been working on establishing and improving a modern treasury administration system that is based on the treasury’s single account system and takes centralized treasury payment as the main form of fund allocation.

1. Improving the treasury’s single account system
In line with its concept of strictly controlling newly added special fiscal accounts, the Chinese government strictly handles the approval process for application of opening new local special fiscal accounts, and has been inspecting and making adjustments to existing
local special fiscal accounts. Except those that have been reviewed by the Ministry of Finance and approved by the State Council for their retention, all other special accounts are being phased out. By doing so, administration of fiscal funds is being further standardized.

2. Deepening the reform of centralized treasury disbursement system

It’s stipulated in the Budget Law that centralized treasury collection and payment are adopted in China, and therefore all the government revenues and expenditures are subject to centralized treasury administration for collection and payment. At present, after centralized treasury payment was fundamentally realized among units at or above the county level of budget, the Chinese government is committed to an overall reform of centralized treasury payment for countries and townships, to promote the development of this system among the grass-roots governments. By the end of 2014, more than 170 central departments and 16,000 subordinate agencies under them, as well as over 620,000 agencies from 36 provinces, autonomous regions, municipalities and the country's social and economic development cities under separate state planning (Cities for short) implemented the reform of centralized treasury payment system.

3. Focusing on strengthening the dynamic mechanism for monitoring balance of revenue and expenditures

In terms of financial revenue, the horizontal networking coverage of electronic collection of tax revenues to the tax treasury was expanded. By the end of 2014, this horizontal networking was completed among all the provinces, autonomous regions, municipalities and Cities. The non-tax revenue collection system has been further improved, and electronic payment is being promoted in this field. By the end of 2014, the administrative reform of non-tax revenue collection was implemented in more than 100 central departments and over 380,000 local collection units. In addition, the range of the dynamic monitoring system for budget execution was further expanded. All the provincial and some municipal and county-level governments’ financial departments have established a dynamic monitoring mechanism for budget execution, thus realizing real-time monitoring of payment information of each amount from the budgeted agency.

III. Making greater efforts to strengthen and control the information disclosure mechanism

A powerfully effective supervisory mechanism is indispensable for the standardized, efficient and clean operation of fiscal system. Over the recent years, the Chinese government has made sustained efforts to strengthen internal supervision, accounting supervision and public supervision, and formed a comprehensive and complete system of fiscal supervision.

1. Establishing and improving the risk administration and internal control system

For departments and positions with centralized authority for the allocation and use of fiscal funds, the Chinese government implements such measures as different authority exercised for different issues, different authority allocated to different positions, different authorizations provided to different levels, regular rotation of duties and strengthened
internal control procedures, so as to prevent the abuse of power. China’s Ministry of Finance issued the *Basic Rules of the Ministry of Finance for Internal Control (Trial)*, which clearly defines the main objectives, basic elements, means and methods of internal control. Special internal control approaches, which cover the whole process of risk administration from risk identification, assessment, classification, response to report, were worked out respectively for eight types of risks, including legal risk, policy risk, budget preparation risk, budget execution risk, public relation risk, government bodies’ operational risk, and risk of interest conflict among positions.

2. Reinforcing the foundation of the accounting supervisory system
The Chinese government has been, in accordance with the requirements for establishing a modern fiscal system, promoting the government’s accounting reform and establishing its comprehensive financial reporting system on the basis of accrual system. The government has made a clear decision that before 2020, a system of the government’s accounting standards with Chinese characteristics should be basically completed. This system will accurately and completely reflect the government’s budget revenues, expenditures, balances and other budget execution information, as well as assets (including net assets), liabilities, revenues, expenses and other financial information. Meanwhile, the Chinese government is also actively exploring ways to establish a public-sector CPA audit system and the government purchase system for CPA service. The purposes are to make full use of social resources in the audit of public funds, play the role of independent third parties in social supervision, and continuously improve transparency in public financial administration.

3. Actively promoting voluntary disclosure of fiscal information
The Chinese government uses the portal of financial departments as the main platform for fiscal information disclosure. On that platform, it timely releases official financial information while vigorously developing and promoting the WeChat channel of the Ministry of Finance to facilitate public participation. All then on-classified fiscal laws, regulations and policy documents released since 2003 have been made accessible to the public on the website; all the newly issued non-classified fiscal laws, regulations and normative documents have been made public on the website within 20 working days after the date of their announcement. Such information is also made public online on a monthly basis as basic data of the country’s monthly financial revenue and expenditures, nationwide lottery sales, and economic performance of nationwide state-owned and state holding enterprises; in addition, the structural analysis of the country’s tax revenues increase is disclosed on a quarterly basis. The *Annual Report of the Ministry of Finance on the Disclosure Work of Governmental Information* is published on the portal every year.