

DISCUSSION ON GOVERNMENT AUDIT AND NATIONAL ECONOMIC SECURITY

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ABSTRACT

This paper analysis the theoretical basis of making the government audit involve in the national economic security through the three perspectives of audit essence, government supervision, institutional equilibrium, and studies the government audit to play the strategic defense and the removal, repair of micro-system roles to maintain the national economic security, then from a correct understanding to the connotation and denotation of the economic security, through the several aspects of improving the auditing system, establishing the evaluation index system of economic security, emphasizing the financial security auditing and the national economy information security auditing, providing the government how audit should play its role better in the aspect of national economic security maintenance.

Keywords: government audit, economic security, information security.

Introduction

As a basic tool for governance, the government audit is an important tool to improve the national political system, strengthening the management of the national economy. what's more, it is in in responsibility to protect national economic security operation. Liu Guyi auditor-general in the national audit work conference of China making an analogy that the government audit is the guarantee of national economic just like "immune system", and safeguard national economic security function of modern government. Government audit institutions within the government have

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endogenous "immune" function, it can audit through their own independent, objective, fair, from a higher level and broader scope, pay close attention to fiscal, finance, people's livelihood, state-owned assets, energy and resources and environment, as well as the weak link and the potential risk, pay close attention to economic problems as it could lead to social instability and even became a political question, timely put forward the countermeasure suggestion, prevent embryonic problem, feel the risk as early as possible, set up an alert in advance.

From the point of international practice, "the national audit law" in the UK, Canada, "the budget and accounting law" in the United States safeguard national economic security as an important responsibility and strategic objectives. Especially in the United States the "2004-2009 development plan" audit target framework clearly points out the future economic security strategy target of audit. Since the establish of Chinese government auditing authority, it plays an important role in maintaining economic security from the perspective of economic supervision, but the theoretical study of government audit and national economic security problems lags behind relatively still. Further study of government audit and related questions of national economic security is of vital importance to guide the audit institutions in the new economic situation, as how to work around the government, promote healthy development of government economy service.

1. Government Auditing Theory Basis and Safeguard of National Economic Security

1.1 the theory basis of government audit safeguard and national economic security

(i)The perspective of audit essence

Based on the traditional auditing theory, the essence of the government audit is the responsibility fulfillment of public entrusted supervision of independent economic situation, namely, economic supervision theory. The objects of audit supervision are government's fiscal and financial revenues and expenditures. The traditional government audit nature shows the government audit itself is focused on national financial and economic order, to crack down on economic crimes which are indispensable important component of safeguarding national economic security. The auditor-general lihua (2009) argue that the modern government auditing is the product of democratic law, which paly a big role in promoting democracy. This paper argues that, from the perspective of public entrusted economic responsibility, maintaining the economic security of the local people is the essential requirements and the specific

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construction of democratic rule of law form of public accountability which is also a statutory duty. In the form of audit announcement to let people know whether economic security, economic life have safeguard, whether in a safe state, to assist people to participate in the economic life, is democracy. Punishing corrupt officials according to the national policy and law, restrict and supervise the economic rights from the economic security of natural factors and social factors, economic factors and non-economic factors and so on many aspects to maintain national economic security, is the rule of law. In a word, both the nature of the traditional government audit, and the nature of the modern government audit, all the government audit can be linked to national economic security problems, it is the responsibility of the government audit

In a word, whether the essence of traditional government auditing or that of modern government auditing, both of which can be connected to the problem of national economic safety.

(ii) From the perspective of governmental supervision

In market economy, government has compelling obligation to supervise national economy security.

Frist, from the point view of national benefits, government has the responsibility to resist the damage to national economy from market power and political power at home and abroad. Especially when market failure happens or when some industry is in terrible situation, government who presents the whole state should protect the public benefits and national benefits, restrain malignant monopoly and malignant unfair competition and prevent the deterioration of environment to protect the security of national economy.

Second, national economy security as a public good, can be provided by the government to companies. Especially the public infrastructures which are the institutionalization and materialization of protection of national economy, can be provided to companies and supervision and early warning system should be established to protect national economy.

Third, when the national economy is in danger, the government should take positive and suitable measures to restrain the malignant factor or event which may endanger the national economy, make sure the national economy back to the “safety zone” from the “unsafety zone” and “dangerous zone”.

Fourth, according to international conventions, the governments of countries would not set up an independent authority department to charge of economy safety but make full use of existing framework of national safety protection, to ask all the related departments to participate national economy management and to carry out task respectively. In order to improve proficiency and make sure every measure to be carried out, the governments highly rely on those comprehensive functional department and influence the activities of different departments by controlling management and budget . If the governments intend to perform the function of

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supervision to national economy safety efficiently, they have to stimulate the enthusiasm of every functional department, and establish democratic and scientific decision-making mechanism, information access and transmission mechanism, public supervision mechanism and rights and obligations equipotent mechanism so that to make sure the national economy safety supervision function perform well and improve important decision-making efficiency and to prevent the moral hazard and asymmetric information in the process of supervision.

In China, governmental auditing and governmental function are inseparable. Public auditing is the carrier of the supervision function of government. Public auditing is around government function so that the governmental audit will change to the same degree with which degree government function change to. The two will show the spiral escalation and advance in waves in the fluctuant progress.

Government auditing, as a functional department of government, has the obligatory responsibility for economy safety supervision. In addition, government demands the government audit of the active reaction to safety problem of national economy.

(iii) From the perspective of regime equilibrium

National economy safety concerns the regime. The factors affecting the national economy unsafety occur from the disequilibrium of the regime. The problem of national economy unsafety is the result of or performance of disequilibrium of the regime. As to a national economy system, regime equilibrium has uncertainty; when the interference outside the country accumulates to some degree, the equilibrium of the regime will transform to disequilibrium. This transformation will embody, as an economic phenomenon, disequilibrium and disorder in economic system and finally the exposure of kinds of crises. Disequilibrium of the regime exists objectively as a common status, which means national economy unsafety exists in the long run. Disequilibrium of the regime can be divided into two types: one is referring to the disequilibrium caused by the lack of sufficient supply of regime; the other one is referring to the disequilibrium caused by over-supplying of regime, which means some regimes are needless compared with the demand from the society or some outdated regimes and some invalid regimes are playing the role. Government audit is related with national economy safety, not because government auditing expands its function without reasons but because it's the duty of government auditing. Besides, if government auditing, the immune system, becomes disequilibrium itself, for example, that the the supply of the government auditing system cannot meet the demand of the change from economic environment and political environment and does not focus on the safety problem of economy, the the balance of the whole economic system will be disturbed and become disorder.

1.2. The Way Government Auditing Protect National Economy Safety

How dose the government audit take the responsibility of protecting national economy safety? It Is related to the way the government audit performs to protect the national economy.

(i)Government auditing should protect the benefits of national economy and to protect national economy safety from the strategy of the whole nation.

In the system of national economy safety, to defense the threat from global market both at home and abroad and to improve the sense of national economy safety is the best way to keep economy safety. With our integration into the global market, foreign direct investment, merger of multinational corporation, national brand's acquisition, hot money flooding inflow, financial crisis, demand abroad declination, all of these phenomenon connected external market occur continuously. During this procedure, opportunities are accompanied by risks. Huge economic benefits temptation is brought by external economic activities, but our national economic safety are facing dangerous factors. Economic environment require government auditing to stand on the level of protecting national economy safety and play an important role of defending those adverse factors. So the government auditing should participate into the national macroeconomic activities to protect the strategy of national economic safety.

Therefore, government auditing should interfere in national macroeconomic activity from the strategic level of safeguarding national economic security, while bringing out its defending role in immune system endogenous to government, to achieve the normal operation of the whole social economy free from being attacking by adverse external factors. Also, the defending role of government auditing helps to bring out more powerful influence on strategic level. As for the department of government audit, special audit that contains strong and comprehensive economic information base can be used to monitor various factors that may threat state economic security through making timely warning or rapid response to it, and finally comprehensive audit report and analysis report of different types and levels will be provided to government.

(ii) Government auditing helps to ensure national economic security through the removal and mending role in micro-level of behavior and institutional .

At the micro-level of behavior, the audited units' action of illegality, losses and waste, economic crime and corruption are identified, revealed or disposed of by government auditing, according to audit responsibilities conferred by law, so as to make sure the safe employment and operation of public financial funds and state-owned property. It is advised that the responsibility of existing special audit, including financial audit, fiscal audit, state-owned and state holding enterprises' audit,

economic responsibility audit, can be fully used to evaluate the implementation of economic policy, while finding and erasing potential economic security risks and finally promote the implementation of macroeconomic policy. Of course, government auditing should not only be capable of finding out and solving the problems made in safeguarding national economic security, but also revealing in the micro-system level of constructive repair role. In specific audit practice, government auditors identify a lot of significant problems, such as illegality, loss and wastes, and corruption etc, which discloses that there are still large and unreasonable gaps in part of a country's laws and regulations, and government audit can just make up for this deficiency. Starting from concrete practice, government auditing proposes active advice from institutional and managerial level by using independent, objective and impartial auditor's expertise.

2. The way that government auditing brings out its more powerful role in safeguarding national economic security.

Government auditing still faces great limitation in macroscopic system and microscopic technology, though its increasingly remarkable role in safeguarding national economic security of China. In order to better function in the future, the following are some recommendations:

a)Correctly understanding the connotation and extension of economic security, while adjusting, expanding and clarifying the responsibilities of government audit to safeguard it.

The connotation of economic security are from two levels, firstly, it refers to the country's capability of adapting and maintaining economic security under the condition of economic globalization. Secondly, it represents the normal operation of the whole economic system as well as a status free from the threats and erosion of national economic sovereignty, important economic policy decision and national economic interests. The former serves as a means or method, and the latter is the target or state of the former. According to the point of view of system theory, the national economic security is never the simple sum of various aspects, but a huge system with rich contents, any mistake on one aspect will lead to huge risk or losses for economy. Moreover, with the trend of economic globalization, the national security studies have been continuously extended so that there comes up the generalized tendency of economic security called "Generalized Economic Security". Many scholars believe that any threat to a country's economic stability and development should be considered the research scope of national economic security. But attributing all economic problems or unfavorable factors to the study scope of national economic security will make it an empty but widely-spread conception.

Certainly, it cannot simply be regarded as derivatives of economic globalization, not to speak of microcosmic definition of Financial Security Theory. Economic security implication involves different areas in different countries, even in the same country, there are different economic security focuses at different times. Generally speaking, economic security field involves both foreign and domestic ways. Thus, economic security should be defined from macro-level depending on the degree of threat. Strictly speaking, the fields of economic security refers to the sectors that have a significant unsafe impact(including real and potential impact) on a country's people's livelihood and the overall economic benefit, specifically including finance, industries, network economic information, environmental protection, natural disaster prevention as well as inflation control, to prevent the bubble economy. In addition, making full use of foreign investment benefit, foreign resource supply and domestic capital security will inhibit international speculative forces while maintaining social stability and enhancing international competitiveness and so on.

In the field of government auditing, national economic security should focus on financial security, state assets security, economic corruption control, economic information security and people's livelihood security.

According to Dialectics, things are always interlinked complexly and uncertainly.

Contact species is very complex and full of uncertainty. The content of government auditing responsibilities is an interrelated whole part, meaning that an uncertainty of one duty will affect other duties, so as to impact the overall effect of the government auditing. Especially when complex economic security causal factors correlate with each other, just like the chaos theory saying that one butterfly flap its wing might cause a storm. For example, the auditing of financial security involves state-owned commercial banks, even state-owned enterprises security audit, moreover, financial security auditing issues will be delivered to fiscal security auditing, economic responsibility auditing will involve the leaders' duty of state-owned enterprises, financial sectors, and fiscal expenditure, thereby affecting the overall economic security. Financial security audit could be passed to the financial security audit. Because economic responsibility audit involves state-owned enterprises, the financial sector, financial expenditure et al, then affects the whole economic security. Therefore, the government audit institutions should start from maintaining the strategic objectives of national economic security, integration of audit resources, balanced and clear each functional goal, to maximizing interests of national economic security.

b) Improve the system of audit and provide more reasonable and legitimate basis for government to safeguard national economic security

It is necessary for government auditing authorities to perfect realize the responsibility for all activities and to improve the audit regulations accordingly. Audit system, especially the audit legal system, of which the core is to solve the government

audit, should provide the legal basis of safeguarding country's economic security. In the practice, the content on the responsibility to safeguard national economic security through government audit content is not included in the statutory responsibilities of audit institutions, easily causing asymmetry of work and responsibilities. Therefore, there will be a lot of limitations and uncertainty in the aspect of the audit project selection and the use of audit results. It will take a long-term to perfect audit legal system for government audit in the future.

c) Set up index system of economic security evaluation and provide warning information to safeguard national economic security

The government audit has a strong information superiority that through auditing the authenticity of the information to provide reliable for government to safeguard national economic security, to check various threatening factors to monitor and predict national economic security, and to meet the economy standards and parameters required by economic security state. Once exceed these indicators of economic security, namely "threshold", it could respond quickly and help the government to identify and select the uncertainty factors that affect national economic security rather than base on one-sided policy guidance with some sudden factors. For this purpose, it is imperative to establish a set of evaluation index system of economic security.

From current practice and research, there is no unified standard to establish economic security evaluation index system. This paper argues that the establishment of the index system needs to solve four problems:

First, choose what indicators; Second, acquire and calculate the index data; Third, according to the reality of our country economy and the world experience to set index warning limit, warning threshold and weight; Fourth, substitute each index monitoring data in the index system to get the score of national economic security obtained and the corresponding level of national economic security.

Restricted by the audit resources, it is impossible and practical for the government to cover all the indicators on audit information of national economic security. At current, the government auditing do not have independent role on the responsibility of maintaining national economic security and on information of all economic security. Auditing, however, the government can use its own resources advantage and particularity, combined with statistics and figures released by domestic and international authority, to analysis the relevant indicators and to provide early warning information that reflect the condition of economic security for the government.

The content at least includes the followings:

(i) financial security evaluation index (include: the ratio of state-owned commercial bank non-performing loans r ; the ratio of foreign Banks assets and debt; the ratio of the external debt balance and GDP; the ratio of total debt short-term foreign debt accounted for; the ratio foreign exchange reserves and short-term foreign

debt; time on foreign exchange reserves to support import; debt servicing ratio of foreign debt; capital adequacy ratio).

(ii)the financial security evaluation index (fiscal deficit; debt-to-gdp ratio).

(iii)the safety evaluation index system of state-owned enterprise assets (foreign market share of key industries ; the market share of foreign investment enterprises in the new and high technology industries; the using ratio of foreign capital in composite GDP; the ration of foreign capital control on priority brands; the concentration of state-owned enterprises by foreign investment).

(iv)the evaluation index of economic information security (audit market concentration).

(v)the evaluation index of people's livelihood security (the expenditure ratio of social security benefits in fiscal; perfect degree of social security, the realization degree of people's expectations on economic development and social stability).

d) Put focus on the whole national economic security by the financial security and financial audit

After the financial crisis, people realize that financial security is the first a firewall to ensure economic and social security. Financial security audit is the core of the government audit safeguard national economic security responsibilities. But this paper argues that now we should remind government auditors the problems of financial security audit.

After the global financial crisis, in the world , every government has taken positive rescue measures that all involves the country's financial capital. In 2009, in response to the financial crisis and ensure economic growth, China has implemented a proactive fiscal policy: on the one hand, to greatly increase government spending , on the other hand, to expand domestic demand, making financial revenue and expenditure contradiction very paradoxical. On one side, decelerate economy, reduce the tax burden on enterprises and individuals and bring down the fiscal income growth; On the other side, to stimulate economic growth, improve people's livelihood, and deepen the reform, and to increase investment and government spending.

What else, to make up for financial gap, at the same time, the state council has approved the local bonds issued by the ministry of finance agency, included in the budget management at the provincial level. The national fiscal deficit amounted to 950 billion yuan, the proportion of GDP is 3%. If the deficit increase more, will inevitably increase the burden of national strength, and financial security problem will be particularly prominent.

Historical experience shows that every time the outbreak of the financial crisis, especially with threats to financial stability, the government will be forced to give financial assistance. It is also the responsibility of the government, but the financial security problems will emerge. If a country in the future is unable to repay debts, to make ends meet, the result could be a financial crisis and economic crisis.

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At present, although the central government in China is in a "safe haven" of financial risk, especially the agency to issue local bonds by the ministry of finance, relative to the Asian financial crisis in 1998 when the issuance of long-term construction Treasury bonds and money to place, the biggest difference is that local governments will be service main body whose purpose is to control risk. In fact, China's local financial difference is very big, "general lack of financial resources. That is to say, the potential risk of local finance varies greatly. Once the attack, it will bring the fiscal risk. Therefore, the government audit institutions shall involve the use of fiscal funds range as the breakthrough point. In addition, it is basic to arrange specification budget management, use of fiscal funds real, legitimate, improve the efficient use of public funds, safeguard national financial security, the general audit target. More importantly, some constructive suggestions should be put forward to identify and evaluate the central and local government fiscal risks, the early warning on a financial risk and timely and corresponding. Particularly noted that, China's country government put active fiscal policies on the macroeconomic to regulate and control, so the government audit authority should be paid attention to audit the reach mark. In advance by the intervention of audit supervision, the government audit authority should make an objective analysis of the local government's direct liability, indirect debt formed by the fiscal deficit or hidden debts, to evaluate the government guarantee ability, exercise supervision through auditing over intervention of power restriction mechanism, and to realize fair and democratic sunshine finance allocation mechanism, preventing "black-box operation" and "power rent-seeking". Closely tracking investment spending of local government and monitoring the using direction of funds and avoid the local government for recurring expenses. Afterward, government audit should timely analysis and evaluate the efficiency of financial investment.

e) Information security attaches great importance to the national economy

Information security which is a kind of invisible security, but its influence is often greater than the safety of the tangible one, but often neglected by people. From the point of the present, in China, such as consulting, rating, audit involves the information industry of the high-end market basically has been monopoly by foreign capital, especially since the early 1990 s, the world famous big four (PWC, KPMG, Deloitte, E&Y), are allowed to set up a joint venture accounting firms in China. Then, through the added audit and other preferential policies, almost monopolized all audit services of Chinese listed companies at home and abroad, especially in the key industry, which contains the rich national economic security of the information. There are lots of important economic information and business information in the open state, the national economic security hidden danger alarming. According to the regulation of "audit law" (2006), according to law, audit institutions shall, in accordance with the provisions of the state council, and shall have the right to the social audit institutions

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issued by the relevant audit report for verification. Therefore, the government audit institutions shall, according to the relevant provisions of the "audit law" focuses on from the Angle of the state-owned assets and state-owned financial system security, exert its professional advantages, to avoid audit resources waste, on the basis of implementation for consultation, rating, especially the social audit information related to national economic security such as the necessary regulatory measures, play a role of supervision again. Therefore, according to the, the government audit institutions should exert its professional advantages, avoid repeat audit resources waste on the basis of implementation for consultation, supervise and rate companies, especially the social audit information related to national economic security from the angle of the state-owned assets and state-owned financial system security and all those measure should be based on relevant provisions of the "audit law".

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