



# Research on the Current Situation and Optimization Countermeasures of the Fiscal Supervision Mechanism in X City

Ran Yan

King's College London, London, UK

2537855116@qq.com

**Abstract.** This paper focuses on the fiscal supervision in X City, in response to General Secretary Xi Jinping's call for the construction of a modern fiscal system, which has set new requirements for fiscal oversight. Local financial departments play a crucial role in both local governance and broader economic development, necessitating a robust and effective supervision mechanism. The paper examines the current state of X City's fiscal supervision, identifying key issues such as an underdeveloped internal oversight structure, inadequate information sharing, flawed risk assessment processes, and a lack of scientific and standardized practices. Drawing on both domestic and international experiences, the paper proposes countermeasures to address these challenges. These include strengthening legal frameworks, improving supervision mechanisms, raising awareness of fiscal oversight, and establishing effective systems. The goal is to promote the advancement and innovation of X City's fiscal supervision, aligning it with the demands of the new era.

**Keywords:** Financial supervision; government agencies; countermeasure research

## 1 Introduction

### 1.1 Research Background and Significance

Following the 18th National Congress of the Communist Party of China, fiscal and tax reforms have entered a new phase focused on modernizing the national governance system, optimizing resource allocation, promoting fairness, and ensuring long-term stability. These reforms emphasize strengthening fiscal systems, clarifying responsibilities, and improving the budget system [1]. As part of this transformation, fiscal supervision must adapt to ensure its effectiveness and align with the needs of the socialist market economy. This study aims to explore the local fiscal supervision mechanisms in China, with a focus on City X, a medium-sized city in a key economic province. It seeks to address current challenges, propose improvements, and provide practical recommendations for enhancing fiscal oversight, managing fiscal risks, and supporting the healthy development of China's economy.

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## **1.2 Research Status at Home and Abroad**

Fiscal supervision theories have evolved both internationally and in China. Abroad, the Wagner School and the Alexis School are two major frameworks, with the Alexis School gaining broader recognition [2]. These schools incorporate theories like rent-seeking, public choice, and public finance to explore government intervention in market failures, efficient fiscal management, and corruption prevention [3,4].

In China, fiscal supervision research began later but has accelerated, integrating Marxist and Western theories to address both theoretical and practical challenges. Scholars emphasize the importance of legal systems, fiduciary responsibility, and comprehensive oversight [5]. However, issues like insufficient grassroots supervision, lack of standardization, and challenges in digital finance persist. Despite advancements, China faces hurdles in theory, institutional frameworks, and technological security, even as it seeks to improve fiscal transparency and efficiency through innovations like smart taxation and digital finance integration.

## **1.3 Research Contents and Research Methods and Innovations**

This paper employs a literature review and case analysis to study the fiscal supervision mechanism in City X. The literature review examines both domestic and international studies on fiscal supervision, local finance, and fiscal management to understand the current theoretical framework. Case analysis, based on data from field investigations, surveys, interviews, and online inquiries, evaluates the existing fiscal supervision system in City X, identifies its problems, analyzes their causes, and proposes optimization solutions. The study provides valuable insights for both theoretical research and practical applications of local fiscal supervision, ensuring the relevance and operability of administrative decisions.

# **2 The Basic Current Situation of Fiscal Supervision in City X**

## **2.1 The Composition of Fiscal Supervision in City X**

The Finance Bureau of City X is a municipal-level financial institution with 22 subordinate agencies, including departments such as the Policy Research Office, Budget Department, Treasury Department, Government Procurement Management Department, Fiscal Supervision Department, Accounting Department, Tax Policy Department, and Policy and Regulation Department. These agencies handle various fiscal tasks, such as managing financial settlements between the city and province, drafting regulations and rules, managing revenues and expenditures, and reviewing infrastructure project investments.

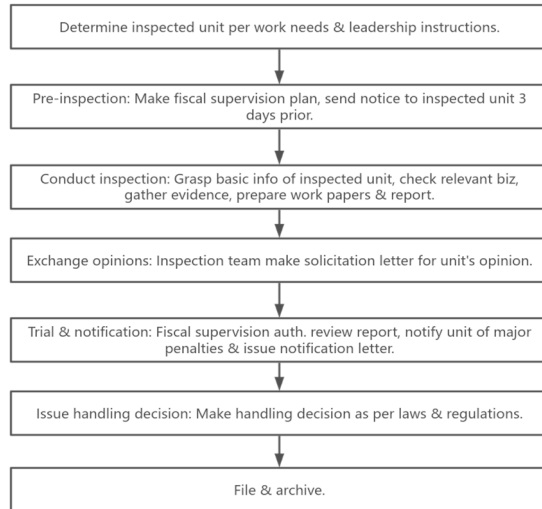
The internal fiscal supervision in City X has gained significant attention in recent years. The Fiscal Supervision Department is responsible for overseeing fiscal operations, including coordinating supervision and inspections, formulating fiscal policies and systems, ensuring compliance with fiscal and tax laws, managing fiscal funds, and overseeing budget management. Additionally, it inspects major fiscal issues and pro-

vides policy recommendations to strengthen fiscal management. The department also supervises accounting practices, audits, and investigates financial discipline violations. Other entities, such as tax and discipline inspection departments, as well as social intermediaries, also play a role in supervision.

As of 2023, the Fiscal Supervision Department employed 7 staff members. Compared to cities of similar size and economic scale, this staffing level is medium to high, with relatively strong supervision intensity. However, due to the heavy workload, the department faces staffing shortages, and staff often have to share duties with other departments such as the Treasury and Budget Departments. Despite these challenges, the department has continuously improved its supervision methods and worked to strengthen fiscal oversight, contributing to better enforcement of relevant laws and regulations.

### 2.2 The Operation Status of the Fiscal Supervision Mechanism in City X

The fiscal supervision mechanism in City X oversees activities such as financial audits, inspections, evaluations, and handling of fiscal revenue and expenditures to ensure the smooth functioning of fiscal operations. The supervision focuses on areas such as budget preparation and execution, fiscal revenue management, government procurement, social security funds, state-owned assets, government debts, and adherence to financial laws and regulations.



**Fig. 1.** Flowchart of the Inspection Procedure of the Fiscal Supervision Inspection Team

Supervision methods include monthly, quarterly, and annual audits, where financial records are reviewed systematically. The process involves forming inspection teams, issuing notices, conducting on-site inspections, gathering evidence, preparing reports,

and providing recommendations for rectification or penalties. Key steps include notifying the inspected unit, collecting necessary documents, performing detailed inspections, and drafting final reports with conclusions and suggestions for action. Details are shown in Figure 1.

City X's fiscal supervision adheres to laws like the "Budget Law," "Accounting Law," and local regulations, supplemented by city-specific procedures such as the "Disciplinary Norms for Fiscal Supervision and Inspection Work" and "Work Procedures for Fiscal Supervision and Inspection," ensuring standardization and institutional support for effective oversight.

### 3 Research on the Problems Existing in the Fiscal Supervision of City X and Analysis of Their Causes

#### 3.1 Problems Existing in the Fiscal Supervision Mechanism of City X

**Immature Internal Supervision Environment.** City X's internal fiscal supervision environment is underdeveloped, with managers relying on outdated practices instead of data-driven decision-making, which increases risks. The Finance Bureau's internal departments lack effective mutual oversight, creating regulatory gaps and opportunities for corruption.

**Obstacles in Information Communication.** The Finance Bureau faces significant communication challenges due to the absence of clear regulations on information sharing, leading to inconsistent and delayed transmission. While communication with higher authorities is smooth, internal communication is disrupted by differing departmental practices and an outdated information system, causing inefficiencies. The Bureau's website also lacks transparency, with incomplete public information.

**Imperfect Risk Assessment Work.** City X lacks a specialized risk assessment department and comprehensive risk assessment system. Staff have weak risk awareness, and decision-making focuses solely on legal compliance without considering potential social impacts. Many internal control processes are adapted from provincial guidelines without relevance to City X's actual situation.

**Lack of Scientificity and Standardization in the Supervision Mechanism.** The Finance Bureau has failed to establish systematic rules for managing special funds, hindering the development of an effective internal supervision mechanism. The lack of a clear system limits enforcement strength, and supervision is often conducted superficially, without considering current market conditions or public needs, leading to inefficiencies.

#### 3.2 Reasons Leading to the Problems

**Failure to Form a Good Internal Supervision Environment.** City X faces challenges in fiscal supervision, with many leaders prioritizing revenue and expenditure over supervision, and a lack of understanding of its importance in risk management. Public awareness of fiscal supervision is low, internal training is superficial, and

communication within the Finance Bureau is hindered by inconsistent practices and outdated systems. The Bureau's website also lacks transparency, limiting public engagement.

**Unsmooth Information Communication Channels.** The Finance Bureau struggles with both internal and external communication. Internal inefficiencies arise from inconsistent departmental regulations and incompatible software, while external communication is hindered by an incomplete information system. Public involvement in fiscal oversight is limited due to low awareness and inadequate training, and the Bureau's website lacks transparency.

**Inaccurate Risk Assessment.** Staff focus on ensuring legal compliance in fiscal supervision norms but overlook risk assessment. The lack of experience in constructing a fiscal supervision mechanism and the absence of reference objects led to inaccurate risk assessments. The Finance Bureau started establishing its internal mechanism in 2013, but faced challenges due to a lack of clear guidance.

**Insufficient Basis for Internal Fiscal Supervision.** The supervision of government financial operations is based on scattered and vague laws such as the "Budget Law" and "Accounting Law," which lack systematic integration. This results in inconsistent enforcement, weak punishment for violations, and reduced efficiency in fiscal supervision. The lack of detailed rules in the Finance Bureau of City X further complicates enforcement.

## 4 Suggestions for Optimizing the Fiscal Supervision Mechanism in City X

### 4.1 Improving the Internal Environment of Fiscal Supervision

A good supervision environment is the prerequisite and foundation for the smooth implementation of the fiscal supervision mechanism, the primary link in promoting the progress of fiscal supervision work, and also the first problem to be improved and solved in the implementation of fiscal supervision construction in City X.

**Establishing a Perfect Organizational System.** Establish a clear responsibility tracking system, assign decision-making risks to individuals, and define work responsibilities. Staff should rotate jobs and keep records, while adhering to behavior norms to reduce power abuse [6].

**Strengthening the Publicity of the Importance of Fiscal Supervision.** Increase staff participation in fiscal supervision by holding exchange meetings, analyzing illegal cases, and learning from other regions' experiences. This will raise awareness of risks and improve the fiscal supervision mechanism in City X.

**Cultivating and Improving Supervision Awareness.** Promote fiscal supervision awareness by offering training, learning visits, and using performance evaluations. Encourage staff to actively improve their skills and understand the importance of fiscal supervision for better results [7].

## 4.2 Perfecting the Information Communication Process

Information communication is the link connecting all aspects of fiscal supervision and promotes the smooth operation of fiscal supervision work.

**Standardizing Relevant Systems.** Clearly define rules for information communication, ensure timely transmission, and assign staff responsibility for managing information exchange. Create an official public account to update fiscal policies, regulations, and address public queries.

**Expanding Information Communication Channels.** Use both online and offline methods for information exchange. Create an internal fiscal supervision column on the Finance Bureau's website to share non-confidential information, collect feedback, and improve transparency and public participation in fiscal decisions [8].

## 4.3 Strengthening Risk Assessment Work

In fiscal supervision work, risks should be accurately identified and assessed, so that all staff in the bureau can recognize the importance of risk assessment and thus effectively prevent and reduce risks.

**Enhancing Risk Awareness.** Strengthen legal awareness through training on relevant laws and regulations, ensuring compliance and discipline. Foster a culture of risk awareness by organizing lectures and encouraging staff to pursue external learning opportunities.

**Accurately Assessing Risks.** Classify risks by severity to prioritize more significant risks. This helps the Finance Bureau of City X manage limited resources effectively and ensures smooth fiscal operations [9].

## 4.4 Continuing to Strengthen the Construction of Laws and Regulations

The development and improvement of supervision strategies and legal charters can provide a strong institutional support for fiscal supervision and meet the objective needs of national social development. In view of the current imperfect situation of the fiscal supervision legal system in China, it is necessary to strengthen the construction of relevant legal norms as soon as possible and increase the attention of relevant state departments.

**Defining the Scope of Fiscal Supervision.** Clearly define the scope, themes, and methods of fiscal supervision in City X. The Finance Bureau should lead fiscal supervision efforts, coordinating with other departments and organizing regular inspections to ensure legal compliance.

**Improving the Existing Fiscal and Tax Laws and Regulations.** Current laws like the "Budget Law" and "Tax Collection and Administration Law" are not fully designed for fiscal supervision, limiting their effectiveness. It's necessary to refine and clarify fiscal laws and create detailed implementation rules to address gaps and improve their practical application [10].

## 5 Conclusion

With the continuous growth of fiscal revenue, the increasing scale of fiscal expenditure year by year, the continuous improvement of the public finance system, and the deepening of the reform of the fiscal and tax systems in City X, the importance of fiscal supervision work has become increasingly prominent. However, the current fiscal supervision mechanism in City X is still far from perfect and cannot meet the needs of current fiscal construction. This paper uses a combination of theoretical and practical methods to conduct research in City X.

This paper holds that although the fiscal supervision department in City X is relatively complete in terms of independence, personnel setting, professional quality, and relevant systems, the fiscal supervision work in City X still faces many problems, mainly reflected in an imperfect internal supervision environment, obstacles in information communication, imperfect risk assessment work, and a lack of scientificity and standardization in the supervision mechanism. In response to the above problems, this paper analyzes the following reasons: First, a good internal supervision environment has not been formed; second, the information communication channels are not smooth; third, the risk assessment work is not accurate enough; fourth, the basis for internal fiscal supervision is insufficient. By discovering problems and analyzing the internal causes, this paper provides several optimization suggestions for the fiscal supervision mechanism in City X, including improving the internal environment of fiscal supervision, perfecting the information communication process, strengthening risk assessment work, and continuing to strengthen the construction of laws and regulations.

The current situation and existing problems in fiscal supervision in City X are somewhat representative and can to a certain extent reflect the problems existing in other local government agencies and have commonalities. Therefore, the optimization suggestions for fiscal supervision implemented for the case agency in this paper have a certain universal significance and can also serve as a reference for the construction and improvement of the supervision work of other agencies. However, due to differences in the work functions and environments of various government agencies, this paper cannot obtain a universal plan applicable to all government agencies and can only provide a reference in a general direction.

Fiscal supervision work should not only emphasize procedures but also neglect efficiency. To improve supervision efficiency, it is necessary to achieve it by optimizing the internal environment, strengthening information communication, improving relevant rules and regulations, and clearly defining the responsibilities of each department. At the same time, simplify the work process, reduce supervision expenses, keep the fund operation under comprehensive fiscal control, realize the scientific and standardized development of fiscal supervision, prevent the breeding of corruption and illegal problems, and promote the development of the government's fiscal and tax system reform.

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