

A city skyline at sunset, with tall buildings and a sky filled with orange and blue clouds. The image is partially obscured by a white diagonal shape on the left and bottom right.

Practice of China's Government Debt Audit in the Context of Global Crises

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I. The status quo of China's government debt management

II. The status quo of China's government debt audit situation in recent years





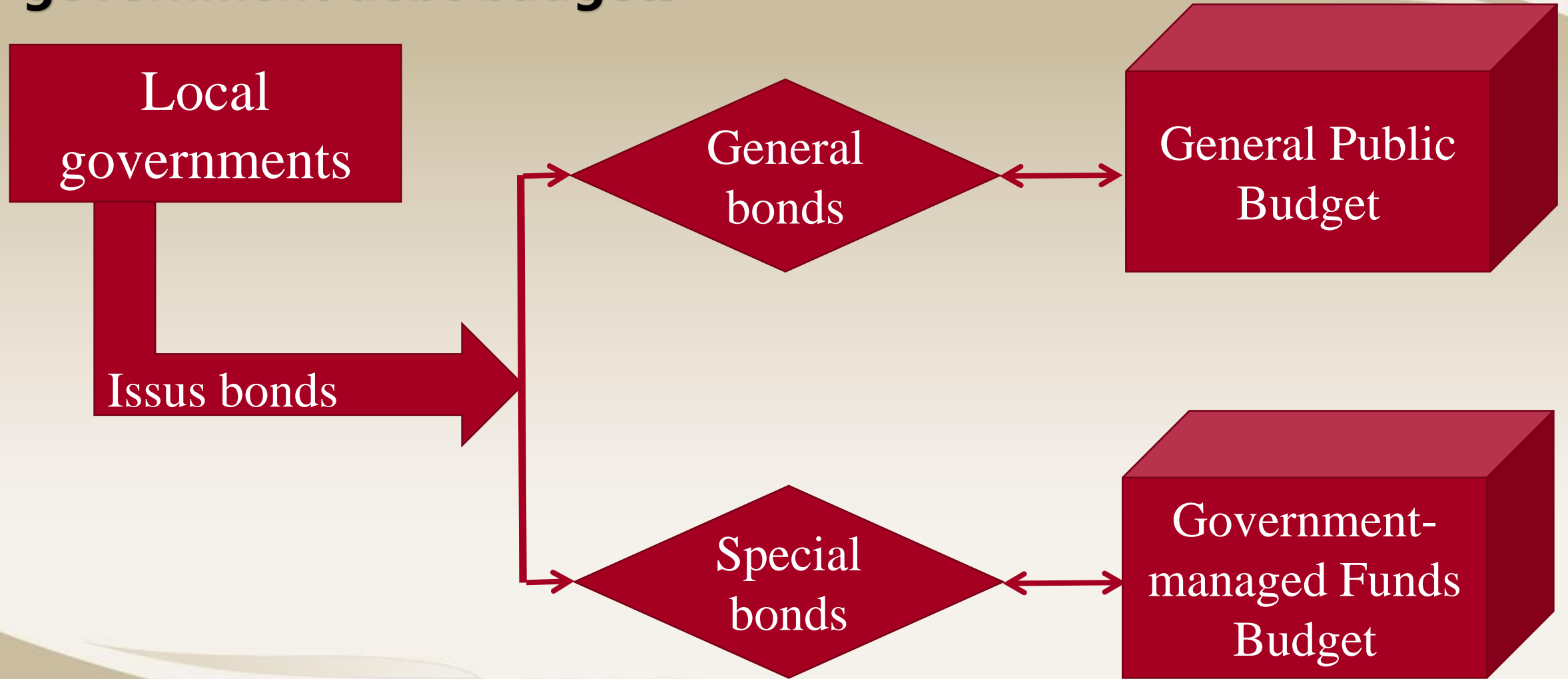
01

**The Status quo of
China's Government Debt Management**

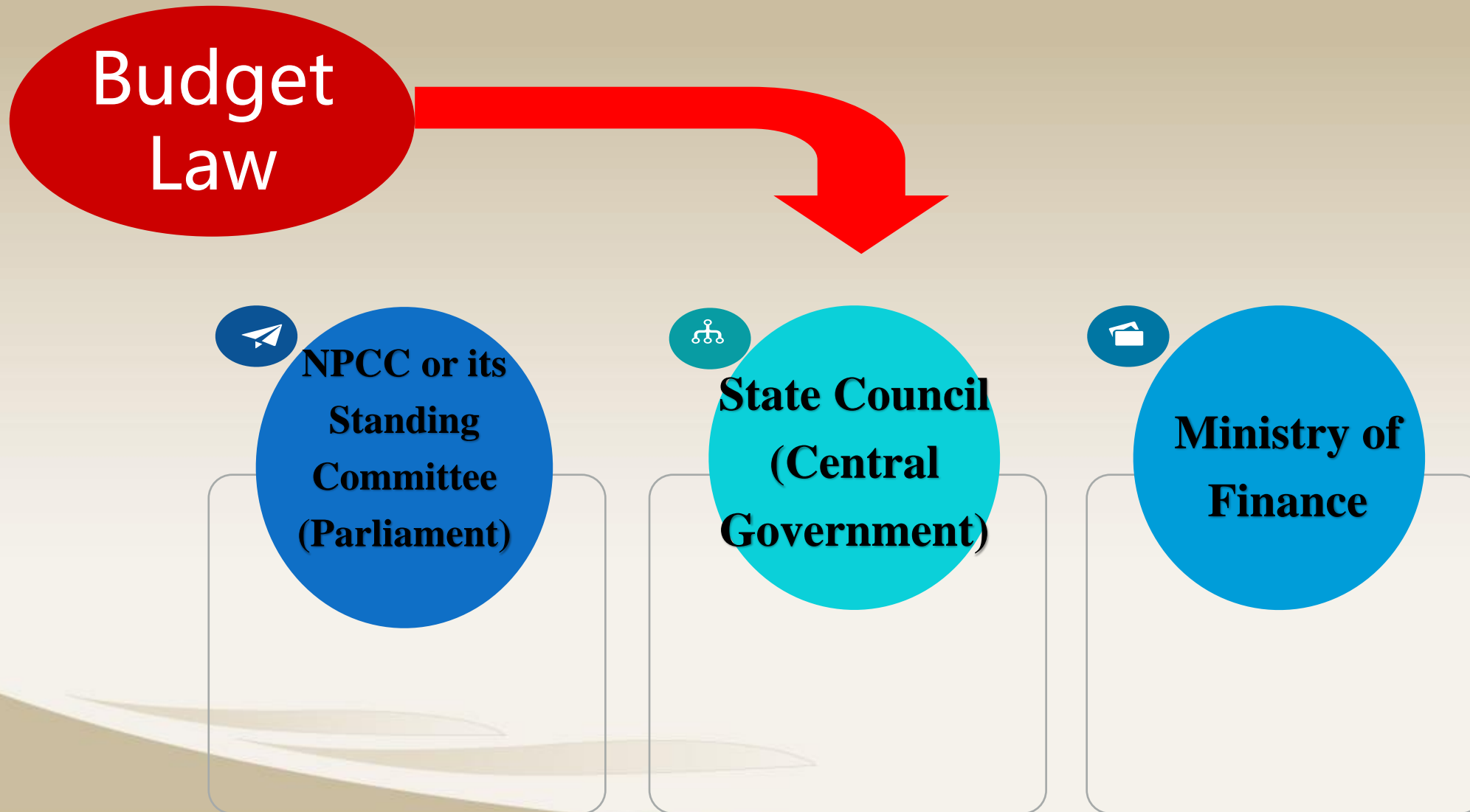
I .The Status quo of China's Government Debt Management



1.The management system for local government debt budgets



2. The management system of limit of local government debt balance at the end of every year



1

- Total limit of local government debt balance shall be determined by the State Council.

2

- Total limit of local government debt balance shall be reported to the National People's Congress of the People's Republic of China or its standing committee for approval

3

- Each province's limit of local government debt balance shall be calculated by the Ministry of Finance of China(MOF) according to factors such as the debt risks,financial situation of each region and reported to the State Council for approval.

4

- Local governments may raise funds within the limit by issuing local government bonds to borrow money.

3.The management system for Local government debt risks precaution and prevention

- ◆ In 2016, the State Council of China formulated contingency plans for handling local government debt risks, and required local governments at various levels to formulate contingency plans and establish accountability mechanisms.
- ◆ On the basis of continuously improving the risk assessment and early warning indicator system of local government debt, the Ministry of Finance regularly evaluates the risk situation of local government debt, and timely notifies the local government with the rating of "early warning" and "warning".



4.The management system for local government debt supervision



Provincial financial departments

- ◆ Put forward suggestions on the arrangement of local governmental debts
- ◆ Work out budget adjustment plans



Financial departments, banking supervision departments, etc

- ◆ Strengthen daily supervision and management



Audit Institutions

- ◆ Discover and transfer illegal debt cases to the corresponding departments

5. Local government debt information disclosure system

1



Ministry of Finance

Disclose the total debt limit of local governments in a timely manner

2



Local governments

Release information on the debt total limit, balance, term and purpose of local governments

II. Status Quo of China's government debt audit situation in recent years



1

- ◆ Putting forward both targeted and operational audit recommendations



2

- ◆ Promoting the reform of the local government debt system



3

- ◆ Identifying new debt problems and risks in some areas

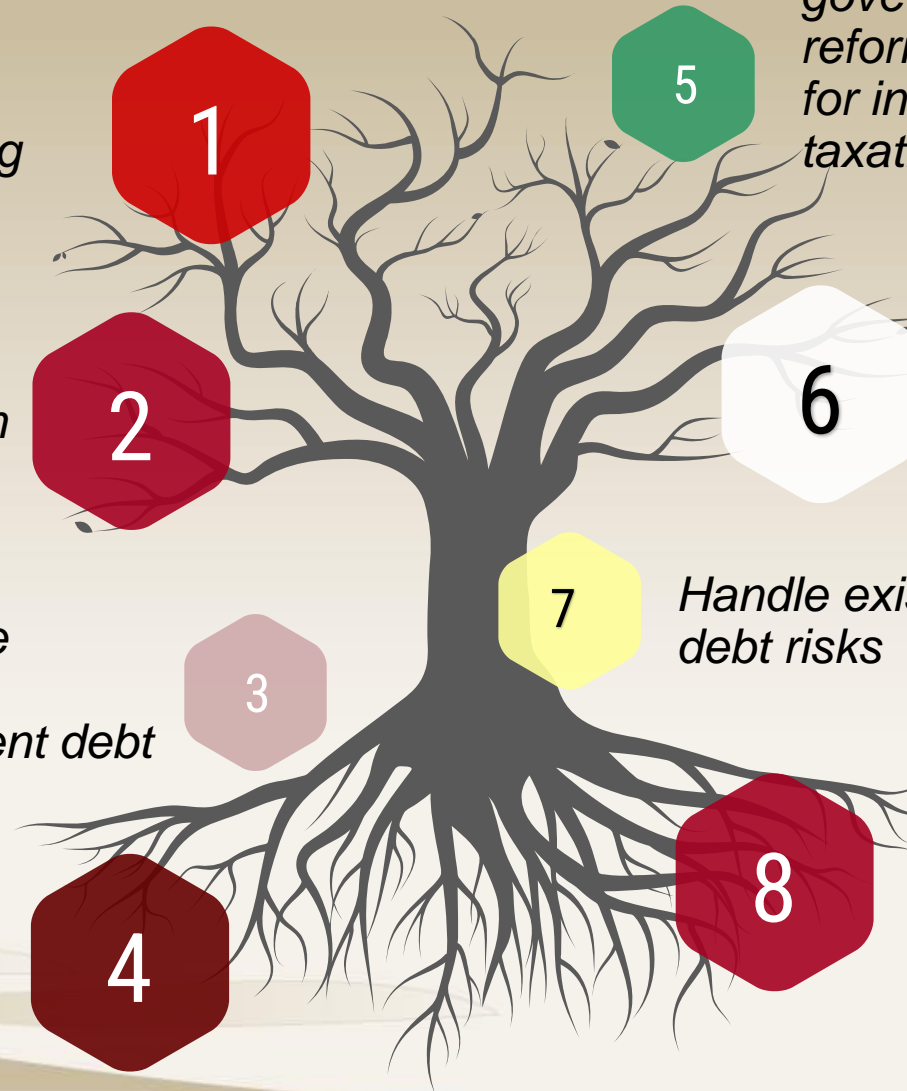
(1) Put forward targeted and operational audit recommendations

Establish a standardized government debt financing mechanism

Improve the government debt management system

Establish and improve the responsibility system for managing local government debt

Take serious actions to ensure accountability



Transform the functions of the government and steadily advance reform of systems and mechanisms for investment, financing, and taxation

Establish and improve a mechanism for early warning and emergency response to debt risks

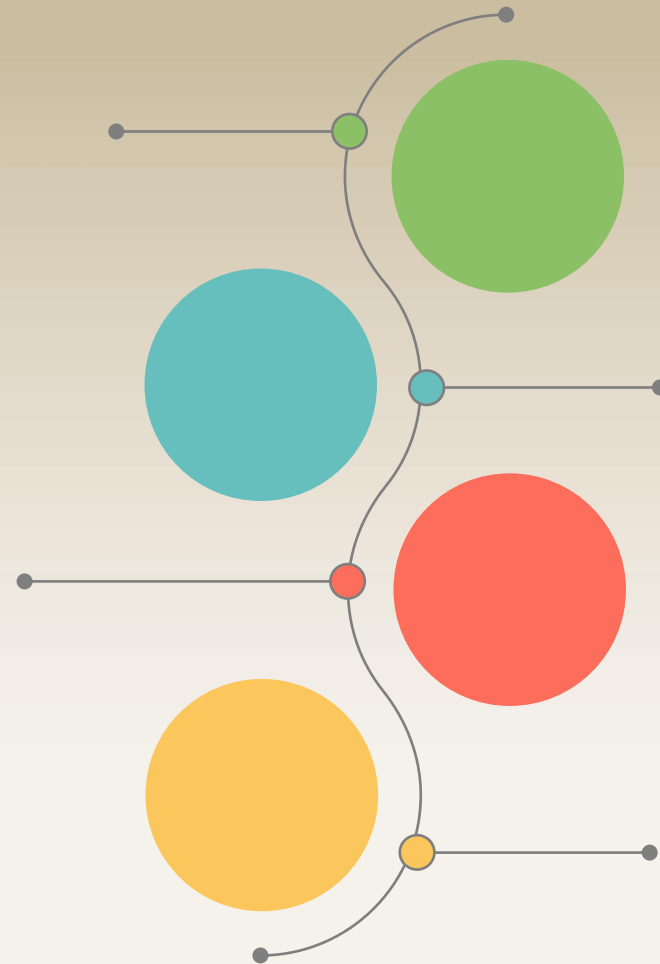
Handle existing debts and guard against debt risks

Establish interdepartmental joint monitoring mechanism,,the prevention and control mechanism and the information disclosure mechanism

(2) Promote reform of the local government debt system

The local government debt has been incorporated into the government budget

The debt limit management has been implemented



The mechanism for interdepartmental joint monitoring, prevention and control

The mechanism for early warning of risks

The mechanism for emergency management

The mechanism for information disclosure

(3)Identify new debt problems and risks in some areas

- ◆ Since 2015, CNAO has been paying close attention to whether there are new changes in local government debts and whether there are new risks and hidden dangers.
- ◆ At the same time, we should plan and prepare all kinds of local government debt audit tools in advance.
- ◆ On behalf of the state council, CNAO has repeatedly disclosed new problems and hidden risks existing in current local government debts.
- ◆ Government debt audit has been widely praised by GOC,related departments and the public.



Data analysis

- ◆ Relative comprehensive analysis
- ◆ Big data analysis methods
- ◆ Formation audit suspects of local government debt data



Verification

- ◆ Every audit teams verify the suspects



Rectification

- ◆ Feed back the verified results to the local financial departments and follow up the rectification

Major Audit Findings (2023)

- 20 regions overestimated project revenue and underestimated costs, to to inflate the repayment abilities of these projects, and issued special bonds 19.821 billion Yuan;
- 5 regions illegally invested 5 billion Yuan in prohibited areas such as landscape or commercial projects;
- 47 regions misappropriated 15.798 billion Yuan;
- 5 regions have falsely reported the expenditure of projects, with a balance of 6.027 billion Yuan remaining unused by the end of 2022.

Resource: www.npc.gov.cn

Major Audit Findings (2023)

- 8 regions have optimized the project plans and enhanced the expecting revenue, relating to the special bonds of 7.651 billion Yuan;
- 2 regions have adjusted the items of their projects, removing commercial content illegally included previously, and have rectified with 506 million Yuan;
- 44 regions have recovered misappropriated bond funds of 3.193 billion Yuan;
- 5 regions have accelerated construction progress, with new expenditure of 2.325 billion Yuan.

THANKS !

