

# Research on the Efficiency of Public Investment from the Perspective of Performance Audit

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**Abstract:** Public investment is an important means of promoting stable economic development, quelling economic fluctuations, and the government's macro-control. However, in the process of deepening the reforms in China, public investment has exposed problems, such as waste of resources, corruption, and policy incoherence. The performance level of public investment is low. Based on the perspective of performance auditing, this article discusses the key points of public investment performance auditing, the institutional issues of public investment and the path of influence on public investment. Finally, this article puts forward policy opinions on improving public investment performance through public investment performance auditing.

**Keywords:** Public Investment; Performance Audit; Path Research

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## 1. Introduction

Public investment is an important force to promote the healthy growth of the national economy. With the development of society, the proportion of public investment in government expenditure is increasing. In the new era, public investment projects can realize the common interests of the public, and improve the efficiency of public investment. However, the efficiency of public investment at this stage is low, and its function of promoting economic growth and improving the overall level of social welfare cannot be fully exerted. In this context, public investment performance auditing, as an important part of national auditing, provides a starting point for exploring and adapting China's public investment strategies and measures in the new era. The study of public investment performance audit has important practical significance for promoting the reform of public investment performance auditing and promoting the vigorous development of the national economy.

The key points of public investment project performance audit stand in different positions, and accordingly have different focuses. First of all, in the decision-making process, the audit work of public investment projects should pay attention to standardization. When conducting an audit, staff must not only consider the scientificity and rationality of the decision-making, but also need to check the source of project funds and the scope of use of funds in detail. Secondly, for investment project management audits, it is necessary to supervise the implementation of legal person responsibilities, and pay attention to the establishment of the internal control system of the audited unit and other related content, because a reasonable internal mechanism can serve as the economic goal of public investment projects. At the same time, we must do a good job in the management of public investment project contracts and audits, such as bidding.

Finally, as for comprehensive auditing, all benefits of the project need to be audited. While effectively achieving public welfare goals, it is also necessary to consider the effective improvement of audit efficiency.

## **2. The problem of public investment in China**

### **2.1 Institutional incentives for problems in my country's public investment**

2.1.1 In terms of decision-making system: the malpractice of the public investment system leads to a loss of efficiency

Chinese public investment system has institutional flaws, and lacks rationality in project decision-making<sup>[1]</sup>. In order to pursue rapid economic development, local governments pay attention to infrastructure and one-sidedly pursue economic growth goals. The final result is that the government repeatedly builds infrastructure, which wastes social resources and increases social cost burden.

2.1.2 During the implementation process: the supervision and management responsibilities of relevant departments are not in place

Some local governments only focus on the approval of public investment projects and the allocation of funds. They have not committed to the establishment of a public investment-related accountability system<sup>[2]</sup>. They have insufficient supervision of public investment projects and abuse of funds in public investment projects. And the use of power for personal gain is widespread. In terms of investment auditing, some auditing agencies focused their efforts on reviewing and reducing project investment settlement payments, and failed to implement the supervision of management responsibilities and improve audit performance greatly violated the inherent requirements of audit supervision.

2.1.3 In terms of evaluation system: the system of public investment is not sufficiently binding

At present, China lacks a sound evaluation system for public investment. In reality, there is a serious workflow in the implementation of public investment projects and the wrong tendency to pursue high economic indicators unilaterally<sup>[3]</sup>. The audit results of public investment performance evaluation are seriously deviated from the established targets. Such adverse consequences will affect public investment performance evaluation and related audit work.

### **2.2 Auditing mechanism for changes in investment efficiency**

First, when auditing, audit institutions must disclose violations of laws and regulations in accordance with relevant laws and regulations. While writing and submitting the audit report to the government, the audit agency should also make corresponding recommendations for the disclosed issues. Second, the audit agency must correct violations of laws and regulations, and implement corresponding rectification measures. Third, audit institutions should promote transparency in public investment projects, conduct true and objective evaluations on all aspects of public investment project activities, and ensure that the final results of audit evaluations conform to the objective reality. At the same time, the audit agency conducts a comprehensive analysis based on the problems exposed in the work process, determines the specific root cause of the problem, and prescribes the right medicine.

## **3. The main problems in the audit of public investment projects**

### **3.1 The legal protection system is not sound**

At present, the laws and regulations related to investment audit in China are the Audit Law of the People's Republic of China and the Implementation Regulations of the Audit Law of the People's Republic of China. However, these two documents did not give specific evaluation indicators and the standard procedures to be followed when conducting audits. The lack of these important contents will bring troubles to the performance audit of public investment. Therefore, China needs to establish a stable and binding legal system to impose institutional constraints on public investment auditing.

### **3.2 Evaluation indicators are not yet clear**

There are many types of public investment projects, and different types of projects require different audit indicators. Therefore, audit institutions need to further clarify the evaluation indexes corresponding to different categories. In the process of public investment projects, some indicators will change of institutional environment, social policies and other conditions. However, due to the lack of a clear evaluation indicator system, auditors cannot use appropriate indicators to replace them in time. This will affect the reliability of public investment projects and the authenticity of returns.

### **3.3 The auditors lack professionalism**

The audit work in the new era puts forward higher requirements for auditors' professional quality and professional skills. Traditional financial and accounting auditors can not meet the development requirements of public investment project audits. Modern public investment performance audits require compound talents with solid knowledge of laws, statistics, and psychology to conduct audit work. The requirements for professional qualities and skills have been improved. Therefore, it can be seen that the professional quality and skills of public investment project auditors in China was needed, to meet the requirements of public investment performance audit work.

## **4. Implementation path of performance audit of public investment projects**

### **4.1 Improve the legal guarantee system for performance auditing**

In the context of a comprehensive rule of law, the establishment of a unified, stable and predictable performance audit legal system is an effective path to promote the stable development of public investment project audits, and provides legal support for the orderly conduct of audit work. At the same time, it is necessary to optimize performance auditing standards and specific auditing workflow, improve the efficiency of public investment performance auditing, improve the internal auditing system of performance auditing, and standardize the efficient development of internal auditing through the internal auditing system.

### **4.2 Strengthen the independence of audit institutions**

Audit work is an independent work link, and independence is the prerequisite and basic condition to ensure its effective development. Enhancing the independence of audit institutions means to strengthen the independent decision-making power of audit institutions, so that they can make audit conclusions fairly and impartially without interference from other factors. Such audit results are an effective reflection of the true situation of public investment projects, and help the government to take corresponding rectification measures and improve performance.

### **4.3 Promote the quality construction of auditors**

It is necessary to increase the training of comprehensive talents, and promote the quality and capacity building of audit staff. At the same time, relevant departments must conduct the selection of audit staff, raise the threshold for entry, optimize the number and hierarchical structure of staff in various agencies, so as to reduce unnecessary cost losses.

### **4.4 Adopt innovative audit methods**

On the basis of the existing traditional auditing methods, we must increase the intensity of innovation and keep up with the development of the times. It is necessary to strengthen the use of new technologies, build an audit digital information sharing platform, promote the information construction of audit work, improve work efficiency, strengthen work exchanges between agencies, and promote the reform process of performance audit work.

## **5. Policy suggestion**

## 5.1 Improve performance system and management mechanism

Firstly, the government should improve the performance audit index evaluation system, and conduct a comprehensive audit of the social and performance benefits brought by public investment projects. Based on the audit results, the government has made comprehensive considerations in many aspects and puts forward effective policy recommendations.

Secondly, the government should improve the management mechanism of public investment projects, and improve the efficiency of performance auditing. The government must increase the sense of responsibility of audit institutions, and carefully do the annual investment audit plan. The government must make plans for that are compatible with actual capabilities, and further improve the efficiency of performance auditing.

Finally, improve the audit and supervision mechanism. It is necessary to incorporate the budget plan into the audit work, and promote the effective development of budget audit performance evaluation. Audit institutions should make performance auditing throughout the entire public investment project, and fully expose problems such as redundant construction, corruption, and waste of resources. At the same time, it is necessary to strengthen the effective cooperation and information sharing between the national audit agency, the discipline inspection and supervision agency, and the judicial agency.

## 5.2 Expand the breadth of public investment audit and strengthen the depth of audit

First of all, we must break down the barriers between performance audit work in different industries, different regions and different project audit circles, and strengthen investment audit and follow-up audit of policy implementation, as well as the horizontal collaboration and process coordination of audits such as finance and enterprises.

At the end, because major public investment projects have a long time span for project development, it is necessary to track and pay attention to every engineering link in the project development process. New development concepts and regional key development strategies should be embedded into the follow-up audit platform, to achieve performance auditing to keep pace with the times, and to fully adapt performance audits to social changes.

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