

Problems and Suggestions of Special Debt Audit

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Abstract: Since China officially implemented the local government special bond policy in 2015, the amount of bonds has been increasing, and now it has become one of the important channels for local governments to obtain financing. Audit has the functions of economic supervision and economic evaluation, so it is possible to standardize and make it scientific by auditing special bonds. What kind of problems may exist in the special debt audit? Based on expounding the concept and nature of the special debt audit, this paper analyzes its existing problems and puts forward corresponding improvement measures.

Keywords: Special Debt Audit; Improve Measures; Exist Problem

1. Related concepts of special debt audit

1.1 Concept

Special bonds refer to interest-bearing bonds issued by local governments such as provinces, autonomous regions, municipalities directly under the Central Government, special economic zones and cities with separate plans to raise funds needed for projects. The special bond issuance project should have a certain income and be able to repay the principal and interest through the project income within the agreed time. In order to make the examination, approval and issuance stage of special bonds more scientific and reasonable, the relevant project supervision departments of the government discovered and fed back the difficulties and problems existing in the process of carrying out special bond policies by organizing special bond audits, reported them in time and rectified them, promoted the rational use and performance of special bond funds, and improved the implementation effect of special bond policies.

1.2 Focus of special debt audit content

1.2.1 Special use of project funds

In 2014, the State Council proposed not to misappropriate special bond funds and change the original use of funds. In 2020, Article 35 of the revised Budget Law also made a clear stipulation that special debts borrowed by local governments should have a specific repayment plan and a stable source of repayment funds, and the scope of use of special debt funds can only be limited to capital expenditures of public welfare nature, and it is forbidden to invest in daily expenditures. Although the central authorities have repeatedly issued documents stressing that special bond funds must meet the requirements of earmarking funds, there are still illegal use of special bond funds in the audit reports of special bonds published in many regions. Therefore, the special bond audit should focus on whether the special bond funds meet the requirements of earmarking.

1.2.2 Progress of the use of project funds

The purpose of issuing special bonds is to quickly improve people's livelihood, thus forming good social benefits. The Ministry of Finance and other relevant departments have repeatedly emphasized that the use progress of special bond funds must be accelerated, and the funds should be converted into actual goods according to the planned progress. However, the actual audit results of special bond projects in many places show that many special bond projects have a common problem in capital expenditure. The slow progress of actual capital expenditure leads to idle funds, while some successful special bond projects fail to make full use of funds. If the time benefit of money is considered comprehensively, some special bond funds not only fail to play their due role in promoting local social

and economic development and improving people's lives, but also devalue their currencies because they are not fully utilized. Therefore, special bond audits should pay attention to the progress of the use of special bond funds.

1.2.3 Investment field of project funds

In 2021, the National Development and Reform Commission and the Ministry of Finance officially issued a list of prohibited investment of special bond funds, guiding local governments to further standardize the investment fields of special bonds. At the same time, in order to realize the standardized management of local government's special bond funds, the National Committee of the People's Republic of China advocates that the funds should follow the project, and at the same time, the actual development needs of all localities should be balanced and the coordinated development of regions should be ensured, and special bonds should be invested in key areas, so as to give full play to the marginal utility of funds and increase the efficiency of the use of funds. However, although the central government has applied for three applications and five cases in the investment field, according to the local audit reports in previous years, some special bond project expenditures still involve negative lists. Therefore, the compliance audit of special bond investment is one of the key points of the audit work.

1.3 Characteristics of special debt audit

1.3.1 Service governance is more direct.

Compared with other types of audit, special debt audit has the characteristics of stronger purpose and more remarkable effect in auditing supervision and economic evaluation. In view of the special-purpose characteristics of special debt, timely tracking the use of special-purpose debt funds and the progress of special-purpose debt project construction can respond to the needs of the society and the people more quickly, and timely feed back the implementation effect of special-purpose debt policy to the local government or even the central government, which has a significant positive role in promoting the implementation of special-purpose debt and the improvement of government governance level.

1.3.2 The timing of audit intervention is more complicated.

As the audit of special bonds includes not only the legal compliance of declaration and audit of special bonds, but also the fraud and performance in the use of special bond funds, the audit of special bonds is not completely equivalent to the traditional financial audit. According to the characteristics of different special bonds, combined with the different characteristics of the project's stage, field, issue period, etc., some need to audit the whole process, while others only need to intervene at the right time. For large and complex projects, considering the economic principle of auditing, it is necessary to select the key links to intervene in combination with the importance principle. The complexity of the timing of audit intervention is one of the remarkable characteristics that distinguish special debt audit from other audits.

1.4 The Importance of Special Debt Audit

1.4.1 Guarantee the implementation of special debt policy

The issuance of special bonds reflects the central government's policy orientation of "steady growth". During the resumption of work after the epidemic, special bonds played a role of reinforcing shortcomings and earmarking funds. In order to give full play to the positive role of special bonds, special bond audit effectively guaranteed the reform of local bonds, promoted the construction of public infrastructure, promoted the flow of private capital to public services and urban construction industries, improved the financing structure of modern government, stimulated regional economy, and improved the financing environment of urban investment platforms.

1.4.2 Improve management efficiency

Special debt audit requires relevant government departments to rectify and summarize the problems found in the audit in time, hold symposiums with various departments when necessary, formulate relevant systems to ensure the smooth implementation of special debt policies, and at the same time strengthen the cooperation among relevant government departments, so as to make a qualitative change in work efficiency, cultivate the awareness of government employees to carry out daily work according to the requirements of rules and regulations, and help government departments to find out the irrationalities in the implementation of special

debt projects in time, quickly adjust them in place, and improve management efficiency in time^[1].

2. Problems existing in special debt audit

2.1 The relevant professional norms and system is not perfect

As a newly implemented national policy, special debt has been tested by practice, but how to use the system norms in the audit of special debt is still in the exploration stage, which is embodied in the timing of special debt audit intervention, auditor requirements, audit procedures, audit contents, audit methods, etc. The original relatively mature audit supervision mode is not fully applicable to the audit of special debt. In the stages of preparation work before audit execution, audit implementation process and issuance of audit report, there is a lack of scientific audit program design, reasonable working rules for audit evidence collection and inquiry, and a clear and specific performance appraisal method and evaluation standard for the use of special bonds. The audit of special bonds lacking system control will undoubtedly be constrained in the execution process, thus affecting the audit quality.

2.2 The audit concept lags behind, and there is still a gap in the quality of auditors

The differences between the contents of special bond audit and the traditional audit are mainly manifested in the fact that the traditional audit focuses on the reliability of financial data and whether the relevant personnel commit fraud. However, since the special bond audit is independent of the fiscal revenue, debt repayment needs to come from the income of the special bond project. Therefore, besides paying attention to the above issues, it is necessary to examine whether the performance of special bonds meets the expectations. For a long time, auditors have paid more attention to the influence of the risk-oriented concept formed in the financial field, and they are not well prepared for the understanding of modern performance audit. Auditors are also used to verifying the authenticity of capital assets and account books, paying insufficient attention to the benefits of projects, and failing to include the efficiency of the use of special debt funds in the audit objectives.

2.3 The audit method lags behind

With the rapid development of computer technology, China's informatization level is also advancing with the times, and the informatization construction of government departments is becoming more and more perfect. At the same time, the technical means of fraudsters are also advancing by leaps and bounds. On the one hand, however, the audit method is not forward-looking, and it is usually used as a countermeasure to update the audit method after the fraudulent means are produced. While the informatization of the special debt work is popularized, the audit mode of the special debt is single, and the audit system module can't keep up with the fraudulent means, so it can't integrate the data in time, which greatly affects the work efficiency. On the other hand, now the mainstream risk-oriented audit focuses on risk-prone projects. With the progress of information technology, it has gradually transitioned from the traditional ledger to the information system. The inadequate response to the information system audit is still an urgent problem to be solved in today's audit.

2.4 The audit quality needs to be improved

The level of audit quality directly affects the realization of audit objectives, while the audit of special bonds has achieved certain results in standardizing the examination and approval of special bonds and solving the problem of fund use. However, there is still room for improvement of audit quality, such as incomplete, in-depth and unfocused audit. In the process of audit execution, the audit papers of professional judgment process and specific work records are not standardized, the relationship between audit evidence and the formed evidence chain needs to be strengthened, the definition and distribution of responsibilities need to be clear, the audit coordination mechanism is still rigid, and the layer-by-layer review system needs to be strengthened.

2.5 Inadequate implementation of audit rectification

Failure to implement the rectification of audit results of special debt will directly affect the efficiency and effectiveness of the implementation of special debt policy, which is not conducive to promoting the development of social economy and enhancing the overall management ability of the government. Among them, the rectification and implementation of some special debt audit problems are not in place, because the audit institutions' inspection of individual rectification is often hampered by feelings and perfunctory;

Secondly, the audit and rectification of special debt has not established the system control standard, lacks the specific quantitative indicators, and the implementation standards of audit and rectification in different regions are different, which makes it difficult to keep the rectification consistent; This led to the audit rectification can not fundamentally prevent the problem from happening again, seriously affecting the quality of special debt projects, and hitting the enthusiasm of special debt audit work, which will cause adverse consequences in the long run^[2].

3. Countermeasures for Perfecting Audit of Special Debt

3.1 Improve the organizational structure and promote the work

In order to effectively guarantee the smooth development of special debt audit, government agencies should strengthen the establishment of a sound organizational structure. The relevant government departments should continue to deepen the reform, constantly change their ideas, directly set up an audit team of special bonds in the internal audit department, be directly responsible to the top leaders of the government, conduct comprehensive supervision over the audit of special bonds, and strengthen the emphasis on special bonds from the leadership to the executive level, as the key line of defense to ensure the realization of special bonds and promote social development; In addition, various special managers with professional skills are hired to report directly to the person in charge, assist in managing the internal audit institutions, and ensure the smooth development of special debt audit business.

3.2 Improving the quality of personnel and ensuring the implementation of work

Government departments should, according to the characteristics and scale of the declared special debt projects, not only pay attention to the professional competence, but also have the political quality and comprehensive ability level suitable for the work when selecting special debt audit staff, so as to meet the basic requirements of special debt audit in the new era. At the same time, government audit institutions should include the training of auditors in departmental management plans, encourage internal auditors to obtain professional titles of auditors, and continuously improve their professional abilities. On the basis of ensuring that auditors' basic audit professional knowledge is solid, according to the actual audit project situation, the theoretical level and professional ability of other relevant professional knowledge should be pertinently improved. Finally, the relevant government departments should establish a special debt audit performance evaluation system, which can be used to assess the efficiency, benefit and effect of auditors' execution of audit business, and link the assessment results with auditors' salaries to have a positive incentive effect, so as to urge auditors to continuously improve their professional ability through assessment means to obtain higher performance assessment results.

3.3 Speeding up the informatization construction and improving work efficiency

Audit departments should keep pace with the times, pay attention to strengthening the application of information technology, build special information system modules for data management according to the characteristics of special debt audit, and focus on applying them to all links of the system from the technical level, continuously monitoring and obtaining important audit information, realizing continuous supervision of audited matters, and building an information sharing mechanism within the government. So as to achieve the purpose of reducing internal communication costs, and then ease the situation of large audit workload, so that auditors can focus on risk prevention and control, avoid the serious consequences caused by missing important audit information, and finally achieve the purpose of improving the efficiency of special debt audit.

3.4 Strengthening the implementation of rectification and improving the management level

Government departments should establish a complete and effective account of the implementation of special debt audit and rectification, and at the same time make it clear that the principal responsible person of the audited entity is the first responsible person for audit and rectification. The account of audit and rectification should include the analysis of audit problems, the completion target of rectification, the specific measures of rectification, the completion time of rectification, etc., and register them item by item, and check and recheck them. Every link should be responsible to people, so that all problems, regardless of size, should be corrected, and the implementation of audit and rectification is not in place or implemented.

3.5 Summarize and conclude in time, and form rules and regulations

Government departments should establish a complete and effective account for the implementation of audit and rectification of special debts, and at the same time make it clear that the principal responsible person of the audited entity is the first responsible person for audit and rectification. The account of audit and rectification should include the analysis of audit problems, the completion target of rectification, the specific measures of rectification, and the completion time of rectification, etc., and register them item by item, and check and recheck them. Every link should be responsible to people, so that all problems, no matter how big or small, should be corrected, and the implementation of audit and rectification. For complex problems or problems requiring multi-department cooperation, the government audit department should strengthen cooperation with discipline inspection and supervision departments, organization departments, financial management departments and other internal management and supervision departments, and establish working mechanisms such as information sharing, results sharing, joint implementation of important issues, and joint implementation of problem rectification accountability. The rectification results should be reported to unit leaders and superior departments in time, so as to establish a sense of responsibility, avoid mutual shirking of responsibilities, which will lead to persistent audit problems. Instead, the rectification measures should be implemented.

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