

Current Situation and Analysis of Audit Rectification in China

Yue Li

School of economics & management, Northwest University, Xi'an 710127, China

Abstract

By combing the audit corrective system and the 2006-2019 to China's national audit improvement and audit announcement for statistical results, it is found that the audit improvement still comes with the imperfection of the laws and regulations, lack of audit proclamation system, low audit corrective effect, lack of measure etc. this paper suggests that we puts forward the legal construction, improve the system of audit corrective, and that should standardize the audit announcement system and establish a unified and objective measurement standard for auditing and rectification.

Keywords

Audit Corrective System; Audit Rectification; Audit Regulations; Recommendations.

1. Audit and Rectify the Current Situation

As an important part of audit work, audit rectification has received more and more attention in recent years. Through sorting out the audit rectification system, audit rectification announcement and local audit rectification results, we have a deep understanding of the current situation of audit rectification in China, and have a more accurate grasp of the problems existing in the current audit rectification process.

1.1. Auditing and Rectification System

The term "audit rectification" first appeared in the provisions of laws and policies in China. The National Auditing Standards of the People's Republic of China (Order No. 8 of the National Audit Office of the People's Republic of China) issued in 2011 relates to audit rectification in the chapters of audit implementation plan and preparation of audit report. In particular, it is mentioned that audit institutions should collect audit rectification results and submit reports on rectification of problems pointed out in the audit work reports to the governments at the corresponding levels. This marks the audit rectification report system, as an important system, was listed in the national audit standards for the first time.

In 2014 the State Council issued the State Council on strengthening the audit opinion "(State Issue [2014] No. 48), required the improvement of the responsibility system for rectification and outlined the principal of the auditees in a key responsibility of audit corrective, and it also put forward the auditees to the results of the audit corrective to the auditing organ, superior or competent authority and social public announcement. In strengthening supervision, supervision and inspection of rectification, we required governments at all levels to include rectification in their oversight and supervision, and required audit institutions to establish a mechanism for following up rectification, inspection and follow-up. In terms of rectification and accountability, it is proposed to take audit results and rectification conditions as the basis for rewards and punishments.

General office of the central committee of the communist party of China in 2015, and General Office of the State Council jointly issued the framework of opinions about some important issues to perfect the audit system. It referred to improve the audit results using mechanism and clarified the application of audit results and corrective effect with further requirement to improve the audit results and rectification of the reference value in the personnel appraisal. At

the same time, the standing committees of people's congresses at all levels should also establish a mechanism for hearing and deliberating on the rectification of prominent problems found in auditing. In addition, they should also improve the mechanism for announcing rectification of audited units.

On June 18, 2020, the General Office of the NPC Standing Committee issued and implemented the Opinions on Further Strengthening the Supervision of the Standing Committees of People's Congresses at All Levels over the Rectification of Prominent Problems Dissolved in Auditing, making it clear that the supervision of people's congresses at all levels and their standing committees over the rectification of problems in auditing is an important means for the examination and supervision of budgets and final accounts in accordance with the law. The Standing Committee of the National People's Congress detailed the provisions on the key contents, methods, and results used in the supervision of the rectification work carried out by the Standing Committee of the National People's Congress. The document made clear the oversight role of the National People's Congress in the rectification work.

Through sorting out the relevant laws and policies of audit rectification in China, it is not difficult to find that the audit rectification policy in China started late. However, with the gradual improvement of the national governance system and the continuous improvement of the national governance ability and level in recent years, the audit rectification system is also constantly improved and refined. It can be seen from the documents issued by the two offices in 2015 that the importance of audit rectification is not only reflected in the improvement of government governance, but also plays a role that cannot be ignored in the building of political parties. The guidelines issued by the General Office of the NPC Standing Committee in 2020 clarify the importance of the NPC's participation in auditing, rectification and supervision.

1.2. Audit and Rectification Announcement

In terms of the announcement of audit and rectification, taking the announcement of rectification issued by the National Audit Office in the past ten years as an example, the annual rectification will be published through the website of the National Audit Office. Because the audit rectification implementation and statistics need a long time, therefore, the release time of audit announcement has obvious lag. By looking at the site, it is found that before 2015, the annual audit improvement was reported by the National Audit Office and the government of the People's Republic of China website the results announcement with the number and release time indicated, while after 2016, the auditor-general's audit report to the standing committee of the National People's Congress made the content. Different from the announcement form issued in previous years, there is no specific instrument number.

The content of the audit rectification report is mainly composed of the following four parts: The first part is the macro audit rectification work deployment, the second part is the audit rectification of specific problems, whose main content is basically around the central financial management and the draft final accounts audit, department of the central budget implementation audit, the country's major policies and measures to implement tracking audit, special funds audit, financial audit and the central enterprise audit corrective situation report, etc.,. Focuses shifting according to the audit results, this section is an important part of the audit corrective notice. Released by a lot of correction data to report their annual audit corrective report in detail, this part also is the most intuitive part of the report their annual audit corrective. on the third part reflects the second part of the audit corrective problem and puts forward the corresponding countermeasures, and the fourth part is the explanations to the analysis of the cause not yet corrected and subsequent corrective measures.

The audit rectification of the core part of the audit announcement is sorted out, and the audit rectification results are mainly divided into two types: One is sorted by the measurement of audit corrective results, including the state Treasury, levy (paying) tax money, repayment of

loans (borrow) and carry forward the balance, reinforcement is worth (mass) and the rectification problem of amount, and the other is a value measurement audit corrective results, including the circumstances, the audit authority to audit recommendations, processing dispose responsible personnel number. The specific statistics are as follows:

Table 1. Statistical table of audit rectification results in audit announcements from 2006 to 2019

Annual report	To turn over to the state Treasury, collect (pay) taxes, recovery of loans (loans), carryover and balances, reinforcement against (pledge) and other ways to rectify the problem amount (unit: 100 million yuan)	Promote revenue increase, expenditure reduction and loss recovery (unit: 100 million yuan)	Handle and punish relevant responsible personnel (unit: person-time)	Formulate and improve systems for budget and financial management, domestic and foreign investment, and judicial protection (unit: item)	Transfer all kinds of case clues to relevant departments, discipline inspection and supervision and judicial organs (unit: case)
2006	41.95	---	305	192	117
2007	267.73	---	158	147	116
2008	26.34	---	1125	122	119
2009	1705	77	1773	1198	104
2010	1141.03	60.66	1581	780	139
2011	1055.98	137.14	1600	660	112
2012	3578.52	389.64	1998	1204	175
2013	1062.5	33.9	3122	1454	312
2014	5794.94	---	5935	5598	895
2015	1605	976	3229	2116	---
2016	4872.5	---	8123	2467	---
2017	2955.58	---	3299	2944	---
2018	3099.81	---	---	1538	---
2019	2118.08	---	705	2350	---

From the audit corrective report statistics, since 2006, both audit corrective results of measured at the amount and the measurement of audit corrective results have been generally on the rise. From 2012 to 2017, measurement audit corrective result data fluctuation was bigger, probably due to large scope of audit corrective value of statistical caliber. It could be affected by many factors, such as the macro-financial policies of previous year, the implementation of the fiscal budget, the amount of audit investigation and punishment, the implementation of audit and rectification, etc., so the volatility is strong. In terms of the results of non-monetary metering audit rectification, the number of personnel handling according to law and discipline also showed a fluctuating and increasing trend after 2012. Except for 2009 and 2014, the number of audit rectification and improvement systems basically showed a relatively stable

growth trend, while the data fell in 2018. The number of cases referred to the relevant departments showed a steady upward trend. From the statistical results, the results of audit rectification are playing a more and more important role in reclaiming economic losses and promoting the work efficiency of disciplinary inspection departments, judicial organs and other relevant departments. Judging from the increase in the number of audit suggestions to improve relevant systems, the audited units can better accept audit rectification suggestions to improve the system, improve the rectification effect, play the "immunity" function of audit, and establish a long-term mechanism to reduce the problem of "repeated review and repeated offense".

1.3. Current Situation of Rectification Results of Local Audit

In addition, in order to further understand the rectification of problems found in local auditing in China, by referring to the audit information reported by local audit institutions from 2006 to 2016 in China Audit Yearbook, this paper summarized and counted the following data:

Table 2. Summary of the rectification results of the amount measurement of local audit institutions from 2006 to 2016

year	Financial amount to be handed over	Financial funds have been handed over	The rectification ratio	Should return the original channel funds	The original channel funds have been returned	The rectification ratio	The amount should be adjusted	Modulated account Amount of processing	The rectification ratio
2006	3847233	2525635	65.65%	3582220	1637544	45.71%	10241682	5312525	51.87%
2007	5558536	3354023	60.34%	4223904	1888208	44.70%	12433381	6498530	52.27%
2008	7476505	5111032	68.36%	3823410	2424097	63.40%	12805552	6617775	51.68%
2009	7129043	4276221	59.98%	4777123	2263451	47.38%	12143000	7205333	59.34%
2010	8133257	5390958	66.28%	4715260	2555711	54.20%	15314685	7418790	48.44%
2011	12323314	8108511	65.80%	7100155	4299111	60.55%	17843120	12996391	72.84%
2012	18413774	10800585	58.65%	15235932	7308621	47.97%	34884933	16579090	47.53%
2013	28474868	17377613	61.03%	21576005	7477651	34.66%	49529288	22530290	45.49%
2014	23421998	13598722	58.06%	21599806	10903687	50.48%	50456906	27120888	53.75%
2015	25400416	12234901	48.17%	27138935	9971955	36.74%	87538074	36076106	41.21%
2016	31823967	17477076	54.92%	25589091	11622872	45.42%	69581169	36276919	52.14%
Acombined	172002911	100255277	58.29%	139361841	62352908	44.74%	372771790	184632637	49.53%

By comparing the amount of audit rectification that has been implemented with the amount of audit rectification that should be implemented, the effect of audit rectification measured by amount can be understood. From the perspective of the proportion of the amount of audit rectification that has been implemented to the amount of audit rectification that should be implemented, the proportion of rectification of audit problem funds is about 40%-70%, with the lowest 36.74% and the highest 72.84%. The closer this ratio value is to 1, the higher the efficiency of rectification. According to the statistical results, this value is all less than 1, which indicates that part of the problems investigated and dealt with by China's audit institutions still cannot be corrected, and the overall efficiency of rectification of the amount of problems discovered by audit needs to be strengthened.

Table 3. Summary table of rectification results of non-monetary measurement audit of local audit institutions from 2006 to 2016

year	Transfer items (unit: piece)	Matters to be transferred and implemented (unit: piece)	The rectification ratio	Transfer personnel (unit: person)	Transfer processing and implementation personnel (unit: person)	The rectification ratio	Audit recommendations (Unit: Article)	Adopted audit construction (unit: article)	The rectification ratio
2006	2187	818	37.40%	2309	1353	58.60%	155627	90667	58.26%
2007	2196	840	38.25%	2363	651	27.55%	179668	109422	60.90%
2008	2329	966	41.48%	2263	9636	425.81%	201522	131452	65.23%
2009	2510	1018	40.56%	2296	872	37.98%	226059	153625	67.96%
2010	2930	1245	42.49%	2868	1070	37.31%	253621	182431	71.93%
2011	3081	1038	33.69%	4942	1161	23.49%	278290	208912	75.07%
2012	3707	1979	53.39%	6897	10251	148.63%	302461	226664	74.94%
2013	4725	1667	35.28%	6397	2476	38.71%	298922	219654	73.48%
2014	6631	2049	30.90%	8076	3074	38.06%	277171	203570	73.45%
2015	9516	2493	26.20%	10300	4040	39.22%	287720	216518	75.25%
2016	10673	2571	24.09%	11987	6511	54.32%	275281	208679	75.81%
A combined	50485	16684	33.05%	60698	41095	67.70%	2736342	1951594	71.32%

From the statistics of the audit rectification results of local non-monetary measurement, it can be seen that the audit rectification efficiency is low in the aspect of the transfer and implementation of matters. The rectification proportion in the statistical year has not reached more than 0.5, and the lowest rectification proportion in 2016 is only 24.09%. On the one hand, the proportion of matters transferred by audit institutions to be handled by disciplinary inspection and supervision organs, judicial departments and other relevant departments is relatively low, and there may be deviation between the judgment and identification of facts transferred by audit institutions and the specific work of relevant departments. On the other hand, it also shows that the disciplinary inspection and supervision organs, judicial departments and other relevant departments need to improve the efficiency of handling and attention to the matters transferred by audit institutions. In terms of the rectification effect of adopting audit suggestions, the proportion of rectification shows an increasing trend year by year, indicating that more and more audit suggestions put forward by audit institutions are adopted by audit units. The overall rectification efficiency of audit suggestions adopted is better than that of other projects, and the average rectification proportion reaches more than 70%. In general, there are significant differences in the efficiency of audit rectification of different projects in China, and the overall efficiency of audit rectification needs to be further improved.

2. Analysis of Audit and Rectification Results

Through sorting out the current situation of audit rectification, it is found that there are currently the following problems in China's audit rectification:

First, the audit and rectification related laws and regulations need to be further improved. It can be seen from the current audit rectification system that China's audit rectification system has the characteristics of late establishment, vague regulations and incomplete system. From the establishment of the main body of the system, the lack of legislation for the audit rectification provisions. In the existing policies and systems, the provisions of the audit corrective are fuzzy, and carry out only macro regulations. The roles and the responsibilities of

the departments involved in the rectification in the process of audit corrective are lack of refinement, and the audit corrective for the specific problem is lack of detailed specification.

Second, the audit rectification information disclosure system needs to be further standardized. The National Audit Office will report the audit results to the Standing Committee of the National People's Congress in the form of a report every year. The content of the report will also be disclosed on the website of the National Audit Office. But by combing the statistics, it is found that these audit corrective information disclosure in the form of disclosure, disclosure time and content on there is not standardized, which causes problems for the information users and the public in understanding the audit corrective, and the overall comparability is greatly reduced. At the same time, the lack of mandatory requirements, makes the auditing authorities more likely ride off on side issues the process of disclosure. Therefore the objectivity integrity of the content of the announcement is affected.

Third, there is no clear measure standard for the effect of audit rectification. At present, the relevant policies and systems lack clear provisions on how to measure and judge the effect of audit rectification. From the audit rectification report submitted by the National Audit Office to the Standing Committee of the National People's Congress and the statistical information of China Audit Yearbook released by the National Audit Office every year, we can only roughly make statistics on the areas involved in the rectification. However, there are no detailed explanations on the levels of audit rectification, the components of rectification contents, and how to determine the statistical dimensions of these contents. As a result, users of audit rectification information and the public may have different understandings of the connotation of audit rectification when they understand the effect of audit rectification. It also causes low rectification efficiency of the audit institutions and audited units in the process of auditing and rectification, due to understanding deviation.

Therefore, after understanding the current situation of audit rectification in China and aiming at the characteristics of the current situation of audit rectification, this paper puts forward the following suggestions:

First, we should improve laws and regulations on auditing and rectification. A sound legal and regulatory system will provide a more authoritative reference basis for the audit rectification work. Aiming at solving various problems faced in the process of auditing, the content, object, procedure, scope and others should be clearly specified in administrative regulations and legislation to upgrade the audit corrective to the level of the administrative regulations and legislation, therefore make the audit related main body responsibility clear and give the audit corrective relevant rules to follow. Only in this way can we lay a foundation for improving the level of audit rectification in our country.

Second, we should improve the audit and rectification announcement system. Due to the late start of the audit rectification announcement system, the audit rectification is faced with limited content, narrow coverage, less number and other problems. Therefore, in order to better play the role of the audit rectification announcement in improving the effect of the audit rectification, the content and format of the audit rectification announcement, the data source and statistical diameter involved in the audit rectification, the time of the announcement of the audit rectification announcement, the number of the announcement of the audit rectification announcement and other contents should be clearly standardized. It is convenient for users of audit and rectification information to know the specific audit and rectification situation and form effective supervision on the audit and rectification work.

Third, the establishment of audit rectification evaluation standards. At present, there is no specific evaluation standard for the rectification of national audit in China. Due to the lack of clear evaluation standards for audit rectification, it is easy for the audited units to take advantage of perfunctory treatment of audit rectification and only scratch the surface, and

prevaricate the inspection of audit institutions with the punishment and rectification measures with low penalty effect. Therefore, the audit corrective standard evaluation system needs to be established and perfected. On the one hand, reference to the audit corrective system of other countries is needed, on the other hand, exerting audit corrective should go hand in hand with our domestic system especially the unique administrative system in our country, to improve the working effect and perform its important role in the process of governance in our country.

References

- [1] Gao Liyang, Feng Junke. Research on the relationship between audit information disclosure and audit rectification from the perspective of national governance [J]. Journal of Finance and Accounting, 2020(20):82-89.
- [2] Wu Xun, Cao Meng. An Analysis of the Current Situation of the Audit Practice of the Financial Revenues and Expenditures of Central Enterprises -- Based on the Audit Results Announcements from 2010 to 2018 [J]. Accounting Bulletin, 2020(07):120-123.
- [3] Wang Xue. Research on the Promotion of Government Audit Reform under the Background of National Supervisory System Reform [J]. Accounting Communications, 2019(10):78-84.
- [4] Liu Guochang, Song Manli. Research on audit result announcement and audit governance effectiveness -- based on the perspective of audit rectification [J]. Finance and Accounting Bulletin, 2019 (01):7-10.
- [5] Liu Shuangju. Research on the system of audit announcement [J]. Modern Economic Information, 2017 (16):152-153.
- [6] WANG Cuilin, ZHAO Jia. Research on the effect of national audit based on audit rectification [J]. Journal of Finance and Accounting, 2017(24):97-103.