

On Strengthening the Financial Supervision of Government Investment Funds

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Abstract: In recent years, the development of Chinese government investment funds has been quite rapid. To some extent, it has alleviated the market failure and achieved many goals, such as financial guidance and industrial development, financial environment optimization, social capital profit and so on. However, with the continuous expansion of the number and scale of funds, many problems such as too much, too much, overlapping, inadequate budget management and so on have become increasingly prominent. At the same time, many problems in the regulatory system of many departments have also been exposed, so it is necessary to strengthen the reasonable supervision of government investment funds.

Introduction

Existing Problems in Fund Raising Stage. First, it is more difficult to raise social capital by excessive pursuit of fund scale. Because the competent department of government investment fund is not clear and unified, and its various competent departments are also driven by interests, blindly pursuing a large scale of funds. In the process of raising funds, some places often start to build billions or even tens of billions of government investment funds. However, in the formal operation, in fact, the social capital side will not actively participate based on the consideration of investment risk and income. At least, many government investment funds have poor overall operation, which has the contradiction of too large fund balance and too low paid in proportion. According to a spot check conducted by the audit office in 2017, social capital accounts for only 15% of the total amount of government investment funds (235) in 16 provinces. It can be seen from this that the leading role of government investment funds for social funds has not been highlighted at all.

Second, some government funds and social capital can't share the same rights. In the regulation of the government investment fund, none of the three departments has made clear the structure of the beneficial right of the government investment fund itself. In order to attract the larger social capital to enter the target area, and finally invest in the target industry, and then enlarge the leverage of the financial capital itself, the government investment in most government investment funds is in the form of "inferior" to make the government investment bear the loss before the social capital when it encounters the loss of the fund; and when the fund gets the income At the same time, the problem of "the same share and different rights" between government funds and social capital arises.

Existing Problems in the Stage of Fund Investment

There is a conflict of interest between the investment demands of the fund manager and the government. Specifically speaking, the government investment fund is actually an effective form of the combination of financial capital and social capital, but there is a big gap between the two sides in the risk tolerance and the basic expectation of profit. The ultimate goal of financial capital is not to seek a high level of profitability, but to seek risk control and try to avoid losses; the specific requirements of social capital is to have a relatively prominent level of return on investment, and the

acceptability of risks and losses is also relatively high. In fact, there is a gap between the financial capital and social capital in terms of risk tolerance and future return, which has a direct impact on the investment field and project selection of government investment funds. However, in practice, due to the problems of long-term supervision and repeated supervision, when government investment funds make investment decisions, they are often cautious and prudent. Financial funds are often afraid to invest in projects with high risk in the current period and considerable return in the future. For projects with controllable risk and low return in the current period, social funds They are not willing to invest at all, which makes the social and economic development appear weak links. For example, the field of venture capital still cannot obtain the actual recognition and investment of the fund supplier.

Existing Problems in Fund Management Stage

The asset management policy of government investment fund is still missing. From the perspective of current laws and regulations, the securities investment fund law, the Interim Measures for the administration of government investment funds, the measures for the administration of private investment fund raising behavior, and the Interim Measures for the administration of government funded industrial investment funds do not make clear the relevant contents of how government investment funds manage state-owned assets, but rather in the state-owned assets management law and other laws and regulations. The document of state-owned assets management of financial enterprises contains such clauses as "the management and supervision of state-owned assets of financial enterprises. If there are other provisions in laws and administrative regulations, they shall follow them". That is to say, the state-owned assets management law is not suitable for the supervision and management of state-owned assets of financial enterprises. However, the actual situation is that funds belong to a sub category of financial content, and at the national level, there is still no relevant system to regulate the "state-owned assets management" in government investment funds. This makes the management of government investment fund become a dilemma, whether to manage according to the general rules of the market or to use the system set by the SASAC system for reference. At this stage, some regulatory departments have completely copied the system of SASAC when inspecting government investment funds. The reason is that since there are no other regulations, the funds should be implemented accordingly, which makes some managers in the field of government investment funds do not know how to choose.

The performance appraisal system is still imperfect. Among the management methods of many government investment funds, they are usually related to the regulations and requirements of performance appraisal. However, the evaluation index system, methods, frequency and results are not particularly detailed. The comprehensive performance management system with investment compliance, policy benefits and economic and social benefits is still not well established, and there is no basis for supervision and incentive

Suggestions on Strengthening Financial Supervision of Government Investment Funds

Clear Principle, Carry out Financial Supervision Before. Reasonable positioning of government investment funds. Government investment funds need to make clear the investment direction, avoid the investment in the field of complete competition, and focus on supporting the fields and links with obvious market failure and spillover effect, especially those areas with strong industrial driving force, related to national economy and people's livelihood, and supporting long-term development. In addition, government investment funds need to support more venture capital projects and increase their support to promote the sustainable development of venture capital. From the domestic local practice, some empirical data can show that government investment funds can greatly promote local innovation and entrepreneurship. At this stage, under the strategic framework of domestic employment priority, government investment funds are trying to join the field of venture capital, which has dual economic and social significance.

Integrate and sort out the existing government investment funds. First of all, the financial department should manage and make good use of the government investment funds. It is necessary to find out the background of the government investment funds first, and carry out a detailed statistical analysis of the specific establishment time and quantity scale, management system and investment situation of the existing government investment funds at all levels. Based on this, the financial departments at all levels began to take the lead to integrate the funds invested and established by the financial departments at the same level, so as to bypass the multi sector, low efficiency and fragmented management mode. After that, if we want to increase the government investment fund, we can increase the investment in the relevant fields based on the existing government investment fund, instead of having to re establish it separately.

In the financial department, the budget department is responsible for the unified management of government investment funds. After the integration of government investment funds, it is suggested that the budget department should be allowed to complete the unified management within the financial department, so as to solve the problem that many government investment funds are managed separately by enterprises and various business departments such as UNESCO and agriculture according to their investment direction, and then meet the basic requirements of centralized and unified management.

Strengthen Financial Supervision at All Stages by Taking Various Measures at the Same Time

In the fund raising stage, the proportion of capital contribution of each category shall be determined, and the same proportion shall be implemented. According to the basic purpose of fund establishment, the proportion of corresponding investment of government and social capital should be set reasonably. The basic principle that the financial department should grasp is: the government starts to invest in the establishment of funds, the purpose of which is to realize the social benefits, that is, to develop the local industries with obvious shortcomings and in urgent need of continuous development. For this, its income will be lower than other industries, and when the social capital itself does not have obvious enthusiasm for participation, the actual investment proportion of the government The higher it will be, for example, in the health pension industry, when preparing the partnership agreement of government investment fund, it should also make an agreement on the first investment amount of all kinds of funds, make it clear that the follow-up funds should reach the same proportion and be in place, and stipulate the punishment clauses in the case that the funds cannot be in place.

In the stage of fund investment, it is necessary to make good use of the veto vote, build a regular joint special meeting mechanism, and carefully select the fund manager and the custodian institution. In the process of making investment decisions, we should strengthen the principle that the financial department will not interfere with the daily management of the fund, but act as the last firewall. For the projects in the fields that are not in line with the investment scope of government investment funds and in which the risk and return are not equal and completely competitive, the veto power of one vote can be controlled by the financial department, and it should be properly used, so as to ensure that the projects invested are in line with the industry guidance direction (or the investment field set by the government) of the government investment funds, and avoid those under the interests. Biased investment. Based on the joint meeting system, the financial department needs to regularly convene all parties for discussion and consultation, including government functional departments, invested project units, fund managers and financial institutions, etc., and take the lead to promote the information, talent, market and management related problems and difficulties encountered by the target units of investment projects in their business process. The invested projects can accelerate the growth and development.

In the fund management stage, we should establish a regular report system for government investment funds, improve the performance evaluation system and index evaluation system, strictly control the debt risk, and work out a reasonable policy basis that is compatible with the management of state-owned assets. Financial departments at all levels shall, as soon as possible, put forward

requirements for government investment funds at this level, and require them to strictly follow the specific requirements given in the Interim Measures for the administration of government investment funds at the same level, the format of quarterly reports and the instructions for filling in and reporting.

To timely report to the financial department on the scale of financing and the actual situation of government investment funds such as financial investment, assets and liabilities, profit sharing, etc. The financial departments of each province shall complete the filling in and examination of the relevant statements of the government investment funds at this level and the municipal and county level government investment funds they belong to, and at the same time report the quarterly report data of the government investment funds of the province to the financial department comprehensively within 20 days at the end of each quarter. Based on this, we can achieve the linkage between the fund and the financial departments at the same level and other financial departments at all levels. It can be said that the transparent and efficient regular reporting mechanism of government investment funds is not only beneficial for each province to grasp the specific changes of government financial funds in real time, but also beneficial for the central government to grasp the scale, investment direction, regional differences and other aspects of government investment funds nationwide in an all-round way, so as to serve as budget funds. Key basis for arranging and preparing other relevant policies and guidance.

Financial departments should not only pay attention to the setting of performance objectives and audit management, but also pay attention to the reasonable improvement of performance evaluation system. In order to strengthen the performance management of government investment funds, we should establish and perfect the framework of scientific indicators, convenient evaluation, comprehensive consideration and super operability performance evaluation system. According to the actual situation of each place, the performance evaluation methods should be reasonably classified, scientific and easy to get evaluation indexes should be selected, and the evaluation system should be established based on the way of giving different weights, and the application of evaluation structure should be strengthened according to the completion of annual evaluation objectives, investment income, management and operation. And the central government's investment funds continue to achieve a comprehensive coverage of performance evaluation, supervision and guidance of local financial departments to build a government investment fund performance evaluation system. In addition, the financial sector needs to prevent the nominal disguised borrowing of government investment funds from beginning to end. Specifically speaking, on the one hand, local governments and fund managers should be encouraged to operate in strict accordance with the market-oriented rules, and social capital should be guided in the way of layer by layer selection of high-quality projects and strengthening of enterprise efficiency, so that it can be included in the effective operation of government investment funds; on the other hand, local governments' debt accountability management should be enhanced. To prevent the problem that it is difficult to clear the backward production capacity of zombie enterprises, and that new industries and new driving forces cannot form and develop for a long time.

Analysis of Main Problems. Looking at the financial supervision practice of municipal government investment projects in recent years, although some experience has been accumulated and some achievements have been achieved, the efficiency of fund use management and the pertinence of process supervision need to be further improved and improved. Specifically, it is mainly reflected in the following aspects:

(1) To a certain extent, the phenomenon of settlement of construction funds, especially debt funds, exists, which makes the operation of fund dispatching difficult. First, there is a contradiction between the time when the project funds are used and the funds are in place. According to the experience over the years, influenced by climate, policy processing, project approval procedures and other factors, the annual project funds are mostly concentrated in the second half of the year, while the situation of bank loans is mostly loose before and tight after. In order to ensure that the debts are implemented in place, they are all striving to be implemented in the first half of the year, resulting in the idleness of some debt funds. Second, at present, the banks have high requirements for special loan, closed operation and supervision. Large degree, there are some idle loans can not be used and another part of

the project lack of funds. At the same time, the debt fund scheduling also needs to coordinate the complex procedures and relationships among many operating institutions, construction units and financial institutions at all levels, and the difficulty of fund scheduling in the specific operation is increasing.

(2) The phenomenon of over budget and over contract price is relatively common, and the problem of financial final accounts not handled for project completion is more prominent. In recent years, the cost of project policy processing and the price of market raw materials have increased greatly. Due to the lack of depth and detail of preliminary design, lack of items and omissions in some projects, there are many changes in site selection, design and quantities during the construction process, resulting in construction period delay and a large increase in project cost. At the same time, because the construction unit enjoys or uses the investment results for free, coupled with the imperfect constraint mechanism for the over budget unit, the construction unit has not strong investment control awareness, and there are certain procedures for the phenomenon of comparing the construction scale and construction standards. As for the problem that the financial final accounts for the completion of the project are not handled in time, because the work is carried out after the completion of the project, the assets have been actually completed and put into use, the project funds have been basically paid, and there is no pressure of funds and progress. Many construction units think that after the completion of the project, they have gone through the completion settlement review, and the whole construction process is completed, and the financial final accounts for the completion are heavy. The understanding of necessity and necessity is not in place, and the enthusiasm and initiative of handling financial accounts are not high enough. At the same time, at present, we do not have a strong incentive and punishment mechanism for the construction unit to handle the financial final accounts in time, and the annual final accounts handling plan arrangement and daily supervision system are not perfect.

(3) The awareness of collecting and sorting out the basic data of the project unit is relatively lacking, and the financial management of the project needs to be strengthened. In terms of sorting out basic data, some projects have a long construction period, during which project management personnel and financial personnel have been replaced several times. During the handover and docking of project basic data, the management is not standardized enough, resulting in the loss or omission of some data. There is little communication between project infrastructure management personnel and financial personnel in some units, and there is a complete separation between infrastructure management and financial management. When reporting data and other information, they are often contradictory; some units have not paid much attention to the collection and collation of basic data subjectively, and their daily management is not standardized enough, so they often rush to prepare for the inspection and cram for it temporarily. In terms of project financial management, some units failed to strictly follow the provisions on financial management of capital construction in terms of payment of various engineering costs, such as failing to control the management cost and business entertainment cost of the construction unit by quota; some units regarded the engineering project as a "small treasury" and included the office equipment purchase cost and part of public funds that were not included in the budget estimate into the project. The expenses of the project shall be expended, or the project has been completed long ago, but the financial final accounts of the project are not handled yet, and the funds shall be disbursed in the project; the accounting treatment of the current accounts is improper, and the urging is not timely enough.

Build a Refined and Standardized Budget Implementation System. Raise construction funds through multiple channels. The sources of capital construction funds directly under the municipal government mainly include the arrangement within the financial budget, land transfer income, debt income, self financing of the unit and striving for superior subsidies, etc. The income from land transfer and government debt are the two main sources of capital construction funds. At the same time, actively explore and innovate other ways to raise construction funds, such as invigorating state-owned stock assets, striving for local government bonds, adopting BT mode construction, issuing corporate bonds, attracting private investment, etc.

Strictly verify the allocation of funds. According to the approved annual capital construction expenditure budget, combined with the project progress and capital demand, fill in the appropriation application form and provide the construction contract, project progress and other relevant materials. The financial department, on the basis of review, combined with the debt funds and self raised funds in place, timely and reasonably appropriates the construction funds, and all the construction funds are incorporated into the national treasury for centralized payment. When the approved capital construction budget changes in the actual implementation, the financial department shall put forward the budget adjustment opinions and submit them to the municipal government for approval before implementation.

Strengthen the use and scheduling of funds. In order to avoid overstocking and settling of construction funds and ensure the smooth progress of capital construction projects, the financial department shall conduct scientific and reasonable scheduling of construction funds among projects. It has effectively guaranteed the demand for funds of the project units, effectively improved the efficiency of the use of funds, and effectively ensured the credit of the government.

Build a Budget Supervision System Covering the Whole Process

Strictly implement the "four systems" of the project and strengthen self-management. Through strengthening the "four systems" management of projects such as project legal person system, bidding system, project supervision system and contract management system, striving to control engineering design changes, constantly improving the site visa management, taking strengthening the internal control of the construction unit as a hard quantitative index into the assessment scope, improving the supporting assessment reward and punishment mechanism, and constantly stimulating the initiative of the construction unit in organizing internal supervision The first window of project management should be well controlled.

Implement the appointment system of CFO and strengthen the front-line supervision. Issue the management measures of CFO, appoint CFO to all operation organizations and project units with an investment of more than 10 million yuan, in accordance with the requirements of "three separation" of finance, "three participation" of business and "three supervision" of work, in-depth supervision and improvement of rules and regulations, strengthen financial accounting and cost control, timely grasp the construction and operation of the project and project quality, and attach great importance to the company involved. Major investment, debt guarantee, asset mortgage, property right transfer and other major issues shall be monitored. Through the participation of CFO in supervising the application, appropriation and use of funds, the construction cost can be effectively controlled. By the end of 2010, the municipal government has sent financial directors to 11 operating agencies and 23 key project units.

Strengthen the whole process review of project budget (budget), settlement and final account, and strengthen the whole process supervision. Give full play to the role of budget audit center of financial projects and intermediary agencies of social review, strengthen the review of project feasibility study, engineering design and budget estimate in the stage of project decision-making, and do a good job in the control of settlement and final account review in the stage of project completion. In 2010, special actions were carried out to deal with the financial final accounts of the completed projects, and all the completed projects that did not deal with the financial final accounts of the completed projects were cleared and verified, and they were handled within a time limit. From 2006 to 2010, the municipal financial project budget audit center continuously strengthened the whole process audit of financial capital construction project investment from various links such as project estimation, budget estimate, budget (bidding control price), settlement, final accounts, etc., with a total of 1178 projects audited, the amount submitted for audit was 6.537 billion yuan, the amount approved was 6.028 billion yuan, and the net amount of unreasonable funds was 509 million yuan.

Implement special audit and performance evaluation system for key projects and strengthen external supervision. Strengthen the communication and connection with audit, supervision and other

departments, list some key government construction projects into the annual audit plan and performance evaluation plan, and timely adjust and improve the difficulties and problems found.

Through the construction of the internal supervision mechanism between the financial departments that not only perform their duties, but also cooperate with each other, constantly improve the information exchange and sharing, and ensure the joint efforts of professional and technical personnel, and the construction of the external linkage mechanism of interaction, communication and connection with the project unit and the development and reform, audit, supervision and other departments, the dynamic supervision over the whole process and full coverage of the capital construction funds is better realized, which is powerful and accurate. Ensure the safety and efficiency of financial funds and the completion of the project quality and quantity.

Measures and Suggestions

Give full play to the role of comprehensive financial coordination, and pay more attention to the improvement of the efficiency of fund use in fund management. In the financing stage, efforts should be made to explore the available space of funds. The key point is debt fund. On the basis of ensuring the completion of debt plan, further optimize debt structure, reduce financing cost, strive for more medium and long-term loans from banks, give priority to loans that do not need to be provided with mortgage, large loan scheduling space and relatively low interest rate, and control the loan amount and progress according to the actual needs of project funds, so as to control financing cost and meet the project. Project funding needs. In the stage of audit appropriation, the progress of appropriation should be controlled scientifically and reasonably. According to the progress of the project, the allocated funds shall be reviewed, so as to not only ensure the demand of the project funds, but also reduce the capital precipitation of the construction unit. Give full play to the role of financial comprehensive coordination in the stage of capital allocation. Further strengthen the refined budget management, comprehensively, timely and dynamically master the fund demand and current situation of each operation organization and project unit, and provide basis for fund dispatching; further strengthen the awareness of "financial fund dispatching as a game" of each operation organization and project unit, strengthen communication, mutual support, and actively cooperate with each other to do well in the gap fund dispatching; further strengthen the cooperation with each finance. The organization's communication and connection, innovative ways to provide convenience for fund scheduling, give full play to the use of debt funds.

Enhance the breadth and depth of financial investment review, and highlight key links such as budget estimate and final account review in process supervision. First, we need to do a deep and solid project in the early stage, highlighting the budget review link. The preliminary work of government invested projects shall be carried out in strict accordance with the capital construction procedures and specifications, the contents of project proposal and feasibility report shall be detailed, the design budget estimate of government invested projects shall be reviewed, the legality, timeliness and applicable scope of the budget estimate preparation basis, the description and depth of budget estimate preparation, the scope of budget estimate preparation, construction scale, equipment configuration, quantities, pricing indexes and Other expenses shall be strictly reviewed to ensure the rational use of government investment funds from the source. Second, promote project process control and highlight design change. Strengthen post bid management, strictly implement project change, and standardize change certification. Formulate and improve relevant regulations on examination and approval of engineering construction cost change of government invested projects, adopt different examination and approval procedures according to the specific amount, and improve and perfect multi-level examination and approval procedures including design unit, project competent department, finance, audit and municipal government. Third, strengthen the supervision of the later stage of the project, and highlight the handling of the financial final accounts of the completed project. Formulate and improve the rules and regulations on the handling of financial final accounts for project completion, clarify the relevant problems and requirements for the preparation and review of financial final accounts for capital construction project completion, improve the

restriction and supervision mechanism for the project units that fail to handle the financial final accounts for completion in time, improve the awareness of the project units to handle the financial final accounts for completion, and timely grasp the completed acceptance according to the project progress. It is necessary to handle the list of completed financial accounts, formulate the annual plan for handling the completed financial accounts of projects invested by the municipal government, change from passive to active, handle them in a planned and prepared way, remind and supervise the project units in time, and enhance the sense of urgency and responsibility of the project units.

Promote the fine management of CFO, and strengthen the collection of basic data and the improvement of internal control system in daily management. In terms of the accumulation of basic information materials of the project, it is necessary to establish and improve the dynamic project database of capital construction invested by the municipal government, continue to adhere to the monthly reporting system of project progress and financial revenue and expenditure, and dynamically improve the project database according to the project progress; and include the data management in the assessment of the project construction unit. Supervise and urge the project unit to continuously enrich and improve the management of basic materials with the guidance of assessment, and urge and improve the awareness and level of data management of the construction unit with the daily inspection. In terms of project financial management, it is necessary to give full play to the role of CFO, promote the fine management of CFO, guide and urge the internal financial management behavior of the construction unit, reduce the phenomenon of inadequate supervision and effectively improve the management effect; it is necessary to continuously strengthen the awareness and responsibility of the leaders of the construction unit and relevant personnel in project financial management, and actively organize and carry out the basic investment of the municipal government. Training for management personnel of the construction unit. It mainly includes business training for project management personnel and capital construction financial personnel, such as in-depth learning and understanding of capital construction financial management measures and other relevant laws and regulations, training and guidance for filling in capital construction financial statements, etc.

Conclusion

With the continuous expansion of the number and scale of funds at this stage, problems such as too many, too many, overlapping and so on are increasingly prominent. Therefore, the reasonable supervision of government investment funds, especially the financial supervision, ushered in more high requirements. Strengthening and standardizing the reasonable financial supervision of government investment funds to ensure the long-term and healthy development of the funds is not only the demand of the development of government investment funds, but also the inevitable requirement of supporting China's major development strategies and promoting the full implementation of industrial policies under the new situation.

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