IMPLEMENTATION OF SDGs:
EXPLORING THE ROLES OF PUBLIC DEBT AUDITORS

Audit of China's Local Government Debt Amid the COVID-19 Pandemic

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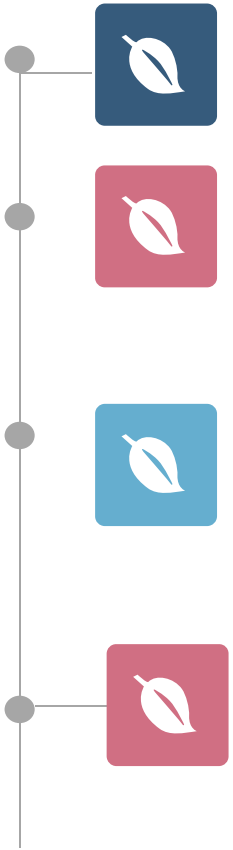

- Pandemic , World Ecocomy and Public Debt
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- Challenges and solutions
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Covid-19 Pandemic , World Ecocomy and Public Debt

- World economy recession
- People's life greatly disrupted
- Governments intensify emergency relief efforts to protect the people, save jobs and prevent bankruptcy.
- Global public debts expected to exceed 100% of GDP this year, according to IMF
- Posing new challenges for global public debt auditors.

Covid-19 Related Audit in China

Basic Information

Audit scope : 31 provinces and the Xinjiang Production and Construction Corps

Audit Contents : Funds and donations for epidemic prevention and control, including fiscal funds, social donations, and special loans for key enterprises

Audit time : Feb. 2020 to Apr. 2020

Audit Results

- Reveal problems including delayed fund appropriation and supply overstock
- Promote the allocation of funds amounting to RMB 7.651 billion and over 99.94 million pieces of supplies
- Help establish and improve 1,584 regulations
- Transfer over 110 clues for fund fraudulence and supply reselling

CNAO's Role in Preventing and Diffusing Government Debt Risk

- Mapping Local Debts, Promoting Proper Management

- Focusing on Government Bonds and Facilitating the Use of Funds

- Strictly Investigating Illegitimate Debt Financing and Guarding against Risks

- Actively Resolving Risks and Promoting Sound Development

Challenges for Public Debt Auditors in China

01

Large Scales of Public Debts

RMB **3.75** trillion new special local government bonds in 2020

Bonds been used in major infrastructure and people's livelihood services

02

Inconvience During Audit

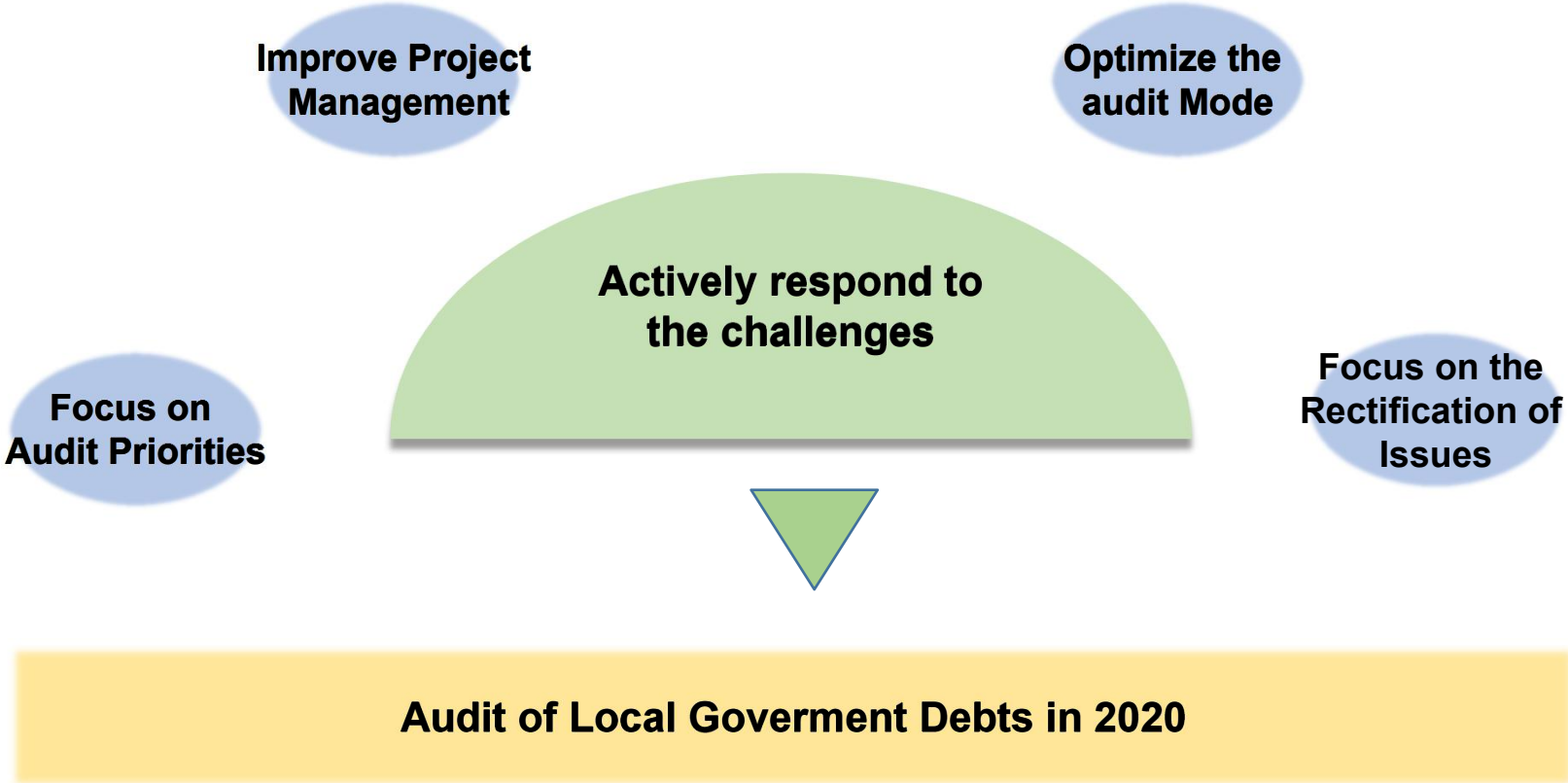
- Compliance with epidemic control protocols
- Travel and work restrictions

03

Limited Audit Resources

- Public auditors can't work as planned
- Multi-tasks
- Time constraints

How to Deal with the Challenges?



Focus on Priorities of Public Debt Audit

Balance of Local Government Debts	Bond Project	Bond Issue	Bond Funds Disbursement	Use of funds & Projects Performance
•Compliance of local goverment debt limits with budget law. •Issuance of debts within the new local goverment debt limits.	•Bonds been used in major infrastructure and people's livelihood services •Whether the projects are profitable •Project unit qualification	•Bond rating •Bond issue rate •Maturity of bond •Bond commission	•Bond funds allocate to project units in time •The funds are just circulating within the financial sector	•Progress of project construction •Workload of new special debt projects •Misappropriation of bond funds

Focus on Priorities of Public Debt Audit in 2020

1. Pay attention to whether the new special bond funds in 2020 will be used for transportation infrastructure, energy, ecological and environmental protection, and people's livelihood as determined by the State Council Executive Committee.
2. Pay attention to the use of new bonds by local governments, and whether there is a problem of long-term idle funds caused by the issuance of bonds without corresponding projects or the failure to implement them as planned.
3. Pay attention to the progress of project construction, especially the workload of new special debt projects.

Improve Audit Project Management

Audit Planning

- Debt audit team
- Develop audit working plan.
- Identify audit priorities, provide guidance

Project Implementation

- Follow-up on project progress,
- Professional guidance, answer questions
- Improve the quality of audit findings

Reporting

- Debt data collection, summary &validation
- Summary of issues identifies through auditing
- Reporting

Optimize the Working Mode

01 Off-site Audit

- Pay attention to self-protectons of auditors
- Implementation of off-site audit, using telephone interviews, video conference, emails.
- Shorten the on-site verification time
- Minimize the impact on the grass-roots prevention and control works.

02 Big Data Audit

- Analyse of local goverment debt data, such as projects details, stock debt data, and debt information platform (www.celma.org.cn)
- Focus on investment areas of new special bonds
- Verify the clues identified through data analysis

03 Obtain Audit Evidence

- Obtain evidence by lawful means and not take evidence selectively.
- Adequate and accurate evidence including basic information such as time, subject, circumstances, causes, consequences .

Retification of Issues

- Communicate with the auditees about audit findings in time
- Regularly check the status of problem rectification

- The illegitimate debt financing and guarantee by local governments are handed over to competent audhorities for further investigation

- Strengthen audit of public debt, improve local goverment debt management, maintain the long-term sustainbility of fiscal policies.

Issues Related to 2019 Debt Audit

Related issues

The audit in 2019 revealed problems such as financial departments' delay in issuing new special debt quotas, influence of bond issuance progress due to the inadequate and delayed disclosure of debt information by local governments, bond issuance by local government without corresponding projects or failure to implement the project as planned to result in long idle funds.

2020 Audit Work Reports

- Due to unreasonable project arrangement or suspension of implementation, new special bond funds of RMB 50.367 billion were not used, of which RMB 13.23 billion has been idle for more than a year.
- Illegally issuing of debts or providing guarantees of RMB 8.399 billion, of which RMB 4.097 had been rectified after audits on expenditures.

Q & A

Thank you!