



Study on the Avoidance Measures of the Audit Risk of Project Item

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Abstract

The connotations and characteristics of the project item audit risk are studied in this article, and the measures to avoid the audit risk of project item are concretely analyzed by further strengthening the management, and the research result could offer theoretical bases for enhancing the audit management of project item.

Keywords: Audit risk, Project item, Avoidance

1. Introduction

The project item audit risk means the risk that the auditor shows improper auditing opinions for the financial report with important mistakes. Because the environment of the audit is increasingly complex and the task of the audit is more and more complex, and the audit should support the principle of cost efficiency, so the audit risk will exist in the audit process. The particularity of auditing also decides that the audit risk has certain objectivity, universality, potential, chanciness, and controllable characteristic. Therefore, to try to avoid and control the risk, it is very necessary to study the measures to avoid the audit risk of project item.

2. Strengthen the investment control and realize the optimal benefit

The target of the investment control is to effectively manage the project budget authorized by relative department of the country, and “make more things by less money” based on the authorized primary design budget range in the total investment control of the project, to maximize the benefits and save more capitals. The total idea of investment control is to establish the annual investment control target plan according to the total budget of the project, and follow and supervise the implementation of the target plan, and establish the annual budget management committee to implement the annual budget management, and control the contract signing, paying, and changing, and control and manage the investment implementation process by the support and cooperation among various departments, and finally feed back the management information to the investment control management department, which will form the work cycle including following stages.

2.1 Investment control in the decision-making stage

The project investment decision is the process to select and decide the investment behavior program, implement the technical and economic argumentation to the necessity and feasibility of the pre-building project, and compare and judge and decide different construction projects. Generally, the investment of the decision-making stage lacks in scientific argumentation and democracy decision, and the control of investment decision-making becomes a mere formality. Therefore, the investment control in the decision-making stage should first combine with the economic development plan of the country and the practical situation of the market to establish the middle and long-term development plan, and the construction plan should follow the principles of economy and saving, and once the construction plan is confirmed, it can not be modified at will. Second, the democracy decision-making program should be perfected, and relative experts should be consulted properly to instruct the former decision to avoid the investment waste because of wrong decision-making. Third, the construction standards should be established before hand, and the designs of various stages should be implemented strictly according to the construction standards.

2.2 Investment control in the design stage

The project design is the process to comprehensively plan and concretely describe the construction intention of the

project, which will influence above 75% of the project cost. To better strengthen the investment control of the design stage, on the one hand, the design enterprises should be selected by bidding to optimize the design process, and on the other hand, the limitation design should be pushed to ensure the effective investment control in the design stage.

2.3 Investment control in the construction contract awarding stage

In the construction contract awarding stage, the bidding of project construction not only can accord with the regulations of relative laws, but can select the construction enterprises, ensure the project quality and time limit, and reduce the project cost, so the bid making and examination must be seriously implemented, and the reasonability and reliability of the bidding cost should be judged carefully to make right selection for the bidding, which could offer guarantee for the investment control of the project. At the same time, the principle of the project list quoted price should be executed to standardize the price and embody the opening and justice, which can offer conditions for reasonable and low-price successful bid.

2.4 Investment control in the construction implementation stage

At present, many projects are supervised by the social supervision companies, and the supervision system could actively influence “three-control” of the construction projects and make for the investment control of the implementation stage. Concrete measures include perfecting the project change examination and approval system, strengthening the schedule control, and increasing the audit power.

2.5 Investment control in the late stage of the project

The investment control in the late stage of the project is an important stage to strengthen the investment control, and the balance work is the last part of the investment control, and it is very important to strengthen the importance of the examination of the clearing completion. At the same time, to strengthen the daily charge payout management could make the control management system more effective and the investment control more reasonable.

3. Establish various complete management systems

The occurrence of the audit risk of project item comes from various stages of the project, and is closely related with the perfecting level of various management systems. Various reasonable management systems could largely enhance the reasonability and validity of various aspects of the whole project. To further reduce the audit risk, the complete management system is seen in Figure 1.

3.1 Department management

The setting of the organization department of the project item is very important. First, the management mode of the project should be considered, and different management modes should accord with different department setting. Second, the main operations in the project implementation process should be considered, and these operations generally include plan, statistics, bid, contract, budgetary estimate, construction debt payment, and information management. In addition, the link and harmony among departments and the mutual balance among departments should be also considered.

3.2 Budgetary estimate management

The budgetary estimate of construction is the composing part of the technical document in the research stage, and it should be made by the survey design enterprise with corresponding certificate, and it includes the detailed materials of various parts of the project, and relatively detailed technical and economic indexes. Before the construction budgetary estimate is made, the design budgetary estimate of the project should be authorized by relative department or the investment principle. Three different concepts such as “original value”, “present value”, and “final value” should be emphasized specially. The so-called “original value” means the construction cost computed according to the price and charges when the budgetary estimate is made. The so-called “present value” means the construction cost after the original value is adjusted according to the price index when the project starts. The so-called “final value” means the construction cost adding the price difference in the annual investment into the present value after the project starts.

3.3 Budget management

The making of total budget should combine with the idea of zero-base-budget cost descending and the idea of the target management, and fully embody the advantage of the probability budget and the flexible budget reflecting the future uncertainty, and in the harmonizing stage of the budget management, the zero-based budget should be emphasized, and the rolling budget and the flexible budget should be referred, and the control stage and the assessment stage should embody the cost descending idea of the zero-based budget.

The annual budget management is one measure to control the process of the investment in the interior of the company, and the company could adopt the mode of functional department grading control management, and implement the three-level control management to the investment. Based on the organization department of the company, the annual budget management committee should be established to implement the annual budget management and confirm the responsibilities of various responsible departments, and predict and control the investment year by year.

3.4 Bidding management

Inviting public bidding in the project is the legal behavior that the construction unit (or owner) issues the announcement for the proposed project, and attracts contractor units to compete by a legal way, and selects the optimal one to complete the construction by the legal program. The bidding competition could confirm the project cost to be reasonable or descending, which could make for saving investment and enhancing the investment benefit. The bidding system could standardize the price behavior and implement the principles such as justice and opening, and save human resources, material resources and financial resources, and accordingly reduce the project cost.

3.5 Contract management

The contract management is the important part to control the project cost, and the contract could confirm both parties' responsibilities, rights, and benefits, and limit both behaviors by the legal form. Therefore, the construction unit should have professional personnel to make the contract, and the personnel should have certain professional knowledge and skills, and strictly grasp the property and programs of various contracts. In the process signing the contract, the situation going against relative policies of relative industry, department, and local government should not occur, and the target must be confirmed. Each item in the contract should be studied seriously, and the signed contract should embody the strictness and legality, and avoid the void contract or the unequal contract.

3.6 Materials management

Ordered material management could reasonably plan, organize, and control the stock, use, and repertory of materials needed in the project. Reasonable management of the materials could largely reduce the complex examination of the audit work to the materials, and form good material management system, especially, the material plan-making, the material stock, the material use, and the material repertory should be managed strictly.

3.7 Construction quality management

The quality of the project is the life of the item, and following aspects should be mainly emphasized to control the quality of the project, such as selecting excellent project quality control team by the form of bidding, controlling the quality of raw materials and avoiding the jerry-build, strengthening the project quality control in the key parts, strictly implementing the standards of construction, strengthening the management of general layout, strictly executing relative standards and the document management standards.

3.8 Construction schedule management

The construction schedule management is an important and complex task in the construction, and good management of the construction schedule could exert the investment benefits and enhance the economic benefits of the enterprise. At the same time, effective construction schedule management would also largely reduce the project audit risk and avoid the auditing of extended and extra works. The main task of the construction schedule management is to reasonably plan, harmonize, and control the schedule.

3.9 Clearing completion management

The clearing completion work means that the owner and the contractor balance the final project debts after the project is checked and accepted by relative department. The clearing completion of the construction is divided into the unit project clearing completion, the single project clearing completion, and the total construction item clearing completion. When implementing the clearing completion, the auditing should be strict, and relative auditing personnel should have deep professional base and good occupational morality. The auditing of clearing completion is one key part of the project item audit work, and its management work is the necessary part in the complete management system.

4. Consciously develop the interior audit of the project

The project item audit work must be conscious, and start from the interior audit.

4.1 Implement the audit dispatcher system in the project item department

The project item department is the cost management and control center, and the project item is the carrier of the cost. The command center should be established, i.e. the project manger of the project should be responsible for the project. The management mode to dispatch relative personnel in various project item departments could strengthen the power of audit supervision and enhance the audit covering surface.

4.2 Establish the price information system and strengthen the material stock bidding management

Generally, in the project cost control, the charge proportions of the material equipments and materials of the project ware very large, so the price information system should be established from many aspects such as strengthening the auditing of the material stock budget, strengthening the certificate auditing of both parties of materials supply and demand, emphasizing the auditing of the stock mode and stock contract, implementing the benefit auditing of the project material stock, and strengthening the auditing of the material stock capital management payment, which is

deeply meaningful for the material stock auditing work.

4.3 Perfect the design quality evaluation and cost control measures

The work of reasonably evaluating the design quality mainly includes considering the certificate of relative units, relative design experiences, awarded design works in past years, and design charges to select the design unit, examining the conclusion according to the design chart, comparing and optimizing the design projects according to the practicability and the beauty degree, and evaluating the quality of the design project. The contents of controlling the project final accounting cost mainly include evaluating the demands of construction capitals and costs, and whether the interests in the construction term will increase, whether relative policies and laws are executed strictly to fulfill the authenticity and the validity.

First, by comparing the costs in different regions, different departments and different years, the economy characteristic of the unit project cost could be evaluated.

Second, the control of the project cost should be strengthened, and the auditing of the concealed project construction and the equipment stock capitals should be emphasized, and many indexes such as capital saving amount and the capital saving rate should be adopted to evaluate the final accounting cost, and the final accounting cost should be controlled in the design budgetary estimate to promote the reasonable use of the special capitals.

Third, in the stage of construction, the payment of the scheduled debt should be strictly controlled to ensure the reasonable outflow of capitals, reduce the financial charge, prevent the financial risk because of extra payment, strengthen the project debt balance completely, and completely the investment and project cost control.

Fourth, in the stage of implementation, the concealed project, design change, engineering visa, and counterclaim should be controlled, and the visual engineering quantity increase and the over-estimation in the clearing completion should be effectively limited. According to the schedule of the project, the single project should be audited after it is completed one by one, which could largely reduce the work of the clearing completion auditing, and decrease the auditing time of the clearing completion accounting, and solve the problem that the project debt can not be paid because of too longer auditing time.

5. Enhance the quality of technical and economic personnel

The budgetary estimate and budget involves the economic benefits of various parties in the construction project, and it is not only a technical work, but an economic work. The cost engineer certificated system should be established, and the operation personnel engaging in this work should be trained and examined, and the industrial management should be checked periodically, and the occupational rules and industrial moral standards should be constituted, and cost personnel's behaviors should be standardized. The personnel who can not be competent for the work should return the work post after retraining, and the personnel who intentionally don't execute the quota and charge standards and relative human salary, material and equipment price, over-estimate or depress the price to induce one party's economic loss should be punished in discipline or compensate. The level of the technical and economical personnel's occupational morality and operation quality will directly influence the level of the cost management, so the quality training and the education of the occupational morality should be emphasized certainly.

6. Cooperate well with the local government

The company should cooperate well with the local government, which can not only quicken the schedule of the project, but reduce the payment of the project charge. The effective implementation of the project item could not only benefit the local, but increase the financial income of the local government, and drive and promote the development of relative industries. So the enthusiasm of the local government should be stimulated in time to make it serve for the project to some extent.

7. Conclusions

The audit risk management of the project item is a long-term task for the project investment control and the project management, and it needs to be continually summarized and advanced in the practice. Only the audit work adapts the market, it can be done well by grasping the management in the interior, digging the potential, reducing the cost, and increasing the profits. The responsibility, pressure, benefit, and supervision should be implemented in place, and the audit supervision network system should be established and perfected to further avoid the audit risk of the project item.

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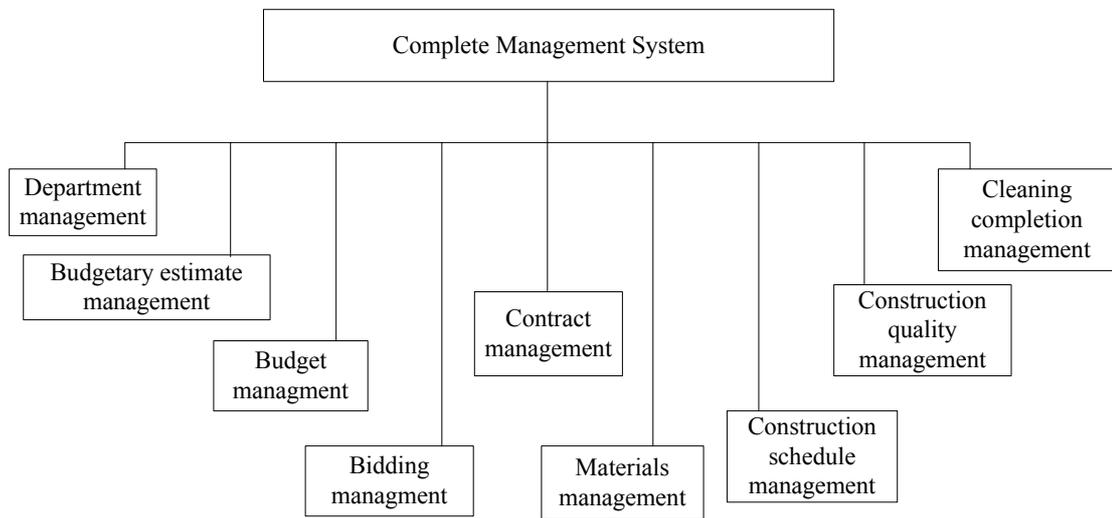


Figure 1. Complete Management System