

Exploring the Problem of Supervising Financial Funds Based on Fiduciary Duty

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Abstract. While enjoying the right to use financial funds, financial allocation units have also assumed the fiduciary responsibility entrusted by the public and the government, i.e., to ensure the safety of financial funds and to enhance the efficiency of their use. By analysing the safety and efficiency problems faced by the financial allocation units in the use of financial funds, this paper argues that the quality and efficiency of financial fund supervision should be enhanced by strengthening the awareness of public supervision, strengthening the performance management mechanism, perfecting the budget management system, strengthening the information system construction as well as cultivating talents in several aspects.

Keywords: Fiduciary Duty , Financial Funds , Regulation.

1 Introduction

Fiscal funds come from taxes, forfeitures and other forms of government revenue. The government, through the preparation of the budget, plans to use the financial funds for the construction of the country and social governance, to achieve the goal of people's happiness, national revitalisation, national wealth and strength, and its essence is that the financial allocation units (government departments) are entrusted by the public and the government to manage and use the financial funds. The financial allocation unit enjoys the right to use the financial funds, and at the same time assumes the fiduciary responsibility entrusted by the public and the government, and must manage and use the financial funds well. However, in practice, the fiduciary responsibility is not fulfilled, the financial funds are embezzled and misappropriated, the use of the phenomenon of inefficiency from time to time, not only exacerbate the financial constraints of the situation, but also seriously undermine the credibility of the government. This paper analyses the problems in the supervision of financial funds from the perspective of fiduciary responsibility, and puts forward countermeasures to strengthen supervision.

2 Fiduciary responsibilities of the financial allocation unit

2.1 Connotation of fiduciary duty

Fiduciary duty has different connotations in different areas. In the field of accounting, fiduciary responsibility refers to the fact that while the owner of a resource transfers the right to use the resource, the manager of the resource is entrusted with the responsibility to use the

resource to complete the relevant work in accordance with the wishes of the owner of the resource, and the owner of the resource supervises the fulfilment of the duties of the manager of the resource^[1]. For financial funds, the public gives up part of their private property and concentrates the resources in the government in the form of taxes, forming the first level of entrustment; the government transfers the financial funds to the financial allocation unit (the relevant functional department), forming the second level of entrustment, and the financial allocation unit, as the final trustee, assumes the fiduciary responsibility of ultimately realising the will of the public. As shown in Figure 1.

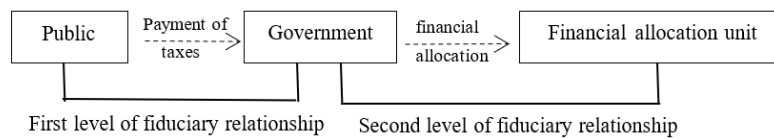


Figure.1 Fiduciary responsibility flow chart

2.2 Fiduciary duties of financially allocated units

The public, through the government, ultimately entrusts the right to manage and use financial funds to the financial allocation unit, and restrains the behavior of the trustee through the preparation and implementation of the budget; the financial allocation unit, having obtained the right to use financial funds, must assume the fiduciary responsibilities conferred on it by the government and the public, including fiduciary financial responsibilities and fiduciary management responsibilities. The so-called fiduciary financial responsibility, that is, the financial allocation units need to strictly implement the income and expenditure plan in accordance with the budget, to ensure the legal compliance of its economic behavior; fiduciary management responsibility is to ensure the safety of financial funds under the premise of maximizing the effectiveness of the use of financial funds to meet the needs of the public. Among them, the fiduciary financial responsibility is the foundation, and the fiduciary management responsibility is the sublimation of the fiduciary financial responsibility, which puts forward higher requirements for the fiduciary, not only to use the financial funds in a reasonable and lawful manner, but also to give full play to the efficiency of the use of financial funds. And when the fiduciary party fulfils its fiduciary responsibility, it is obliged to inform the public of the fulfilment of its fiduciary responsibility in the form of financial statements and reports, so as to better accept public supervision. As shown in Figure 2.

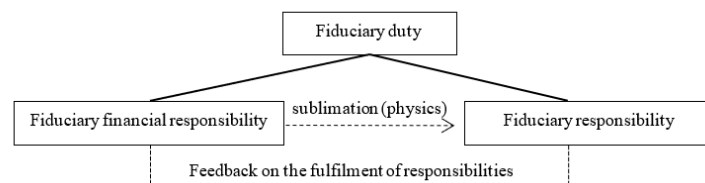


Figure.2 Relationship between fiduciary duty

In practice, due to information asymmetry and inconsistency of interests, the ideal state between the entrusted party and the entrusted party is not always present, and the entrusted party may be concerned about its own interests at the expense of the entrusted party's interests,

or there may be passive behaviors in the process of fulfilling its fiduciary duties, with its efforts falling short of the ideal level, thus creating a moral hazard. Therefore, there is a need to strengthen the monitoring of the fulfilment of fiduciary duties to ensure that the public will be fulfilled.

3 Problems in the fulfilment of the fiduciary duty of financial funds

3.1 There are hidden dangers to the safety of financial funds - the fiduciary financial responsibility is not being fulfilled.

The government and the public will entrust the financial funds to the financial allocation unit, the primary task of the financial allocation unit is to ensure the safety of financial funds, that is, to achieve the initial goal of financial supervision - the legal compliance of the use of funds. In recent years, China has made great efforts in correcting the wind and purging the discipline, especially in the key industries and fields to increase the monitoring efforts, and achieved remarkable results. However, in recent years, inspection, audit and financial special inspection, financial funds were embezzled, misrepresentation, illegal expenditure and other acts still occur from time to time, part of the people in the high-pressure situation still have a lucky break, do not converge and do not stop, resulting in the safety of financial funds are at risk.

3.2 The efficiency of the use of financial funds needs to be improved - fiduciary management responsibilities are not in place.

With the development of the times, the public awareness of the rule of law has gradually increased, they are no longer only satisfied with the safety of the funds, began to gradually pay attention to the efficiency and effectiveness of the use of funds, coupled with the new crown of epidemics in recent years and the impact of the international and external environments, China's economy is under greater pressure to regulate financial expenditure, improve the efficiency and effectiveness of the use of funds is particularly important. However, in practice, the funds long-term idle precipitation, project duplication of construction and other issues occur from time to time, the work task focus on "performance" and ignored the "effectiveness" to "results"-orientated mechanism. Discounts have been made in the implementation process, resulting in poor performance in the use of financial funds.

3.3 Lack of transparency in the use of financial funds - inadequate feedback on the fulfilment of fiduciary responsibilities.

After accepting the entrustment of the public and the government, the behavior of the financial appropriation unit must be subject to the supervision of the entrusted person and the fulfilment of the entrusted responsibility must be reported to the entrusted person in an appropriate form. At present, China is gradually improving the information disclosure mechanism and establishing transparent finance, but there are still a lot of problems: for example, the information disclosure lacks systematicity, and more reports around the budget revenue and expenditure, and other issues of concern to the principals (the government and the public), such as the government's assets and liabilities, and financial supervision, are involved in a smaller number of issues; some units have not strictly implemented the information disclosure system, and have adopted the practice of non-disclosure or generalized disclosure of

unfavorable information of the unit, resulting in the principal's failure to disclose information to the principal. Some units do not strictly implement the information disclosure system and adopt the practice of non-disclosure or general disclosure of unfavorable information about the unit, resulting in the principal not being able to fully grasp the fulfillment of the trustee's fiduciary duties.

4 Analysis of causes

4.1 The mechanism of "general supervision" is not functioning well.

On the one hand, there is insufficient public participation in the supervision of the fulfillment of fiduciary duties. Financial funds "big supervision", is based on internal control, audit inspection and public participation in the full range of supervision system^[2]. In the traditional supervision mechanism, too much emphasis is placed on internal control and audit inspection supervision means, but the public, as the principal, is often neglected in the supervision of the fulfillment of fiduciary duties. Due to the public power dispersion, access to information resources is at a disadvantage, coupled with the initiative to participate in the supervision needs to pay time, energy costs, and the need to have relevant professional knowledge, and reduce the enthusiasm of the public to participate in the supervision^[3]; on the other hand, the financial funds information disclosure mechanism is not complete. At present, China is gradually improving the information disclosure mechanism, but in practice, the financial allocation unit in the information disclosure is in a dominant position, financial information disclosure of the systematic, effectiveness is not strong, information users can not grasp all useful information through information disclosure, invariably also for the public to participate in the supervision of the use of financial funds to increase the difficulty.

4.2 Budget management has loopholes.

On the one hand, the role of the National People's Congress in reviewing and supervising the financial budget is not obvious. When the people's congresses at all levels consider the draft financial budget, due to time constraints, the lack of professional financial and budgetary personnel and other reasons, the result is that the consideration is often reduced to a procedural review and lack of substantive review. On the other hand, departmental budget objectives do not match the overall development planning of the unit. At present, many units and departments, out of "performance" considerations, focus on current work performance, while ignoring long-term development planning, and lack of continuity of work, which leads to the deviation of budgeting from the unit's long-term development goals, which may seem to have great merit, but is not conducive to the unit's long-term development.

4.3 Inadequate performance management system.

Specifically manifested in the following aspects: First, the budget performance regulations and systems are not perfect. At present, the basis for performance management is mainly the Budget Law, the Interim Measures for Monitoring and Management of Central Sectoral Budget Performance and other relevant documents, and there is a lack of special laws and regulations for budget management, resulting in insufficient authority for budget performance management. Secondly, the implementation of budget performance evaluation is not

standardized, in the budget performance evaluation process, departmental performance evaluation, prior performance evaluation and other aspects of the implementation of the specification is less, in the performance evaluation indicator settings, there are unclear weighting, indicator content is not comprehensive and other issues. Thirdly, the performance evaluation results application mechanism is not smooth, many units performance evaluation only stays in the written report stage, the lack of corresponding incentives and penalties, neither the completed work performance evaluation results of the pursuit of responsibility and accountability, but also did not play a role in providing reference for subsequent decision-making.

4.4 Information technology construction to be improved.

In recent years, information technology as the representative of the rapid development of high and new technology, to our production and life has brought about sweeping changes, but also to the supervision of financial funds has brought new challenges and opportunities, but through the supervision of financial funds through information technology construction practice, there are still many problems. Firstly, the budget fund management information system constructed by the Ministry of Finance is still immature, the system stability is not strong, the subsystems and modules have failed to achieve effective integration between them, and the information and data present the characteristics of fragmentation and decentralization, which seriously impedes the efficient transmission and utilization of the data and the effective supervision of the financial funds^[4]; secondly, the budget performance management information system still needs to be continuously improved, and as an important module of the integrated system of budget management, how to technically realize the all-round, all-process, all-coverage performance management of budget funds is still a more difficult problem. Thirdly, it is necessary to further bring into play the role of big data in fund supervision. Entering the era of big data, the mode of fund supervision has undergone a fundamental transformation, but the role of big data in the supervision of financial funds is not obvious due to the inconsistency of financial fund information and data standards, lagging behind in the construction of technical platforms, and the confidentiality of part of the fund information^[5].

4.5 There are shortcomings in the quality of personnel capacity.

First, the lack of supervision awareness. The reform of the centralized payment system of the treasury, effectively revitalize the stock of financial funds, improve the efficiency of the use of funds, and strengthen the supervision of financial funds. But at the same time there are also some problems: budgetary units that economic business activities ultimately need to be centralized collection and payment centers to review and control, centralized collection and payment centers should be responsible for a variety of risks in the business; and centralized collection and payment centers believe that they are only responsible for the business of the budget conformity, integrity of the essentials, the authenticity and reasonableness of the business should be responsible for by the budgetary units, which will form a vacuum in the supervision of funds; Secondly, the lack of supervisory capacity. The complexity of financial activities, the financial allocation of units of financial personnel and audit inspectors put forward high quality requirements, not only to be familiar with the financial settlement and audit business, but also to master the relevant business activities of the law. However, due to job changes, policy adjustments, new business emergence and other reasons, the ability of

some personnel can not keep pace with the pace of development, unable to manage the regulatory requirements of financial funds.

5 Countermeasures and recommendations to enhance the fulfilment of the fiduciary duty of financial funds

5.1 Enhancing public supervision awareness and improving the "big supervision" mechanism.

Public supervision as an important form of "big supervision", the effectiveness of its supervision is due to the enhancement of public awareness of supervision and the disclosure of financial information. First, to strengthen the legal system education, enhance public participation in supervision enthusiasm. Through legislation, publicity and education, we should stimulate the public's awareness of exercising their rights in accordance with the law, lower the threshold of public participation in supervision, and reverse the disadvantageous position of the public due to dispersed power and asymmetric information in the entrusted agency^[6]. Secondly, we should continue to promote the disclosure of information on financial funds. Not only should we systematically improve the information on the content, time and method of information disclosure, but we should also work on enhancing the comprehensibility and accessibility of information, for example, through microblogging, short videos, public numbers and other platforms, and in the form of charts, videos and other forms of information disclosure. At the same time, it is necessary to establish a mechanism of rewards and punishments for information disclosure, rewarding units with good information disclosure and punishing information disclosure violations, increasing the cost of violations and mobilizing the enthusiasm for information disclosure.

5.2 Improve the budget management system and enhance the science of budget management.

Whether the budget is formulated scientifically or not is directly related to the efficiency and effectiveness of financial funds. On the one hand, we can appropriately extend the duration of the National People's Congress, so that the delegates have enough time to review the relevant bills, in order to put forward reasonable views. Improve the mechanism of specialized committees, such as setting up a budget division under the NPC Finance and Economy Committee, so that financial professionals can review the draft budget and play a better supervisory role^[7]. On the other hand, the establishment of the business sector, the financial sector and the leadership of the organ to participate in the budget preparation and review mechanism, the business sector to report the needs of the financial sector to review the gatekeeper, the leadership of the organ to control the direction of the three links as a whole, to ensure that the budget preparation is not only in line with the overall construction of the general direction of the unit and the business sector of the short-term planning, and also in line with the requirements of the relevant budget indicators, to enhance the scientific and enforceable budget preparation. At the same time, it strengthens the demonstration and feasibility analysis of large-scale projects to ensure that project construction meets the needs of unit development and construction, and has sufficient funds to ensure the sound operation of the project.

5.3 Optimizing the performance management system and improving the performance management path.

At present, China has introduced a system to fully implement budget performance management, which not only need to grasp the top design, but also need to improve the performance management path from the implementation level. On the one hand, we need to strengthen the performance management supporting laws and regulations, enhance the legal status of performance management, clear budget performance subject and the relationship between the object, while the financial sector to refine the performance evaluation rules, clarify the specific process of each link, enhance the operability of the performance evaluation. On the other hand, the supervision of the use of performance evaluation results should be strengthened, and a performance evaluation accountability mechanism should be established to increase the weight of evaluation results in the evaluation of individual merits and awards, transfer and promotion, and subsequent budgetary arrangements^[8]. In addition, attempts can be made to establish a mechanism for mutual recognition of evaluation results, so that evaluation results for the same project can be exempted from inspection during the three-year validity period, thus solving the problem of repeated inspections during inspections and audits.

5.4 Strengthening the construction of information technology and improving the network supervision platform.

On the one hand, it has continuously improved the integrated budget management system, accurately positioned the functional requirements and optimized the functional modules in accordance with the business practice of the financial allocation units and the relevant management regulations. At the same time, open the data interface between the subsystems, unified data collection standards, to avoid multiple data entry, different standards, resulting in the phenomenon of "massive data, insufficient information", to enhance the user experience^[9]. On the other hand, it actively explores the introduction of big data, artificial intelligence, mobile Internet, cloud computing, Internet of Things and other technical means into the financial funds supervision platform to achieve real-time collection, scientific analysis and accurate judgement of data and information on the management and use of financial funds, to provide timely early warning of violations of laws and regulations and inefficiencies in the use of financial funds, to plug gaps and loopholes, and to provide reasonable suggestions for the unit's management of financial funds.

5.5 Strengthening the training of talents and forging a strong talent team.

Grasp the supervision of financial funds can not be separated from the construction of the talent team, not only need to cultivate excellent business quality, but also need to forge a firm political literacy. First, focus on the use of the Party's innovative theories to arm the mind, and actively study President Xi on the management of financial funds related to the exposition, and actively carry out the "new era of red housekeeper" activities, make good use of typical incentives, and strengthen the management of financial funds of the political self-awareness. Secondly, we strengthen the business level of auditors and financial personnel of financial allocation units through competition, job training and centralized training, and regularly organize the dissemination of financial regulations and policies to ensure that relevant personnel understand and grasp the latest financial trends. Third, the establishment of access and exit mechanisms^[10], the relevant units in the declaration of financial personnel needs, not

only require financial expertise, but also need to master the relevant business, information network-related knowledge, in order to achieve effective supervision of financial funds, while for the emergence of major financial problems as well as the ability to meet the quality of the personnel to be discouraged or forced to withdraw from the field of finance and economics.

6 Conclusions

Strengthening the supervision of financial funds and ensuring the fulfilment of the fiduciary responsibility of financial allocation units should not only ensure the safety of financial funds, but also improve the effectiveness of the use of financial funds. In view of the current problems in the fulfilment of the fiduciary duties of financial allocation units, the relevant departments should start from the awareness of public supervision, the performance management mechanism, the budget management system, the system construction and the training of talents in several aspects, focusing on the construction of the system, perfecting the relevant management mechanism, and at the same time, according to the supervision of the constantly emerging new problems in a timely manner, to take countermeasures to enhance the public's satisfaction with the fulfilment of fiduciary duties.

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