

W Real Estate Company Project Tracking Audit Research

Mengnan Hao

School of Northwest University of Political Science and Law, Shaanxi, 710000, China

Abstract: Since the early 21st century, the real estate industry has developed rapidly and has become an important pillar of China's economy. But so far, whether from the industry report or the market situation, it is not difficult to find that the real estate industry has appeared a lot of problems, behind the soaring housing prices is the increase in costs. To address the surge in housing prices, the first priority is to reduce costs. This paper selects F construction project as the research object, with the implementation of the whole process of tracking audit as the breakthrough point, the construction project is divided into five important stages, according to the different characteristics of each stage, put forward more targeted audit implementation and control content, in order to the development of tracking audit for construction project industry provides certain experience reference.

Keywords: Construction Project, Whole process, Tracking audit.

1. Introduction

Under the background of rapid economic development in China, there are many problems in the construction of market-oriented engineering projects, a large number of illegal construction, embezzlement of construction funds, and many projects are inefficient or even fail. The real estate industry is doing relatively well, but competition is increasing and the market is starting to fray. Land prices are getting higher and higher, labor costs are also increasing, leading to the cost of the real estate industry, and finally, people need to bear the rapidly rising housing prices. Therefore, reasonable determination of project cost and improve the efficiency of project construction are the key research topics in the field of real estate development and construction. If real estate projects want to increase their strength in the market, the whole process needs to be reviewed accordingly. But, our country at present the whole process of tracking audit model utility ratio is not high, most companies are in the process of project audit using traditional financial audit, focus on the project completion stage, usually is to discover and reveal problems later, often lead to engineering construction light you will need to rework, repair, or irreparable loss may occur, facing compensation even resort to the law, Then the audit risk of the whole project is greatly affected, forming an important audit risk. So the transformation of construction project audit is imminent.

The whole process tracking audit is a new audit method, which requires the construction unit to complete the scheduled project and achieve the scheduled function with the minimum cost, the fastest speed and the best quality. Audit in the construction process, identify risks in advance, avoid risks, reduce avoidable waste. Summarizing the research situation at home and abroad, the current experts and scholars are deepening the research on follow-up audit, from the initial research on its connotation to the research on its significance and process, and finally, the follow-up audit performance evaluation is discussed. However, all of them only give the general direction, without elaborating how to implement and control the whole process tracking audit in the construction project. Therefore, this paper will make further elaboration on this part according to the previous literature.

2. The Whole Process in Our Country Follows the Development of Audit and Characteristics

2.1. The Development Process

China's rapid economic growth also emerged some problems at the same time, in order to avoid major investment projects, the engineering construction project "high low yield" and "jerry-built projects", the audit institution reform in the previous post audit way, advocates the advance, the whole process of tracking audit approaches, the resulting tracking audit. Up to now, the research on the whole process tracking audit has not stopped. At present, tracking audit is mostly used in real estate development and construction projects. In the process of the project, auditors can give audit opinions in time, solve problems in time, reduce risks and effectively prevent potential huge losses. It can be seen that the whole process tracking audit plays a very significant role in the actual work.

2.2. Characteristics and Functions

Compared with the traditional post-completion audit, the whole-process follow-up audit has the following characteristics and functions:

2.2.1. Different Audit Scope

The traditional way of auditing is that the auditor does the audit after the project is completed, all the work has been done. The whole process tracking audit needs to be involved in the preliminary preparation of the project, project bidding, construction, supervision, supervision and so on. From the construction stage to the final accounting stage of the completion of the project, as well as the personnel management and quality control of the construction project, auditors are involved in the audit, provide audit opinions and suggestions, and carry out effective monitoring.

2.2.2. Different Audit Times

The whole tracking audit should run through every link of the project construction to realize the whole process audit before, during and after the event.

2.2.3. Different Audit Methods

The traditional post hoc audit is carried out according to the existing audit procedure. The whole process tracking audit requires auditors to participate in all links of the project, and conduct field investigation, supervision and evidence collection in a timely manner, which reflects the authenticity and accuracy of the whole process tracking audit. Auditors should formulate corresponding audit plans and strategies according to the different nature and characteristics of each important link. For example, there is a big difference between the audit of the bidding stage and the construction stage. For the bidding stage, the auditor should assist the client to prepare the relevant documents of the bidding to ensure the integrity and legality of the content. For the construction stage, the auditors should go to the site to observe the control activities in the construction process, participate in the project construction process of the expenditure, etc.

2.3. Case Analysis

This paper takes Vanke Group as a case to study the whole process of tracking audit. Vanke Group suffered a serious engineering quality accident on December 29, 2018. Three construction workers have been confirmed dead after a collapse at the construction site of China Vanke Building in Shanghai. Hangzhou Vanke suffered a series of complaints from owners in 2019, mainly because of the quality of the houses, cutting corners on the decoration and failing to complete the project according to the contract. Due to the macro-policy regulation, real estate enterprises are under great performance pressure at present. As the industry leader, Vanke should pay more attention to quality and risk control. Through understanding, the audit workflow adopted by Vanke is audit plan -- audit preparation -- on-site audit -- audit report -- audit suggestion -- follow-up audit. On the basis of the traditional audit process, plus on-site audit, follow up audit in some important links, mainly the project cost

audit. Although the project cost audit is an important part, considering the frequent safety accidents of Vanke Group and frequent complaints of property quality by owners, the audit work is not comprehensive enough. The quality control and risk control of construction projects should also be the focus of the audit. At present, the dynamic tracking audit of the whole process of real estate projects in China is still in the basic stage, which needs to be improved when choosing the specific audit mode. This leads to a lack of thorough tracking and auditing of the entire process of real estate companies, which cannot minimize risks and also has hidden dangers.

3. F Analysis of Whole-process Tracking Audit Cases

3.1. Project Overview

The total land area of W Company's F project is about 40,969.94 square meters, and the planned land is residential land (compatible with commercial land). The building height is 79.8 meters, the plot ratio is 2.82, the green rate is 30%, and the building density is 18.37%. The total construction area is about 143,439.92 square meters, among which the total capacity is about 115,511. 22 square meters, excluding the building area of 27,928.70 square meters. The project is positioned as a high-end, European style garden, located in an important area, surrounded by a large number of banks, supermarkets, enterprises, hospitals and entertainment venues. There are dense traffic lines. The contractor of F is China State Construction Group.

3.2. Follow up the Audit Practice Throughout the Project

3.2.1. The Design Phase Traces the Audit Application

Follow up and audit the design process in accordance with the following procedures:

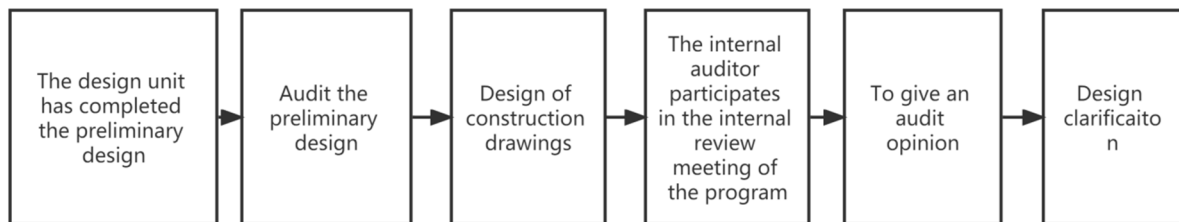


Figure 1. The design phase tracks the audit process

For example, according to the original construction drawing design, there is a landscape pavilion, but the auditors learned that due to the new plan, there will be asphalt road, so the pavilion needs to be cancelled or replaced with a platform. In addition, audit construction drawings to the sales department before preparing the shop installs 100 x100 stone, in this case, large pieces of stone material mix area is too large, not only the effect, and increasing the difficulty of

construction, so the auditor recommended for 60 x60 stone, without a variety of stone material mix, so the effect is more neat and beautiful, and reduces the construction difficulty, At the same time, it can save some cost.

3.2.2. Follow up Audit Application in Bidding Stage

Follow up and audit the bidding process according to the following procedures:

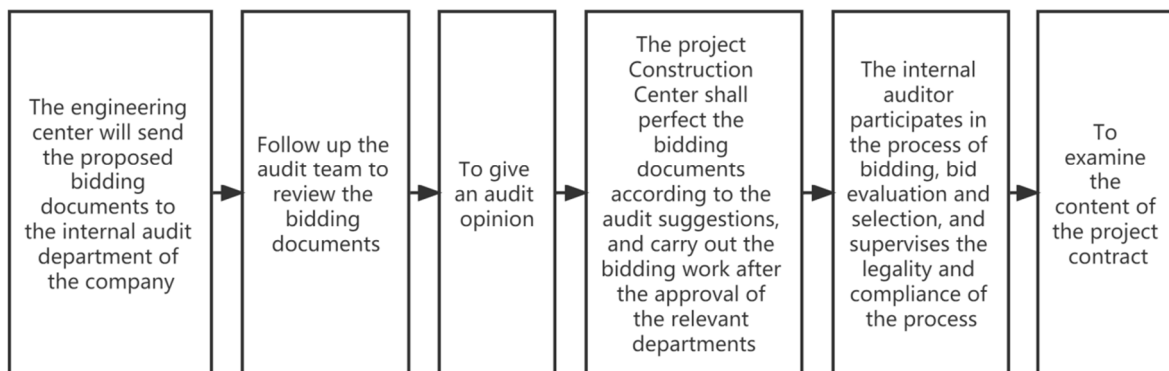


Figure 2. Follow up the audit process during the bidding stage

In the whole process, the tracking audit team strengthened the control of the project, focusing on the fairness of the bid and the rationality of the cost. However, I have learned that W Company entrusted the bidding agency to conduct pre-qualification of enterprises participating in the bidding during the bidding of F project, while the internal audit department

of W company did not conduct the audit, which left room for the agency to operate under the table.

3.2.3. The Implementation Phase Follows Up the Audit Application

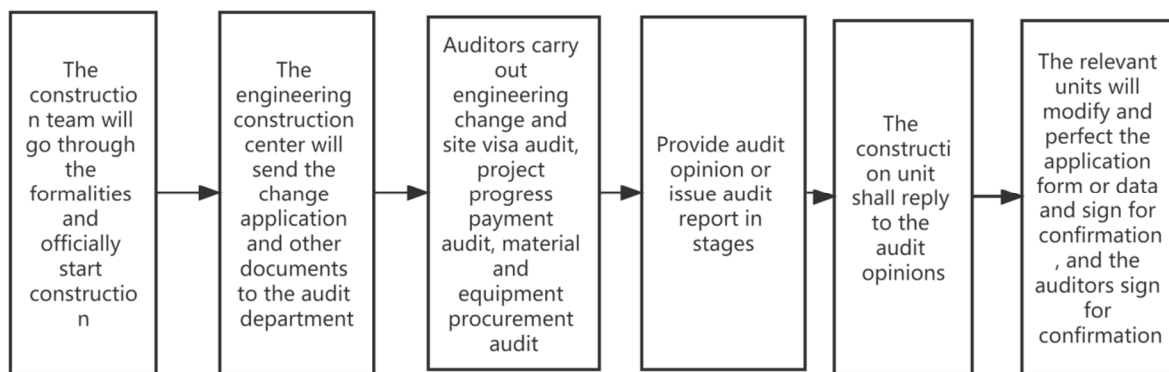


Figure 3. Follow up the audit process during the implementation phase

From this process, it can be seen that the implementation of follow-up audit is very tedious, so the arrangement of auditors stationed at the construction site, in order to timely know whether there are engineering changes, whether there is not according to the construction drawings for construction, and timely check whether the quality of the project is qualified and so on. In the construction stage of F project, follow up the audit team to control the construction process of the project, audit the construction contract, timely communicate with the supervisor, and learn about the project changes in advance.

For example, during the implementation of the F project, the tracking audit team found that the stone color difference of the standard landscape wall at the main entrance was too large, the stainless steel carving at the pressure top was inconsistent with the drawing, the installation of the 50x50 square steel pipe was inconsistent with the drawing, and the stone practice of the view wall falling down and pressing the top was inconsistent with the drawing, which required rectification according to the drawing. The stone veneer gap of the landscape wall in the parking lot area is large, the lamps

are installed inversely, the stainless steel bar is not installed, the style of the opposite stainless steel plate is not consistent with the drawing, and the stainless steel plate is installed incorrectly, etc. These small problems in the construction process is easier for auditors to check out, find problems in time, immediately rectify, avoid the final acceptance of the time to rework, affect the construction period. If all the audits are carried out after the completion of the project, the final audit will be very complicated.

3.2.4. Application of Tracking Audit in Project Completion Stage

Compared with the audit in the construction stage, the audit after the completion of the project is much simpler. The audit in the completion stage is mainly divided into two parts: completion settlement and completion final accounts. The audit work of W company mainly audits these two aspects. The internal audit department of the enterprise shall first audit the relevant materials of the completion and settlement of the project, and then submit them to the third-party audit institution for audit. In this way, the amount of audit reduction of the third-party audit institution will be

reduced, and the consulting fee paid by W Company will be reduced accordingly, which can effectively reduce the project cost and audit cost. In order to prevent the construction unit from overestimating the project cost, audit control clauses related to price risks are added to project F in the contract terms, such as: "In the settlement of project completion, it is necessary to accept the third-party organization or institution authorized by the employer for audit. The audit price submitted by the employer is the audit base of the third party. If the amount is reduced by less than 3%, the employer shall

pay the audit cost of the third party organization, otherwise, the contractor shall pay the cost."

4. F. Identification and Countermeasures of Whole-process Tracking Audit Risks

4.1. F Identification of Whole-process Tracking Audit Risks

Table 1. F Project whole process tracking audit risk identification table

indicators	construction stage	Construction link risk
F. Track the audit risks throughout the whole process of the project	Design stage risk	Design scheme review risk
		Budget audit risk
		Budget audit risk
	Completion stage risk	Audit risk of calibration results
		Bidding procedure audit risk
		Audit risk of bidding documents
		Material price confirmation risk
	Implementation stage risk	Change of visa review risk
		Project progress payment review risk
		Final account audit risk
	Tendering stage risk	Acceptance audit risk
		Settlement audit risk

1. Lack of early tracking and audit of the project construction. The preliminary work of the real estate project is a period after the investment decision to the construction, etc. the preliminary work is of great significance to the construction of the whole project. Therefore, careful research should be conducted at this stage to ensure the legality and compliance of the project.

2. In the bidding stage, when examining the qualification of bidders, the bidding agency business is adopted for prequalification.

3. In the construction stage, the concealed works and engineering claims are not reviewed in time, burying hidden dangers behind.

4.2. Improve the Whole Process of Engineering Project Tracking and Audit Countermeasures

4.2.1. Early Stage of The Project

(1) Audit the implementation of the capital construction procedures, whether it is carried out in the order of each link, and check whether the examination and approval procedures before the start of the capital construction project are complete. The auditor shall assist the Client developer in choosing the way to access the land according to the needs of the project and his own circumstances.

(2) Check whether the participating units have the corresponding qualifications in the early stage of construction, and check whether the investigation results documents and the construction drawing design documents have been examined by the institutions with the qualification of construction drawing examination.

(3) Check whether the expenses of land expropriation and demolition and the expenses of "three links and one leveling" are true and legal, and check whether the project is reported to the environmental protection, fire control and quality inspection departments for examination or record in accordance with national regulations.

4.2.2. Design Phase

(1) Check whether the design content meets the requirements of the planning license, and whether there are problems of overscale and overstandard. According to the design drawings, the preliminary accounting of the project budget estimate, compare with the total project investment, analyze the differences, and find out the reasons. Is it because the design is inconsistent with the original plan and causes the cost to increase and thus exceeds the budget, or because the total investment amount of the project is too little estimated, and the cost is insufficient. Find out the places that are inconsistent with the original plan, give suggestions, further modify the design scheme, and try to control the project budget within the expected amount, to achieve the purpose of optimization.

(2) We should attach great importance to the audit of the design budget estimate, and examine the authenticity, accuracy, economy and compliance of the design budget estimate.

(3) Audit the design unit of the selected program, this is often ignored, because the choice of design units usually starts in the early stage of the project, so auditors should pay attention to this, according to the amount of investment, review whether the project needs to design unit bidding, and whether the project construction unit is in accordance with the provisions.

4.2.3. Bidding Stage

(1) Advocate the post-qualification examination system. At present, most of China's engineering projects use the way of bidding agency for prequalification, therefore, by the bidding agency company to undertake, rather than the enterprise qualification examination. Under the prequalification system, the bidding agency may operate under the box and open the back door for the "relationship households". In order to avoid such incidents, the post-qualification examination is advocated. After the qualification audit, the internal audit institution shall formulate an evaluation report for the

qualification audit of the investors. In addition, the qualification of the bidder, and the way and indicators of the work evaluation also need to be published in the bidding documents. Check whether the preparation of the bidding documents is in accordance with the legal provisions. Check whether the qualifications and personnel of the bidding agency meet the needs of the bidding, and whether the bidding agency fees conform to the provisions.

(2) According to the amount of engineering, reasonably determine the bidding control price, check with the bidding agency, understand the price calculated by the other party, according to the design drawings, if there are differences, to revise, strive to control the price within the investment budget, but also to meet the profit needs of the bidding agency. For example, the bid price change index of municipal engineering should be within 9%, greening projects within 10%, renovation projects within 5%, and construction projects within 3%.

(3) Check the tender document to find out whether there is an unreasonable part to centrally control the follow-up construction management process, to avoid unnecessary cost increase.

(4) Review the information of building materials brand, the determination of building materials brand determines the cost and grade of the construction project to a certain extent. The brand scope of the main materials needs to meet the needs of the project, as well as the quality and cost requirements of the project.

4.2.4. Implementation Phase

Follow-up audit of concealed works; Concealed works include foundation engineering, steel reinforcement engineering, pipeline engineering, etc., which occupy a very important position in the engineering construction. The construction process of concealed works will be covered by the next working procedures. Once the quality problems of concealed works occur, it will cause heavy losses to the project. Therefore, the concealed works must be audited. Auditors should go deep into the construction site and take photos and make good records of concealed works. In the construction process, we should focus on examining whether the construction process is consistent with the design drawings, and whether the quality meets the requirements.

Track and audit of project quantity change; Follow-up and audit of the project construction process according to relevant documents and contract contents. Auditors should strictly confirm at the site in accordance with the final design drawings, strictly prevent temporary changes, participate in the joint review, and give suggestions on whether it is reasonable, whether the best, minimize the cost of change, and pay special attention to whether some major changes have been approved. At the same time, the auditor should go deep into the construction site, communicate with the construction unit and the supervisor, and find out the project necessary to change as soon as possible, so as to prevent the project change caused by the project rework, and extend the construction period. Once there is any construction according to the drawings, it should timely report, give audit opinions and urge them to correct.

Follow up and the performance of the same, check whether the quality of the project meets the requirements, For the material brand specified in the contract, the construction party should strictly implement, and the auditors should check the brand of the main materials with the relevant terms in the contract.

Review whether the project advance payment and medium-term payment are on time and reasonable. Check the completion progress of the project, ensure the completion and progress of the project, and ensure the progress payment on time. At the same time, audit the construction records and tax records, timely find the problems and issue an audit report.

The auditor should observe the construction site management mode and the work situation of the personnel. If the auditors have better suggestions for the personnel management, they should put them forward in time to ensure the maximum benefit.

4.2.5. Completion Stage

Review the correction of previous follow-up audit opinions. Through the comparison of the previous tracking audit reports and the actual situation, check the implementation and rectification degree of the construction policy on the early audit opinions, so that the auditors can timely revise and formulate the audit plan of the final accounts of the completion stage, solve the remaining problems in the early stage at the same time, and audit the final accounts of the completion stage more comprehensively.

Collect and analyze the cost index, compare the cost index with the investment target, and determine whether to achieve the expected target. Sorting out the project cost data and establishing computer files can be used as a reference for the next tracking audit project.

Review the project financial accounts and completion tables provided by the Contractor. Before reviewing the final financial accounts, whether the construction unit had carefully checked the accounts, and whether the final financial accounts were true, complete, and compliant.

Write the project tracking audit report, summarize the whole process of tracking audit work, through the summary, find out the advantages and deficiencies in the work, summarize the experience and lessons, and pave the way for the next audit of similar projects.

4.3. The Safeguard Measures of The Whole Process Tracking Audit

Due to the short time of follow-up audit and the lack of practical experience, there are many defects in practice. Based on this, this paper gives several safeguard measures.

4.3.1. We Will Strengthen the Building of Internal Audit Teams

According to I understand, W company the audit department only eight employees, and the six auditors are accounting professional, two employees are audit professional, audit personnel and heavy audit work mismatch, lead to audit work often due to not enough personnel and difficult according to strictly follow up the established process, affect the audit efficiency. Therefore, to make a certain improvement to the training of the internal audit team, first, to expand the audit department personnel, we need to have enough people to implement each work. Second, enrich the knowledge structure of auditors, and not only be limited to the accounting major, but also can join the audit major, cost, engineering management and legal professionals. Encourage the employees to actively participate in the professional qualification examinations, organize the relevant lectures, timely update and expand the knowledge structure of the auditors, and promote the auditors to better complete the audit work.

4.3.2. Improve Relevant Laws and Regulations

At present, although many companies that apply the whole-process tracking audit have put forward a series of audit methods and processes, but most of them ignore the formulation of the tracking audit standards, so the current standardization is relatively low. The company shall determine the tracking audit standards and standards as soon as possible, so that the audit work has laws to follow and rules to follow.

4.3.3. Establish A Scientific Audit Performance Assessment Standard

At present, the auditor performance is mainly composed of two parts: the audit * very small ratio and audit * certain ratio, but the purpose of the whole process of tracking audit is in the process of timely discovery and solve the existing problems, which makes the final audit audit less than the audit, the auditors performance pay is correspondingly low, this obviously has some conflict with the current performance appraisal standards. Therefore, more scientific and more diversified performance appraisal standards should be formulated. For example, the number of violations found in the bidding process, budget estimate review reduction, engineering change review budget reduction, etc., from the amount of the assessment and quantity. This point also applies to companies that employ accounting firms to audit. Accordingly, the settlement of audit fees for third-party audit institutions should not only be limited to the audit amount reduction, otherwise it will greatly affect the enthusiasm of auditors in the process of audit.

5. Conclusion

The main conclusions obtained in this paper are:

Firstly, the real estate market is gradually improving and expanding, and the competition is becoming increasingly fierce. The most beneficial way for enterprises to save cost under the condition of ensuring quality is to implement the whole-process tracking audit, improve benefits from all aspects, and create the most favorable conditions for enterprises.

Secondly, take F project as an example, and then expand to the vast majority of construction projects. It is hoped that more and more enterprises will realize the applicability of the whole-process of tracking audit. Specifically, the project is divided into project early stage, design stage, bidding stage, construction stage and completion final account stage.

Thirdly, according to the characteristics of the five stages, the specific content of the implementation and control of the work of the auditors in each stage is given respectively, which

has certain reference value. At the same time, according to the current situation of the whole process tracking audit practice in China, several safeguard measures are put forward, hoping to be improved and effectively used.

Fourthly, many domestic real estate companies have not yet realized the advantages of whole-process tracking audit, and still tend to the traditional audit mode. Some real estate enterprises only apply some theories, but do not have in-depth research to find the most suitable specific tracking audit mode. According to the internal control of the situation and the size of the audit risk of different enterprises, the practice mode of tracking audit should be selected scientifically.

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