

# Study on the Regional Differentiation Effect of Audit Vertical Reform: Case Study Based on the Pilot in Jiangsu, Zhejiang and Guangdong Provinces

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**Abstract:** This study adopts a multiple-case research approach, focusing on three pilot provinces of vertical audit reform—Jiangsu, Zhejiang, and Guangdong—to investigate the specific mechanisms and regional differentiated effects of local audit in the process of local debt resolution. The findings are as follows: First, there are significant differences in the implementation paths of vertical audit reform among the three provinces, resulting in distinct audit supervision models. Second, audit supervision plays an important role in controlling debt scale, optimizing debt structure, and providing risk warnings through its three core functions—exposure, enforcement, and recommendation—though the mechanisms and intensity of effects vary across regions. Third, regional economic development level, fiscal transparency, and social supervision environment are key moderating variables influencing the effectiveness of audit in debt resolution. Through in-depth cross-case comparison, this study reveals the adaptive adjustment mechanisms of vertical audit reform under different regional contexts, providing micro-level empirical evidence for improving the local debt governance system.

**Keywords:** Vertical Audit Reform; Regional Differentiation; Local Debt Resolution Mechanism; Debt Risk; Supervisory Effectiveness

## 1. Introduction

During the sustained and rapid development of China's economy, local authorities have actively expanded financing channels to meet the funding needs for infrastructure construction and public services, leading to a significant expansion of debt scale. According to publicly

available fiscal data, as of the end of December 2023, the outstanding balance of local government debt nationwide had exceeded 40 trillion yuan, with annual interest payments reaching 1.2 trillion yuan. Such a massive stock of debt, if mismanaged, could not only constrain the high-quality development of local economies but also accumulate potential systemic financial risks. This issue has garnered significant attention from the national authorities.

Academic discussions on the causes of local debt risks have developed from multiple perspectives. Some studies emphasize the influence of the external macroeconomic environment and local fiscal structure, arguing that factors such as reliance on land finance, regional economic fluctuations, and turnover of local officials are primary drivers [1]. Another strand of research focuses on institutional design and supervision mechanisms, pointing out that soft budget constraints and deficiencies in the debt supervision and management system are key institutional roots for the breeding and spread of risks [2]. Government audit, as an integral part of the national governance and supervision framework, directly impacts the effectiveness of debt risk prevention and control through its supervisory efficacy. It is widely acknowledged in both theoretical and practical circles that weak or ineffective audit supervision is an important factor exacerbating debt problems in some regions.

The fundamental prerequisite for the effective performance of audit functions lies in safeguarding the independence of audit institutions. Only with sufficient independence can audit institutions resist improper administrative interference during their operations, thereby objectively and impartially regulating the exercise of public power. The traditional audit management system in China

followed a territorial management approach, which led to insufficient independence of the audit system, strong local protectionism, and significantly constrained enforcement power and credibility, especially at the grassroots level. Therefore, enhancing the independence of audit supervision has become a core issue in deepening the reform of the audit management system and improving the national supervision and governance framework.

To address the long-standing institutional challenge of insufficient independence of local government audit, in December 2015, relevant authorities issued a pilot plan, designating seven provinces/municipalities—Jiangsu, Zhejiang, Shandong, Guangdong, Chongqing, Guizhou, and Yunnan—to initiate a pilot reform for the unified management of human, financial, and material resources of local audit institutions below the provincial level. Starting in 2016, pilot regions successively promoted vertical management reform. Post-reform, the management authority over leading officials of municipal and county-level audit institutions was centralized upwards. The appointment of principal officials of provincial audit institutions is nominated by the National Audit Office, while leading officials of local audit institutions are managed by the provincial committee's organization department. Personnel recruitment and funding are also coordinated at the provincial level. This institutional change aimed to sever the dependency of audit institutions on local governments at the source of personnel and finance, fundamentally eliminating potential space for audit compromise that might arise from considerations related to career advancement tournaments.

Based on existing practical feedback and preliminary research, the vertical management reform has enhanced the supervisory authority and effectiveness of audit institutions in pilot regions, playing a positive role in curbing disorderly local government borrowing and standardizing debt management. However, most existing studies rely on provincial-level macro panel data. The transmission mechanisms and governance effects of how audit supervision specifically influences debt risks at the micro-level remain underexplored. In particular, significant heterogeneity exists across China's regions in terms of economic development stages, fiscal transparency, legal environments,

and social supervision forces. How these contextual factors moderate the policy effects of vertical audit reform has not yet been systematically empirically tested.

Against this backdrop, this paper adopts a multiple-case comparative research method, selecting three pioneering pilot provinces with distinct regional characteristics—Jiangsu, Zhejiang, and Guangdong—as research subjects. It aims to conduct an in-depth analysis of the specific pathways and effectiveness of local government audit in preventing and resolving local debt risks following the vertical audit management reform. Through cross-regional, in-depth case comparisons, this study seeks to reveal the differentiated implementation logic and adaptive adjustment mechanisms of the vertical audit reform policy under different regional environments. This will provide empirical evidence and policy insights from micro-level practice to enrich the theoretical system of local debt governance and optimize the reform path of the audit management system.

## 2. Current Situation Description

### 2.1 Implementation Status of Vertical Audit Reform

To address the institutional constraints on the independence of local audit institutions, a pilot reform for the unified provincial-level management of human, financial, and material resources of sub-provincial local audit bodies was initiated in December 2015, with seven provinces/municipalities including Jiangsu, Zhejiang, and Guangdong selected as the first batch of pilots. Since 2016, pilot regions have progressively implemented vertical management reforms. The core of the reform involves centralizing the appointment and removal authority of leading officials of municipal and county audit institutions upward: the appointment of principal leaders of provincial audit institutions is nominated by the National Audit Office, while key leaders of local audit institutions are now managed by the provincial committee's organization department. Concurrently, the recruitment, assessment, and funding of audit personnel are coordinated at the provincial level. This institutional change aims to sever the dependency of audit institutions on local governments at the source of personnel and finance, thereby

fundamentally reducing the potential for audit compromises stemming from career advancement considerations.

The specific implementation paths of the reform have shown significant variation across pilot regions. Based on the intensity of the reforms, two typical models can be identified: First, the "one-step implementation" model, adopted by regions such as Yunnan, Guizhou, and Chongqing. This model achieves comprehensive vertical management of personnel, finances, and assets, meaning the institutional structure, personnel management, and operational funding of grassroots audit bodies are fully centralized under provincial audit and financial departments, representing a more thorough reform. Second, the "phased implementation" model, employed by Jiangsu, Zhejiang, Guangdong, and Shandong. This model does not achieve full vertical management; the institutions and staffing of municipal and county audit bodies remain within the sequence of their respective local governments, and funding still primarily relies on local finances. The provincial level mainly strengthens the management of leading officials and the direct coordination of audit projects, making the reform relatively moderate in intensity.

Preliminary observations of policy effects suggest that the vertical management reform has, to some extent, enhanced the supervisory rigor and operational autonomy of audit institutions in pilot regions. Comparisons between reformed and non-reformed districts and counties indicate that, following implementation, the former generally exhibit a more controlled trend in debt expansion, and the role of audit in constraining local government borrowing behavior has strengthened, providing practical evidence for systemic debt risk prevention and control.

## **2.2 Analysis of Local Debt Risk Characteristics**

The current local government debt risk in China has evolved into a multidimensional, systemic governance issue, displaying complex characteristics in terms of aggregate size, structure, and spatial distribution.

Regarding aggregate size and sustainability, the stock of local government debt is substantial and maintains rigid growth, with the resulting interest payments imposing continuous pressure

on local finances [3]. If the pace of debt expansion consistently outstrips economic and fiscal revenue growth, it will directly erode fiscal stability and policy maneuvering room, not only constraining local governments' capacity to provide public services and promote high-quality development but also accumulating potential financial risks.

In terms of debt composition and risk opacity, risk sources exhibit significant duality and intransparency. On one hand, the scale of explicit debt (primarily local government bonds) incorporated into budget management is clear and subject to relatively strict oversight. On the other hand, implicit debt, which takes diverse and often opaque forms (particularly interest-bearing liabilities of entities like local government financing vehicles), constitutes the focal point and challenge of risk prevention and control [4]. This "dual-track" structure makes it difficult to accurately assess the complete debt picture, leading to potential deviations in risk judgment and significantly increasing the complexity and difficulty of overall risk management.

Concerning the hierarchical distribution and spatial pattern of risks, a coexistence of concentration and differentiation is evident. Debt pressure is not evenly distributed across different levels of government; some prefectural-level governments, due to their scope of authority, development impetus, and financing accessibility, often become primary accumulators of debt. Simultaneously, risks demonstrate distinct regional heterogeneity: regions with high economic development levels and strong investment demand may exhibit prominent debt stocks due to active financing, while areas with sluggish economic growth and weak fiscal self-sufficiency may face higher risk levels due to insufficient repayment capacity. Furthermore, due to intergovernmental fiscal and authority relationships, debt risks of grassroots governments may transmit upward or trigger interregional risk linkages through various channels, potentially transforming local issues into regional or even systemic challenges.

## **2.3 Regional Differences in Audit Supervision Intensity**

The implementation of the vertical audit management reform marks a profound institutional change in the local audit

supervision system. Its policy effects are not universal or homogeneous but have triggered significant differentiation in intensity, pathways, and outcomes across pilot regions. This differentiation is key to understanding the reform's actual impact.

First, the effect of the reform on enhancing audit supervision intensity and autonomy varies by region. In areas where the reform has been implemented more thoroughly with substantial institutional adjustments, the independence and authority of audit institutions in project selection, issue investigation, and reporting have been tangibly strengthened, leading to noticeable improvements in the depth and breadth of problem identification. In regions adopting gradualist approaches or encountering significant implementation resistance, the strengthening effect may be relatively moderate, with the role transformation more evident in procedural standardization and oversight of key areas. This variation directly influences the deterrence and binding force of audit as a "supervisor."

Second, the optimizing effect of the reform on audit supervision efficacy exhibits multi-level differentiation. Vertical management aims not only to enhance the ability to "identify problems" but, more crucially, to improve the efficacy of "promoting rectification" and "preventing risks" by clarifying reporting relationships and strengthening accountability mechanisms. In some regions, post-reform adoption rates of audit recommendations and rectification implementation rates have increased significantly, allowing audit findings to be more effectively translated into governance improvements. In others, coordination mechanisms between audit and other supervision systems (e.g., discipline inspection, organization departments) remain underdeveloped, and the utilization of audit results is insufficient, preventing the full release of its comprehensive efficacy in "treating existing ailments and preventing future ones." Additionally, the indirect role of the reform in promoting local fiscal transparency and budget constraints varies in effectiveness depending on regional foundations in government openness and market discipline.

Finally, the root of this regional differentiation lies in the interaction between the institutional environment and reform context. The existing economic development stage, fiscal health,

local governance traditions, and social supervision atmosphere in each region collectively form the "initial soil" for reform implementation. For instance, in regions with developed market economies and strong rule-of-law awareness, enhanced audit independence may more quickly synergize with market and public oversight. In areas more reliant on traditional administrative resources, the singular breakthrough of audit reform may face a more complex systemic adaptation and adjustment process. The choice of "one-step" or "phased" models by different pilot regions itself represents strategic decisions based on local conditions, each carrying different short-term challenges and long-term benefits.

### 3. Theoretical Analysis and Research Design

#### 3.1 Core Research Hypotheses

Building on the differences in the specific pathways of vertical audit reform adopted by Jiangsu, Zhejiang, and Guangdong, as well as the heterogeneity of their respective regional contexts, this paper proposes the following progressive research hypotheses to systematically analyze how reform models, audit functions, and external environments jointly influence local debt governance [5].

Hypothesis H1: Differences in the pathways of vertical audit reform will lead to systematic differentiation in implementation effects and supervisory efficacy.

Although Jiangsu, Zhejiang, and Guangdong all adopted a "phased implementation" model, their specific institutional designs exhibit gradient variations: Jiangsu focused on recentralizing the management of leadership and core audit projects at municipal and county levels; Zhejiang further strengthened provincial-level unified planning and coordination of audit projects; and Guangdong explicitly enhanced the provincial audit institution's direct management and command authority over major audit matters within the region [6]. This progressively intensified reform path—from "personnel and operational control" to "project coordination" and further to "direct oversight of major matters"—is expected to differentially affect the substantive independence, resource mobilization capacity, and resistance to local interference of local audit institutions. Therefore, this paper hypothesizes that the depth of the reform path is

positively correlated with the enhancement of audit supervision efficacy, and observable gradient differences in debt risk containment effects will emerge across the three provinces.

Hypothesis H2: Differentiation in audit supervision efficacy is transmitted to local debt governance outcomes primarily through variations in the extent to which the three core functions—“exposure, enforcement, and recommendation”—are exercised [7].

The role of audit supervision in governing debt risk is realized concretely through its three fundamental functions. Different reform paths and intensities will first influence the actual operation of these functions: first, the depth and breadth of the exposure function, i.e., the ability to detect implicit debt and identify systemic loopholes; second, the rigidity of the enforcement function, i.e., the deterrent effect of holding accountable and punishing irregular borrowing behaviors; and third, the conversion rate of the recommendation function, i.e., the likelihood that audit-proposed institutional improvements are adopted and implemented as long-term governance mechanisms. Differences among the three provinces in audit coverage, intensity of problem investigation, and rectification feedback mechanisms will serve as key intermediary mechanisms explaining variations in debt governance outcomes, such as debt scale control, structural optimization, and risk warning responsiveness [8].

Hypothesis H3: Regional heterogeneous environmental factors will moderate the governance effects of vertical audit reform on local debt risk.

The audit system is embedded within specific local governance ecosystems, and the release of its efficacy is critically moderated by external environmental factors. Jiangsu, Zhejiang, and Guangdong each possess distinct advantages in key environmental variables: Jiangsu’s higher level of economic development and relatively mature market systems may provide favorable conditions for market-based resolution of audit-identified issues and efficient resource restructuring; Zhejiang’s longstanding leadership in fiscal transparency and budget openness may amplify the synergistic effects of audit supervision with public oversight [9]; and Guangdong’s active social supervision environment (including media and public participation) may strengthen the external accountability pressure arising from audit

findings, creating a more robust external oversight force. This paper hypothesizes that these differentiated regional advantages will interact with audit supervision, thereby exerting varied moderating influences on the ultimate effectiveness of “audit-led debt resolution.” In other words, the same reform measure will yield different governance outcomes under different economic, informational, and social oversight contexts.

### **3.2 Case Study Comparative Analysis Framework**

This paper constructs a three-dimensional case analysis framework encompassing “reform path – mechanism of action – effect intensity.” Within the reform path dimension, the focus is on analyzing institutional arrangement differences among the three provinces regarding personnel management, funding, and project coordination. In the mechanism dimension, the study examines in detail the actual performance of the three core audit functions: exposure, enforcement, and recommendation. In the effect intensity dimension, a comprehensive assessment is conducted of the actual outcomes achieved by the three provinces in debt scale control, structural optimization, and risk warning. This framework considers both differences in institutional design and the functionality of mechanisms, while also focusing on quantitative evaluation of practical results, thereby providing a systematic analytical tool for multiple case comparative research.

## **4. Case Analysis**

### **4.1 Construction of the Case Comparative Analysis Framework**

This study constructs a three-dimensional case comparative analysis framework encompassing “reform path – mechanism of action – effect intensity.” The reform path dimension focuses on analyzing differences in institutional arrangements among the three provinces regarding personnel management, funding, and project coordination. The mechanism dimension examines in detail the actual performance of the three core audit supervision functions: exposure, enforcement, and recommendation. The effect intensity dimension comprehensively assesses the actual outcomes achieved by the three provinces in debt scale control, structural

optimization, and risk warning. This framework considers both institutional design differences and the operational aspects of functional mechanisms, while also focusing on quantitative evaluation of practical results, thereby providing a systematic analytical tool for multiple case comparative research.

## 4.2 In-depth Analysis of Differentiated Reform Paths

### 4.2.1 Features of Jiangsu's "Management and Regulation-Oriented" phased implementation model

Jiangsu Province adopted a "management and regulation-oriented" phased implementation model. Its core feature is that it did not implement comprehensive vertical management of personnel, finances, and assets for municipal and county audit institutions; their organizational structure and staffing remain within the respective local government sequences, and funding still primarily relies on local finance. The strengthening of management at the provincial level is mainly reflected in the authority over the appointment and removal of leading officials and the coordinated planning of audit projects. Specifically, the appointment and removal authority for principal leaders of audit institutions has been recentralized to the provincial committee, and audit project plans are uniformly formulated at the provincial level, aiming to guide and standardize local audit work by controlling the "critical few" and "critical matters." The relative advantage of this model lies in lower reform resistance and higher compatibility with the existing local governance system, facilitating a smooth transition [10]. However, its potential challenge is that, as the foundations of personnel and finance remain at the local level, the substantive independence of audit institutions may continue to be influenced by local factors, imposing certain limitations on the rigidity and binding force of supervision. Verification of Hypothesis H1: Jiangsu's model confirms the first part of Hypothesis H1, demonstrating that a relatively moderate reform path focusing on key personnel and project control leads to a correspondingly moderate enhancement in supervisory efficacy and substantive independence, forming the "weak independence-strong coordination" pattern.

### 4.2.2 Features of Zhejiang's "Integrated Coordination-Oriented" phased implementation

model

Zhejiang Province developed an "integrated coordination-oriented" phased implementation model in practice. While retaining the basic framework of phased implementation, this model significantly strengthened the provincial audit institution's capacity for coordination and integration. Its innovations are involved primarily in two key aspects: First, it established a provincial-level audit project repository management system, whereby major audit projects of provincial-wide, strategic importance are subject to unified initiation, organization, and implementation, effectively enhancing the systematic and collaborative nature of audit supervision. Second, it implemented a cross-regional rotation and exchange system for audit personnel, increasing the provincial audit institution's influence over and ability to deploy key personnel from subordinate bodies. Through institutionalized integration of projects and human resources, this model promotes the provincial audit institution's role from "operations manager" to "system commander," aiming to form a province-wide "unified chess game" of supervisory synergy. Zhejiang's approach supports Hypothesis H1 by showing that a deeper reform path emphasizing systematic integration and coordination of projects and personnel results in a more pronounced enhancement of supervisory synergy and systematic effectiveness, aligning with the "moderate independence-high transparency" pattern.

### 4.2.3 Features of Guangdong's "Penetrating Supervision-Oriented" phased implementation model

Guangdong Province exhibits distinct characteristics of a "penetrating supervision-oriented" phased implementation model. Building upon the phased approach, this model places particular emphasis on the provincial level's direct control and authoritative intervention in key stages of the audit process and final outcomes. It's include: establishing a regular review meeting system for audit work reports at the prefectural-city level, where provincial audit department leadership directly participates in the collective review and qualitative assessment of important audit reports submitted by municipal audit bureaus, significantly strengthening the authority of operational guidance and the precision of

problem identification; concurrently, it has established a province-wide unified audit rectification tracking and supervision system, enabling whole process, penetrating online monitoring and dynamic management of the rectification implementation status for audit findings, ensuring that audit results are effectively translated into governance improvements. This model substantially compresses the room for compromise during the audit process and highlights the "on-site" deterrent effect of provincial-level supervision, while simultaneously demanding greater resource investment and management capabilities from provincial institutions. Verification of Hypothesis H1: Guangdong's model strongly validates Hypothesis H1, demonstrating that the most intensive reform path, characterized by direct provincial control over key processes and outcomes, leads to the most significant enhancement in audit authority, deterrent effect, and rectification enforcement, corresponding to the "strong independence-strong enforcement" pattern.

### 4.3 In-depth Analysis of the Mechanism of Audit Supervision Function Performance

The analysis of the three provinces reveals how the differentiated reform paths concretely shape the performance of the three core audit functions (exposure, enforcement, recommendation), thereby influencing debt governance outcomes.

**Exposure Function:** All three provinces showed improved capability in identifying implicit debt and underlying issues. However, Guangdong, due to direct provincial involvement in key audits, likely achieved greater depth and penetration in exposing major risks. Jiangsu and Zhejiang's improvements were more incremental, tied to their respective coordination and integration mechanisms [11]. **Enforcement Function:** Guangdong's model exhibited the strongest deterrence and rigidity in enforcing accountability and penalties. In contrast, Jiangsu and Zhejiang relied more on negotiation and collaborative promotion with local governments to drive rectification, reflecting their respective "coordination-oriented" characteristics. **Recommendation Function:** Zhejiang, benefiting from its high-transparency environment, likely demonstrated higher efficiency in translating audit recommendations into long-term institutional

mechanisms, as public scrutiny amplified the pressure for adoption. Jiangsu and Guangdong's effectiveness in this area was more closely linked to administrative authority and enforcement follow-up, respectively [12]. **Verification of Hypothesis H2:** The observed variations in the performance intensity and operational focus of the three audit functions across the provinces directly support Hypothesis H2. These functional differences serve as the key mediating mechanisms through which differentiated reform paths lead to varied debt governance outcomes

### 4.4 Multidimensional Analysis of Regional Moderating Effects

#### 4.4.1 Moderating mechanism of economic development level

The regional economic development level constitutes an important contextual condition affecting the outcome of audit-led debt resolution. In regions with intense promotion competition and prominent economic growth pressure, local governments may have stronger incentives to engage in illegal lending for short-term growth [13]; here, reforms strengthening audit independence often yield more significant marginal governance effects in curbing debt risk. As a developed province, Jiangsu's local governments face relatively less pressure for pure scale expansion and have more diversified development orientations, creating favorable conditions for audit supervision to focus on standardization and long-term risk prevention. Economic development level moderates effects primarily through these pathways: Firstly, developed regions typically possess stronger comprehensive fiscal strength and broader tax bases, granting them relatively greater capacity to withstand and resolve debt risks. Secondly, these regions generally have higher levels of marketization and rule of law, leading to greater recognition and acceptance of independent, rules-based audit supervision among various stakeholders [14]. Thirdly, developed areas have more abundant talent pools in audit and related professional fields, supporting more complex and in-depth audit operations and thereby enhancing supervisory professionalism and efficacy.

#### 4.4.2 Moderating effect mechanism of fiscal transparency

Fiscal transparency serves as a key institutional environment that connects audit supervision

with social oversight and strengthens budget constraints. Vertical audit reform enhances independence, which in turn promotes the openness and transparency of fiscal information. Conversely, greater fiscal transparency can amplify and reinforce the governance effects of audit, creating a virtuous cycle. Zhejiang has long been at the forefront of fiscal transparency development. Its relatively well-established budget disclosure system and information dissemination mechanisms make the results of audit supervision more accessible to the public and markets, generating social pressure that enhances constraints on local government borrowing behavior.

The moderating effect of fiscal transparency manifests in the following ways:

First, it improves the accessibility and comparability of government debt information, thereby increasing the effectiveness of social oversight and market discipline.

Second, a transparent environment compels government debt management processes to become more standardized, reducing opportunities for irregular operations and fund shifting.

Finally, fiscal transparency helps bolster government credibility, stabilize market expectations, and cultivate a healthy credit environment conducive to sustainable debt management.

#### 4.4.3 Substitution and complementary effect mechanism of the social supervision environment

The strength of social supervision forces—including media, the public, and third-institutions—interacts with government audit supervision in complex ways, thereby moderating the net effect of vertical audit reform. In regions such as Guangdong, where social oversight has traditionally been active and diverse stakeholders participate extensively in governance, audit supervision is not the sole source of oversight. It exhibits functional complementarity and effect overlap with various forms of social supervision, while also facing potential partial substitution in terms of oversight scope. Active media exposure, robust public participation, and professional third-assessments collectively generate ongoing scrutiny and pressure on government behavior from multiple dimensions, inherently curbing inappropriate borrowing.

Therefore, in these regions, the "incremental"

supervisory effect brought about by vertical audit reform may be less pronounced compared to areas with weaker social oversight. Nevertheless, audit retains its indispensable value within the overall supervision system due to its unique authority, professionalism, and enforcement capacity in driving rectification. Social supervision primarily operates through the following mechanisms:

First, media oversight rapidly generates public accountability pressure through information dissemination and focused public attention.

Second, public participation—through the expression of demands and feedback—prompts government decision-making to become more responsive and public welfare-oriented.

Third, independent third-institutions provide market-based risk signals and checks through professional assessments and ratings. The distinct moderating roles played by the economic conditions in Jiangsu, the high fiscal transparency in Zhejiang, and the active social supervision in Guangdong strongly support Hypothesis H3. These environmental factors interact with audit supervision, resulting in differentiated final governance outcomes for "audit-led debt resolution" across the provinces, confirming the path-dependent and context-contingent nature of the reform's effectiveness.

## 5. Research Conclusions and Suggestions

This study, through a multi-case comparison of the vertical audit reform in Jiangsu, Zhejiang, and Guangdong, confirms its role as a key institutional lever for enhancing local debt governance. However, the policy effects demonstrate significant "path-environment" dependency, shaped by the interaction of differentiated reform models, the core audit functions, and heterogeneous regional conditions.

Three distinct models emerged from the reform: Jiangsu's "Weak Independence – Strong Coordination" model, focusing on provincial management of key personnel and projects while maintaining local collaboration; Zhejiang's "Moderate Independence – High Transparency" model, which integrates project coordination with high fiscal transparency to amplify social oversight synergy; and Guangdong's "Strong Independence – Emphasis on Enforcement" model, characterized by direct provincial control over major audits and stringent accountability. These

paths differentially enhanced the performance of the three core audit functions—exposure, enforcement, and recommendation—leading to varied outcomes in debt scale control, structural optimization, and risk warning.

Regional environments critically moderated these effects. Economic development level influenced the reform's implementation space, fiscal transparency determined the synergy between audit and social oversight, and the strength of social supervision shaped the complementary or substitutive relationship with government audit. This underscores that audit reform does not operate in isolation but must be contextualized within local governance ecosystems.

To deepen the reform and enhance debt governance, differentiated strategies are recommended. Regions with high debt risks should reinforce provincial oversight and enforcement, drawing from Guangdong's model. Areas with stronger local coordination needs can optimize audit's linkage with other supervisory systems, following Jiangsu's approach. Provinces with advanced transparency should further integrate audit disclosure with open fiscal systems, as seen in Zhejiang. Additionally, strengthening grassroots audit capacity, institutionalizing fiscal transparency, and fostering multi-stakeholder supervision networks are essential to harden budget constraints and sustain long-term governance improvements.

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