

# The Role of Financial Audit in Regional Financial Stability

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**Keywords:** Economic Development; Financial Audit; Financial Risk

**Abstract:** China's economic development has entered a new normal. Under the background that economic growth has changed from high-speed to medium-high-speed, various uncertainties and instability factors have increased. China's economy is in a period of new normal development, and it is bound to face various risks and challenges, including in the financial field. According to the scope of financial risk, financial risk can be divided into macro-financial risk, regional financial risk and micro-financial risk. The frequent occurrence of various financial turmoil and economic crisis has brought new challenges to China's financial audit work. Effective prevention and mitigation measures for regional financial risks not only help to reduce the possibility of risk, but also help to ensure the continuous improvement of the regional financial system and financial market. Financial audits should also play their own early warning functions and monitor the possible economic risks in each region.

## 1. Introduction

The existence of financial risk is an inevitable phenomenon in the process of financial operation. According to the scope of financial risk, it can be divided into macro financial risk, regional financial risk and micro financial risk. Under the circumstances of expanding economic volume and increasing scarcity of natural and human resources [1]. China must be ready for economic restructuring to cope with the downturn in the next few years. There are also pains and divergences in the financial field, various recessive financial risks are becoming more and more explicit, and various factors affecting financial stability are constantly overlapping [2]. According to the scope of financial risks, financial risks can be divided into macro financial risks, regional financial risks and micro financial risks [3]. How does the financial audit work adapt to the new normal of the economy, and play a more effective role in preventing financial risks and promoting financial stability [4]. Regional financial risk as an objective existence, although not easy to detect, can be identified and prevented through the implementation of effective financial supervision.

Due to the strong diffusion and uncertainty of financial risks, the accumulation and spread of micro-financial risks can trigger regional financial risks [5]. The expansion of regional financial risks may cause macro financial risks. In the theoretical circle, most of the financial audit researches are based on the perspective of the entire national level, and some topical practical issues are discussed [6]. To manage regional financial risks and maintain regional financial stability requires multi-pronged and comprehensive governance. Since the formation of the financial market, every stage of economic development has been accompanied by financial risks, and financial risks are objective. In this process, regional financial stability is particularly important [7]. Regional financial risk is an important issue related to the local economic and social development of our country, and it has attracted the attention of local governments, the Party Central Committee and the State Council [8]. Taking effective preventive and resolving measures against regional financial risks not only helps to reduce the possibility of risk occurrence, avoid the expansion of regional financial risk hazards, but also helps to ensure the continuous improvement of regional financial system and financial market.

## 2. Financial Risks and Factors Affecting Regional Financial Stability

Changing from one state to another is not always a natural and smooth process, sometimes a leap

or even a thrilling leap. Regional economy refers to the economic development in a certain region, which is the product of the combination of the external environment and internal conditions of the region. There are differences in financial organization system and financial market development between the economically developed areas and the economically underdeveloped areas. From a macro point of view, the main body of financial audit is very wide, including not only government audit units, but also financial supervision and private audit institutions. The new normal of China's economic development is the new normal of the new round of non-equilibrium operation. China's economic development momentum is shifting from the traditional growth point to the new growth point [9]. The regional economy is a comprehensive economic development concept with a region as a whole, and is influenced by various factors, such as the natural environment and geographical conditions. The financial system is in a state where it can effectively perform its key functions. In this state, the macro economy is healthy and the monetary and fiscal policies are stable and effective.

For economically developed regions, the transmission and role of macroeconomic policies can be realized on the basis of more sound financial markets and more flexible financial instruments. We must start from the maintenance of national economic security and sustained healthy development, and make a reasonable positioning of financial auditing. Under the financial supervision system, financial auditing is a core task. The risks of China's economic operation are increasing and becoming more and more obvious. These risks are concentrated in the rise of risks in the financial sector. Regional financial risk is a kind of medium-sized risk between micro-individual financial institution risk and macro-systemic financial risk. The high-risk areas of regional financial risk are local banks, local non-bank financial institutions and illegal social financial activities. Regional financial risks include not only systemic risks that may have a universal impact on most regions of the country and cannot be dispersed, but also specific risks determined by the economic and financial development of the region.

Domestic scholars' research on regional financial risk mainly focuses on the factors inducing financial risk. The same macro-policy may be the inducement of regional financial risk under the situation of unbalanced economic development. China's economic development in the new normal shows a tendency to develop at medium and high speed, although slowing down the speed of development, but the economic benefits are still considerable. Economic growth has shifted from high-speed growth to medium-high-speed growth. Some risks and hidden dangers in the process of transition are gradually emerging. As the economic state of the new normal is still at the stage of exploration, the transformation of many industries is unnatural, and some are even more dangerous. Under the new normal of economic development, how to prevent and resolve regional financial risks that may arise is a new issue and challenge for financial auditing. The essence of auditing is a kind of social control mechanism. It is formed after the separation of management and management rights of property and ownership. The liquidity risk is mainly due to the mismatch of financial products' maturity and the unreasonable allocation of financial funds.

### **3. Advantages of Financial Auditing in Maintaining Regional Financial Stability**

Due to the development of the capital economy in China, the proportion of people's credit financing and other channels of borrowing has risen rapidly. As a business, financial institutions aim to maximize profits. The so-called liquidity risk refers to the fact that some financial institutions' products sometimes have a maturity mismatch, which makes financial funds unable to be properly configured [10]. In economically underdeveloped regions, financial organization systems and financial markets are underdeveloped and financial instruments are single. State audit is a kind of economic supervision behavior. It is the public fiduciary responsibility of supervising the organization and personnel of state administrative organs under the entrustment of the people. Local risk events in individual financial markets may extend to the entire financial market and financial system through business chains.

The new normal state of economic development means not only the slowdown of economic growth, but also the structural adjustment and the transformation of growth mode. With the

continuous development of society, fiduciary responsibility continues to expand. As China's economic development gradually enters the normal state, the economic development speed of the whole society has shifted from high speed to medium and high speed. The mode of economic development has shifted from scale-type and extensive growth to quality-efficiency and intensive growth. In the long run, the adjustment of the economic structure is conducive to optimizing the allocation structure of credit resources. Economic development has become an irregular situation, and the phenomenon of evading financial supervision is more serious. As a result, individual regional economies have been affected by financial risks.

In the context of slowing economic growth and structural adjustment, the contradiction between debt scale and solvency may be further revealed. Financial stability and financial crisis are also closely related to each other. The main feature of the financial crisis is the turmoil and chaos in the financial system and system. Faced with the problems existing in China's current regional economic development, financial auditing should play its own preventive function. Influenced by the slowdown of world economic growth and the adjustment of China's economic structure, downward pressure in some industries is increasing. The independence of audit and the characteristics of comprehensive supervision determine that it has not only responsibilities. Moreover, it has the ability to play its unique advantages and role in preventing regional financial risks.

#### **4. Conclusions**

Under the background of new normalization of economy, financial audit should ensure the stable and effective development of regional economy. We should take good precautions against some economic risks and combine the government with financial institutions. In our country, the systemic financial risks continue to accumulate, and the impact of the world financial crisis is still residual. The financial audit of our government should start from the prevention of regional financial risks, so that it can really shoulder the responsibility of financial audit. Local auditing agencies should strengthen cooperation with the National Audit Office, increase the intensity of independent special audit investigations, and pay close attention to hidden risks and regulatory loopholes in financial innovation. In terms of institutions, financial auditing should strengthen the management of budgetary constraints for local governments and strive to reduce the factors that cause regional economic risks. Financial auditing should also play its own early warning function and monitor the possible economic risks in various regions to make an early warning.

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