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Appendix A: Questionnaire Items

Part 1 The Chinese Government Audit System

1. Institutional Arrangements

| 1.1 | Government auditing is part of the institution of government economic supervision |
| 1.2 | Government auditing has not been part of the supervisory mechanism of the People’s Congress |
| 1.3 | Government auditing is actually internal auditing |
| 1.4 | It is the government (not the People’s Congress) which determines audit duties and plans |
| 1.5 | The current dual leadership system is increasingly being replaced by the unitary leadership of the parent government |
| 1.6 | The appointment of local government audit office heads is entirely by parent government and Party committee |

2. Advantages of the Current Government Audit System

| 2.1 | Audit work can easily get support from the government and its leaders |
| 2.2 | It is beneficial to the realization of the audit function that government leaders take charge of government auditing |
| 2.3 | The current system assures the availability of necessary financial resources and improved work conditions |
| 2.4 | Government audit supervision becomes more efficient when consistent with the objectives of government work and centered around government operations |
| 2.5 | Audit results and suggestions reported to the government and its leaders can be dealt with more quickly and efficiently |
| 2.6 | Possessing executive power is a characteristic and merit of Chinese government auditing |

3. Disadvantages of the Current Government Audit System including

(a) Lack of Independence (items 3.1, 3.2, 3.3)

| 3.1 | It lacks audit independence |
| 3.2 | The government head’s personal characteristics exert too much influence on government auditing |
| 3.3 | It prevents full disclosure of the audit results |
| 3.4 | It easily constrains intensive audits of budget implementation |
| 3.5 | It prevents carrying out complete or intensive ‘3E’ auditing |
| 3.6 | Audit work can hardly satisfy the requirements of fiscal budget control |
| 3.7 | Audit supervision can hardly restrict government behavior |
| 3.8 | It weakens the authority of auditing |

Part 2: Budget Implementation Auditing

1. Nature and Importance of Budget Implementation Auditing (BIA)

| 4.1 | It is one of the People’s Congress’ main supervision areas to review and approve the fiscal budget and supervise budget implementation |
| 4.2 | The budget supervision function by the People’s Congress can hardly be effective without BIA |
| 4.3 | BIA is a point where audit supervision and budget supervision can be integrated |
| 4.4 BIA is not only a type of fiscal supervision, but also a tool for power supervision and restriction |
| 4.5 Reporting audit findings to the standing committee of the People’s Congress in the name of government indicates that the government is under the supervision of all people and the People’s Congress |
| 4.6 As public finance is a government behaviour, fiscal auditing means the audit of the government |

2. Government Control Over BIA

| 4.7 Government actually directs the preparation, implementation and the adjustment of the fiscal budget |
| 4.8 Government (not the People’s Congress) actually directs BIA |

3. BIA Problems including

| (a) Lack of Independence in BIA (items 4.9, 4.10, 4.11, 4.12, 4.13) and |
| (b) Audit Reporting Problems (items 4.11, 4.12, 4.13, 4.14) |

| 4.9 BIA lacks independence and is thus not an appropriate balance and check on the behaviour and responsibility of the government and its leaders |
| 4.10 The executive power owned by the audit office in current BIA is limited |
| 4.11 Government officials would unlawfully interfere into the exposure of problems to protect their performance |
| 4.12 BIA reporting is an interactive process which involves negotiation, balancing and compromise among the related parties |
| 4.13 The problems disclosed is only a small percentage of the problems that existed or discovered |
| 4.14 BIA reporting is basically a ‘self-examination’ by the government |
| 4.15 The current system is not conducive to the discharge of or investigation into the responsibilities of the government officials in budget implementation |

4. The People’s Congress’ Information Shortage

| 4.18 As the BIA results are first reported to the government, then the People’s Congress, the report received by the people’s congress contains only second-hand materials |
| 4.19 The monitoring of the budget by the People’s Congress based on the results of the audit office is restricted |
| 4.20 To hear about and review the audit report does not mean the People’s Congress practically understands the budget implementation situation |
| 4.21 There is no effective organizational and working mechanism through which the audit office can report to the People’s Congress |

5. The Supervision Role of the People’s Congress

| 4.22 Because the People's Congress does not directly lead BIA, it does not have an effective means to interfere into and supervise budget setting and implementation |
| 4.23 Without effective BIA, it is hard for the People’s Congress to achieve effective budget supervision |
| 4.24 The current auditing system is not suited to the trend and requirements of strengthening budget supervision and BIA |
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<td>4.16</td>
<td>4</td>
<td>1.02</td>
<td>25</td>
<td>6.38</td>
<td>41</td>
<td>10.46</td>
<td>139</td>
<td>35.46</td>
<td>183</td>
<td>46.68</td>
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<tr>
<td>4.17</td>
<td>2</td>
<td>0.51</td>
<td>13</td>
<td>3.32</td>
<td>41</td>
<td>10.49</td>
<td>192</td>
<td>49.10</td>
<td>143</td>
<td>36.57</td>
</tr>
<tr>
<td>4.18</td>
<td>1</td>
<td>0.26</td>
<td>16</td>
<td>4.09</td>
<td>26</td>
<td>6.65</td>
<td>163</td>
<td>41.69</td>
<td>185</td>
<td>47.31</td>
</tr>
<tr>
<td>4.19</td>
<td>3</td>
<td>0.77</td>
<td>11</td>
<td>2.81</td>
<td>34</td>
<td>8.70</td>
<td>146</td>
<td>37.34</td>
<td>197</td>
<td>50.38</td>
</tr>
<tr>
<td>4.20</td>
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<td>0.26</td>
<td>24</td>
<td>6.17</td>
<td>44</td>
<td>11.31</td>
<td>153</td>
<td>39.33</td>
<td>167</td>
<td>42.93</td>
</tr>
<tr>
<td>4.21</td>
<td>17</td>
<td>4.37</td>
<td>34</td>
<td>8.74</td>
<td>182</td>
<td>46.79</td>
<td>156</td>
<td>40.10</td>
<td>389</td>
<td>86.89</td>
</tr>
<tr>
<td>4.22</td>
<td>1</td>
<td>0.26</td>
<td>9</td>
<td>2.31</td>
<td>38</td>
<td>9.74</td>
<td>147</td>
<td>37.69</td>
<td>195</td>
<td>50.00</td>
</tr>
</tbody>
</table>
Table 4
Descriptive Statistics for Other Variables

Panel A: Categorical Variables

<table>
<thead>
<tr>
<th>Academic qualification</th>
<th>Number</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 = No higher education</td>
<td>50</td>
<td>12.44</td>
</tr>
<tr>
<td>1 = Higher education diploma</td>
<td>60</td>
<td>14.93</td>
</tr>
<tr>
<td>2 = Bachelor’s degree</td>
<td>213</td>
<td>52.98</td>
</tr>
<tr>
<td>3 = Master’s degree</td>
<td>60</td>
<td>14.93</td>
</tr>
<tr>
<td>4 = Doctoral degree</td>
<td>19</td>
<td>4.72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>402</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Professional Title</th>
<th>Number</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 = Below Accountant</td>
<td>182</td>
<td>45.27</td>
</tr>
<tr>
<td>2 = Accountant or equivalent</td>
<td>98</td>
<td>24.38</td>
</tr>
<tr>
<td>3 = Senior Accountant or equivalent</td>
<td>122</td>
<td>30.35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>402</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Respondents’ Group</th>
<th>Number</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 = People’s congress</td>
<td>100</td>
<td>24.87</td>
</tr>
<tr>
<td>2 = Government and finance department</td>
<td>35</td>
<td>8.71</td>
</tr>
<tr>
<td>3 = Government audit bureau</td>
<td>220</td>
<td>54.73</td>
</tr>
<tr>
<td>4 = Academics</td>
<td>34</td>
<td>8.45</td>
</tr>
<tr>
<td>5 = Others</td>
<td>13</td>
<td>3.23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>402</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Panel B: Continuous Variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>400</td>
<td>23</td>
<td>75</td>
<td>45.22</td>
<td>9.85</td>
</tr>
<tr>
<td>Years In Organization</td>
<td>393</td>
<td>0</td>
<td>50</td>
<td>24.19</td>
<td>10.73</td>
</tr>
</tbody>
</table>
Table 5
Regression Results on the Impact of Government Audit Characteristics on Audit Independence

<table>
<thead>
<tr>
<th>Lack Of Audit Independence</th>
<th>Disadvantage Of GAS</th>
<th>Advantage Of GAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.209</td>
<td>0.509</td>
</tr>
<tr>
<td>Government Control Over Audit</td>
<td>0.453***</td>
<td>9.282</td>
</tr>
<tr>
<td>Age</td>
<td>-0.001</td>
<td>-0.234</td>
</tr>
<tr>
<td>Academic Qualification</td>
<td>0.079</td>
<td>1.387</td>
</tr>
<tr>
<td>Professional Title</td>
<td>-0.062</td>
<td>-0.953</td>
</tr>
<tr>
<td>Years In Organization</td>
<td>-0.006</td>
<td>-0.785</td>
</tr>
<tr>
<td>Group - People’s congress</td>
<td>0.005</td>
<td>0.017</td>
</tr>
<tr>
<td>Group - Government and finance department</td>
<td>-0.237</td>
<td>-0.782</td>
</tr>
<tr>
<td>Group - Government audit bureau</td>
<td>-0.180</td>
<td>-0.673</td>
</tr>
<tr>
<td>Group - Academics</td>
<td>-0.085</td>
<td>-0.271</td>
</tr>
<tr>
<td>Model summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.207</td>
<td>0.231</td>
</tr>
<tr>
<td>F</td>
<td>10.991</td>
<td>12.321</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes: (1) Variables are defined in Tables 1, 2, 3 and 4. (2) Academic Qualification and Professional Title are treated as ordinal variables assuming the higher the degree or professional title, the more knowledgeable the respondent is. (3) Respondents’ groups are shown in Table 4. The benchmarking group is Others Group. (4) *, **, and *** represent statistical significance at the 0.10, 0.05 and 0.01 levels, respectively (two-tailed). (5) Variance inflation factors are all below 3, well below the rule of thumb cutoff of 10.0 for multiple regression models (Kennedy, 1998).
Table 6
Regression Results on the Impact of Government Audit Characteristics on Budget Implementation Auditing

<table>
<thead>
<tr>
<th></th>
<th>Lack Of BIA Independence</th>
<th>BIA Reporting Problems</th>
<th>BIA Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.505</td>
<td>0.493</td>
<td>0.353</td>
</tr>
<tr>
<td>Government Control Over Audit</td>
<td>0.263***</td>
<td>0.271***</td>
<td>0.274***</td>
</tr>
<tr>
<td>Government Control Over BIA</td>
<td>0.546***</td>
<td>0.481***</td>
<td>0.524***</td>
</tr>
<tr>
<td>Age</td>
<td>-0.006</td>
<td>-0.008*</td>
<td>-0.007</td>
</tr>
<tr>
<td>Academic Qualification</td>
<td>-0.019</td>
<td>0.024</td>
<td>0.017</td>
</tr>
<tr>
<td>Professional Title</td>
<td>0.001</td>
<td>-0.037</td>
<td>-0.007</td>
</tr>
<tr>
<td>Years In Organization</td>
<td>0.006</td>
<td>0.011*</td>
<td>0.009*</td>
</tr>
<tr>
<td>Group - People’s Congress</td>
<td>-0.095</td>
<td>-0.028</td>
<td>0.042</td>
</tr>
<tr>
<td>Group - Government And Finance Department</td>
<td>-0.271</td>
<td>-0.137</td>
<td>-0.213</td>
</tr>
<tr>
<td>Group - Government Audit Bureau</td>
<td>-0.317</td>
<td>-0.283</td>
<td>-0.173</td>
</tr>
<tr>
<td>Group - Academics</td>
<td>-0.186</td>
<td>0.063</td>
<td>-0.077</td>
</tr>
<tr>
<td>Model summary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.501</td>
<td>0.428</td>
<td>0.501</td>
</tr>
<tr>
<td>F</td>
<td>35.150</td>
<td>26.611</td>
<td>34.593</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes: (1) Variables are defined in Tables 1, 2, 3 and 4. (2) Academic Qualification and Professional Title are treated as ordinal variables assuming the higher the degree or professional title, the more knowledgeable the respondent is. (3) Respondents’ groups are shown in Table 4. The benchmarking group is Others Group. (4) *, **, and *** represent statistical significance at the 0.10, 0.05 and 0.01 levels, respectively (two-tailed). (5) Variance inflation factors are all below 3, well below the rule of thumb cutoff of 10.0 for multiple regression models (Kennedy, 1998).
Table 7
Regression Results on the Effects of Lacking BIA Independence on Budget Implementation and the Budget Supervision Role of the People’s Congress

<table>
<thead>
<tr>
<th></th>
<th>People’s Congress’ Information Shortage</th>
<th>People’s Congress’ Weak Budget Supervision Role</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>t</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.252</td>
<td>-0.884</td>
</tr>
<tr>
<td>BIA Lacking Independence</td>
<td>0.695***</td>
<td>14.051</td>
</tr>
<tr>
<td>Government Control Over Audit</td>
<td>0.061</td>
<td>1.516</td>
</tr>
<tr>
<td>Government Control Over BIA</td>
<td>0.029</td>
<td>0.602</td>
</tr>
<tr>
<td>Age</td>
<td>0.002</td>
<td>0.599</td>
</tr>
<tr>
<td>Academic Qualification</td>
<td>0.049</td>
<td>1.243</td>
</tr>
<tr>
<td>Professional Title</td>
<td>0.008</td>
<td>0.182</td>
</tr>
<tr>
<td>Years In Organization</td>
<td>-0.001</td>
<td>-0.202</td>
</tr>
<tr>
<td>Group - People’s Congress</td>
<td>0.328*</td>
<td>1.715</td>
</tr>
<tr>
<td>Group - Government And Finance Department</td>
<td>-0.037</td>
<td>-0.179</td>
</tr>
<tr>
<td>Group - Government Audit Bureau</td>
<td>-0.029</td>
<td>-0.159</td>
</tr>
<tr>
<td>Group - Academics</td>
<td>-0.184</td>
<td>-0.865</td>
</tr>
</tbody>
</table>

Model summary

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R^2</td>
<td>0.602</td>
<td>0.493</td>
</tr>
<tr>
<td>F</td>
<td>47.430</td>
<td>30.690</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes: (1) Variables are defined in Tables 1, 2, 3 and 4. (2) Academic Qualification and Professional Title are treated as ordinal variables assuming the higher the degree or professional title, the more knowledgeable the respondent is. (3) Respondents’ groups are shown in Table 4. (3) Respondents’ groups are shown in Table 4. The benchmarking group is Others Group. (4) *, **, and *** represent statistical significance at the 0.10, 0.05 and 0.01 levels, respectively (two-tailed). (5) Variance inflation factors are all below 3, well below the rule of thumb cutoff of 10.0 for multiple regression models (Kennedy, 1998). (6) Replacing BIA Lacking Independence by BIA Problems generates identical results.
Table 8
Regression Results on the Effects of BIA Reporting Problems on Budget Implementation and the Budget Supervision Role of the People’s Congress

<table>
<thead>
<tr>
<th></th>
<th>People’s Congress’ Information Shortage</th>
<th>People’s Congress’ Weak Budget Supervision Role</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-0.275</td>
<td>-0.212</td>
</tr>
<tr>
<td></td>
<td>-0.988</td>
<td>-0.644</td>
</tr>
<tr>
<td>BIA Reporting Problems</td>
<td>0.673***</td>
<td>0.460***</td>
</tr>
<tr>
<td></td>
<td>15.219</td>
<td>8.773</td>
</tr>
<tr>
<td>Government Control Over Audit</td>
<td>0.059</td>
<td>0.177***</td>
</tr>
<tr>
<td></td>
<td>1.526</td>
<td>3.849</td>
</tr>
<tr>
<td>Government Control Over BIA</td>
<td>0.083*</td>
<td>0.100*</td>
</tr>
<tr>
<td></td>
<td>1.895</td>
<td>1.931</td>
</tr>
<tr>
<td>Age</td>
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<td>0.005</td>
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<td></td>
<td>0.936</td>
<td>1.020</td>
</tr>
<tr>
<td>Academic Qualification</td>
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<td>0.072</td>
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<td></td>
<td>0.629</td>
<td>1.594</td>
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<td>Professional Title</td>
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<td>-0.061</td>
</tr>
<tr>
<td></td>
<td>0.658</td>
<td>-1.149</td>
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<tr>
<td>Years In Organization</td>
<td>-0.003</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>-0.629</td>
<td>-0.072</td>
</tr>
<tr>
<td>Group - People’s Congress</td>
<td>0.342*</td>
<td>0.286</td>
</tr>
<tr>
<td></td>
<td>1.796</td>
<td>1.267</td>
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<tr>
<td>Group - Government And Finance Department</td>
<td>-0.086</td>
<td>-0.129</td>
</tr>
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<td></td>
<td>-0.417</td>
<td>-0.526</td>
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<td>Group - Government Audit Bureau</td>
<td>-0.006</td>
<td>-0.122</td>
</tr>
<tr>
<td></td>
<td>-0.035</td>
<td>-0.570</td>
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<tr>
<td>Group - Academics</td>
<td>-0.317</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>-1.494</td>
<td>0.011</td>
</tr>
<tr>
<td>Model summary</td>
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</tr>
<tr>
<td>Adjusted R²</td>
<td>0.626</td>
<td>0.474</td>
</tr>
<tr>
<td>F</td>
<td>52.659</td>
<td>28.687</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes: (1) Variables are defined in Tables 1, 2, 3 and 4. (2) Academic Qualification and Professional Title are treated as ordinal variables assuming the higher the degree or professional title, the more knowledgeable the respondent is. (3) Respondents’ groups are shown in Table 4. (3) Respondents’ groups are shown in Table 4. The benchmarking group is Others Group. (4) *, **, and *** represent statistical significance at the 0.10, 0.05 and 0.01 levels, respectively (two-tailed). (5) Variance inflation factors are all below 3, well below the rule of thumb cutoff of 10.0 for multiple regression models (Kennedy, 1998).
Panel A: Path coefficients and loadings

Panel B: Significance level (t values).

Figure 1: Partial least square regression model: Effect of government control on audit independence and People's Congress' role in budget supervision

Note: The indicators and latent variables are defined in Appendix A and in Tables 2 and 3.