

# **Current Anti-Corruption Status in China**

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## **Abstract**

One of the biggest issues facing the globe today is corruption. It is a major roadblock to a nation's long-term development. It is damaging to society's fabric and has a big impact on poor populations. There are many different types of corruption, and they may pose a serious threat to society. In this sense, preventing corruption has always been a major issue and topic of discussion in all nations. Additionally, corruption is difficult to detect and frequently concealed in the digital era. Therefore, corruption may provide particular challenges for auditing companies. for the nations' Supreme Audit Institution in particular (SAI). In order to get a more comprehensive understanding of the present state of corruption in China, the current state of anti-corruption in China, and other topics, I want to discuss the findings of a questionnaire given to the auditors at the China National Audit Office (CNAO) in this article. Legal Status, SAI's organizational structure and mission in the battle against corruption, SAI's role in the prevention and detection of corruption, an evaluation of SAI's performance, the auditing profession's limitations in the fight against corruption, and their worldwide collaboration, which shows that the Auditors show no tolerance to the corruption.

**Keywords:** Audit; CNAO; Corruption; Internal Audit; Questionnaire

## **1. Introduction**

In public organizations, corruption refers to the conduct of persons in positions of authority or influence over the distribution of public resources who misuse their positions of power and public resources for personal gain (Busse, 2007). Corruption is very disruptive, making it illegal in almost every business and government on the globe. In the view of auditors, corruption is the violation of regulations by government personnel for personal gain.

Corruption is widely acknowledged as one of the world's most serious problems. It is a huge stumbling block to a country's long-term growth. It also has a significant influence on underprivileged communities and is corrosive to society's fabric. Corruption comes in a variety of shapes and sizes, and it may constitute a severe threat to society (Transparency International,2015). Corruption prevention has always been a hot topic and a critical concern

in all countries in this regard. And, in the digital age, corruption is often disguised and difficult to uncover. As a result, auditing organizations may face unique obstacles as a result of corruption. Particularly for the countries' Supreme Audit Institution (SAI) (INTOSAI,2017). In this article, I intend to share the results of the questionnaire handed to the auditors at the China National Audit Office (CNAO) in order to have a wider view on the Current status of corruption in China, the current status of anti-corruption in China, Legal Status, structure, and mandate of SAI in fighting corruption; role of SAI in the prevention and detection of corruption; Assessment of SAI performance; Limitations of audit in fighting corruption; and their international cooperation.

## **2. Literature Review**

### **2.1 Corruption**

The term "corrupt" derives from a Latin verb that means "to shatter." In this case, corruption literally means "the shattered item" in Latin. Corruption is defined as a pattern of behavior that violates ethics, morality, tradition, the law, and civic virtue. According to Transparency International (2015), a World Bank subsidiary, corruption is defined as the exploitation of one's public position for unlawful private benefit. Through the collaboration of people from both sectors, personal gain and abuse of power can occur in both the public and private sectors. (Dye, 2008) Corruption, as it differs from country to country, can include political corruption, conflicts of interest, fraud, embezzlement, bribery, extortion, and nepotism. There are several instances where government activities are particularly susceptible to corruption. Customs revenues, trip claims, tax collection, procurement contract administration, personnel and salary administration, staff hiring, and payroll systems are a few examples. Misappropriation of assets, patronage, bribery, and influence peddling are the most prevalent kinds of corruption in the public sector of countries.

If we come to the causes of corruption, they definitely change from country to country. But the contributing factors to corruption in countries are faulty governments and development policies, inadequate check and balances, poorly conceived and managed programs, an undeveloped civil society, a weak or corrupt criminal justice system, a lack of accountability and transparency, and inadequate remuneration of civil servants (Malagueo et al.,2012).

Corruption can take place when three of these criteria exist. These can be named as opportunity, motivation and rationalization and of course with the exception of one's deliberate intention. There are 8 main root causes of corruption. They can be listed as:

1. Weaknesses and failures in regulatory and legal systems;
2. Lack of financial rules and

3. Culture, customs and habit of giving bribes to get things
4. Low salary levels;
5. Unclear rules and loopholes for manipulation.
6. The desire to become rich as quickly as
7. Rapid population and economic growth
8. Complicated administrative procedures

Among all those roots causes of corruption, first root cause which is “weaknesses and failures in regulatory and legal systems can be ranked top as the most important root cause of the corruption (ASSOSAI,2015).

## **2.2 Auditing**

According to Otalar (2013), auditing is the process of a professional called an auditor examining the accounts of a public or private organization in order to offer a judgment on the truth and fairness of the state of affairs of the entity inspected. He also explains the meaning of the term "auditor," which is derived from the Latin word "audire", which means "to hear." The goals of public sector auditing are to ensure the proper and effective use of public money and funds, the development of sound financial management, the proper execution of administrative activities, and the objective communication of information to public officials and the general public through published reports.

### **2.2.1 Types of Audit**

All types of audits have their own objectives, which determine the type of work to be performed and the auditing standards to be applied for. These types of work, as defined by their objectives, can be listed as financial audits, compliance audits, performance audits, computer audits, and control audits. According to Dye (2008), audit engagements may have a combination of objectives, which may include more than one type of work or have objectives limited to only some aspects of one type of work.

International audit organizations such as INTOSAI, ASSOSAI, and the International Federation of Accountants have established international audit standards (IFAC). And these standards are being harmonized into a single set of global standards. Many nations, on the other hand, have their own auditing standards (INTOSAI, 2017). However, the majority of countries are still moving toward international auditing norms. Public sector auditors should adhere to the criteria that apply to the audit's specific goals as well as the jurisdiction.

**Financial Audit:**

The primary goal of financial auditing is to ensure that financial statements are accurate and fairly portray the audited entity's economic operations in line with an accounting framework. Even while auditors occasionally find fraud or corruption in financial audits, they do so seldom. Because financial audits aren't intended to uncover malfeasance. However, it is possible to come across fraud and corruption while studying financial accounts to form a judgment on the audited organization (The Institute of Internal Auditors ,2012). Finally, we may infer that financial auditing's primary goal is not to discover fraud and corruption.

**Compliance Audit:**

The goal of a compliance audit is to ensure that the entity meets the compliance standards set out by laws and regulations that may impact the entity's acquisition, protection, and use of resources, as well as the quality, quantity, and cost of the services it produces or delivers. Corruption is frequently detected in this type of audit through compliance audits, which are aimed at verifying that laws, rules, and regulations are followed. If an auditor is conducting a compliance audit, non-observance might suggest that a fraudulent transaction has occurred.

However, not all incidents of non-observance are fraudulent (Dyke, 2018). Some transactions can be traced back to internal control failures, but not fraudulent ones. If a transaction or a sequence of transactions occurs in violation of the law or regulations, such transactions may be considered corrupt and should be reported to the appropriate enforcement body.

**Performance Audit:**

The fundamental goal of a performance audit is to offer assurance and information about the quality of public resource management. Auditors examine how public sector organizations use their resources, information systems, delivery of outputs and results, including legal and ethical compliance, performance indicators, and monitoring systems, to assess the efficiency, effectiveness, and economy of their management. The purpose of a performance audit is to evaluate operational performance against standards and preset criteria. As a result, performance auditing may be tweaked to aid in the detection of corruption. This type of audit focuses on operational difficulties, particularly in high-risk sectors. As a result, it is extremely common for auditors conducting performance audits to come across some operations that are not in conformity with norms and regulations. As a result, while core performance auditing is not intended to uncover corruption, such issues may arise from time to time.

### **2.3 Previous Studies on The Relation between Auditing and Corruption**

Reichborn-Kjennerud et al. (2019) use an institutional approach and data on seven SAIs from Scandinavia, South Europe, and Africa to investigate how SAIs understand their responsibilities in the fight against corruption. Their data analysis revealed anti-corruption pressures that were mimetic, coercive, and normative. Mimetic pressure has been shown to be bound by institutional logic as well as cultural and political norms when used to combat fraud and corruption. Similarly, the efficacy of coercive acts carried out through institutional legal frameworks varied. Because SAIs in more corrupt situations have not been explicitly proven to participate in more anti-corruption activities, corruption as a single factor is insufficient to judge the efficacy of the SAI's anti-corruption efforts. The fundamental source of normative pressures to resist corruption was identified by professional institutional logic. However, a contrast was recognized between the audit institutions' duties and those of the prosecutorial and law enforcement organizations. As a result, the authors show that no one strategy can successfully address fraudulent or corrupt activities. In terms of INTOSAI's effectiveness, it was also demonstrated to be limited. These are key findings that highlight the need for regulatory institutions to cooperate to combat fraud and corruption in order to construct systems that are suitable for both developed and emerging economies. Indeed, better institutional recognition and coordination are required if INTOSAI is to successfully unite the international fight against corruption waged by SAIs.

Jeppesen (2019) examined the function of auditing in the battle against corruption at the microlevel. Jeppesen begins by discussing how auditing may both prevent and reveal fraudulent and corrupt behavior. The auditing profession's aversion to admitting responsibility for fraud and corruption inside the audit function is also investigated. According to his evaluation of previous studies, private sector financial audits have typically overlooked corruption as a likely cause of significant errors in financial statements. This is due to financial auditing removing corruption from the definition of fraud and classifying it as 'noncompliance' because it leaves no trail or substantial errors for the auditor to pursue. The author disagrees, arguing that for most kinds of commercial corruption involving the exchange of actual assets, some evidence may exist for the auditor to investigate.

Liu & Lin's (2012) research empirically explored the influence of government auditing in China's corruption control programs using provincial panel data from 1999 to 2008. Their findings show that the number of errors revealed in government auditing is positively associated with the province's degree of corruption, implying that the more serious the corruption in a province, the more discrepancies in government accounts are discovered by local audit organizations. Furthermore, post-audit rectification effort is negatively connected to the province's corruption level, showing that higher rectification effort is associated with less corruption. Furthermore, the paper provides empirical evidence on how government auditing can help reduce corruption, which is important for understanding the role of China's



local audit institutions in government governance and can help enrich the literature on both government auditing and corruption control.

Gustavson and Sundström (2016) provided a definition of excellent auditing based on three principles: independence, professionalism, and recognizing people as the primary source of information. The notion is then operationalized and experimentally evaluated using fresh data from an original expert poll encompassing more than 100 nations. The findings show that effective auditing has a favorable impact on national levels of public sector corruption. This gives cause to assume that auditing structured around particular principles has the ability to help well-functioning public administrations with a low level of corruption.

In her paper, Ionescu (2014) discussed the major trends in scholarship concerning the governance function of auditing, the role of government auditing in identifying and inhibiting corruption, the relevant function of government auditing in the public sphere, and the decisive role of CSOs in dealing with corruption in transitional democracies. This study adds to the expanding body of literature on the dismal results of government audits, the effects of corruption on individual political ideas and behavior, and the relationship between government auditing and corruption control. The study's conclusions have consequences for the economic impacts of government auditing, the role of government auditing in the fight against corruption, and the role of government auditing in oversight and assessment.

Penti Kurniawati and Achjari's (2022) research studied the influence of international accounting and auditing standards on corruption perception. Furthermore, the strength of auditing and reporting standards (SARS) that mediate the link is examined in this study. In their research, agency theory and bonding theory were used to explore the influence of the adoption of international accounting and auditing standards on corruption perception, using data from 130 nations over three years. They concluded that the implementation of international accounting and auditing standards had a good influence on corruption perception, both directly and indirectly through the SARS.

The purpose of Farooq & Shehata's (2018) article was to see if businesses with audited financial statements pay less bribes to acquire contracts than firms without audited financial statements. In other words, this study examines whether external auditing aids in the fight against corruption. Using World Bank Enterprise Survey data from 2006 to 2014 (more than 50,000 firms in 126 countries), they discovered that firms with audited financial statements pay significantly lower bribes than firms with unaudited financial statements. The findings are consistent across estimation methodologies, bribery proxies, and sub-samples. The association between audited financial statements and bribery is also shown to be more evident in circumstances where corporations face greater pressure to participate in corrupt activities.

Malagueo et al. (2010) conducted a study to better understand the link between accounting and auditing quality and perceived degrees of corruption by conducting a cross-country analysis utilizing public data to quantify accounting quality, audit quality, and corruption. They discovered evidence that accounting and auditing quality are highly connected to a country's perceived level of corruption.

Ahyaruddin and Azmi (2019) investigated the influence of audit detection and post-audit correction on corruption, as well as the impact on government performance and tax income. The structural equation modeling method with AMOS software was employed for the analysis. Secondary data analysis comprised 108 observations from Indonesia's 34 provincial administrations. The findings show that audit detection has a major impact on corruption. This study also discovered that corruption and government performance have a major impact on tax collections. The findings of this study suggest that the government should improve the auditor's responsibility for identifying fraud and exposing wrongdoing.

Al-Araj's (2018) study goal is to look into the effectiveness of audits in reducing financial misconduct in Jordanian businesses. The descriptive and analytical research technique is based mostly on primary data from structured interviews with a suitable sample of Jordanian company executives. The study concluded that fraud, bribery, tax evasion, and data forgery are the most prevalent types of corporate corruption; auditors' responsibility to fight corporate corruption stems primarily from their professional ethics and social responsibility rather than legal obligation; auditing measures were insufficient for combating corporate corruption; and a low level of auditing effectiveness exists due to obstacles facing auditors such as a lack of mandate, incentives, and resources. The study suggests that the best way to combat corporate corruption in Jordan is through collaborative efforts of internal control, external auditing, an official mandate, stronger incentives, and better training for auditors to uncover and disclose examples of corporate misconduct in Jordan.

Oral and Sayn (2015) used the Vector Autoregressive (VAR) Analysis to evaluate the link between corruption and tax audits in Turkey from 1985 to 2011. The findings of the VAR Granger Causality Test showed that the audit rate variable influences the corruption index. In other words, tax auditing diminishes corruption over time.

#### **2.4 Anti-Corruption Efforts in China**

Corruption in a country harms the public realm and has a detrimental impact on people's lives, as well as the political and corporate spheres. As a result, the Chinese government has always placed a high value on anti-corruption efforts, preventing corruption, and imposing harsh penalties. And it is evident that greater efforts are needed to combat corruption in China. However, in recent years, China has made significant progress in strengthening the system that punishes and prevents corruption, with equal emphasis placed on education, monitoring, and system-building.

China's audit organizations have been carrying out their tasks in accordance with the law, and they are always striving to strengthen their capability for successfully preventing and harshly punishing corruption. And auditing firms have emerged as a powerful anti-corruption force. Between 2003 and 2019, China's anti-corruption initiatives saw fast growth and great progress. This rapid development has occurred in the fields of preventative measures, criminal law, international collaboration, and Chinese public entity institutional structures.

China has its own anti-corruption policy at the national level. China's national anti-corruption strategy has been formed through establishing a mechanism for penalizing and preventing corrupt conduct. This system is divided into several elements, including Power Restraint and Supervisory System, Legal Framework, Leadership System and Working Mechanism, and Education to combat corruption. China's Efforts to Combat Corruption and Build a Clean Government (Information Office of the State Council of the People's Republic of China, 2010) was the first anti-corruption white paper issued by the Chinese government. According to the White Paper, I will give brief information related to these 3 different sections of China's stand-alone national anti-corruption policy:

**Power Restraint and Supervisory System for Fighting Corruption and Building a Clean Government:**

China step by step plans to establish a sound power structure and enforcement mechanism for its own. To establish this, China gives much importance to restraint and coordination of decision-making power, executive power and supervisory power. This eventually aims to promote procedural power exercise featuring transparency and strengthen supervision of power exercise. And according to the China's first anti-corruption white paper written in 2010, a supervisory system with Chinese Characteristics has been established.

This supervisory system consists of intra-party supervision in the CPC, supervision by the NPC and Local's People Congress (LPC), supervision within the government organizations, supervision by Chinese People's Political Consultative Conference (CPPCC), judicial supervision and supervision by public opinion. These all-independent supervision mechanisms collaborate closely with each other to form an integrated supervision force. As sunshine is the best antiseptic, transparency represents the best supervision of power. So Chinese Governments after 1980s have been actively implementing transparency system of making public of government affairs including management of public institutions and state-owned enterprises.

According to the White Paper on China's Efforts to Combat Corruption, it is stated that the Regulations of the People's Republic of China on Making Public Government Information and some other important statutory documents have been promulgated.

The Regulations stipulate that government information, other than that related to state secrets, business secrets and personal privacy, should be made public in a timely and accurate



manner, with the requirement of making public as the principle and holding back as the exception, to guarantee the people's right to know, participate, express and supervise.

**Legal Framework for Fighting Corruption and Building a Clean Government:**

China adheres to the rule of law as a basic concept and places a high value on the regulating and protecting functions of laws and regulations. Finally, China encourages legality and standardization in the battle against corruption and the establishment of a clean government. Several rules and regulations have been included in China's constitution with the express objective of combating corruption. Furthermore, a set of intra-party norms and regulations have been developed based on the CPC's constitution. As a result of these laws and regulations, a legal framework for combating corruption and establishing a clean government with competent administration and well-matched regulations eventually emerged.

**Leadership System and Working Mechanism for Fighting Corruption:**

Over the years of combatting corruption, China has implemented a leadership structure and a functioning mechanism with Chinese features. Party committees take united leadership in this arrangement. The CPC's disciplinary inspection commissions are managed, organized, and coordinated by the Party and the government. According to the White Paper (2010), it is crucial to note that the CPC has always considered combatting corruption a key responsibility. As a result, the CPC Central Committee has developed a number of anti-corruption initiatives and programs. The CPC Central Committee, in particular, has begun organizing yearly plenary sessions of its Central Commission for Discipline Inspection throughout the Party and the country. And also, CPC Committee and the State Council have issued and revised provisions emphasizing that leading groups and cadres at different levels should do a good job in fighting corruption within their scope of duty in line with the principle of "taking responsibility for what he/she takes charge of" and whoever violates the provisions should be held accountable. (Information Office of the State Council of the People's Republic of China, 2010)

So as a result, China's anti-corruption strategy had an action plan and all those measures, specific institutions responsible for coordination, implementation and reporting are important and necessary part of this anti-corruption action plan.

### **3. Methodology**

#### **3.1 Survey and Data Analysis**

In this part, in order to attain the objectives of the research, it is necessary to evaluate the data collected in order to achieve the purpose of the research. As it was already mentioned, data related to data analysis collected in the form of questionnaires. A questionnaire is a research instrument consisting of a series of questions and

Other prompts for the purpose of gathering information from respondents. Several kinds of questions were designed in order to carry out the research systematically. Questionnaire was designed under different subjects:

1. Current status of corruption in China
2. Current status of anti-corruption in China
3. Legal Status, structure, and mandate of SAI in fighting corruption
4. Role of SAI in the prevention and detection of corruption
5. Assessment of SAI performance
6. Limitations of audit in fighting corruption
7. International cooperation

The questions were a mix of closed and open-ended questions. Respondents could decide which questions they want to answer or reply with the answer with the information which was not included in the choices with an “other” section. Based on the questionnaires and comprehensive analysis of survey results, an overall situation on the role off audit in the fight against corruption.

To carry out this research, 38 questions were directed and asked to Chinese Auditors to answer in order to determine the role of audit in fighting corruption. The overall number of Chinese Auditors who responded to these questions was 15, with three female and twelve male Auditors and all based at the CNAO headquarter in Beijing (mainly form Audit accountability, Compliance Audit and performance Audit).

### **3.2 Results of Survey for the Current Status of Corruption in China**

The aim of this part is to assess and evaluate the current status of corruption and seeks to provide background information on corruption to identify and analyse the corruption level in China.

#### **3.2.1 Prevalence Level of Corruption**

To determine the current status of corruption, in this part of the survey, several questions were asked to carry out the research. According to the survey results, 10 answers of Chinese Auditors responded that the current prevalence level of corruption in the public sector is moderate.

*Table 1-Current Prevalence Level in China*

Prevalence Level	Number of votes
Serious	0
Widespread	2
Moderate	10
Low	3

*Source: (Authors own collection)*

### **3.2.2 Corruption Perception Index**

Corruption Perception Index (CPI) is an index published annually by an organization called Transparency International since 1995. The main function of CPI is to rank countries “by their perceived levels of public sector corruption. It is determined by expert’s assessments and opinion surveys throughout the world. In years, CPI has become the leading global indicator of public sector corruption. The CPI of China ranks 66 among 180 countries with a score of 45 in 2021 and shows an improvement while compared with the data on year 2018 (CPI of China ranks 87 among 180 and the score of 39). For survey analysis, Chinese Auditors were asked to if they believe that CPI ranks truly reflects the reality of corruption in China. According to the survey results, 8 of Chinese Auditors believe that CPI of China does not fairly reflects reality of corruption in China.

### **3.2.3 Tolerance Level against Corruption**

Corruption will always take over if people of that country are tolerant of it. There are several factors which are affecting the tolerance level towards corruption. For example, according to research done by Guo (2017), Awareness against corruption and confidence in government’s anti-corruption efforts can affect attitudes towards corruption. Less understanding or knowledge of it among citizens of a country result in higher corruption tolerance and lower enthusiasm to participate in fighting against corruption.

So higher confidence in the government’s anti-corruption strategy leads to lower corruption tolerance thus, stronger willingness to be part of fighting corrupt activities. In this article, Guo (2017) suggests that a successful campaign of anti-corruption must involve understanding of corruption and building confidence in governments’ strategies on corruption.

As for the tolerance level of China’s population towards corruption, the other hand, 12 of Chinese respondents thought that the tolerance level of population is moderately intolerant.

*Table 2- Tolerance Level of Population towards corruption*

Tolerance Level	Answers
Slightly Intolerant	2
Moderately Intolerant	12
Tolerant	1

*Source: (Authors own collection)*

In another question, auditors have been asked how they define the strength of steps taken by their government in order to fight corruption. The Chinese government has spent a lot of efforts and made a lot of works to build integrity and transparency to fight corruption. According to Chinese Data, 10 of Chinese Auditors think that steps taken by Chinese Government is strong. 4 of them indicates that the steps taken is moderate.

*Table 3- Strength of steps taken by government against Corruption.*

Strength of steps taken by government against Corruption	Number of answers
Low	1
Moderate	4
Strong	10

*Source: (Authors own collection)*

### **3.2.4 Patterns of Corruption**

Patterns of corruption can differ from each other in diversity and complexity. In this way, making it difficult to assess, predict or evaluate. According to this survey, 12 of the respondents stated that corruption patterns in China is moderately predictable. 3 of Chinese respondents agreed on that corruption patterns are highly predictable.

Concerning the occurrence of corruption in China, 10 of the respondents stated that corruption occurs mostly in public entities. And 5 of them stated that corruption occurs equally in public and private entities. So according to survey results, corruption mostly occurs in the public entities.

### **3.2.5 Types of Corruption**

There are many types of corruption which can take place in the public sector of any country in the world. Some are more common than others and some are more prevalent. Because relationships between individuals and officials happen at greater level of intimacy and frequency. Two of them are very common and important to be mentioned. These are petty and grand corruption.

In this part, auditors have been asked to answer that to find out the most prevalent type of corruption in their country. Two options were given to them to answer. These are petty and grand corruption. 4 of the Auditors stated it is petty corruption. On the other hand, 14 of Auditors answered that the most prevalent type of corruption is also petty corruption. The rest answered as the grand corruption.

Related to the questionnaire above, the auditors have been asked how they define the level of petty and grand corruption in their country. 9 of Auditors stated that petty corruption in China is high while 5 of them indicated moderate. Regarding grand corruption, 10 of Chinese Auditors answered that the level of grand corruption in China is moderate. And 3 of them answered low in this questionnaire.

For China, abuse of power has been chosen as the most common type of corruption in China with the majority of votes (13votes). And respectively goes with bribery, extortion, kickback, nepotism and influence peddling.

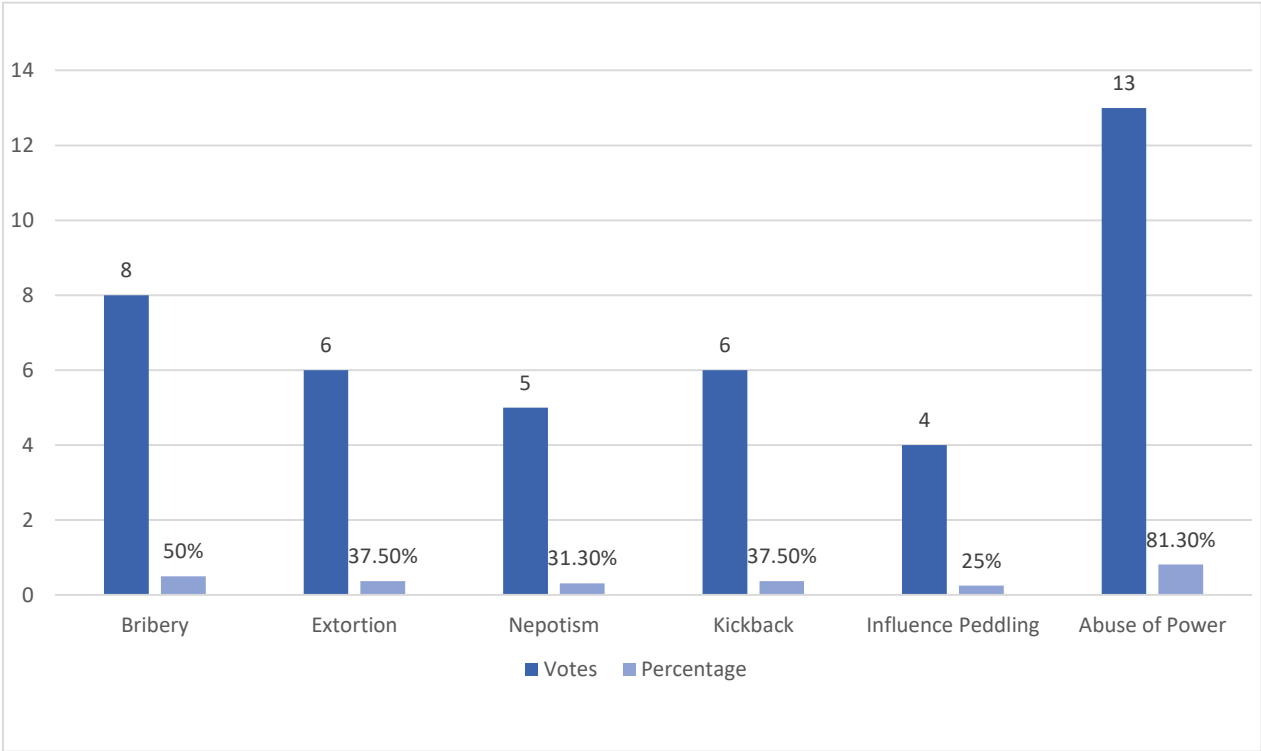


Figure 1- Most common Corruption Types

Source: (Authors own collection)

**3.3 Results of the Survey for the Current Status of Anti-Corruption in China**

The aim of this part is to assess and evaluate the current status of anti-corruption in China. This section highlights the research findings from the perspectives of Chinese Auditors. The data gathered from the survey of the respondents will help Chinese SAIs to identify and analyse the general picture on anti-corruption.

**3.3.1 National Anti-Corruption Strategy**

All kinds of corruption are forbidden by all countries but still not many countries have found an effective way to fight corruption. If countries have trouble reducing corruption, the reason may be insufficient capacities or insufficient will. These capacities can include having a proper strategy or policy that promotes to fight corruption. For this reason, in all countries in the world, national anti-corruption policies play a very important role in fighting the corruption. Therefore, in this section, Chinese auditors have been asked if they have a national anti-corruption strategy or not. The survey showed that 13 of respondents says they have a stand-alone anti-corruption strategy. Moreover, they have been asked about presence of an anti-corruption agency or not. All votes were for existence of it. In relation to contents of anti-corruption policy of China, according to survey results, Chinese Auditors stated that



Chinese National Anti-Corruption Policy covers subjects respectively; objectives and priority areas (13), law enforcement measures (11) with majority votes.

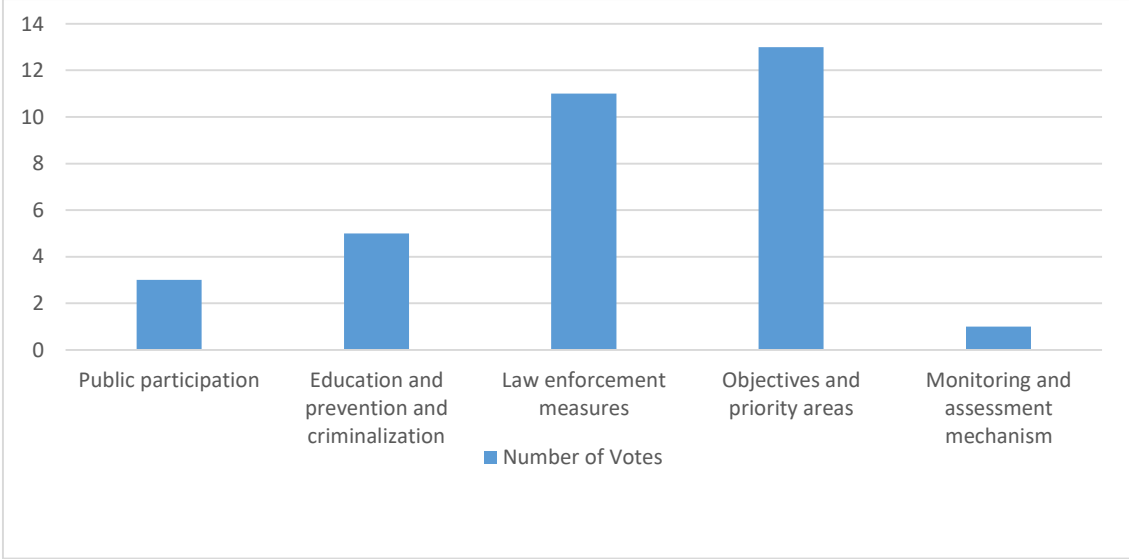


Figure 2 - Contents of anti-corruption policy

Source: (Authors own collection)

**3.4 Results of the Survey for the Role of Audit in Fighting Corruption**

**3.4.1 Legal Status, Structure and Mandate of SAIs**

The legal status, structure, and mandate of SAIs are vitally important to determining the role that SAIs can play in the fight against corruption in the public sector. The capacity to be effective is dependent on several factors, but especially their independence from political and external influences. In this part, auditors have been asked to describe the legal status of their SAIs. In 13 of the respondents, it was stated that the China National Audit Office (CNAO) was established by virtue of the Constitution and enjoys a permanent legal status. 13 of the Chinese Auditors stated that the legal status of CNAO can be described as an "Administrative model," being one of the ministries under the State Council.

Considering the independence or relationship of SAIs with the other branches or ministries of the government in China, all the respondents from China said that the Chinese SAI, which is called CNAO, is under the supervision or control of the legislature.

The auditors have been asked how they define their respective SAIs' fiscal autonomy or financial independence in their operations. 10 of the Chinese Auditors stated that CNAO's budget is under the review process of the Budget Department, or the Parliament, and the decided budget can be increased or decreased by them. Auditors have been asked about what

entities their SAIs have a legal mandate and authority to audit. According to the survey results, auditors stated that CNAO has a legal mandate and authority to audit central or national government agencies and state-owned and controlled corporations with the majority of votes.

3.4.2 The Role of SAIs in Fighting Corruption

To determine the role of SAI in fighting corruption, Chinese auditors have been asked what type of audit services their SAIs, most importantly its application in fighting corruption. According to Auditors, it was stated that CNAO most importantly applies compliance audit (11 votes), fraud audit (10 votes) and financial audit (9 votes).

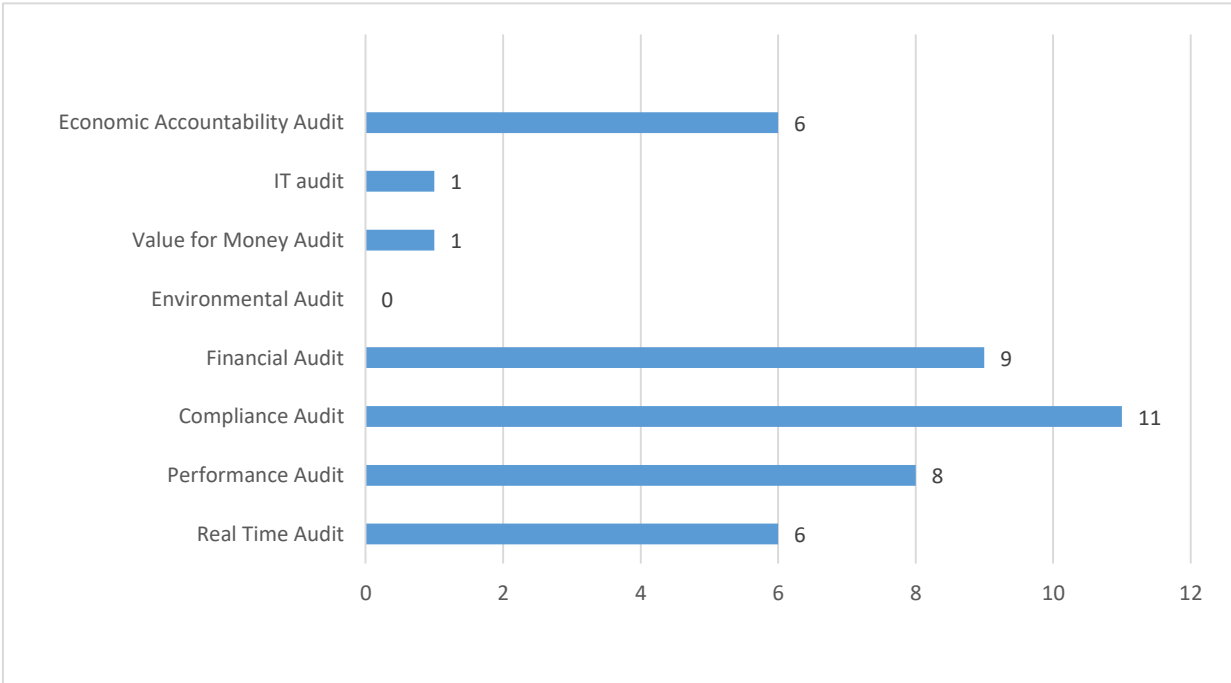


Figure 3 - Important Audit type in combating Corruption

Source: (Authors own collection)

Auditors were questioned if their constitution establishing or dealing with SAI included any explicit paragraphs addressing the organization's functions and responsibilities in combating corruption. The constitution does not contain explicit clauses addressing CNAO's functions and obligations in preventing corruption, according to 11 answers from Chinese Auditors.

13 Chinese Auditors stated that CNAO doesn't have its own anti-corruption strategy implemented in accordance with the national anti-corruption strategy. Auditors were questioned if their SAIs' strategic plans include goals and measures for fighting corruption in another survey. The strategic plan of CNAO incorporates goals and activities for the fight

against corruption, according to 11 of the Chinese auditors. Liu G. (2018) claims that the CNAO's strategic plan encourages the development of an anti-corruption system.

All auditors have been asked if identifying corruption is a routine audit service provided by their SAIs. According to the findings of the poll, 12 of the Chinese auditors said yes, stating that it is one of the routine services provided by CNAO.

In terms of having special units, departments, or offices within their respective SAIs solely dedicated to preventing, detecting, and investigating corruption, 14 Chinese Auditors stated that CNAO does not have any special units, departments, or offices solely dedicated to preventing, detecting, or punishing corruption.

Respondents were asked if their individual SAIs have enough audit personnel with the necessary expertise to identify and prevent corruption in this section because SAIs must have enough employees with the necessary expertise to properly combat corruption. According to Chinese auditing survey data, 8 of Chinese auditors believe CNAO has enough audit employees with enough expertise to combat corruption. However, 6 of them claimed that CNAO has a shortage of personnel with the necessary abilities. The others said that audit personnel lacked expertise.

In terms of training, auditors have been asked if CNAO provides sufficient anti-corruption training to its audit personnel. According to Chinese survey results, 11 of Chinese respondents believe that CNAO offers adequate anti-corruption training for its audit personnel, while 4 believe that it does not. In addition, the CNAO offers training sessions for economic criminal cases, such as seminars.

Auditors can help to reduce the risk and identification of corrupt acts in the public sector by preparing specialized documentation or, more precisely, anti-corruption recommendations. As a result, respondents were asked if their SAIs have a special anti-corruption handbook or guideline to assist auditors in detecting corruption. According to the poll results, 12 of the Chinese Auditors stated that the CNAO does not have a dedicated anti-corruption guideline or manual.

In a separate study, auditors were asked to describe the types of audit procedures used by their SAIs to detect and prevent corruption. Auditors have been advised to take two crucial audit techniques. There are two types of approaches: proactive and reactive. The proactive approach is a risk-based audit method that looks for red flags or signs of wrongdoing. The reactive strategy, on the other hand, was based only on complaints and referrals received. According to the poll results, CNAO favours a proactive strategy in the discovery and prevention of corruption, with 12 of Chinese Auditors agreeing. Auditors have been asked what options of action are available for their SAIs if red flags or signs of corruption are

discovered during a routine audit. According to the poll results, 13 of Chinese auditors said that red flags will be forwarded to the CNAO's special department, office, or unit for a complete investigation.

Auditors were asked what types of tools their SAIs had to prevent and identify corruption in the public sector. Auditing and accounting regulations (12 votes), the auditor code of conduct (11 votes), and the posting of audit findings through SAI's website were the most popular responses (10 votes).

### **3.4.3 Assessment of SAIs' Performances**

Auditors were requested to evaluate the effectiveness of the CNAO in combating corruption in this section. This section is crucial to examine because it will offer us a broad picture of what the auditors think about their various SAIs and how these helpful responses will enhance the SAIs' feedback quality in terms of corruption prevention and detection.

Chinese Auditors were requested to determine which anti-corruption efforts CNAO contributes the most to this end. According to the poll results, 12 of Auditors believe that CNAO contributes the most to the fight against corruption by investigative activities such as conducting audits and prompt reporting of audit findings to the prosecution department.

*Table 4- CNAO best action contributions*

CNAO best action contributions	Answers
Preventive actions by providing recommendations to improve anti-corruption activities	1
Detective actions through the conduct of audits and timely reporting of the audit to the Prosecution Department	12
Punitive measures by implementing criminal and disciplinary sanctions	2

*Source: (Authors own collection)*

### **3.4.4 Audit Limitations**

Several questions can be asked to Auditors in this section in order to assess audit constraints in the fight against corruption. The first question questioned if auditors believe that the CNAO's legislative framework needs to be changed to properly handle the increased demand for anti-corruption services.

According to the study results, 9 of Chinese auditors believe that no modifications to the CNAO's legal framework are necessary to effectively handle the rising need for anti-corruption actions.

In order to evaluate CNAO's audit constraints, auditors were asked what kinds of obstacles they believe inhibit their SAIs from combatting corruption. With 14 votes, a large number of Auditors chose "lack of capacity and financial resources." Then there are 12 votes for "lack of qualified employees to manage anti-corruption" and 9 votes for "law enforcement involvement with corrupt persons."

### **3.4.5 International Cooperation**

Auditors were asked if CNAO had ever collaborated with foreign SAIs or international organizations in the fight against corruption in this section. According to the results of the study, every Chinese respondent stated that CNAO had worked with foreign SAIs or international organizations to combat corruption. As previously stated, the CNAO has participated in a number of international initiatives and seminars with foreign counterparts in order to improve anti-corruption efforts and training among its auditors.

Tables and figures should be numbered and references to them must be in the text. Acceptable labeling for a table is Tab.1 and Fig. 1 for a figure.

## **4. Conclusion**

Since 1978, when China began its transition to a market economy, the situation has deteriorated in terms of corruption. During the transition era, corruption took on its own distinct shapes and patterns. To date, three waves of corruption have had serious ramifications for political, economic, and social life, posing a serious challenge to the regime's existence. The Chinese authorities have clearly recognized the gravity of both corruption and its consequences, and as a result, they have increased their anti-corruption operations. In this section, I discuss the results of a questionnaire distributed to CNAO auditors to gain a more comprehensive understanding of the current state of corruption in China as well as the current state of anti-corruption in China. The legal status, organization, and mandate of the SAI in combating corruption, the function of the SAI in the prevention and detection of corruption, the assessment of SAI performance, the limitations of audit in combating corruption, and their international collaboration are also discussed and According to the survey findings, establishing a stand-alone anti-corruption policy will assist China in setting clear targets for effective anti-corruption actions.



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