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

Table 1
Respondent Distribution and Response Rates

	People's congress group	Government and finance department group	Government audit bureau group	Academics group	Others group	Total
Number delivered	409	260	675	108	46	1498
Number undelivered	12	4	20	6	2	44
Number returned	100	35	220	34	13	402
Valid response rate （%）	25.19	13.67	33.59	33.33	29.55	27.65

Table 2

Descriptive Statistics on the Government Audit System

State-ments	Completely Disagree (1)		Disagree (2)		Neutral (3)		Agree (4)		Completely Agree (5)		Total	(4)+ (5)	Fact-or	Chi-Square	df	Asymp. Sig.
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	Load-ing			
Panel 1: Government Control Over Audit (Eigenvalue =2.40, Cronbach's Alpha =0.60)																
1.1	5	1.28	6	1.53	8	2.05	136	34.78	236	60.36	391	95.14	0.56	672.19	2	0.00
1.2	16	4.10	35	8.97	36	9.23	134	34.36	169	43.33	390	77.69	0.79	346.20	2	0.00
1.3	8	2.05	14	3.59	16	4.10	147	37.69	205	52.56	390	90.26	0.80	568.80	2	0.00
1.4	5	1.27	15	3.81	16	4.06	169	42.89	189	47.97	394	90.86	0.63	586.86	2	0.00
1.5	5	1.28	26	6.63	56	14.29	180	45.92	125	31.89	392	77.81	0.83	351.28	2	0.00
1.6	2	0.51	27	6.84	67	16.96	148	37.47	151	38.23	395	75.70	0.72	324.48	2	0.00
Panel 2: Advantages of GAS (Eigenvalue =3.24, Cronbach's Alpha = 0.83)																
2.1	18	4.62	39	10.00	125	32.05	167	42.82	41	10.51	390	53.33	0.69	87.98	2	0.00
2.2	16	4.09	41	10.49	90	23.02	157	40.15	87	22.25	391	62.40	0.80	152.87	2	0.00
2.3	19	4.90	45	11.60	87	22.42	158	40.72	79	20.36	388	61.08	0.74	136.49	2	0.00
2.4	19	4.87	38	9.74	89	22.82	164	42.05	80	20.51	390	62.56	0.83	153.89	2	0.00
2.5	17	4.33	42	10.69	98	24.94	171	43.51	65	16.54	393	60.05	0.78	132.05	2	0.00
2.6	11	2.84	34	8.76	109	28.09	159	40.98	75	19.33	388	60.31	0.53	142.89	2	0.00
Panel 3: Disadvantages of GAS (Eigenvalue =4.39, Cronbach's Alpha =0.86)																
(a) Audit Independence (consisting of 3.1, 3.2, and 3. 3) (Eigenvalue =1.92, Cronbach's Alpha =0.72)																
3.1			17	4.33	47	11.96	177	45.04	152	38.68	393	83.72	0.73	452.34	2	0.00

3.2	4	1.03	17	4.36	60	15.38	156	40.00	153	39.23	390	79.23	0.72	375.55	2	0.00
3.3	2	0.51	15	3.82	32	8.14	168	42.75	176	44.78	393	87.53	0.72	520.35	2	0.00
3.4	3	0.76	20	5.08	21	5.33	199	50.51	151	38.32	394	88.83	0.78	546.13	2	0.00
3.5	5	1.28	19	4.85	29	7.40	175	44.64	164	41.84	392	86.48	0.76	498.34	2	0.00
3.6	8	2.05	26	6.65	56	14.32	180	46.04	121	30.95	391	76.98	0.71	337.08	2	0.00
3.7	3	0.76	32	8.10	33	8.35	169	42.78	158	40.00	395	82.78	0.77	434.69	2	0.00
3.8	2	0.51	38	9.67	57	14.50	171	43.51	125	31.81	393	75.32	0.72	312.84	2	0.00

Table 3

Descriptive Statistics on Budget Implementation Auditing

State-ments	Completely Disagree (1)		Disagree (2)		Neutral (3)		Agree (4)		Completely Agree (5)		Total	(4)+(5)	Factor			
	No	%	No	%	No	%	No	%	No	%	No	%	Load-ing	Chi-Square	df	Asymp. Sig.
Panel 1: Nature and Importance of Budget Implementation Auditing (Eigenvalue = 2.81, Cronbach's Alpha = 0.76)																
4.1			8	2.05	14	3.58	92	23.53	277	70.84	391	94.37	0.706	655.71	2	0.00
4.2	1	0.26	4	1.03	11	2.82	136	34.87	238	61.03	390	95.90	0.755	687.09	2	0.00
4.3	1	0.26	12	3.08	33	8.48	174	44.73	169	43.44	389	88.17	0.747	528.02	2	0.00
4.4	1	0.26	18	4.62	37	9.49	148	37.95	186	47.69	390	85.64	0.712	481.43	2	0.00
4.5	2	0.51	32	8.21	48	12.31	167	42.82	141	36.15	390	78.97	0.587	366.34	2	0.00
4.6	3	0.77	26	6.67	41	10.51	170	43.59	150	38.46	390	82.05	0.577	417.09	2	0.00
Panel 2: Government Control Over BIA (Eigenvalue = 1.53, Cronbach's Alpha = 0.69)																
4.7	2	0.51	9	2.31	14	3.59	157	40.26	208	53.33	390	93.59	0.875	637.25	2	0.00
4.8	1	0.26	17	4.35	27	6.91	155	39.64	191	48.85	391	88.49	0.875	535.62	2	0.00
Panel 3: BIA Problems (Eigenvalue = 3.91, Cronbach's Alpha = 0.86), including																
(a) BIA Lacking Independence (consisting of 4.9, 4.10, 4.11, 4.12, 4.13) (Eigenvalue =2.99, Cronbach's Alpha = 0.83)																
(b) BIA Reporting Problems (consisting of 4.11, 4.12, 4. 13, 4.14) Eigenvalue = 2.39, Cronbach's Alpha = 0.77)																
4.9			6	1.54	27	6.92	165	42.31	192	49.23	390	91.54	0.85	596.26	2	0.00
4.10	3	0.77	13	3.35	45	11.60	175	45.10	152	39.18	388	84.28	0.83	456.41	2	0.00
4.11	2	0.51	17	4.35	64	16.37	155	39.64	153	39.13	391	78.77	0.81	371.05	2	0.00
4.12	3	0.77	30	7.69	48	12.31	165	42.31	144	36.92	390	79.23	0.78	370.57	2	0.00
4.13	5	1.28	40	10.23	60	15.35	165	42.20	121	30.95	391	73.15	0.80	279.75	2	0.00

4.14	4	1.03	43	11.03	83	21.28	160	41.03	100	25.64	390	66.67	0.69	199.98	2	0.00
4.15			16	4.12	28	7.22	149	38.40	195	50.26	388	88.66	0.86	535.01	2	0.00
Panel 4: People's Congress' Information Shortage (Eigenvalue = 2.83, Cronbach's Alpha = 0.86)															
4.16	4	1.02	25	6.38	41	10.46	139	35.46	183	46.68	392	82.14	0.84	311.21	4	0.00
4.17	2	0.51	13	3.32	41	10.49	192	49.10	143	36.57	391	85.68	0.84	365.61	4	0.00
4.18	1	0.26	16	4.09	26	6.65	163	41.69	185	47.31	391	89.00	0.84	545.59	2	0.00
4.19	3	0.77	11	2.81	34	8.70	146	37.34	197	50.38	391	87.72	0.85	522.05	2	0.00
Panel 5: The Supervision Role of the People's Congress (Eigenvalue = 2.05, Cronbach's Alpha =0.77)															
4.20	1	0.26	24	6.17	44	11.31	153	39.33	167	42.93	389	82.26	0.87	420.47	2	0.00
4.21			17	4.37	34	8.74	182	46.79	156	40.10	389	86.89	0.83	503.20	2	0.00
4.22	1	0.26	9	2.31	38	9.74	147	37.69	195	50.00	390	87.69	0.78	521.60	2	0.00

Table 4
Descriptive Statistics for Other Variables

Panel A: Categorical Variables

Academic qualification		
	Number	Percent (%)
0 = No higher education	50	12.44
1 = Higher education diploma	60	14.93
2 = Bachelor's degree	213	52.98
3 = Master's degree	60	14.93
4 = Doctoral degree	19	4.72
Total	402	100

Professional Title		
	Number	Percent (%)
1 = Below Accountant	182	45.27
2 = Accountant or equivalent	98	24.38
3 = Senior Accountant or equivalent	122	30.35
Total	402	100

Respondents' Group		
	Number	Percent (%)
1 = People's congress	100	24.87
2 = Government and finance department	35	8.71
3 = Government audit bureau	220	54.73
4 = Academics	34	8.45
5 = Others	13	3.23
Total	402	100

Panel B: Continuous Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Age	400	23	75	45.22	9.85
Years In Organization	393	0	50	24.19	10.73

Table 5

Regression Results on the Impact of Government Audit Characteristics on Audit Independence

	Lack Of Audit Independence		Disadvantage Of GAS		Advantage Of GAS	
	(1)		(2)		(3)	
	B	t	B	t	B	t
(Constant)	0.209	0.509	0.439	1.067	-1.266***	-2.811
Government Control Over Audit	0.453***	9.282	0.478***	9.762	-0.043	-0.789
Age	-0.001	-0.234	-0.004	-0.756	0.021***	3.400
Academic Qualification	0.079	1.387	0.084	1.493	0.027	0.423
Professional Title	-0.062	-0.953	-0.094	-1.449	-0.012	-0.171
Years In Organization	-0.006	-0.785	-0.002	-.316	-0.003	-0.331
Group - People's congress	0.005	0.017	-0.105	-.371	-0.020	-0.064
Group - Government and finance department	-0.237	-0.782	-0.391	-1.303	0.305	0.931
Group - Government audit bureau	-0.180	-0.673	-0.261	-0.981	0.497*	1.746
Group - Academics	-0.085	-0.271	-0.207	-0.668	-0.235	-0.695
Model summary						
Adjusted R^2	0.207		0.231		0.061	
F	10.991		12.321		3.446	
Sig.	0.000		0.000		0.000	

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

	Lack Of BIA Independence		BIA Reporting Problems		BIA Problems	
	(1)		(2)		(3)	
	B	t	B	t	B	t
(Constant)	0.505	1.599	0.493	1.434	0.353	1.109
Government Control Over Audit	0.263***	6.167	0.271***	5.916	0.274***	6.443
Government Control Over BIA	0.546***	12.318	0.481***	10.058	0.524***	11.869
Age	-0.006	-1.359	-0.008*	-1.801	-0.007	-1.610
Academic Qualification	-0.019	-0.436	0.024	0.511	0.017	0.387
Professional Title	0.001	0.017	-0.037	-0.659	-0.007	-0.135
Years In Organization	0.006	1.099	0.011*	1.762	0.009*	1.653
Group - People's Congress	-0.095	-0.447	-0.028	-0.117	0.042	0.190
Group - Government And Finance Department	-0.271	-1.172	-0.137	-0.532	-0.213	-0.901
Group - Government Audit Bureau	-0.317	-1.583	-0.283	-1.268	-0.173	-0.841
Group - Academics	-0.186	-0.787	0.063	0.241	-0.077	-0.314
Model summary						
Adjusted R^2	0.501		0.428		0.501	
F	35.150		26.611		34.593	
Sig.	0.000		0.000		0.000	

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
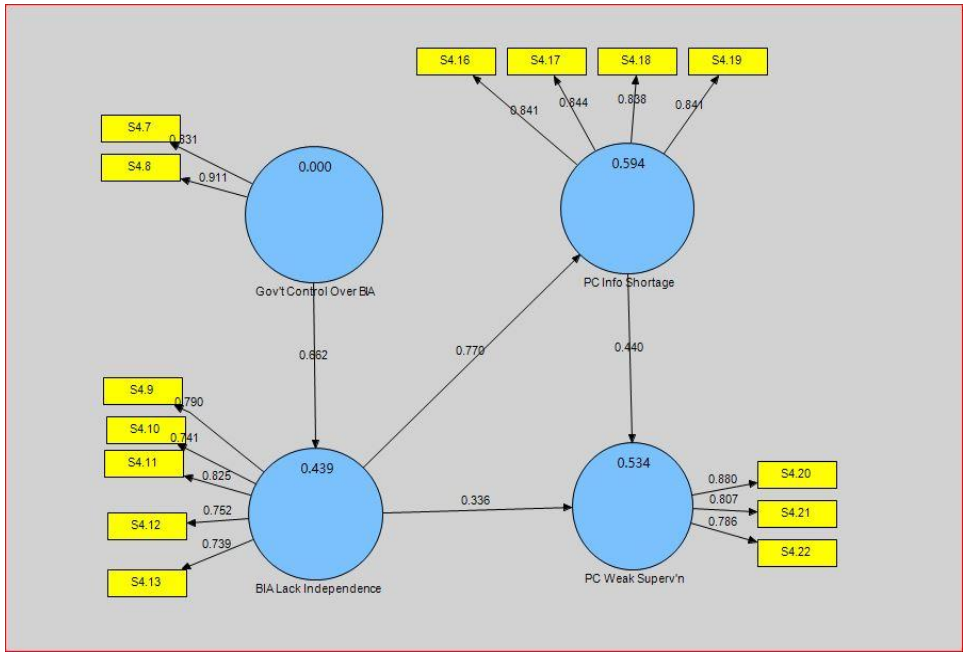
	People's Congress' Information Shortage		People's Congress' Weak Budget Supervision Role	
	(1)		(2)	
	B	t	B	t
(Constant)	-0.252	-0.884	-0.196	-0.612
BIA Lacking Independence	0.695***	14.051	0.533***	9.546
Government Control Over Audit	0.061	1.516	0.160***	3.500
Government Control Over BIA	0.029	0.602	0.032	0.584
Age	0.002	0.599	0.004	0.934
Academic Qualification	0.049	1.243	0.094**	2.111
Professional Title	0.008	0.182	-0.081	-1.567
Years In Organization	-0.001	0-.202	0.001	0.162
Group - People's Congress	0.328*	1.715	0.259	1.201
Group - Government And Finance Department	-0.037	-0.179	-0.123	-0.526
Group - Government Audit Bureau	-0.029	-0.159	-0.148	-0.731
Group - Academics	-0.184	-0.865	0.060	0.247
Model summary				
Adjusted R^2	0.602		0.493	
F	47.430		30.690	
Sig.	0.000		0.000	

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

	People's Congress' Information Shortage		People's Congress' Weak Budget Supervision Role	
	(1)		(2)	
	B	t	B	t
(Constant)	-0.275	-0.988	-0.212	-0.644
BIA Reporting Problems	0.673***	15.219	0.460***	8.773
Government Control Over Audit	0.059	1.526	0.177***	3.849
Government Control Over BIA	0.083*	1.895	0.100*	1.931
Age	0.004	0.936	0.005	1.020
Academic Qualification	0.024	0.629	0.072	1.594
Professional Title	0.029	0.658	-0.061	-1.149
Years In Organization	-0.003	-0.629	0.000	-0.072
Group - People's Congress	0.342*	1.796	0.286	1.267
Group - Government And Finance Department	-0.086	-0.417	-0.129	-0.526
Group - Government Audit Bureau	-0.006	-0.035	-0.122	-0.570
Group - Academics	-0.317	-1.494	0.003	0.011
Model summary				
Adjusted R^2	0.626		0.474	
F	52.659		28.687	
Sig.	0.000		0.000	

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
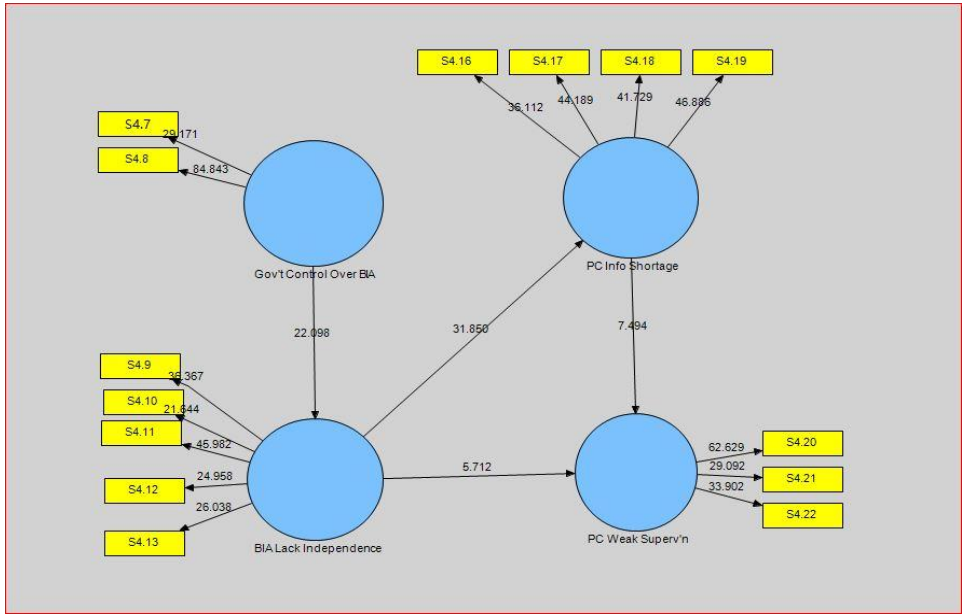
Panel B: Significance level (t values).

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.