Practices of Chinese Audit Institutions in Anti-Corruption

The Chinese government has always attached great importance to fighting against corruption. Since 2012, the country has secured an overwhelming victory in its anti-corruption efforts, and further consolidated it. This achievement has not only garnered strong recognition from the Chinese people but also earned high praise from the international community. As an integral part of the Party and state oversight systems, auditing plays an important and unique role in combating corruption.

I. China's Overall Approach and Key Measures in Fighting Against Corruption

1. Basic strategy: making integrated efforts to ensure that officials do not have the audacity, opportunity, or desire to become corrupt.

Fighting against corruption and building a clean government have always been clear and consistent in China's national governance. Since 2012, the government officially established the basic strategy of making integrated efforts to ensure that officials do not have the audacity, opportunity, or desire to become corrupt. In the strategy, "making officials do not dare to corrupt" serves as a precondition, "making officials have no opportunity to corrupt" as a key approach, and "making officials do not want to corrupt" as a fundamental assurance. These three elements form an interconnected and mutually reinforcing whole.

2. Institutional framework: improving the Party and state oversight systems.

There is a broad international consensus that the primary framework for combating corruption should be comprehensive, robust, and multifaceted. As early as in 1996, the Transparency International, in its source book *Confronting Corruption: The Elements of a National Integrity System,* identified auditing as one of the 11 pillars of a national integrity system. Building on its extensive efforts to establish systems to exercise and oversee power, the Chinese government has developed comprehensive Party and state oversight systems.

3. Practice and results

In recent years, coordinated efforts across various oversight systems have delivered remarkable results in the fight against corruption. First, maintaining a tough stance has led to the investigation and handling of a series of major corruption cases. This reflects a firm resolve to combat corruption and responds to public expectations for a clean and upright political environment. Second, efforts to address corruption have been intensified in key sectors. Sectors with a high concentration of power, resources, and funds have been identified as priorities of combating corruption. Institutional reforms in these sectors have been advanced to better lock power in an institutional cage. Third, new and covert forms of corruption have been targeted through addressing both conduct defects and corruption activities. The government has stepped up efforts to combat corruption that leverages expected benefits, concealed shareholding, fabricated transactions, and other new and covert means, working to root out the conditions that breed corruption.

II. Position and Institutional Strength of China's Audit Institutions in Anti-Corruption Governance

1. Combating corruption and promoting integrity are statutory duties and key missions of audit institutions.

Article 1 of the *The Audit Law of the People's Republic of China* and Article 6 of the *National Audit Standards of the People's Republic of China* explicitly identify "promoting integrity" as a primary objective of audit. The *National Audit Standards of the People's Republic of China* includes a specific section on "*Inspecting Significant Illegal Activities*", which provides operational guidance for audit institutions and auditors in detecting and reporting major violations, thereby establishing a solid legal foundation for audit institutions' deep involvement in anti-corruption governance. All major strategic anti-corruption initiatives in China have emphasized the need to fully leverage the role of audit, including its critical role in curbing corruption and disorder, enforcing fiscal discipline, strengthening coordination with financial oversight, and reinforcing whole-process oversight in key areas, positions, and major funds. Through laws, regulations, and strategic plans, audit institutions have been mandated with the major responsibility of identifying significant issues, preventing integrity risks, advancing systemic governance, and supporting the broader anti-corruption campaign. As a result, audit has become an institutionalized, regular, and professional force in China's national governance framework against corruption.

2. Audit has unique institutional strength in anti-corruption governance.

The first strength is authority. China's audit system is established under the Constitution, which grants it a stable, mandatory, and authoritative legal status. Since the reform of the audit management system in 2018, audit institutions have exercised full oversight over public funds, state-owned assets, and state-owned resources. Audit findings can be reported directly to the head of the Central Audit Commission. In terms of scope and influence within the economic oversight system, audit demonstrates an irreplaceable authority. The second strength is independence. Audit institutions in China do not allocate funds, approve projects, or exercise specific administrative functions. The Constitution and laws fully guarantee the organizational, functional, and financial independence of audit institutions and auditors. The *Constitution of the People's Republic of China* explicitly states that audit institutions exercise their power of oversight through auditing independently in accordance with the law, subject to no interference from administrative agencies, social organizations, or individuals. The third strength is professionalism. Audit institutions are specialized bodies established under the Constitution to exercise economic oversight. Unlike other forms of oversight, state audit in China has a rigorous and professional operational framework. Through specialized examination of financial, operational, and information data related to audited entities and activities, audit institutions truthfully identify issues and analyze causes, and provide objective and fair evaluations and recommendations.

3. Positioning of audit within the Party and state oversight systems.

As explicitly stipulated in official documents, audit is one of the key components of the systems for exercising and overseeing power, alongside oversight by the Party, people's congresses, political consultative conferences, administrative bodies, judicial organs, the public, and the media. Audit remains firmly focused on its economic oversight mandate, concentrating on its primary responsibilities, and serves as a critical tool in combating corruption and disorder. As the main force in economic oversight and an effective mechanism for constraining power, audit institutions focus on the authenticity, legality, and performance of fiscal revenues and expenditures and financial activities, and track the exercise of power along the chains of funds, projects, and assets, identifying potential corruption risks through professional oversight. It plays an irreplaceable institutional role in constraining power, maintaining fiscal discipline, and overseeing public funds, providing robust support for strengthening Party and state oversight systems and improving governance effectiveness.

III. Practical Methods and Effectiveness of Audit Institutions in Anti-Corruption Governance

1. Strengthening oversight, uncovering clues about major corruption issues, and reinforcing the deterrent against corruption.

First, audit institutions focus on key individuals exercising public authority. Audit institutions have pursued institutional innovation tailored to the realities by establishing a system of accountability audit for economic responsibility. This system focuses on leading officials, who play a key role in the exercise of public authority, and conducts regular and sustained audits of economic responsibilities assumed by leading officials of regions, departments, and entities. In recent years, audit institutions across the country have audited approximately 20,000 leading officials annually, focusing on their performance in implementing major policies and measures, managing significant funds and projects, and mitigating major risks. These efforts have played an important role in strengthening the supervision and management of leading officials, and promoting the lawful, clean, and proper exercise of power.

Second, comprehensive oversight is provided over the entire process of public authority. On the one hand, this involves eliminating blind spots in oversight. Oversight is reinforced across the circle of the exercise of public authority, with particular focus on major projects and key funds. On the other hand, oversight is precisely targeted at key sectors and positions. Special attention is given to sectors with concentrated power, resources, and funds, such as finance, state-owned enterprises, energy and resources, education, healthcare, development zones, construction projects, and public tendering and bidding. In addition to identifying major violations, audit institutions analyze the characteristics of corruption, and step up case studies to identify vulnerabilities in the exercise of power and gaps in systems for allocating and constraining power. Based on this analysis, they propose measures to help tighten institutional safeguards, regulate discretionary powers, and reduce opportunities for public power rent-seeking. Third, we continuously intensify the investigation and exposure of major violations. Audit institutions have always prioritized anti-corruption efforts and placed identification of significant violations as a key focus. They have strengthened research-based auditing and enhanced in-depth oversight. In practice, auditors maintain a high level of sensitivity to major losses or risks involving public funds, state-owned assets, or state-owned resources, as well as unusual decisions, procedures, behaviors, or data in their management, use, operation, or disposal. By examining anomalies, the exercise of power, special relationships, and channels of benefit transfer, auditors identify unusual matters, track power trajectories, identify special connections among individuals, and trace the ultimate destination of benefits. Technologically, audit institutions have deepened the application of information technology. By integrating network hardware, software information systems, and big data resources from audit institutions nationwide, we have built a comprehensive cloud-based platform that provides robust data and technical support for identifying responsible individuals and their proxies, and untangling complex benefit transfer chains.

2. Promoting source-based governance and taking an integrated approach to identifying issues, standardizing management, and advancing reform to strengthen the institutional cage against corruption.

A systematic and holistic approach is emphasized to fully leverage the constructive role of audit in a broader context. First, stronger oversight is placed on the implementation of major strategies and the transmission of macro policies. Audit institutions are embedded in all aspects of national economic operations, contributing to smooth policy implementation, deeper reform, and better performance. From the overall perspective of economic and social operations and development, they identify bottlenecks, challenges, and pain points in high-quality economic development and the implementation of major policies and measures. Second, in-depth analysis of issues identified through audit is conducted. Key audit matters are examined within the broader context of economic and social operations, and specific issues identified through audit are assessed against the broader backdrop of reform and development. The patterns and trends of corruption are analyzed, and root causes are identified within systems, institutions, and mechanisms . Audit recommendations are proactively made to help address both the symptoms and root causes of corruption, prevent emerging issues from becoming trends and localized issues from escalating into systemic problems, thereby achieving the effect of addressing one case to warn a whole region and improve governance across a sector. Third, follow-up on audit rectification is continuously deepened. The rectification of audit findings is given equal priority to exposure of audit findings and advanced in an integrated manner. Audit promotes both symptom and root cause treatment by ensuring accountability for rectification. Major, critical, and typical issues identified through audit are addressed with firm resolve, supporting reform breakthroughs in relevant areas and promoting high-quality development.

3. Strengthening the application of audit findings and enhancing coordination between audit institutions and other oversight bodies to cultivate an environment of integrity.

Audit institutions have established the mechanisms for coordination and collaboration with other entities in the oversight system. First, the audit referral mechanism has been established. A standardized, efficient, closed-loop system has been established for the referral and handling of audit clues. Audit institutions refer clues on violations of discipline, law, or duty-related crimes discovered to disciplinary inspection, supervision, and judicial authorities in strict accordance with laws and regulations. A complete chain of referral, acceptance, investigation, feedback, and verification has been put in place to effectively process transferred clues and ensure that cases involving suspected corruption offenses can proceed smoothly through judicial procedures, enabling severe punishment of corrupt individuals in accordance with the law and ensuring seamless integration between specialized supervision and oversight by discipline and law. Second, the coordination mechanism for audit rectification has been established. A multi-party collaborative mechanism with binding requirements has been established. Audit rectification is incorporated into the key priorities of disciplinary inspections and other means of inspections. Entities that fail to rectify issues, engage in superficial rectification, or refuse to rectify are subject to serious accountability, ensuring the fulfillment of both principal and supervisory responsibilities. A list-based management approach, a system for closing audit findings upon rectification, and thorough follow-up inspections are implemented to create a closed loop of audit, rectification, inspection, and governance, eliminating the breeding grounds for corruption through effective rectification. Third, open channels has been formed for communication, coordination and assistance. Audit institutions have established regular consultation, information sharing, joint inspection, and assistance mechanisms with disciplinary inspection, supervision, general inspection, public security, procuratorial, financial regulatory and industry authorities. These institutions work together in transferring clues, investigating and gathering evidence, assisting with case inquiries, and cross-border governance efforts, breaking down oversight barriers and enhancing the overall effectiveness of anti-corruption. These efforts facilitate the systematic integration and efficient coordination of various types of oversight.