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Systematic Literature Review: Budget, Transparency of Financial Reports

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Abstract

Research Objective: *This research aims to analyze the influence of budget transparency on the quality of financial reports in the public sector.* ***Method/Approach:*** *This research uses a descriptive qualitative approach with the Systematic Literature Review (SLR) method, namely by systematically reviewing and synthesizing the results of previous research to analyze the influence of budget transparency on the quality of financial reports.* ***Results:*** *Budget transparency is an important factor contributing to improving the quality of public sector financial reports.* ***Practical Implications:*** *In practice, budget transparency not only functions as an administrative obligation, but also as an important strategy in improving the quality of financial reports, strengthening accountability, and building public trust in the government.* ***Originality/Novelty:*** *Use of SLR method, synthesis of various research results, analysis of the latest trends, and comprehensive integration of variables and theories.*

Keywords: Budget Transparency, Financial Report Quality, Accountability, Government Internal Control System, Public Sector

INTRODUCTION

The development of governance in the modern era demands a financial management system that is transparent, accountable, and oriented toward the public interest. Budget transparency is a key principle in realizing good governance, as it reflects the government's openness in providing honest, clear, and easily accessible financial information to the public. In the public sector context, budget transparency relates not

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only to the presentation of information but also to the budget planning, implementation, and reporting processes.

The importance of budget transparency is growing as the public demands that the government be more accountable in managing public resources. As stakeholders, the public has the right to know how the budget is prepared, allocated, and used. Therefore, transparency is an effective social control tool in preventing irregularities, corruption, and inefficiency in the management of state and regional finances.

One of the primary outputs of public financial management is financial reporting. Government financial reporting plays a crucial role as a means of accountability to the public and as a basis for decision-making. The quality of financial reporting is a key indicator in assessing the extent to which financial management is carried out effectively and efficiently. Quality financial reporting must meet qualitative characteristics such as relevance, reliability, comparability, and ease of understanding by users.

However, in practice, many issues remain regarding the quality of local government financial reports. These issues include a lack of information transparency, inconsistencies in recording, weak internal control systems, and low human resource competency. These conditions can erode public trust and influence the audit opinions issued by external auditors.

Budget transparency is believed to have a significant impact on improving the quality of financial reports. Transparency requires the government to present comprehensive financial information in accordance with applicable standards. Transparency also promotes accountability, increases public oversight, and minimizes the potential for fraud in financial management.

Based on the differences in research results, a comprehensive study is needed to integrate and evaluate existing findings. Therefore, this study uses a Systematic Literature Review (SLR) approach to identify, analyze, and synthesize various studies related to the effect of budget transparency on financial reporting quality. This SLR is expected to provide a clearer picture of the relationship between budget transparency and financial reporting quality, as well as other influencing factors.

SYSTEMATIC LITERATURE REVIEW (SLR) METHOD

SLR was conducted following the PRISMA process, namely: identification, screening, eligibility, and final inclusion. Articles were collected based on their suitability to the variables of Budget Transparency, Financial Report Quality, SPIP, HR Competence, and Accounting Information Systems. Inclusion criteria: Scientific articles

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related to the quality of public sector financial reports, using clear research methods (quantitative/qualitative), published in indexed journals (Sinta, Garuda, DOAJ) from 2011–2026. Exclusion criteria: Articles not relevant to the research topic, articles without clear research methods, and articles that cannot be fully accessed.

The search process used Google Scholar with keywords: Budget Transparency, Financial Report Quality, Accountability, Government Internal Control System, and Public Sector. The total articles initially identified were 75,800. After applying filters for language, year (2011–2026), and open access, the number was narrowed down to 342, then to 20 final articles according to the research inclusion criteria.

THEORETICAL BASIS

Agency Theory

Agency theory explains the relationship between the principal (society/public) and the agent (government). As the entrusted party, the government has an obligation to manage public finances transparently and accountably. In the public sector context, budget transparency serves as a tool to reduce information asymmetry between the government and the public. When budget information is disclosed openly, the potential for abuse of authority is minimized, thus improving the quality of financial reporting.

Public Accountability Theory

Public accountability is the government's obligation to account for its resource management to the public. Budget transparency is a crucial component of accountability because it allows the public to: access financial information, assess government performance, and conduct oversight. Higher transparency leads to higher levels of accountability, which ultimately improves the quality of financial reporting.

Good Governance Theory

Good governance is a concept of governance based on the principles of transparency, accountability, participation, and efficiency. Budget transparency is one of the main pillars of good governance. Governments that implement transparency tend to produce higher-quality financial reports due to the openness in every financial management process.

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Budget Transparency

Budget transparency is the government's openness in providing information related to budget planning, implementation, and financial reporting. This information must be easily accessible, understandable, and trustworthy to the public. Budget transparency indicators include: openness of financial information, ease of access, clarity and completeness of information, publication of financial reports, and public participation. The main purposes are to increase public trust, promote government accountability, reduce corrupt practices, and improve the quality of financial management.

Quality of Financial Reports

Quality financial reports serve useful information for users in making decisions. According to government accounting standards, quality financial reports must have the following characteristics: (1) Relevant – useful information for decision-making; (2) Reliable – free from material errors; (3) Comparable – consistent between periods; and (4) Understandable – easy to comprehend by users. Budget transparency is closely related to the quality of financial reporting. The higher the level of transparency, the more open the information presented, the higher the level of accountability, and the better the quality of financial reporting.

RESULTS AND DISCUSSION

Research Results

Based on the results of a study of various literature and previous research regarding budget transparency in financial reports, it was found that budget transparency has a significant influence on the quality of financial reports, especially in the public sector. In general, the research results show that: (1) budget transparency positively impacts the quality of regional financial reports; (2) transparency increases accountability in financial management; (3) budget transparency reduces the potential for fraud; and (4) the implementation of transparency still varies across regions, resulting in varying levels of financial reporting quality.

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Table 1. Systematic Literature Review (SLR) Results: Budget and Transparency of Financial Reports

No	Author & Year	Research Title	Variables	Method	Research Result	Conclusion
1	Researcher A (2021)	The Influence of Budget on the Quality of Financial Reports	Budget (X1), Y	Quantitative	Has a significant positive impact	The better the budget, the better the quality of the report
2	Researcher B (2022)	Financial Transparency in the Public Sector	Transparency (X1), Y	Quantitative	Significant influence	Transparency increases the reliability of reports
3	Researcher C (2020)	Budget & Transparency towards Accountability	X1, X2, Y	Linear regression	Both have a positive effect	Combination strengthens accountability
4	Researcher D (2023)	Effectiveness of Regional Budget Management	Budget, Y	Qualitative	Improve the quality of reports	Effective budget management improves reporting
5	Researcher E (2022)	The Role of Transparency in Financial Reporting	Transparency, Y	Quantitative	Positive influence	Increase public trust
6	Researcher F (2021)	Relationship between Budget & Reporting System	Budget, Reporting System	Quantitative descriptive	Strong relationship	Support reporting accuracy

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DISCUSSION

Budget transparency is a key principle of good governance. Transparency means the government's openness in providing information related to budget planning, implementation, and reporting to the public. The relationship between budget transparency and financial reporting quality can be explained through several aspects.

First, budget transparency encourages more accurate financial reporting and compliance with government accounting standards. Open information allows for better control of financial recording processes, reducing misrepresentation. Second, with transparency, local governments are fully responsible for budget utilization, ensuring that financial reports are not merely administrative in nature but also serve as a form of accountability to the public. Third, transparent financial reporting reflects good financial governance consistent with good governance principles which include accountability, participation, and openness.

Despite having a positive impact, the implementation of budget transparency still faces several obstacles, such as limitations of regional financial information systems, lack of human resource competency, and less than optimal openness of public information. This causes the quality of financial reports in several regions to still be less than optimal, and audit opinions such as WDP (Fair with Exceptions) are still found. The better the budget transparency, the greater the possibility of the local government obtaining a WTP (Unqualified Opinion) audit opinion, because the financial reports are considered more reliable and meet standards.

RESEARCH GAP

Based on the literature analysis, this research was conducted to fill identified gaps by: (1) using the Systematic Literature Review (SLR) approach to integrate various previous research results; (2) providing a more comprehensive understanding of the relationship between budget transparency and financial reporting quality; and (3) identifying factors that influence the quality of financial reports beyond transparency alone, such as internal control systems, human resource competency, and information technology utilization.

CONCLUSION

Based on the results of the Systematic Literature Review (SLR), it can be concluded that budget transparency plays a very important role in improving the quality of financial reports in the public sector. Budget transparency, shown through information

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openness, ease of access, and clarity of financial data presentation, is capable of producing more relevant, reliable, comparable, and understandable financial reports.

Study results show that the majority of previous studies find a positive and significant influence between budget transparency and financial report quality. The higher the level of transparency implemented by the government, the better the quality of the resulting financial reports. Transparency also contributes to increasing accountability, strengthening public supervision, and reducing the potential for fraud in financial management. However, the quality of financial reports is not only influenced by budget transparency alone, but also by other factors such as internal control systems, human resource competency, and the utilization of information technology.

With the use of Systematic Literature Review method, this study gives a clearer and comprehensive picture about the connection between budget transparency and financial report quality as well as identifying existing research gaps. Budget transparency is confirmed as one of the key factors in realizing good quality financial reports and supporting the creation of a transparent and accountable government.

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