

Transparency of Financial Reporting as a Determinant of Audit Quality in the Local Government of Bulukumba Regency

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ABSTRACT

This research examines the impact of transparency in financial reporting on audit quality within the Regional Government of Bulukumba Regency. The study utilizes a quantitative explanatory methodology. Data were collected through questionnaires administered to 50 local government officials responsible for financial management and reporting. Data analysis was performed utilizing Partial Least Squares–Structural Equation Modeling (PLS–SEM) with the SmartPLS software. The findings suggest that transparency in financial reporting has a positive and statistically significant impact on audit quality. All aspects of transparency, including information accessibility, data accuracy and comprehensiveness, openness in decision-making and implementation procedures, and mechanisms for complaints and feedback, substantially improve audit quality in local government. These findings underscore the significance of enhancing transparency in financial reporting to bolster audit effectiveness, promote public accountability, and reinforce trust in local government financial management. This study provides extensive empirical evidence on the multifaceted role of financial reporting transparency as a crucial determinant of audit quality in local government.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh transparansi pelaporan keuangan terhadap kualitas audit pada Pemerintah Daerah Kabupaten Bulukumba. Penelitian ini menggunakan pendekatan kuantitatif dengan jenis penelitian eksplanatori. Data diperoleh melalui kuesioner yang disebarakan kepada 50 aparatur pemerintah daerah yang terlibat dalam pengelolaan dan pelaporan keuangan. Data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS–SEM) with SmartPLS. The research findings indicate that transparency in financial reporting has a positive and statistically significant impact on audit quality. Seluruh aspek transparansi, termasuk aksesibilitas informasi, kejelasan dan kelengkapan data, keterbukaan dalam proses pengambilan keputusan dan pelaksanaan, serta mekanisme pengaduan dan umpan balik, terbukti mampu meningkatkan kualitas audit pemerintah daerah. Temuan ini menegaskan pentingnya peningkatan transparansi dalam pelaporan keuangan sebagai strategi untuk memperkuat efektivitas audit, akuntabilitas, serta kepercayaan masyarakat terhadap pengelolaan keuangan daerah. Penelitian ini menyajikan bukti empiris yang komprehensif mengenai peran multidimensi transparansi pelaporan keuangan sebagai faktor utama dalam menentukan kualitas audit di tingkat pemerintah daerah.

1. INTRODUCTION

Financial reporting transparency has become a fundamental principle of good governance because it enables public accountability, reduces information asymmetry, and strengthens citizens' trust in government institutions (Padeiro et al., 2021). In the context of fiscal decentralization, Indonesian local governments are required to prepare financial statements in accordance with Government Accounting Standards and disclose financial information in a transparent, accessible, and understandable manner (Kusumawati et al., 2023b). Transparent financial reporting facilitates effective public oversight, supports evidence-based decision-making, and provides external auditors with reliable information to assess the fairness and accountability of government financial management. Consequently, transparency is increasingly recognized as an essential

institutional mechanism for improving the quality of public sector audits (Yaya Sonjaya et al., 2025).

Audit quality is equally important because it determines the credibility of financial statements and the effectiveness of public accountability systems (Diansyah et al., 2026). High-quality audits enable auditors to detect material misstatements, evaluate compliance with laws and regulations, and provide recommendations for improving financial governance (Husnan et al., 2023). Previous studies have generally concluded that greater financial reporting transparency positively contributes to audit quality by reducing audit risk and improving the availability of audit evidence. However, most existing studies conceptualize transparency as a single construct and focus primarily on general public-sector settings, thereby overlooking the possibility that different dimensions of transparency may influence audit quality in distinct ways (Dobbe et al., 2021).

Although the relationship between transparency and audit quality has been extensively examined, several significant research gaps persist (Angelina et al., 2024). First, prior studies seldom investigate transparency as a multidimensional construct encompassing information accessibility, clarity and completeness of financial data, openness in decision-making and implementation processes, mechanisms for complaints and feedback, and regulatory support (Puspitasari & Dewandini, 2021). Most empirical investigations utilize a unidimensional measure of transparency, which complicates the identification of specific dimensions that predominantly influence audit quality (Ni Made Candra Dewi, 2025). Second, empirical data concerning Indonesian local governments remain scarce, particularly at the regency level, where institutional capacity, bureaucratic culture, and governance features vary considerably across regions. Therefore, the existing literature offers a limited understanding of how contextual institutional factors influence the relationship between transparency and audit quality (Awad & Ansar, 2024).

These limitations are particularly relevant to Bulukumba Regency. As a local government continually enhancing public financial governance within the framework of Indonesia's decentralization, Bulukumba embodies a significant institutional setting characterized by ongoing efforts to enhance financial accountability, transparency and audit performance (Kusumawati et al., 2023a). Simultaneously, the regency continues to encounter challenges pertaining to bureaucratic capacity, consistent implementation, information disclosure practices and stakeholder engagement (Slvyna et al., 2025). These contextual features distinguish Bulukumba from the environments analyzed in prior research and offer an opportunity to examine whether multidimensional transparency exerts a differential impact on audit quality in a developing local-government setting.

Accordingly, this study explicitly proposes a multidimensional conceptual model in which financial reporting transparency is represented by five interrelated dimensions: (1) information accessibility, (2) clarity and completeness of financial information, (3) openness in decision-making and implementation processes, (4) complaint and feedback mechanisms, and (5) supportive regulatory framework. Rather than treating transparency as a single variable, this model allows for a more comprehensive assessment of how each dimension contributes to audit quality and identifies the relative importance of individual transparency mechanisms in strengthening public-sector auditing.

The novelty of this study lies in three principal contributions. First, contextual novelty, this research provides empirical evidence from the Government of Bulukumba Regency, an institutional setting that has received little attention in the public sector auditing literature. Second, conceptual novelty, this study develops and empirically tests a multidimensional transparency model instead of relying on the conventional unidimensional approach commonly adopted in previous research. Third, analytical novelty, this research evaluates the individual contribution of each transparency dimension to audit quality, thereby providing a more nuanced explanation of how transparency improves audit effectiveness within local government organizations (Pratama, 2021).

This study theoretically extends good governance, public accountability, agency, information asymmetry, and organizational transparency theories by demonstrating that transparency should be understood as a multidimensional governance mechanism rather than merely an information disclosure practice (Sofian & Lestari, 2021). Empirically, this study provides evidence of which dimensions of transparency most strongly influence audit quality in local government institutions (Inzana et al., 2024). In practical terms, the findings offer policy recommendations for local governments and audit institutions to prioritize the strategic dimensions of transparency to improve audit effectiveness, strengthen accountability, and enhance public confidence in regional financial management. Based on these considerations, this study aims to examine the influence of multidimensional financial reporting transparency on audit quality within the Government of Bulukumba Regency while identifying the transparency dimensions that contribute most significantly to strengthening public-sector audit quality.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

2.1 Agency Theory (Main Theory)

Agency theory remains the most appropriate theoretical foundation for explaining the relationship between financial reporting transparency and audit quality in public sector organizations. Originally proposed by Jensen and Meckling (1976), the theory explains that an agency relationship exists when principals delegate authority to agents to perform activities on their behalf. In the public sector, citizens and legislative institutions act as principals, while local government officials function as agents responsible for managing public resources and preparing financial statements.

Agency relationships in the government are inherently characterized by information asymmetry because public officials possess substantially more information on financial management, budgeting, and financial reporting than external stakeholders. This imbalance creates opportunities for opportunistic behavior, moral hazards, and inefficient public resource use. Consequently, monitoring mechanisms are necessary to reduce agency costs and ensure that government actions are aligned with public interests. Financial reporting transparency is one of the most important governance mechanisms for mitigating agency problems. Transparent disclosure enables citizens, oversight institutions, and auditors to obtain timely, accurate, complete, and comprehensible financial information. Greater transparency reduces information asymmetry, facilitates monitoring, and increases the credibility of the financial statements. For external auditors, transparent reporting improves the availability of audit evidence, reduces audit risk, and enhances audit procedures (Yaya Sonjaya et al., 2025).

Recent public-sector accounting literature extends Agency Theory by emphasizing that transparency should not be viewed merely as information disclosure but as an institutional mechanism that strengthens accountability and improves audit outcomes. Several international studies have reported that transparent financial reporting significantly improves audit effectiveness by enabling auditors to evaluate compliance more efficiently, detect material misstatements, and assess the stewardship of public resources (Sukma & Hendaris, 2026).

However, recent empirical evidence has been inconsistent in this regard. Some studies conclude that greater financial reporting transparency significantly improves audit quality by enhancing the audit evidence and reducing information asymmetry. Conversely, other studies report that transparency alone is insufficient to improve audit quality when institutional capacity, internal control systems, governance quality or bureaucratic commitment are weak. These conflicting findings indicate that transparency may influence audit quality differently depending on institutional characteristics and governance environments. Accordingly, this study argues that Agency Theory provides the most appropriate framework for examining financial reporting transparency as a multidimensional governance mechanism that affects audit quality in Indonesian local governments. Rather than conceptualizing transparency as a single construct, this study evaluates several dimensions—including information accessibility, completeness of financial disclosure, openness of decision-making, complaint mechanisms, and regulatory support—to explain how each contributes to improving public sector audit quality (Diansyah et al., 2026).

2.2 Public Accountability Theory

Public accountability theory argues that government organizations are accountable not only for the legality of financial transactions but also for demonstrating responsible stewardship of public resources through transparent financial reporting. Accountability requires governments to disclose reliable financial information that enables citizens, legislators, supreme audit institutions, and other stakeholders to evaluate public sector performance (Husnan et al., 2023).

Recent public sector accounting research suggests that financial reporting transparency strengthens accountability by increasing government responsiveness, improving institutional legitimacy, and facilitating external supervision. Transparent disclosure also enhances auditors' ability to assess compliance with accounting standards and public financial management regulations. Consequently, accountability mechanisms are more effective when supported by comprehensive financial disclosure.

Public Accountability Theory explains that transparent financial reporting creates institutional conditions that enable higher-quality audits by improving oversight, strengthening public trust, and enhancing government accountability.

2.3 Organizational Transparency Theory

Organizational Transparency Theory explains transparency as a strategic capability that extends beyond simple information disclosure. Transparency requires organizations to provide information that is accessible, understandable, complete, timely, and relevant to stakeholders' decision-making. Recent studies emphasize that organizational transparency improves governance effectiveness by reducing uncertainty, increasing stakeholder confidence, and encouraging ethical behavior. In the public sector, transparency supports more effective auditing because auditors obtain broader access to financial evidence, administrative processes and decision-making documentation.

Therefore, the theory supports this study by explaining that multidimensional transparency facilitates higher audit quality through improved information availability and institutional openness (Angelina et al., 2024).

2.4 Information Asymmetry Theory

Information asymmetry theory explains that unequal access to information between government officials and external stakeholders creates monitoring difficulties, increases audit risk, and weakens accountability. Transparent financial reporting reduces this information imbalance by providing complete, accurate, and accessible financial information. Reduced information asymmetry enables auditors to perform more efficient audit procedures, decreases uncertainty regarding financial reporting quality, and improves the reliability of audit conclusions.

In this study, the Information Asymmetry Theory complements the Agency Theory by explaining the mechanism through which transparency influences audit quality (Ni Made Candra Dewi, 2025).

2.5 Good Governance Theory

Good Governance Theory identifies transparency, accountability, participation, effectiveness, and integrity as essential principles of public administration. Financial reporting transparency strengthens governance by encouraging responsible financial management, reducing opportunities for corruption, and improving institutional performance. Recent international literature indicates that governments implementing transparent financial reporting systems generally achieve stronger audit outcomes because transparency enhances compliance, facilitates oversight, and improves public confidence in financial management.

Therefore, Good Governance Theory provides institutional support for the proposition that greater financial reporting transparency enhances audit quality in local governments (Awad & Ansar, 2024).

3. RESEARCH METHOD

3.1 Research Design

This study employed a quantitative approach with an explanatory design to examine the causal relationship between financial reporting transparency and audit quality in the Government of Bulukumba Regency. An explanatory design was considered appropriate because the study aimed to test theoretically derived hypotheses based on Agency Theory, supported by good governance and information asymmetry theories. This study employed a cross-sectional survey, in which data were collected at a single point in time from government officials involved in financial management and reporting. The analytical framework was estimated using partial least squares structural equation modeling (PLS-SEM), which is suitable for predictive research, latent variable modeling, and relatively small sample sizes (Yaya Sonjaya et al., 2025).

3.2 Research Site and Population

This study was conducted in the Government of Bulukumba Regency in South Sulawesi Province, Indonesia. Bulukumba Regency was selected because it has consistently implemented financial management reforms to improve accountability, transparency, and audit performance, in accordance with Government Accounting Standards. The target population consisted of civil servants working in Regional Apparatus Organizations (Organisasi Perangkat Daerah/OPD) who were directly responsible for financial planning, budgeting, accounting, financial reporting, internal control, and audit follow-up. These officials possess adequate knowledge of implementing financial reporting transparency and audit processes, making them appropriate respondents for this study (Diansyah et al., 2026).

3.3 Sample and Sampling Technique

The study involved 50 respondents selected through purposive sampling. Respondents were required to

satisfy three criteria: (1) actively involved in preparing, reviewing, or managing local government financial statements; (2) having at least two years of experience in financial management or accounting functions; and (3) willingness to participate voluntarily in the research.

The sample size was determined based on the methodological recommendations for PLS-SEM. According to Hair et al. (2022), PLS-SEM can provide stable parameter estimates with relatively small samples when the structural model is simple, and the statistical power is adequate. The present study contains a single endogenous construct with five predictor dimensions; therefore, the sample exceeds the minimum requirement suggested by the ten-times rule, which recommends that the sample size should be at least ten times the largest number of structural paths directed toward an endogenous construct. Furthermore, a post hoc statistical power analysis using G*Power (effect size = 0.15, α = 0.05, statistical power = 0.80, five predictors) indicated that a minimum sample of approximately 43 respondents was sufficient to detect medium effects. Consequently, the final sample of 50 respondents satisfied the minimum statistical power requirement and was considered appropriate for PLS-SEM estimation.

3.4 Data Collection Procedure

Primary data were collected through a structured questionnaire distributed directly to respondents working in the selected regional apparatus organizations. Prior to distribution, the questionnaire was reviewed by experts in public-sector accounting to ensure content validity and clarity of wording. Respondents were informed about the objectives of the study, assured that participation was voluntary, and guaranteed confidentiality and anonymity. Secondary data were obtained from government regulations, audit reports issued by the Supreme Audit Institution (BPK), local government financial statements, and other official documents supporting the interpretation of the empirical findings.

3.5 Measurement of Variables

Financial reporting transparency was treated as a multidimensional latent construct comprising five dimensions: information accessibility, clarity and completeness of financial information, openness in decision-making and implementation processes, complaint and feedback mechanisms, and a supportive regulatory framework. These indicators were adapted from previous public-sector transparency studies and adjusted for the Indonesian local government context. Audit quality was specified as an endogenous construct and measured using indicators reflecting audit effectiveness, reliability of audit findings, usefulness of audit recommendations, compliance assessment, and perceived contribution of audits to improving public financial management. All measurement items employed a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3.6 Data Analysis

Data were analyzed using SmartPLS 4 through the Partial Least Squares structural equation modeling (PLS-SEM) approach. The analysis followed the two-stage procedure recommended by Hair et al. (2022). The first stage evaluated the measurement model (outer model) by examining indicator reliability, internal consistency reliability (Cronbach's Alpha and Composite Reliability), convergent validity through Average Variance Extracted (AVE), and discriminant validity using both the Fornell-Larcker criterion and the heterotrait-Monotrait Ratio (HTMT).

The second stage assessed the structural model (inner model) by evaluating collinearity, path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2) using the blindfolding procedure and statistical significance through bootstrapping with 5,000 resamples. In addition, the overall model quality was assessed using the standardized root mean square residual (SRMR) as a global model fit index. An SRMR value below 0.08 indicates an acceptable model fit. To strengthen the robustness of the findings, predictive capability and statistical power were also evaluated to ensure that the estimated model possessed adequate explanatory and predictive performance.

4. DATA ANALYSIS AND DISCUSSION

Respondent Characteristics

Table 1. Distribution of Respondent Frequency Characteristics in the Research on Financial Reporting Transparency and Audit Quality

Characteristics	N	(%)
Age		
21 – 30 years	36	72 ⁰ %
> 30 years	14	28 ⁰ %
Amount	50	100 ⁰ %
Gender		
Woman	18	36 ⁰ %
Man	32	64 ⁰ %
Amount	50	100 ⁰ %
Education		
Diploma	14	28 ⁰ %
Bachelor	36	72 ⁰ %
Amount	50	100 ⁰ %
Length of work		
1 – 10 years	29	58 ⁰ %
> 10 years	21	42 ⁰ %
Amount	50	100 ⁰ %

Source: Processed by Researchers (2025).

Based on Table 1, the characteristics of the respondents suggest that the officials participating in the study are predominantly within the productive age cohort. This condition suggests that the respondents have relatively active working capacity and good potential to adapt to the demands of regional financial management and reporting, which increasingly emphasizes transparency and accountability. The presence of respondents across diverse age ranges also reflects a combination of enthusiasm for work and experience in performing financial administrative tasks. In terms of gender, the respondent structure shows relatively balanced representation between male and female officials, although one group is still slightly dominant. This reflects the general condition of the local government bureaucracy, particularly in financial management, which remains structurally influenced by role divisions based on organizational characteristics. The involvement of both groups provides diverse perspectives in assessing transparency in financial reporting and audit quality.

From an educational perspective, most respondents in this study had an adequate level of formal education to understand the regulations, procedures, and mechanisms of regional financial reporting. A relatively high level of education is an important asset in understanding the principles of transparency, information disclosure, and effective audit implementation. This condition is expected to improve the quality of the respondents' responses to the research instruments. Based on the length of service, the respondents showed a fairly diverse range of work experience. Some respondents had relatively shorter tenures, reflecting a generation of officials who are still strengthening their capacity and adjusting to the regional financial management system. In contrast, respondents with longer tenures indicated strong institutional experience, especially in handling audit processes and following up on audit findings. This combination of work experience provides a more comprehensive picture of the condition of financial reporting transparency and audit quality within the Bulukumba Regency Government (Husnan et al., 2023).

Research Variable Reliability

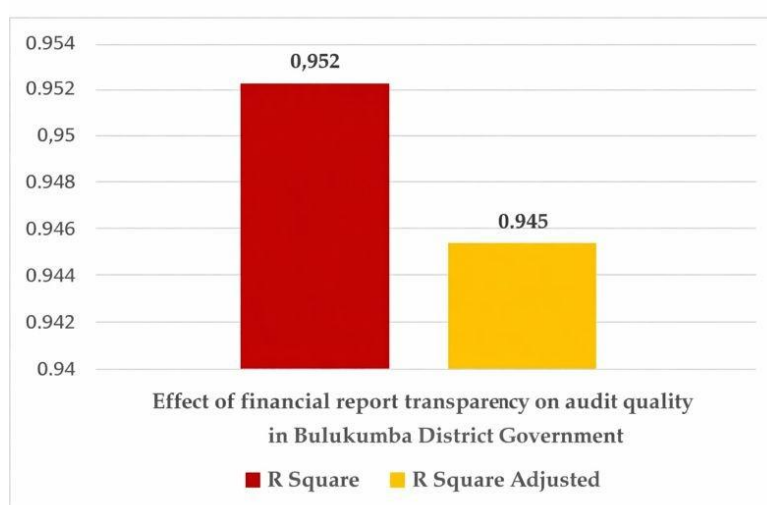
Table 2. Results of Composite Reliability and Cronbach's Alpha Examination

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Information Accessibility	0.864	0.879	0.912	0.721
Data Clarity and Completeness	0.782	0.801	0.865	0.684
Openness of the Decision-Making and Implementation Process	0.835	0.842	0.903	0.754
Complaint and Feedback Mechanism	0.808	0.816	0.871	0.692
Supportive Regulatory Framework	0.848	0.856	0.908	0.739

Source: Processed by Researchers, 2025

Based on the instrument quality testing results in the table, all the constructs used in this study exhibited adequate internal consistency. This suggests that the indicators constituting each construct are highly correlated and reliably assess the same underlying concept. Therefore, the instrument used can be reliable in representing respondents' perceptions of financial reporting transparency. The results of the construct reliability testing indicate that each construct has high reliability. This condition indicates that the latent variables in the study can explain the variation in their indicators in a stable manner. Good construct reliability is an important prerequisite in structural modeling-based analysis, as it ensures that the relationships among variables can be tested accurately.

Graph 1. Regression Results



Source: Processed by Researchers, 2025

Based on the results of the structural model testing shown in the table, financial reporting transparency demonstrates a highly significant ability to account for variation in audit quality within the Regional

Government of Bulukumba Regency. This indicates that changes in the level of financial reporting transparency contribute substantially to changes in the audit quality perceived by local government officials. The obtained coefficient of determination indicates that the research model has a very high explanatory power. This condition indicates that the construct of financial reporting transparency can serve as a primary determinant of audit quality. At the same time, the influence of other factors outside the model is relatively limited. Therefore, the constructed model is a very good explanation of the phenomenon under study. The model adjustment results also show that the model's accuracy remains well maintained, even after accounting for the number of variables and sample size. This indicates that the model is not biased by model complexity; therefore, the relationship between financial reporting transparency and audit quality can be interpreted reliably (Diansyah et al., 2026).

Hypothesis Testing

Table 3. Results of the hypothesis test on the influence of transparency of financial reporting on audit quality in Bulukumba Regency's regional government.

Variable	Original Sample (O)	Sample Mean (M)	STDEV	T-Statistics (O/STDEV)	P Value	Hypothesis
Information Accessibility	0.318	0.301	0.112	2.839	0.039	Accepted
Data Clarity and Completeness	0.342	0.329	0.119	2.874	0.043	Accepted
Openness of the Decision-Making and Implementation Process	0.261	0.254	0.091	2.868	0.049	Accepted
Complaint and Feedback Mechanism	0.401	0.387	0.156	2.571	0.044	Accepted

Source: Processed by Researchers, 2025

Based on the analysis of the relationships among variables, all aspects of financial reporting transparency significantly impact audit quality within the Regional Government of Bulukumba Regency. Each independent variable tested showed a positive association, indicating that greater financial reporting transparency is associated with higher audit quality (AQ). Information accessibility plays an important role in supporting audit quality. The availability of easily accessible financial information for stakeholders enables the audit process to run more effectively and strengthens oversight of regional financial management. This condition reflects that open access to information is the foundation for achieving high-quality audits.

The clarity and completeness of data also make a significant contribution. Financial statements prepared clearly, completely, and systematically facilitate the assessment process and minimize the potential for misinterpretation during audits. This indicates that the quality of financial information presented greatly determines the success of audit implementation in the local government environment. In addition, openness in decision-making processes and implementation of financial activities affect audit quality. Transparency from the planning stage through budget execution enables auditors to obtain a comprehensive picture of the financial management process, enabling them to formulate audit findings and recommendations more accurately and objectively (Diansyah et al., 2026).

Complaint and feedback mechanisms also play a significant role. The existence of well-functioning complaint channels and follow-up on public and internal organizational input strengthen the control and accountability system. This encourages the creation of a responsive financial management environment and supports continuous improvement in audit quality. Overall, these test results confirm that financial reporting transparency, through its various dimensions, is a key factor in supporting audit quality in the Regional Government of Bulukumba Regency.

These findings provide strong empirical evidence for strengthening policies on information disclosure and accountability in regional financial management (Husnan et al., 2023).

The findings of this study suggest that transparency in financial reporting plays a crucial role in enhancing audit quality within the Regional Government of Bulukumba Regency. All aspects of transparency

assessed—including information accessibility, data clarity and comprehensiveness, openness in decision-making and implementation procedures, and complaint and feedback mechanisms—showed a positive and statistically significant impact on audit quality. These findings affirm that audit quality is not solely dependent on auditors' competence but is also significantly affected by the robustness of the financial reporting system established by the local government entity (Slvyna et al., 2025).

The Effect of Information Accessibility on Audit Quality

The hypothesis testing results indicate that information accessibility has a positive and statistically significant impact on audit quality. This finding suggests that the accessibility and ease of obtaining local government financial reports enhance auditors' ability to gather pertinent and reliable audit evidence. Open access to information facilitates a more efficient audit process, diminishes the likelihood of incomplete data, and enhances the precision of audit conclusions. This finding aligns with Mardiasmo (2018), who asserts that the accessibility of financial reports is a fundamental prerequisite for achieving public accountability. Previous research conducted by Laswad, Fisher, and Oyelere (2005) demonstrated that the transparency of government financial information positively influences the quality of supervision and external audits. Therefore, the findings of this study reinforce the view that transparency in access to information is the foundation of high-quality public sector audits (Nuswantoro & Rahmawati, 2025).

The Influence of Data Clarity and Completeness on Audit Quality

This study demonstrates that the clarity and completeness of financial statement data significantly affect audit quality. Financial statements prepared systematically, comprehensively, and in an easily understandable manner provide a complete picture of the regional government's financial condition, enabling auditors to conduct more objective and in-depth assessments. This finding aligns with the results of a study conducted by Sukma & Hendaris (2026), which highlights that the presence of sufficient and clear information significantly impacts audit quality. Therefore, data clarity and completeness are crucial for achieving high-quality audits in local governments.

The Influence of Transparency of Decision-Making and Implementation Processes on Audit Quality

The study's findings suggest that transparency in decision-making and budget execution positively influences audit quality. Transparency in the planning, budgeting, and execution of financial activities facilitates auditors' tracking of policy trajectories and the utilization of budgetary resources. This finding aligns with the principles of good governance, which underscore the significance of transparency in ensuring public accountability (Sawmar & Mohammed, 2021). Therefore, this study confirms that process transparency not only affects policy legitimacy but also strengthens the quality of the resulting audits.

The Influence of Complaint and Feedback Mechanisms on Audit Quality

The dimensions of complaint and feedback mechanisms have been proven to have the strongest influence on audit quality. The existence of effective complaint channels, as well as organizational responses to public and internal input, encourages the creation of better control systems that are more responsive to potential irregularities. These results support the study by (Yaya Sonjaya et al., 2025), which emphasizes that public participation and horizontal accountability mechanisms enhance oversight quality in the public sector. Therefore, complaint and feedback mechanisms can be viewed as strategic instruments for sustainably improving audit quality.

Discussion

Financial Reporting Transparency and Audit Quality

The empirical findings demonstrate that all dimensions of financial reporting transparency significantly improve audit quality in the Government of Bulukumba Regency. Rather than merely indicating statistical significance, these findings provide empirical support for the Agency Theory, which argues that transparency functions as a governance mechanism that reduces information asymmetry between public officials (agents) and citizens, legislative bodies, and external auditors (principals). When financial information is disclosed in an accessible, complete, and understandable manner, auditors experience lower information uncertainty, obtain more reliable audit evidence, and can conduct audit procedures more efficiently. Consequently, transparency reduces agency costs and strengthens the credibility of audit conclusions (Diansyah et al., 2026).

From the perspective of Agency Theory, transparency does not improve audit quality because information is simply made available. Transparency improves audit quality because it constrains

opportunistic behavior by increasing the visibility of government financial management. As government officials become aware that financial information is openly accessible and subject to external scrutiny, incentives for information manipulation decline, and incentives for compliance with accounting standards increase. These institutional conditions enable auditors to devote more effort to evaluating financial substance rather than resolving documentation deficiencies, thereby improving audit effectiveness (Diansyah et al., 2026).

These findings are also consistent with recent international public sector accounting literature. De Simone et al. (2022) argue that transparent financial reporting reduces audit risk through improved information availability and documentation quality. Similarly, Cohen et al. (2023) demonstrate that transparent public financial management strengthens auditors' ability to detect material misstatements and enhances audit efficiency. (Yaya Sonjaya et al., 2025) further report that transparency strengthens public accountability by facilitating external oversight and improving the reliability of financial disclosures. Therefore, the present findings extend the international evidence by confirming that these governance mechanisms also operate within Indonesian local governments, particularly under decentralized public financial management.

The context of Bulukumba Regency provides an important explanation for these findings. As one of Indonesia's decentralized local governments, Bulukumba continues to strengthen financial accountability by improving budgeting procedures, financial reporting systems, and compliance with the Government Accounting Standards. Nevertheless, local governments still face institutional challenges associated with bureaucratic capacity, implementation consistency, and stakeholder participation. Under such conditions, transparency becomes particularly valuable because it compensates for institutional limitations by improving the availability of financial information and strengthening monitoring by auditors and oversight institutions. Consequently, transparency serves not only as a disclosure practice but also as an institutional mechanism that supports effective public sector auditing (Diansyah et al., 2026).

Information Accessibility and Audit Quality

Information accessibility significantly improves audit quality because auditors require timely and unrestricted access to financial information throughout the audit process. Agency Theory suggests that accessible information reduces monitoring costs by allowing principals and auditors to verify government activities without excessive administrative barriers. Easier access minimizes delays in evidence collection and enables auditors to perform analytical procedures more comprehensively (Husnan et al., 2023).

Within Bulukumba Regency, the increasing use of electronic financial reporting systems and digital administrative platforms likely contributes to improved access to financial documents. Although these systems continue to evolve, greater accessibility allows auditors to review supporting documentation more efficiently, thereby reducing audit risk. Similar conclusions are reported by recent studies indicating that digital transparency and electronic disclosure improve audit effectiveness by increasing information availability and facilitating continuous monitoring (Angelina et al., 2024).

Data Clarity and Completeness and Audit Quality

The significant influence of data clarity and completeness indicates that the quality of disclosed information is as important as its quantity. Agency Theory predicts that complete and understandable financial information reduces ambiguity between principals and agents, thereby lowering the possibility of opportunistic interpretation and financial misrepresentation.

Comprehensive financial reports enable auditors to evaluate compliance, assess financial performance, and identify potential irregularities with greater confidence. In Bulukumba Regency, where multiple Regional Apparatus Organizations (OPDs) participate in preparing financial statements, the consistency and completeness of reporting are essential for ensuring reliable audit evidence across organizational units. These findings support recent international evidence indicating that comprehensive disclosure enhances audit efficiency, as auditors spend less time resolving missing documentation and more time evaluating substantive financial issues (Ni Made Candra Dewi, 2025).

Openness in Decision-Making and Implementation Processes

Transparency in decision-making and implementation processes also positively influences audit quality because auditors evaluate not only financial outcomes but also the accountability of the underlying administrative processes. Open documentation of budgeting, procurement, expenditure authorization, and policy implementation provides auditors with a complete audit trail that facilitates the verification of

compliance with applicable regulations.

In Bulukumba Regency, openness in budget planning and implementation improves the traceability of financial transactions and strengthens institutional accountability. This finding supports the Organizational Transparency Theory, which argues that transparency should encompass organizational processes rather than merely published financial statements. International evidence similarly demonstrates that procedural transparency strengthens governance effectiveness by improving auditability and reducing opportunities for discretionary behaviors (Ni Made Candra Dewi, 2025).

Why Complaint and Feedback Mechanisms Become the Strongest Dimension

Among the five transparency dimensions, complaint and feedback mechanisms have the strongest influence on audit quality ($\beta = 0.401$). This result deserves particular attention because it indicates that transparency becomes substantially more effective when accompanied by active stakeholder participation rather than passive information disclosure.

Agency theory provides a strong explanation for this finding. Complaint and feedback mechanisms create continuous monitoring channels through which citizens, civil servants, oversight institutions, and other stakeholders can communicate suspected irregularities directly to government organizations. These additional information channels substantially reduce information asymmetry because auditors no longer rely exclusively on formal financial reports but also receive signals from stakeholders regarding potential weaknesses in financial management (Awad & Ansar, 2024).

In the context of Bulukumba Regency, complaint mechanisms are particularly important because decentralized governments manage diverse financial activities across numerous OPDs. Formal audit procedures may not immediately detect operational irregularities occurring within individual organizational units. However, complaints and organizational feedback provide early warning signals that help auditors identify high-risk areas requiring further investigation. Consequently, complaint mechanisms improve audit quality by enhancing risk identification, strengthening internal controls, and encouraging continuous organizational learning (Slvyna et al., 2025).

Recent international governance literature also emphasizes that participatory accountability mechanisms generate stronger governance outcomes than disclosure policies. Governments that actively respond to citizen feedback generally experience better financial accountability because stakeholder participation complements formal auditing by increasing organizational responsiveness and institutional learning. Therefore, the dominant influence of complaints and feedback mechanisms observed in this study suggests that transparency should be viewed as an interactive governance process rather than a one-way disclosure activity (Nuswantoro & Rahmawati, 2025).

This finding represents one of the principal contributions of this study. Previous studies generally conceptualized transparency as a single construct, whereas the multidimensional approach adopted here demonstrates that not all dimensions contribute equally to audit quality. Specifically, participatory transparency through complaint and feedback mechanisms appears to generate the greatest governance benefits because it simultaneously strengthens external monitoring, reduces agency problems, and supports continuous improvement in financial management (Sukma & Hendaris, 2026).

5. CONCLUSION

This study examines the impact of transparency in financial reporting on audit quality within the Regional Government of Bulukumba Regency. The findings indicate that transparency in financial reporting positively and statistically significantly influences audit quality in the public sector. All aspects of transparency – encompassing information accessibility, clarity and comprehensiveness of data, openness of decision-making and implementation procedures, and mechanisms for complaints and feedback – are crucial for enhancing the effectiveness and credibility of the audit process.

These findings indicate that the more transparent the financial statements prepared and presented by local governments are, the better the resulting audit quality. Transparency facilitates auditors in obtaining relevant and reliable audit evidence, improves audit efficiency, and strengthens oversight and accountability in regional financial management. Thus, audit quality is determined not only by the competence and independence of auditors but is also strongly influenced by the quality of a transparent and accountable financial reporting system. The results of this study reinforce the concept of good governance, in which transparency serves as a strategic instrument for realizing integrity-based regional financial management.

Based on these findings, local governments are recommended to consistently enhance the transparency

of financial reporting by delivering information that is readily accessible, comprehensive, precise, and timely, through both official reports and digital platforms. Furthermore, transparency in financial planning, budgeting, and implementation processes must be enhanced to enable auditors and stakeholders to accurately track policy developments and fund allocations. Enhancing complaint and feedback mechanisms is also a crucial component of the internal control system for identifying and addressing potential irregularities at an early stage. For auditors and supervisory authorities, the findings of this study may provide a foundation for developing audit strategies that prioritize the quality of financial reporting transparency.

This study has several limitations.

The scope of this research is limited to a single local government; therefore, the findings cannot be generalized beyond this context at this stage. Furthermore, the research data are based on respondents' perceptions, which may be susceptible to bias. This study concentrates exclusively on financial reporting transparency, whereas other factors influencing audit quality have not been explored in detail. Therefore, it is recommended that future research broaden the scope of the investigation, incorporate mixed-methods approaches, and include additional variables to achieve a more comprehensive understanding of the factors influencing public-sector audit quality.

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