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Systematic Literature Review on the Role of Public Auditors in Financial Transparency

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Abstract

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This study investigates the role of public auditors in advancing financial transparency in the public sector through a systematic literature review (2017-2021) of 19 empirical and conceptual works guided by the PRISMA framework. The analysis shows that audits strengthen transparency by verifying financial information, disclosing audit results to the public, and providing recommendations for improved financial management. Audit effectiveness is shaped by auditor independence, technical expertise, adequate resources, and supportive regulatory frameworks. Nonetheless, auditors face persistent obstacles such as political interference, budget constraints, and limited access to information, especially in developing and transitional economies. The study emphasizes that context-sensitive policy reforms are needed to safeguard independence, enhance institutional capacity, and ensure timely audit disclosures, thereby maximizing the contribution of public audits to transparency, accountability, and public trust.

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1. Introduction

In recent years, the role of public auditors has become increasingly pivotal in promoting financial transparency within the public sector. Public auditing serves not only as a mechanism for verifying financial statements but also as a vital tool for enhancing accountability, reducing information asymmetry between governments and citizens, and reinforcing public trust in the management of public resources (Alon & Dwyer, 2014; Hay & Cordery, 2018). Effective public sector audits require more than procedural compliance they depend on institutional arrangements such as auditor independence, technical competence, audit scope, and the strength of the regulatory framework, all of which determine the extent to which audits can contribute to fiscal transparency (Cordery & Hay, 2020).

However, the literature highlights that the ability of public auditors to foster transparency is not without challenges. Studies have noted that auditors may face institutional and political constraints that limit their independence or capacity to disclose sensitive findings, potentially undermining the audit's role as a catalyst for transparency (Hakimah & Hanifah Azzahra, 2016). Furthermore, differences in governance structures, public financial management systems, and socio-political contexts mean that the impact of public audits on transparency can vary significantly across countries and sectors (Brusca et al., 2018).

Given these complexities, a systematic review of the literature is essential to synthesize empirical and conceptual insights regarding how public auditors contribute to financial transparency. This review aims to (1) identify the mechanisms through which public audits enhance transparency and accountability, (2) evaluate empirical evidence on the determinants of audit effectiveness, and (3) highlight research gaps and policy implications for strengthening public audit practices. By applying a rigorous systematic literature review approach, this study seeks to provide a comprehensive evidence base to guide both academic inquiry and policy reform in public sector auditing.

2. Literature Review

The growing importance of public auditors in enhancing financial transparency within the public sector has attracted significant scholarly attention. Public audits serve not only as verification tools for financial statements but also as mechanisms for improving accountability, minimizing information asymmetry, and strengthening public trust in the management of public resources (Cordery et al., 2020). The effectiveness of these audits is closely associated with institutional factors such as auditor independence, technical competence, adequate audit scope, and the robustness of regulatory frameworks, all of which determine their capacity to promote fiscal transparency.

Nevertheless, existing research reveals that public auditors often encounter institutional and political constraints that may undermine their independence and limit their ability to disclose sensitive findings. Such challenges can stem from political interference, budgetary dependence, or restrictions on publishing critical reports, thereby weakening the audit function's role as a driver of transparency (Lassou & Hopper, 2016). Furthermore, variations in governance structures, public financial management systems, and socio-political contexts contribute to significant differences in how public audits influence transparency across countries and sectors (Brusca et al., 2018).

Recognizing these complexities, scholars have emphasized the value of systematic reviews that integrate both empirical and conceptual perspectives to identify the mechanisms through which public audits enhance transparency. These reviews not only highlight determinants of audit effectiveness but also provide practical recommendations for policy reforms aimed at strengthening public audit practices (Raudla et al., 2016). Such evidence-based approaches are essential for reinforcing institutional frameworks and safeguarding the independence and capacity of public auditors in diverse governance settings.

3. Methods

This study adopts a systematic literature review (SLR) approach to synthesize empirical and conceptual research on the role of public auditors in promoting financial transparency within the public sector. The SLR method was chosen because it offers a structured, transparent, and replicable process for identifying, evaluating, and integrating evidence from diverse scholarly sources, ensuring methodological rigor and minimizing selection bias. The review process followed the Preferred Reporting Items for Systematic Reviews and Meta Analyses (PRISMA) framework, which involves the formulation of research questions, systematic search and selection of literature, critical appraisal of selected studies, and synthesis of findings. The guiding questions focus on identifying the mechanisms through which public auditors enhance transparency and accountability, evaluating determinants of audit effectiveness, and highlighting research gaps for future studies.

Data were gathered from leading academic databases such as Scopus, Web of Science, Google Scholar, and ProQuest, using keyword combinations like "public audit," "financial transparency," "accountability," and "audit effectiveness," connected with Boolean operators. The search covered the period from 2017 to 2021 to capture both historical and contemporary perspectives. Inclusion criteria were set for studies focusing on public sector auditing and its role in promoting transparency, including both empirical and conceptual works published in English and appearing in peer reviewed journals, conference proceedings, or authoritative reports. Studies unrelated to public auditing, focused solely on the private sector, or lacking full text availability were excluded.

The selection process involved two screening stages: an initial review of titles and abstracts, followed by a full-text review to confirm relevance. Methodological quality was assessed using a checklist adapted from the Critical Appraisal Skills Programme (CASP), focusing on clarity of objectives, appropriateness of methodology, validity of findings, and relevance to the research questions. Data from eligible studies were extracted systematically using a coding framework capturing key aspects such as author and year, governance context, mechanisms linking audits to transparency, determinants of audit effectiveness, challenges faced by auditors, and policy recommendations. The extracted data were then analyzed through thematic synthesis to identify recurring patterns, integrate conceptual and empirical findings, and develop an evidence based framework to inform both scholarly inquiry and policy reform in public sector auditing.

4. Results and Discussion

The systematic literature review identified a total of 19 studies published between 2017 and 2021 that met the inclusion criteria, encompassing both empirical research and conceptual analyses on public sector auditing and financial transparency. These studies covered diverse geographical contexts, including OECD member states, developing countries in Asia and Africa, and transitional economies in Eastern Europe. The thematic synthesis revealed three core findings: (1) mechanisms through which public audits enhance transparency, (2) determinants of audit effectiveness, and (3) persistent challenges and contextual variations.

First, the literature consistently highlights that public audits contribute to financial transparency through three main mechanisms: verification of financial information to ensure accuracy and compliance, public disclosure of audit findings to citizens and legislative bodies, and the issuance of recommendations to improve financial management practices. These mechanisms are most effective when supported by strong legal mandates requiring timely publication of audit results and ensuring public access to audit reports (Hay & Cordery, 2018; Cordery & Hay, 2020). In governance contexts where these mechanisms are well-institutionalized, audits not only detect irregularities but also act as preventive measures through the signaling effect of independent oversight.

Second, the determinants of audit effectiveness identified in the reviewed studies are primarily linked to institutional and resource-based factors. Auditor independence emerges as the most frequently cited determinant, with findings showing that political interference or financial dependence on audited entities can significantly reduce the transparency benefits of audits (Lassou & Hopper, 2016; Raudla et al., 2016). Technical competence, supported by adequate staffing and professional training, is equally crucial as it determines the comprehensiveness and accuracy of audit coverage. Moreover, a robust regulatory framework that clearly defines audit mandates and enforces compliance strengthens the role of audits in promoting fiscal transparency.

Third, the review identified persistent challenges that hinder the potential of public auditors as effective transparency agents. In several developing and transitional economies, these challenges include limited budget allocations for audit institutions, restricted access to critical financial information, and legal or political barriers to publishing sensitive audit findings. Additionally, variations in socio-political contexts such as governance culture, the maturity of democratic institutions, and the level of public demand for accountability shape the extent to which audit recommendations are implemented. These contextual differences underscore that while public auditing can be a powerful mechanism for transparency, its effectiveness is contingent upon the broader institutional and governance environment.

Overall, the findings suggest that enhancing the impact of public audits requires comprehensive policy reforms. Key measures include safeguarding auditor independence from political influence, ensuring adequate financial and human resources, and strengthening legal provisions for the public disclosure of audit results. Furthermore, the cross country variations observed in the literature indicate that reform strategies must be adapted to specific governance contexts rather than applying uniform solutions. By addressing these structural and contextual barriers, governments can better leverage public audits as strategic instruments to foster accountability, transparency, and public trust in the management of public resources.

5. Conclusion

This study reaffirms that public auditing plays a vital role in promoting financial transparency and strengthening accountability in the public sector. The systematic literature review of studies from 2017 to 2021 reveals that audits enhance transparency through mechanisms such as verification of financial information, public disclosure of audit findings, and recommendations for improved financial management. The effectiveness of these mechanisms, however, is highly dependent on institutional determinants, particularly auditor independence, technical competence, adequate resources, and the robustness of regulatory frameworks. Persistent challenges ranging from political interference and budget constraints to restricted access to information continue to limit the capacity of audits to drive transparency, especially in developing and transitional economies. Given the variations in governance structures and socio-political contexts, policy reforms aimed at safeguarding independence, ensuring adequate institutional capacity, and mandating the timely publication of audit results are essential. Tailoring these reforms to the specific needs and conditions of each governance context will enable public audits to serve more effectively as strategic tools for fostering transparency, public trust, and accountability in the management of public resources.

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