

Accounting Ethics and Quality of Financial Reporting: A Case of District Local Governments in Northern Uganda

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Abstract

This study examines the link between accounting ethics and the quality of financial reporting in district local governments in Northern Uganda, with a particular focus on management policy as a mediating factor. In Uganda's decentralized governance framework, financial reporting is essential for promoting transparency, accountability, efficient resource use, and effective service delivery. Nevertheless, many districts in Northern Uganda continue to grapple with issues such as corruption, expenditure misclassification, and failure to adhere to accounting standards. Grounded in Accounting and Agency theories, the study investigates how ethical principles namely Integrity, Objectivity, Compliance with standards as well as Professional competence influence the Accuracy, Transparency, Objectivity, and Relevance of financial reporting. Employing a case study design, the study will gather both qualitative and quantitative data from five selected districts in the Acholi and Lango sub-regions. The findings are expected to guide stakeholders on how ethical accounting behavior, supported by sound management policies, can strengthen public financial management and foster sustainable development in line with Uganda's Vision 2040. While the study faces challenges such as non-random sampling and reliance on self-reported information, it provides valuable insights for enhancing governance and accountability at the local government level.

Keywords

Accounting, Financial Reporting, Accounting Ethics and Local Governments

1. Introduction

The financial reporting process in local government heavily relies on accounting ethics, which is a significant facet of the accounting profession, regardless of the

area of competency within accounting profession, and those who assume the role of accounting are obligated in keeping high standards of the profession (Alnasser, Shaban, & Al-Zubi, 2014). It is required of the accountants to carry out their work in a manner that complies with the moral and ethical requirements of the profession. One of the factors contributing to incorrect financial reporting, which reduces the accuracy and reliability of financial reports, is a lack of accounting ethics (Edi & Enzelin, 2022). To guarantee the integrity and dependability of the financial data given to stakeholders, high ethical standards requirement in accounting are needed.

Salaudeen, Ibikunle, and Chima (2015) asserted that it is critical that accountants offer data that is actually useful, trustworthy, accurate, and devoid of prejudice. It means that the data presented must be reliable, accurate, and devoid of bias or personal preference. Accounting code of ethics can reduce the likelihood of financial reporting that is deceptive (Edi & Enzelin, 2022). The foundation of public confidence in financial reporting, according to IFAC (2015), is the establishment of a code of professional behavior and ethics for professional accountants. It is impossible to overstate the significance of financial reporting and accounting integrity. Therefore, it is critical to look at the causes of financial reporting crises and accounting ethics misrepresentation as well as how the accounting industry can raise its ethical standards and financial reporting procedures.

Ethics pertains to the moral values guiding human behavior and the principles that govern or influence an individual's actions (Hornby, 2000). The roots of ethical accounting practices can be traced back to ancient Mesopotamia, where the Code of Ur-Nammu (circa 2100-2050 BCE) included rules promoting fairness in economic transactions, establishing a foundation for ethical behavior in financial matters. During the medieval era, double-entry bookkeeping emerged in Europe's commercial hubs. Luca Pacioli, an Italian mathematician, introduced this system in his influential work "Summa de Arithmetica" (1494) (Smith, 2022). Although primarily a technical guide, Pacioli's work subtly endorsed ethical principles by highlighting the importance of accuracy, transparency, and accountability in financial reporting.

In the 19th century, marked by the Industrial Revolution, professional accounting organizations such as the Institute of Chartered Accountants in England and Wales (ICAEW), founded in 1880, played a vital role in promoting ethical standards within the profession. The evolution from ancient ethical codes to contemporary regulatory frameworks underscores the lasting significance of integrity, transparency, and accountability in accounting (Adaga et al., 2024). As the field continues to develop, the ethical principles established over the centuries remain a guiding influence for accountants globally. Similarly, the Institute of Certified Public Accountants of Uganda, established in 1992, is tasked with advancing the accountancy profession in Uganda and beyond by providing an internationally recognized qualification that upholds high ethical and professional standards in accounting and auditing (Therapy, A. A. for M. and F., 2001).

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest (Chartered Institute of Management Accountants (CIMA), 2015). Accountants in both the public and private sectors are expected to follow this code of ethics, which is a key topic for IFAC members (Dankwanmbo & Izedonmi, 2018). Recent discussions have highlighted various ethical issues, including insider trading, conflicts of interest, accepting gifts, and financial mismanagement. Previous research has indicated that these ethical dilemmas impact financial reporting in multiple ways (Bahrum, Rahmawati, & Antong, 2024; Olubusola, Daraojimba, Ajayi-Nifise, Falaiye, & Mhlongo, 2024). Ethical practices in accounting are closely aligned with the framework and principles of corporate governance (Keremidchiev & Nedelchev, 2020).

As noted by Weygandt, Kimmel, & Kieso (2018), financial reports are a branch of accounting that generates financial information. These reports are the responsibility of financial management in both public and private sector organizations (Jauhari et al., 2021). The quality of financial reports stems from the accounting processes that produce the financial information necessary for decision-making (Pura, 2021). To be deemed effective, financial reports must satisfy specific criteria, including relevance, reliability, accessibility or comparability, and clarity (Hasanah & Siregar, 2021). High-quality financial reporting is essential as it enables capital providers and other stakeholders to make informed decisions regarding lending, investments, and resource allocations, thereby enhancing overall market efficiency, as stated by the IASB (2008). Martínez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015) assert that the quality of financial reporting is determined by the consistency of the data presented throughout the reporting process.

1.1. Conceptual Perspective

The word “ethics” has been defined by several scholars. Ethics is the branch of philosophy that focuses on formal, scholarly reasoning about good and evil, claim (Edi & Enzelin, 2022). Ethics, according to Dankwanmbo, I. H., & Izedonmi (2018) is considered as the moral principles that direct people’s behavior. High quality financial reporting information is crucial because it will help capital providers and other stakeholders make better decisions about lending, investments, and other resource allocations, which will increase market efficiency overall, according to IFAC (2015). The degree to which financial statements provide us with accurate and reliable information about the condition and performance of an organization’s finances is known as financial reporting quality. According to Martínez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015), another way to define the quality of financial reporting is the consistency of the data presented in the process. The impact of ethics on audit quality was revealed by Arowoshegbe, Uniamikogbo, and Atu (2017), they discovered a positive and significant correlation between audit quality and accounting ethics. Good accounting standards can help Nigerian banks prevent fraud, according to Nwanyanwu (2018) research.

Public and private sector accountants are expected to adhere to the code of ethics, which is one of the agenda topics for members of the International Federation of Accountants (IFAC) (Dankwanmbo & Izedonmi, 2018).

1.2. Statement of the Problem

The 2022 Global Report on Public Financial Management highlighted that the most vulnerable areas include public access to fiscal information, fiscal risk reporting, public investment, asset management, and the management of expenditure arrears (Government, 2024). For the past five financial years (2018/19-2023/24) transparency and accountability in financial reporting of northern Uganda-based districts have been hindered due to corruption, weak internal controls, inadequate training for finance staff, and ineffective budgetary controls.

The Auditor General's report for the fiscal year 2020/21 noted that Oyam district advanced UGX 414,149,184 (equivalent to 100% of the contract amount) on June 28, 2021, for the supply and installation of medical equipment at 64 Health Center IIIs under the Uganda Intergovernmental Fiscal Transfer Program. However, this amount was not reflected as receivables in the statement of financial position, resulting in a material misstatement and potentially misleading financial statements. (Office of the Auditor General of Uganda, 2022b). The district also misclassified UGX 609,529,053 and charged items that did not align with the nature of the expenditure, which undermined the credibility of the financial statements and affected the accuracy of future budgets due to the misreported figures (Office of the Auditor General of Uganda, 2022b).

Additionally, the Auditor General identified a material misstatement in the financial statements of Apac district for failing to account for prior year adjustments totaling UGX 1,197,441,341 in the statement of changes in equity during the FY 2021/2022, creating discrepancies with the prior year's audited figures for 2020/2021 (Office of the Auditor General of Uganda, 2022a). Furthermore, Agago district was found to have failed to disclose Property, Plant, and Equipment valued at UGX 1.422 billion and non-produced assets worth UGX 0.671 billion, with these estimates not being supported by the Government Chief Valuer (Office of the Auditor General of Uganda, 2025). The effectiveness of existing ethical principles in encouraging moral behavior among accountants is still a subject of discussion. This study aims to explore how accounting ethics impact the quality of financial reporting and identify areas where ethical standards can be improved.

1.3. Purpose of the Study

This study aims to determine the effect of accounting ethics on the quality of financial reporting in local governments in Northern Uganda-based districts local governments, with management policy as a mediator.

1.3.1. Objectives of the Study

The study aimed to accomplish the following specific objectives:

- 1) To find out the extent to which financial integrity affects the quality of finan-

cial reporting.

2) To examine the effect of financial objectivity on the quality of financial reporting.

3) To assess the effect of compliance with financial standards on the quality of financial reporting.

4) To evaluate the effect of professional financial competence on the quality of financial reporting.

1.3.2. Research Questions

1) To what extent does financial integrity affect the quality of financial reporting.

2) What is the effect of financial objectivity on the quality of financial reporting.

3) What is the effect of compliance with financial standards on the quality of financial reporting.

4) What is the effect of professional financial competence on the quality of financial reporting.

1.3.3. Hypothesis of the Study

1) Financial integrity affects the quality of financial reporting.

2) Financial objectivity affects the quality of financial reporting.

3) Compliance with financial standards affects the quality of financial reporting.

4) Professional financial competence affects the quality of financial reporting.

1.3.4. Conceptual Framework (Figure 1)

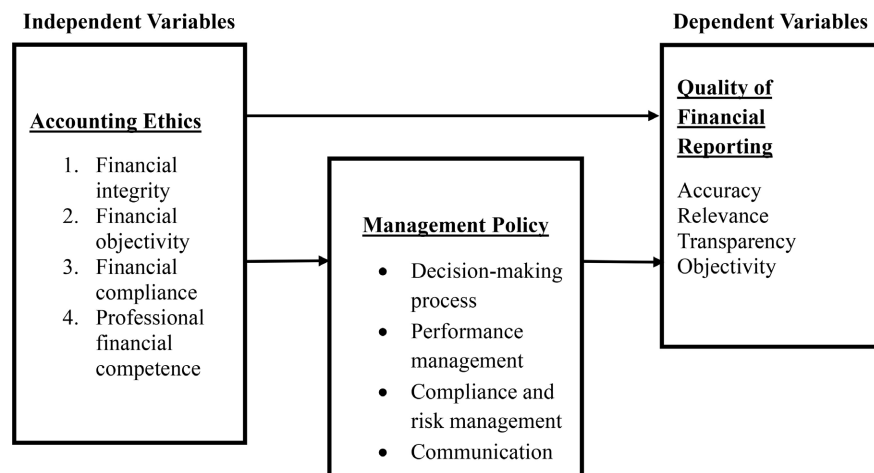


Figure 1. The conceptual framework shows the relationship between accounting ethics and quality of financial reporting in local governments.

2. Literature Review on Financial Ethics and Quality of Financial Reporting

2.1. Introduction

In an increasingly complex and globalized financial environment, the integrity of financial reporting stands as a cornerstone of trust among stakeholders. The qual-

ity of such reporting extends beyond mere adherence to accounting standards, it is profoundly shaped by the ethical behavior of those responsible for preparing and presenting financial data. Ethical principles such as transparency, objectivity, and accountability are central to enhancing the accuracy and trustworthiness of financial reports, which in turn influence critical decisions made by investors, regulators, and the public.

This paper delves into the theoretical framework that connects accounting ethics with financial reporting quality, aiming to uncover how ethical practices affect the credibility, relevance, and dependability of financial information. It also examines the consequences of ethical failures, including inaccurate reporting, diminished stakeholder trust, and broader systemic risks. Ultimately, this theoretical investigation underscores the importance of nurturing an ethical culture within the accounting profession to ensure high-quality financial reporting and support long-term economic stability.

2.2. Theoretical Perspective

The theoretical perspective of the study on accounting ethics and the quality of financial reporting in district local governments of Northern Uganda draws upon several key theories, including Accounting Theory and Agency Theory.

2.2.1. Accounting Theory

The foundational theory for this research is accounting theory. [Hendriksen and Breda \(2001\)](#) define accounting theory as a collection of overarching principles that establish a framework for evaluating accounting practices and guiding the creation of new methods and procedures. Similarly, [Perara and Matthew \(1996\)](#) describe it as a logical reasoning process based on broad principles that act as a reference for assessing accounting practices and facilitating the development of new ones. This theory clarifies the rules of accounting, detailing how accountants collect, record, classify, report, and interpret financial data, especially in the context of determining monetary values in financial statements.

Accounting practices are carried out through the successful application of these established and generally accepted theories and principles. With a solid understanding of accounting theories, an accountant can offer valuable advice to management for future protection ([Sumilan, 2017](#)). Accounting theories encompass a wide range of universally accepted rules, norms, customs, processes, philosophies, and underlying assumptions ([Coetsee, 2010](#)). This theory is used to demonstrate how the ethical standards defined by accountants can impact the quality of financial reporting.

2.2.2. Agency Theory

Many academic fields have applied agency theory as a lens through which to examine organizational governance systems or principal-agent issues ([Bendickson et al., 2016](#)). Numerous disciplines in the social and management sciences, including politics, sociology, economics, accounting, marketing, and administration, have used agency theory. Although it has been used in a number of different con-

texts, its foundation is in the principal-agent relationship in organizations (Kamdjoug et al., 2020). The idea of agency theory describes the contractual arrangement between principals and agents. In their function as decision-makers, the principals are the ones who assign authority to other parties, specifically agents, to do all tasks on their behalf (Jensen & Meckling, 1976).

The practice of financial reporting in public sector organizations is also rooted in agency theory. In this context, the government, as the agent, has a responsibility to provide valuable information to users of government financial data, who act as principals in evaluating accountability and making economic, social, and political decisions, both directly and through their representatives (Mardiasmo, 2018). Agency theory posits that disclosing information enhances accountability by diminishing the information asymmetry between principals and agents, holding managers accountable to the principals (Garcia-Lacalle & Torres, 2021).

This accountability relationship emphasizes the principal's need to monitor the agent, who typically possesses more information and could potentially exploit it for personal gain (Schillemans, 2013). In terms of accountability, a "principal-steward" relationship may lead to lower levels of control and accountability compared to a "principal-agent" relationship (Nkundabanyanga et al., 2013). When principals assign tasks to stewards who prioritize organizational goals over personal interests, issues related to bureaucratic drift are less pronounced (Bjurström, 2020). Consequently, the nature of this relationship is likely to impact the extent of disclosure and accountability within the institution (Koowa, 2024). Enhancing transparency and the quality of financial information is essential for regulatory bodies and managers to showcase public accountability and align with the entity's goals, positively influencing its image and reputation (Lule, 2023).

Agency Theory, which is rooted in examining the relationship between the owners and controllers of organizations (principals) with those responsible for carrying out tasks on their behalf (agents), provides deep insight into how power dynamics affects financial ethical practices in local government (Grameia Literasi, 2023). Ethical behavior, which includes positive or negative individual actions, attitudes, and interactions in the work environment related to ethics in financial reporting is profoundly influenced by the power dynamics in local government according to the agency theory (Robbins & Judge, 2008). While organizations are dealing with increasingly complex environments, an understanding of how these theories shape and guide financial ethical behavior is becoming a must. The authority, power and responsibility of the agent and principal are regulated in the employment contract by mutual consent in local government (Purba et al., 2021). This model focuses on misalignment of interests between the two parties and identifies potential agency conflicts that arise due to differences in motivation, goals and power dynamics. It emphasizes strategies for using incentives, contracts, and control mechanisms to manage conflicts which arise from power dynamics and ensure agent compliance with principal objectives (Sari et al., 2019).

Transparency and the provision of reliable information to external stakeholders are critical for public sector institutions (Akumu, 2024). Through the lens of

agency theory, transparency and information play a vital role in overseeing managers and ensuring they are accountable for their decisions and the overall performance of the organization (Garcia-Lacalle & Torres, 2021).

2.2.3. Accounting Ethics

Accounting ethics refers to the moral principles and professional standards that guide the conduct of accountants (Mol et al., 2024). These ethics ensure that accountants uphold integrity, objectivity, confidentiality, and professional competence, thereby fostering trust and credibility in financial reporting (Sepasi, 2019). Accounting ethics is pivotal in ensuring the integrity, transparency, and reliability of financial reporting. Ethical conduct among accountants directly influences the quality of financial statements, fostering trust among stakeholders. A study conducted by Akinyi & Karanja (2023) suggested that fostering an ethical culture within local government can enhance accountability and lead to improved financial reporting practices. Niyibizi et al. (2023) found that accounting ethics significantly affect financial reporting quality in Rwandan commercial banks, especially regarding objectivity and integrity. Ali and Mwesigwa (2023) reported that ethical accounting practices improved the transparency and reliability of financial reporting in Uganda's manufacturing sector. Alshurideh et al. (2024) presented a model linking ethical sensitivity to reporting quality, with accounting ethics as a mediator and religiosity as a moderating variable. A study by Awori (2023) found that ethical accounting practices such as integrity, objectivity, and transparency were positively associated with the quality of financial reports. Orumwense and Okunrobo (2023) demonstrated that accountants who followed ethical guidelines, particularly those focused on transparency and objectivity, produced higher-quality financial reports. A study by Osazevaru (2022) suggested that strong ethical practices, such as independence, integrity, and objectivity, were directly linked to higher-quality financial reporting. A study by Koufie et al. (2024) found that when accountants adhered to ethical principles, such as transparency, honesty, and independence, the quality of financial reporting improved significantly. Kwarteng et al. (2022) study revealed that ethical behavior in accounting, particularly through adherence to the International Financial Reporting Standards (IFRS), led to more accurate and transparent financial statements. A study by Sweeney and Larkin (2023) found that when accountants adhered to the ethical guidelines set by professional bodies like the AICPA and the IFRS, the quality of financial reporting improved. A deficiency in accounting ethics can lead to inaccurate financial reporting, which jeopardizes the reliability and accuracy of financial statements (Edi & Enzelin, 2022).

2.3. Fundamental Ethical Accounting Standards

2.3.1. Integrity and Financial Reporting Quality

Professional accountants are bound by the integrity principle, which requires them to act honorably and truthfully in all of their business and professional interactions (Kythreotis & Constantinou, 2016). Financial statement manipulation

has sparked questions about the accuracy of the company's financial data and the integrity of the accounting profession (Ahinful et al., 2017). Ogbonna and Ebimobowei (2012) assert that an organization's performance is significantly impacted by its ethical culture.

2.3.2. Objectivity and Quality of Financial Reporting

The objectivity principle states that all certified accountants must be impartial, truthful, and free from conflicts (Ogoun & Ephibayerin, 2020). Additionally, they have to make sure that their professional judgment is not hampered by any prejudices or unrelated variables. Upholding the highest standards of professionalism, achieving optimal performance, and generally ensuring that the needs of the public interest are met are the objectives of the accounting profession, according to the IFAC code of ethics for professional accountants (Salaudeen, Ibikunle, & Chima, 2015). This means maintaining transparency, providing accurate financial information, and abiding by ethical standards in order to promote public trust in financial reporting and decision-making. It was claimed that accountants who value objectivity in their work and those who compromise it would produce higher-quality financial reports (Ogbonna & Ebimobowei, 2012).

2.3.3. Compliance with Standards and Quality of Financial Reporting

Compliance with established accounting standards is fundamental to ensuring the quality of financial reporting in local governments (Al-Beity, 2019). Adherence to these standards promotes transparency, accountability, and reliability in financial disclosures, which are crucial for effective governance and public trust.

Kabwe (2023) indicated that strict adherence to IFRS standards significantly enhances the transparency and comparability of financial statements, thereby improving the overall quality of financial reporting. Landua et al. (2024) highlighted that compliance with regulatory frameworks, along with factors such as corporate governance and audit practices, are pivotal in ensuring high-quality financial reporting. A study by Natukunda (2024) on selected IPSASs in Uganda's public sector found that the implementation of IPSAS 1, IPSAS 2, and IPSAS 22 significantly enhanced the quality of financial reporting. The study reported strong positive correlations between adherence to these standards and improvements in transparency, accuracy, relevance, and stewardship in financial disclosures. Nkundabanyanga et al. (2013) examined the association between accounting standards, the legal framework, and the quality of financial reporting and found out that a robust legal framework supporting the adoption and enforcement of accounting standards positively influenced the quality of financial reports. Research by Egessa (2023) highlighted the importance of internal control systems in enhancing the quality of financial reporting. The study found that effective control environments, control activities, and monitoring controls positively and significantly affected the quality of financial reporting. A study by Akumu (2024) revealed that audit committee independence, audit competence, and audit independence had a positive and significant effect on financial accountability, thereby influencing the quality of financial reporting.

Compliance with accounting standards is crucial for ensuring the quality of financial reporting in local governments. While challenges exist, addressing these issues through strategic interventions can significantly enhance the transparency, accountability, and reliability of financial disclosures, thereby fostering public trust and effective governance (Kiyaga, 2022).

2.3.4. Professional Competence and Quality of Financial Reporting

Professional competence and due care are core principles under the International Federation of Accountants (IFAC) Code of Ethics (Ogoun & Epibayerin, 2020). In the context of local government, these principles are essential to ensure transparent, reliable, and high-quality financial reporting. Increasing scrutiny over public funds demands that government entities adopt best practices in financial reporting, including adherence to International Public Sector Accounting Standards (IPSAS) (Samson & Mdoe, 2023).

Professional competence refers to the ability of public sector accountants to apply knowledge and skills in delivering accurate financial reports. A study conducted by Olalekan & Olayemi (2020) found a significant relationship between staff competence and financial reporting quality. The study emphasized that while professionalism alone may not improve quality, it enhances outcomes when coupled with strong technical competence. Ayesiga (2023) asserted that professional knowledge, integrity, and independence greatly influence financial reporting quality. Lack of continuous professional development was identified as a key challenge. A study by Orobio et al. (2023) found a positive and significant association between accountants' competencies and integrated reporting practices in manufacturing firms (Al-Dmour et al., 2018).

Due care is an ethical obligation requiring diligence and commitment to quality in executing professional responsibilities. Bwire (2023) highlighted that audit competence and ethical standards play a critical role in maintaining financial integrity. Gyang & Gyang (2023) noted that the implementation of IPSAS and the presence of trained personnel improved the understandability and reliability of local government financial statements. A study by Nkuranga and Tarus (2023) found that accounting integrity and objectivity had a statistically significant effect on financial reporting quality, while professional competence and due care did not show a significant effect. Furthermore, a literature review by Ramadhan and Ramadhan (2022) highlighted that adherence to ethical standards positively impacts the quality of financial reporting.

The literature consistently demonstrates that professional competence and due care are foundational to high-quality financial reporting in local governments. Investments in staff training, adherence to ethical codes, and standardization through IPSAS are recurring themes in improving reporting outcomes (Ramli et al., 2023).

2.4. Quality of Financial Reporting

Quality of financial reporting refers to the degree to which financial statements

accurately and transparently represent an entity's economic activities and financial position (CFA Institute, 2025). According to Dechow and Schrand (2004), high-quality financial reporting provides useful information for decision-makers by improving their ability to forecast future performance and assess the firm's value. This is supported by the Financial Accounting Standards Board (FASB), which emphasizes that financial reports should be relevant and faithfully represent what they purport to depict (FASB, 2010). In addition, quality in financial reporting implies adherence to generally accepted accounting principles (GAAP) or International Financial Reporting Standards (IFRS), promoting comparability, verifiability, and understandability (Barth, Landsman, & Lang, 2008).

Poor-quality reporting can obscure a firm's actual performance and risk, potentially misleading investors and other stakeholders. The quality of financial reporting in local governments is crucial for ensuring transparency, accountability, and effective governance. Key attributes such as accuracy, relevance, transparency, and objectivity underpin the credibility and utility of these reports. This review examines literature focusing on these dimensions within local government financial reporting (Chulkov & Wang, 2023).

2.4.1. Accuracy of Financial Reporting

The accuracy of financial reporting in local governments is crucial for ensuring transparency, accountability, and effective decision-making. Accurate financial reporting allows stakeholders such as citizens, policymakers, investors, and regulatory bodies to assess the financial health of local governments and hold them accountable for public funds (Mol et al., 2024). This literature review focuses on the challenges, trends, and significance of accurate financial reporting in local government, particularly in the context of recent developments and the growing demands for accountability and transparency.

Accuracy in local government financial reporting refers to the correct and truthful presentation of financial information (Jameson & Thomas, 2023). Accurate financial reporting enhances transparency and accountability within local governments by enabling citizens and other stakeholders to monitor how public funds are being managed and spent (Osei & Oppong, 2024). In many countries outside of the U.S., local governments adhere to the International Public Sector Accounting Standards (IPSAS), which aim to enhance the accuracy and transparency of public sector financial reporting (Mendoza & Fischer, 2023). A study by Baldwin, S., & Jacobs, J. (2023) confirmed that when local governments produce accurate and reliable financial reports, it fosters trust with the public, and therefore citizens are more likely to support local government initiatives if they believe that public finances are being managed accurately and responsibly. Accurate financial reporting is essential for effective policy formulation and resource allocation in local government since it provides policymakers with the necessary information to make informed decisions about budgeting, taxation, and public service provision (Smith & Patel, 2023). Accurate financial reporting allows local govern-

ments to manage public resources effectively (Parker & Harris, 2023). According to Hall, L., & Beck, D. (2023) accurate reporting not only promotes better decision-making but also encourages greater citizen engagement in public financial management, as residents feel informed and empowered.

The accounting systems used in local governments often have to account for a wide variety of revenues and expenditures, including grants, taxes, and intergovernmental transfers, which can be difficult to track and report accurately (Brown & Lee, 2023). Granger, R., & Clark, H. (2023) confirmed that political pressures can lead to the manipulation of financial reports in local governments thereby influencing the financial reporting process to present a more favorable picture of the government's fiscal position than what is accurate, undermining the integrity of financial reports.

Accurate financial reporting in local governments is fundamental for ensuring effective governance, transparency, and accountability. The importance of financial accuracy cannot be overstated, as it enables better decision-making, improves public trust, and ensures the efficient use of taxpayer money. Despite the challenges posed by complex financial transactions, limited resources, and political pressures, advancements in accounting standards, technology, and governance frameworks are contributing to improvements in the accuracy of financial reporting in local governments.

2.4.2. Relevance of Financial Reporting

The relevance of local government financial reporting is crucial for effective governance, transparency, and public accountability. The relevance of financial reporting refers to the ability of these reports to provide timely, accurate, and meaningful information that supports decision-making, policy development, and public engagement. This literature review explores the relevance of local government financial reporting, with a particular focus on the importance of such reports for stakeholders, the evolving standards, and the challenges faced by local governments in ensuring relevance.

The relevance of financial reporting in local government is defined by the usefulness and timeliness of the information provided to various stakeholders, including citizens, policymakers, and regulatory bodies (Miller & Taylor, 2023). According to Chang, K., & Yang, J. (2024) relevant financial reporting helps local governments make informed decisions on budgeting, policy implementation, and resource allocation. Relevant financial reporting provides citizens with the necessary information to assess how their tax money is being used, promoting trust and reducing corruption risks (Li & Zhang, 2023). Relevant financial reports foster transparency, enabling stakeholders to assess the financial standing of local governments (Williams & Thomson, 2023). A study by Tawiah (2023) showed that adoption of IPSAS positively influences governance quality by enhancing accountability and transparency between governments and their citizens.

Local governments deal with complex transactions involving a variety of reve-

nue sources and expenditures, from taxes and grants to special-purpose funds and capital expenditures which make it difficult to prepare reports that are relevant and understandable to all stakeholders, especially those without financial expertise (Miller & Riley, 2023). Stakeholders, including citizens, elected officials, and regulatory bodies, often have varying expectations of what constitutes relevant financial information. Local governments must balance these demands while ensuring the information provided meets the requirements for transparency and accountability (Hughes & Carter, 2024).

Relevant financial reports provide the necessary data to make informed decisions about resource allocation to prioritize spending based on the most critical needs, ensuring that public funds are directed to areas where they will have the most impact (Cameron & Williams, 2023). A study by Taylor, H., & Zhou, L. (2024) found that if local governments provide relevant and understandable financial reports, they are more likely to gain the trust of their citizens. This trust is vital for the effective operation of the government and for ensuring compliance with policies and regulations.

The relevance of local government financial reporting is a critical factor in promoting transparency, accountability, and effective decision-making. As local governments face increasing scrutiny from both citizens and regulatory bodies, providing relevant and timely financial information is more important than ever. Through the adoption of international standards, technological advancements, and careful attention to stakeholder needs, local governments can ensure their financial reports remain a valuable tool for governance and public engagement.

2.4.3. Transparency of Financial Reporting

Transparency in local government financial reporting is essential for ensuring accountability, enhancing public trust, and promoting effective governance. It refers to the extent to which local governments disclose accurate, comprehensive, and timely financial information to the public and other stakeholders. Transparent financial reporting enables citizens, policymakers, auditors, and regulatory bodies to assess how public funds are managed and allocated, thus fostering better decision-making and reducing the potential for corruption. This literature review examines the significance of transparency in local government financial reporting, the challenges involved, and recent developments in the field, supported by recent citations and references.

Transparency in local government financial reporting involves making financial data accessible, understandable, and useful for stakeholders (Foster & Thomas, 2023). Transparency ensures that local governments are accountable to their citizens by providing information which allows citizens to evaluate how well public resources are being utilized, resulting in increased civic engagement and trust in government (Kim & Park, 2023). According to Lee, D., & Harris, R. (2024) transparent financial reporting acts as a deterrent to corruption and mismanagement by making it difficult for public officials to conceal improper practices. Transparent financial reports provide decision-makers with the necessary information to

make informed decisions about resource allocation, budgeting, and policy implementation (Nguyen & Tran, 2023). A study conducted by Ribeiro, C., & Silva, A. (2024) found that many local governments have adopted IPSAS or similar frameworks to enhance the accuracy, transparency, and comparability of their financial statements. Many local governments are now implementing open data initiatives to promote financial transparency (Petersen & Richards, 2023).

The degree of transparency in local government financial reporting often depends on the political will of local leaders and the governance structures in place (Harrison & Clark, 2024). Financial reporting systems require skilled personnel and technological infrastructure to ensure the timely production and dissemination of clear, understandable reports (Jackson & Greene, 2024). A study by Chen, X., & Li, Z. (2024) found that cultural attitudes toward transparency and accountability can also affect how local governments approach financial reporting.

A study by Langella et al. (2023) confirmed that transparent financial reporting enhances citizens' understanding of government activities, leading to increased public participation and trust in local governments. Transparency enables better resource management by allowing local governments to track expenses, revenues, and debts more accurately. It also allows for more informed budgeting decisions, which can help local governments to allocate resources more efficiently and avoid financial mismanagement (Fleming & Hall, 2023). A study by Zimmerman, M., & Thomas, L. (2023) found that when financial information is transparent, local governments are more likely to adhere to fiscal discipline, as the potential for scrutiny and public oversight becomes a powerful motivator for efficient financial management.

Transparency in local government financial reporting is crucial for fostering accountability, improving decision-making, and building public trust. Although there are challenges, including political pressures, resource constraints, and cultural factors, the adoption of global standards such as IPSAS and technological innovations like open data initiatives can enhance the transparency of local government financial reporting. Ultimately, transparent financial reporting contributes to more effective governance, better fiscal management, and increased public engagement.

2.4.4. Objectivity of Financial Reporting

Objectivity in local government financial reporting refers to the unbiased and neutral presentation of financial information. It ensures that financial reports reflect the true and fair financial position of the government, free from political influence, manipulation, or external pressures. Objectivity is essential for ensuring that financial data is reliable and can be used effectively by stakeholders for decision-making, accountability, and policy evaluation. This literature review explores the concept of objectivity in local government financial reporting, its significance, challenges, and the role of various frameworks and standards in promoting objectivity.

Objectivity in financial reporting involves ensuring that the financial data pre-

sented is free from bias and is not influenced by political, personal, or external factors (Brown & Patel, 2024). When local governments present objective and unbiased financial information, stakeholders such as citizens, elected officials, and regulatory bodies can trust that the reports accurately reflect the government's financial performance, fostering accountability (Hughes & Robinson, 2023). Objective financial reporting promotes accountability by ensuring that local governments do not distort financial information for political or personal gain. This reduces the risk of mismanagement, fraud, and corruption, which can occur if financial reports are manipulated to hide deficits, inflate revenues, or misrepresent expenditures (Nelson & Adams, 2023). Objective financial reports provide decision-makers with accurate data to assess the government's fiscal health, allocate resources, and make informed policy decisions (Gomez & Lopez, 2023).

IPSAS provides a set of accounting standards that local governments can adopt to ensure the objectivity of their financial reporting (Kumar & Sharma, 2023).

According to Taylor, J., & Harrison, L. (2023) elected officials or government executives may try to influence financial reporting to present a more favorable view of the government's performance, especially before elections. This pressure can lead to biased reporting, which undermines the integrity of financial information. Inadequate accounting systems, a lack of skilled personnel, and insufficient training may result in errors or inconsistencies that compromise the objectivity of the financial data presented (Thomas & Garcia, 2024). Local governments may face conflicts of interest when financial information is influenced by departments or agencies with vested interests in certain financial outcomes. These conflicts may lead to biased reporting that misrepresents the financial health of the government, undermining objectivity (Wang & Zhang, 2023).

A study by Williams, J., & Smith, K. (2024) indicated that when citizens see unbiased and accurate financial reports, they are more likely to believe that their government is effectively managing public funds and acting in their best interests. Objective financial reports provide a reliable basis for budgeting and long-term financial planning. Accurate financial data allows local governments to forecast revenues and expenditures with greater precision, leading to better management of public resources (McDonald & Lee, 2023). Wilson, R., & Carter, P. (2023) confirmed that objective reporting enhances governance by providing accurate data that can be used for oversight by both internal and external stakeholders. It ensures that government officials are held accountable for their financial decisions and that resources are allocated efficiently.

Objectivity in local government financial reporting is essential for ensuring that financial information is accurate, unbiased, and reliable. It supports transparency, accountability, and effective decision-making. While challenges such as political interference, limited resources, and internal conflicts may threaten objectivity, adopting recognized standards like IPSAS and GASB, alongside robust auditing practices, can help mitigate these risks. Ensuring the objectivity of financial reports ultimately enhances public trust, improves fiscal management, and strength-

ens governance in local governments (Kajokaya, 2023).

A study by Sauya (2018) on Luweero District Local Government in Uganda found that professional knowledge positively affects the quality of financial reporting. The research indicated that accountants' understanding of accounting principles and standards enhances the accuracy and reliability of financial statements. The study recommended that local governments invest in continuous professional development to maintain high standards of financial reporting. The same study by Sauya (2018) revealed that professional independence is crucial for maintaining objectivity in financial reporting. Accountants who are free from undue influence can make unbiased judgments, leading to more accurate and reliable financial statements. The study recommended that local governments establish policies that protect accountants' independence to enhance the quality of financial reporting.

The Institute of Certified Public Accountants of Uganda (ICPAU) has developed a Competency Framework for Local Government Accountants and Auditors. This framework outlines the skills and knowledge required for professionals in the public sector, aiming to standardize competencies and improve the quality of financial reporting. A report by the Auditor General of Uganda highlighted the lack of financial management skills in the public sector as a significant challenge. The report noted that weak accountability and soft controls have contributed to corruption and inefficiencies. It is recommended that public sector workers undergo professional accountancy courses to enhance their skills and improve financial reporting quality (Uganda National Audit Office, 2024).

Empirical evidence underscores the critical role of professional competence and due care in ensuring the quality of financial reporting in local governments. Enhancing accountants' professional knowledge, personal integrity, and independence, along with strengthening internal audit functions, can significantly improve the accuracy, reliability, and transparency of financial statements. Implementing competency frameworks and investing in continuous professional development are essential steps toward achieving high standards in public sector financial reporting.

2.4.5. Conclusion

In conclusion, the ethical dimensions of accounting play a foundational role in safeguarding the credibility and utility of financial reporting within local governments. As demonstrated by the reviewed literature, financial integrity, financial objectivity, financial compliance, and professional financial competence are not merely aspirational values but practical necessities that underpin accurate and trustworthy financial disclosures. Understanding how these ethical principles are applied and at times, challenged across different contexts provides valuable insights for strengthening accountability mechanisms in the public sector. Ultimately, fostering a strong ethical culture among financial practitioners is essential for enhancing transparency, supporting informed decision-making, and reinforcing public confidence in local government institutions.

2.4.6. Recommendations

In regard to integrity and quality of financial reporting, it is recommended that, Professional accountants need to adhere to the integrity principle, which requires them to act honorably and truthfully in all of their business and professional interactions (Kythreotis & Constantinou, 2016). A professional accountant should steer clear of any reports, returns, communications, or other material that they suspect contains materially false or misleading statements... Accountants must be impartial, truthful, and free from conflicts, maintaining transparency, providing accurate financial information, and abiding by ethical standards in order to promote public trust in financial reporting and decision-making (Ogoun & Ephibay-erin, 2020).

In addition, the recommendation regarding compliance with standards and quality of financial reporting is that Professional Accountants need to adhere to financial standards to promote transparency, accountability, and reliability in financial disclosures, which are crucial for effective governance and public trust as well as producing quality financial reporting (Egessa, 2023). Compliance with quality standards in monitoring and audit practices significantly enhances the quality of financial reporting (Owusu-Afriyie et al., 2024).

The recommendations related to professional competence and quality of financial reporting is that government entities need to adopt best practices in financial reporting, including adherence to International Public Sector Accounting Standards (Samson & Mdoe, 2023). It is also important for government entities to have and apply professional knowledge, integrity, and independence in order to improve the quality of financial reporting (Al-Dmour et al., 2018).

It's also recommended that local governments need to have accounting integrity and objectivity in order to deliver quality financial reports, while professional competence and due care did not show a significant effect (Ramadhan & Ramadhan, 2022). Adherence to ethical standards is therefore key for quality of financial reporting. Local governments therefore need to invest in professional competence and due care as a foundation to high-quality financial reporting. Investments in staff training, adherence to ethical codes, and standardization through IPSAS are recurring themes in improving reporting outcomes (Ramli et al., 2023).

3. Methodology

3.1. Study Design

The study will apply case study design during data collection. Sekaran U. (2003) states that a “case study is the development of detailed, intensive knowledge about a single case, or a small number of related cases with an in-depth analysis of a case. It will target the staff and Administrators of selected local governments in Northern Uganda”.

3.2. Sampling Techniques

3.2.1. Probability Sampling

The study will apply probability sampling for generalization of its findings and its

applicability beyond the selected districts. Under this sampling, the samples will be chosen from a large population during the process of data collection and each participant will be selected randomly. Probability sampling is a method in which the “researcher picks samples from a larger population using a method based on the theory of probability” (Neuman, 2014). The study population will be randomly chosen, and every member of the population will have equal chance of being selected. The researcher will make sure each element of the population has the same chance of being selected in the study. During the sampling process, the researcher will define population of study, list the elements of the population, decide the suitable sampling method, determine the sample size and select the representative population. This will be employed since it is simple and objective though is associated with difficulty in acquiring list of a larger population, time and costs (Neuman, 2014).

3.2.2. Non-Probability Sampling

Purposive sampling will also be applied during the study. It is a non-probability sampling technique in which researchers will rely on his/her own judgment when selecting respondents of the population to be included in the study. This sampling technique will be used because it is less expensive, and respondents will be selected basing on their experience and knowledge. The advantage is that it is cheap, less time consuming and convenient though it sometimes leads to bias in the process of data collection. The researcher will use purposive sampling by application of his own judgment regarding knowledgeable respondents (Amin, 2005).

3.3. Data Collection Methods and Instrument

Collection of data are steps of gathering the desirable information carefully, without distortion, so that the analysis may give answers that are credible and stand to logic (Sapsford & Jupp, 2006). The researcher will use various methods for collection of data for purposes of triangulation and making better results (Mugenda & Mugenda, 1999). The experimenter will use questionnaire survey, interview and document review as the methods of collecting data.

3.3.1. Data Collection Methods

The study will apply various methods of data collection for purposes of triangulation and better results during data collection on accounting ethics and quality of financial reporting (Mugenda & Mugenda, 1999). The data collection methods will include questionnaire survey, interview and document review. The questionnaire survey, interview and document review as the methods of data collection will specifically collect data related to accounting ethics and quality of financial reporting in local governments. Specific focus will be based on collecting data for measurement of financial integrity, financial objectivity, financial compliance and professional financial competence which are the key dimensions on the independent variables side of the conceptual framework. Data will also be collected to measure, accuracy, relevance, transparency and objectivity of financial reporting which

are the key indicators of the dependent variables on the conceptual framework.

3.3.2. Data Collection Instruments

The data collection instruments will include questionnaires, interview guide and document review checklist. These instruments will be designed to collect data for measuring financial integrity, financial objectivity, financial compliance and professional financial competence which are the key dimensions on the independent variables side of the conceptual framework. The instruments will also be designed to collect data for measuring the accuracy, relevance, transparency and objectivity of financial reporting which are the key indicators of the dependent variables on the conceptual framework.

3.4. Quantitative and Qualitative Data Analysis

Data analysis is “a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making” (Mugenda & Mugenda, 1999). In relation to data analysis, the researcher will collect data, categorize the data and enter the data into computer. Quantitative and qualitative data analysis will therefore be carried out by ensuring order, structure and meaning to the gathered information.

3.4.1. Quantitative Data Analysis

The researcher will use the key steps for the analysis of quantitative data during the study. This will include preparing the data, cleaning the data, entering SPSS Version 26.0 for analysis, interpretation, presentation and conclusion. Univariate analysis will be used to report frequency and percentage to describe the demographic characteristics. For study objectives, the researcher will first use bivariate analysis (i.e. Pearson Correlation analysis) to assess likely associations between study variables (Walliman, 2017). Lastly, Multivariate analysis (Multiple Regression Analysis) to show the strength and direction of relationships between study variable will be conducted (Walliman, 2017). In addition, the research will use descriptive statistics such as mean, median and variance analysis during the analysis of quantitative data.

3.4.2. Qualitative Data Analysis

The researcher will apply some key steps & procedures for analysis after collection of data. These will include data preparation, entry, processing and analysis, presentation of results, interpreting the findings and conclusion. The researcher will use thematic analysis of qualitative data during the study. Thematic analysis is a type of qualitative data analysis which is used to analyze data according to the categories and current themes or patterns that relates to the data. It presents data in detail with diverse subjects through interpretations (Boyatzis, 1998).

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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