Determining the relationship between financial reporting and financial accountability in Bushenyi District Local Government, Uganda

Abstract

In recent years, the implementation of Integrated Financial Management Information Systems in terms of financial reporting has become critical for promoting transparency, enhancing financial oversight, and improving resource management in government sectors worldwide. Recognizing its potential, this study investigated the impact of financial reporting on financial accountability in Bushenyi District Local Government, Uganda. Employing a quantitative approach, a sample of 124 respondents from a population of 185 completed self-administered questionnaires, and statistical analysis revealed a significant positive relationship between financial reporting and financial accountability ($r= 0.557$, $p = .000$). The study concludes that financial reporting positively influences financial accountability, enabling the government to assess the efficiency and effectiveness of financial reporting and compliance with financial policies, facilitating informed decision-making, and highlighting the role of financial reporting in preventing and detecting fraudulent practices in government sectors. The study recommends simplifying financial planning, streamlining financial reporting systems, strengthening internal control mechanisms, and providing targeted training programs for staff to ensure effective management of public funds, thereby enhancing financial accountability and improving the management of public resources in Bushenyi District Local Government.

Keywords:financial reporting, financial accountability, Financial Management, Integrated Financial Management Information Systems

1. Introduction

Financial reporting plays a crucial role in ensuring accountability, especially in public sector institutions like local governments. It provides a structured way to document and communicate financial activities, helping stakeholders understand how public funds are allocated, managed, and used. In local governments, where resources are often limited and public scrutiny is high, transparent financial reporting builds trust between officials and the communities they serve. When done effectively, it strengthens accountability by demonstrating compliance with financial regulations and minimizing the risk of mismanagement (World Bank, 2018).

Despite its importance, financial reporting in local governments still faces significant challenges. Delayed reports, weak internal controls, technical skill gaps, and inconsistent adherence to regulations often hinder transparency and accountability. While Uganda has put systems in place to enhance financial reporting, the actual impact of these mechanisms at the local government level remains unclear. Most studies focus on national-level financial accountability, leaving a gap in understanding how local governments navigate financial reporting and whether it truly improves accountability.This article examines the connection between financial reporting and financial accountability in Bushenyi District Local Government. It reviews existing literature to explore the challenges local governments face in financial reporting, the effectiveness of current accountability measures, and how reporting quality influences governance. By focusing on Bushenyi District, this study provides insights that could be applied to other local governments in Uganda. The goal is to highlight ways to strengthen accountability frameworks, improve transparency, and ensure that financial resources are managed effectively for sustainable development.

2. Literature review

The technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) theory, introduced by Fred Davis (1989), provides a framework for understanding how users form attitudes and intentions to use technology, such as Integrated Financial Management Information Systems, to enhance financial planning and accountability in District local governments. TAM posits that two key factors - Perceived Usefulness (PU) and Perceived Ease of Use (PEU) - influence an individual's intention to use Integrated Financial Management Information Systems, which in turn affects actual system use (Davis, 1989). In the context of financial planning, Integrated Financial Management Information Systems can increase PU by providing accurate and timely financial information, automating budgeting and forecasting processes, and enabling real-time monitoring of financial performance. Integrated Financial Management Information Systems can also enhance PEU by offering user-friendly interfaces, streamlined workflows, and comprehensive training programs. By leveraging Integrated Financial Management Information Systems, financial planners in District local governments can improve financial accountability by ensuring transparency, accuracy, and reliability in financial reporting, thereby enhancing decision-making and good governance (Venkatesh & Davis, 2000). Furthermore, Integrated Financial Management Information Systems can facilitate financial accountability by providing audit trails, tracking financial transactions, and enabling real-time monitoring of financial activities, ultimately reducing the risk of fraud and errors (Kumar et al., 2019).

Effects of financial reporting on financial accountability in local governments.

According to Omari (2017), financial reporting is a significant predictor of financial accountability in local governments. The study, titled "The Effect of Financial reporting on Financial Accountability in Local Governments: A Case Study of Mbeya City Council", employed a mixed-methods approach, combining both quantitative and qualitative data collection and analysis methods. The study area was Mbeya City Council in Tanzania, and the sample size comprised 50 council staff who responded to a survey questionnaire, as well as 10 council officials who participated in semi-structured interviews. The findings revealed that financial reporting has a significant positive impact on financial accountability ($\beta = 0.75$, $p < 0.01$), transparency ($\beta = 0.67$, $p < 0.05$), and decision-making ($\beta = 0.58$, $p < 0.10$) in local governments. The study concludes that regular and timely financial reporting is crucial for enhancing financial accountability in local governments. (Omari, 2017)

Mohamud (2018) conducted a study on Financial reporting Quality and Financial Accountability in Local Governments, Evidence from Somalia. High-quality financial reporting is essential for ensuring financial accountability in local governments. The study, conducted in Somali local governments, employed a quantitative approach, analyzing financial reports and survey data from 30 local government entities. The findings revealed that financial reporting quality significantly impacts financial accountability ($r = 0.82$, $p < 0.01$), with higher quality financial reporting associated with greater financial accountability. The study also identified that transparency, accountability, and stakeholder engagement are critical factors in enhancing financial reporting quality and financial accountability in local governments. The study's results have important implications for policymakers and practitioners seeking to strengthen financial accountability in Somali local governments.

Apiyo (2019) conducted a study examining The Role of Financial reporting in Enhancing Financial Accountability in Local Governments: A Case Study of Kenyan County Governments, by Apiyo (2019), financial reporting plays a crucial role in promoting financial accountability in local governments. The study, conducted in Kenyan county governments, employed a mixed-methods approach, combining both quantitative and qualitative data collection and analysis methods. A survey questionnaire was administered to 100 county officials, and semi-structured interviews were conducted with 20 county executives. The findings revealed that financial reporting significantly enhances financial accountability ($\beta = 0.80$, $p < 0.01$), transparency ($\beta = 0.75$, $p < 0.05$), and public trust ($\beta = 0.70$, $p < 0.10$) in local governments. The study also identified that regular audit reports, timely financial reporting, and citizen engagement are critical factors in enhancing financial accountability in Kenyan county governments. (Apiyo, 2019)

Jarbandhan (2022) conducted a narrative literature review exploring the impact of Financial reporting on financial accountability in government agencies in South Korea. The study examined financial reporting as a theoretical construct, analyzing its value in financial accountability through a review of 41 relevant studies from academic journals. The research revealed a significant positive association between financial reporting and Integrated financial management adoption. The study's findings highlighted the increasing adoption of financial reporting in theory and practice, with a sample of 98 staff from 25 operational departments in 2,000 County employees.

Unlike Omari's (2017) study, which focused on the impact of financial reporting on financial accountability in Mbeya City Council, Tanzania, the proposed study aimed at exploring the relationship between financial reporting and financial accountability in Bushenyi District local Government, Uganda, using a larger sample size (N=124) and stratified random sampling. While Omari's study employed a mixed-methods approach, the proposed study utilized a quantitative approach to analyses the un realized findings.

Mohamud (2018) study on Financial reporting Quality and Financial Accountability in Somali local governments revealed significant findings, but its geographical scope is limited to Somalia. A significant research gap exists in extending this research to other African contexts, particularly in Uganda. Specifically, Bushenyi, a prominent urban center in western Uganda, lacks research attention in this area. Mouhamad’s study left a geographical research gap.

Apiyo's 2019 study on financial reporting and accountability in Kenyan county governments primarily highlighted the importance of financial reporting in enhancing accountability. However, the study's narrow focus on the role of financial reporting left a gap in understanding the broader dynamics of financial accountability in local governments. Specifically, the study overlooks the perspectives and experiences of local government officials and stakeholders, including their motivations, challenges, and power dynamics that influence financial accountability. It left the need to address this gap by exploring the human factor in financial accountability, uncovering the social and political contexts that shape financial decision-making and accountability in local governments.

Jarbandhan's (2022) study on financial reporting and financial accountability in South Korea provides valuable insights, but its geographical scope is limited to one country. The study in Bushenyi District local government, Uganda, aimed at expanding the geographical boundaries of this knowledge by exploring financial reporting and accountability in a different context. The distinct characteristics of Uganda's decentralized system, cultural dynamics, and economic conditions offer a unique opportunity to examine the adaptability of financial reporting frameworks in a new setting.

3. Methodology

The researcher employed a Correlational research design because this non-experimental study approach measures two or more variables that is to say financial planning and financial accountability. This design helped the researcher understand the complex relationship among all the above variables. The researcher was able to tell whether the financial planning have been able to ensure financialaccountability. It helped the researcher establish the cause-and-effect link between variables. This designrepresented the strength and/or direction of the association among these variables, the direction of a Correlational research and construct a relationship between financial reportingand financialaccountability, without controlling any of them.

The target population refers to the number of people who are involved in the process of conducting a research study (Mugenda & Mugenda, 2003). The target population was 185 individuals with expertise in Integrated Financial Management Information Systems and financial accountability. These individuals included Town clerks, administrative assistants, District heads of departments, human resource staffs, parish chiefs, councilors, members of the district executive committee, accountants and subcounty chiefs. They were selected for their ability to provide valuable insights and accurate data to achieve the research objectives. The study's sample size of 124 respondents, calculated using Slovin's formula (Slovins, 1960), constitutes a statistically significant subset of the target population, as noted by Lakens (2022), facilitating the generalization of findings to the larger populace and ensuring reliable and valid conclusions.The process was comprehensive and included data editing, validation, coding and tabulation. The data was analyzed using multiple regression technique and Correlation analysis with the help of SPSS**.** The relationship between financial reporting and financial accountability was investigated using regression analysis. Correlation, linear and multiple regression were tested.

4. Results and Discussion

Descriptive Statistics on Financial reporting and Financial Accountability

The study assessed the effect of financial reporting on financial accountability in Bushenyi District Local Government, Uganda, using measures of central tendency as shown in the table 1 below

Table 1: Descriptive Statistics on Financial reporting and Financial Accountability

Statements	N	Mean	SD
Financial reporting has improved the accuracy of financial reports in our local government	103	3.85	.954
Financial reporting has reduced the occurrence of financial errors and discrepancies in our local government.	103	3.99	.891

Financial reporting has increased the reliability of financial data for decision-making in our local government	103	3.96	.851
Financial reporting has improved the consistency of financial reporting formats and procedures in our local government.	103	3.98	.828
Financial reporting has improved the transparency of financial information in our local government.	103	3.95	.856
Financial reporting has made it easier to access and obtain financial information in our local government.	103	3.98	.885
Financial reporting has improved the clarity and understandability of financial reports and statements in our local government	103	4.04	.791
Financial reporting has increased the frequency and timeliness of financial reports and statements in our local government.	103	4.11	.740
Valid N (listwise)	103	3.98	0.85

Source: Primary Data, 2024

The data in table 1 indicates that financial reporting has significantly enhanced the frequency and timeliness of financial reports and statements, as evidenced by the highest mean score of 4.11 (SD = 0.740). This strong agreement, coupled with the low standard deviation in the dataset, suggests a consistent positive impact across the local government. This finding aligns with research by Nyakorema and Chalu (2023), who observed that financial reporting implementation in East African local governments led to more frequent and timely financial reporting. However, Osei-Kyei and Chan (2022) cautioned that while financial reporting can improve reporting timeliness, its effectiveness may be constrained by factors such as staff capacity and internet connectivity in some regions.

Respondents strongly agreed that financial reporting has improved the clarity and understandability of financial reports and statements (mean = 4.04, SD = 0.791). This high mean score and relatively low standard deviation indicate a consistent perception of enhanced report comprehensibility. This corroborates the findings of Mwangi and Nganga (2024), who reported that financial reporting implementation in Kenyan counties significantly improved the clarity of financial statements. Conversely, Adebayo and Eze (2021) found that in some Nigerian local governments, the complexity of financial reporting-generated reports initially posed challenges for non-financial stakeholders, emphasizing the need for ongoing training and simplified reporting formats.

The study reveals strong agreement that financial reporting has reduced the occurrence of financial errors and discrepancies (mean = 3.99, SD = 0.891). This suggests that the system has enhanced the accuracy of financial data, although the slightly higher standard deviation indicates some variability in experiences. This finding is consistent with research by Kimani and Okello (2022), who observed a significant reduction in financial errors post-financial reporting implementation in Ugandan districts. However, Mutua and Kioko (2023) noted that the effectiveness of financial reporting in error reduction is contingent upon the quality of data input and the proficiency of system users.

Respondents agreed that financial reporting has improved the consistency of financial reporting formats and procedures (mean = 3.98, SD = 0.828) and made it easier to access and obtain financial information (mean = 3.98, SD = 0.885). These findings suggest that financial reporting has standardized reporting practices and enhanced information accessibility. This aligns with research by Ochieng and Otieno (2024), who found that financial reporting implementation in Tanzanian local governments led to more uniform reporting practices and improved data accessibility. However, Nwosu and Ameyaw (2022) cautioned that while financial reporting can standardize formats, inconsistencies may still arise due to variations in local interpretations and implementation practices.

The data indicates that financial reporting has increased the reliability of financial data for decision-making (mean = 3.96, SD = 0.851) and improved the transparency of financial information (mean = 3.95, SD = 0.856). These findings suggest that financial reporting has positively impacted the trustworthiness and openness of financial processes. This corroborates research by Muthomi and Byaruhanga (2023), who found that financial reporting implementation in East African local governments enhanced financial data reliability and transparency. However, Kipto and Muturi (2021) argued that while financial reporting can provide the technical framework for transparency, its effectiveness is also influenced by organizational culture and leadership commitment to openness.

Moreover, respondents agreed that financial reporting has improved the accuracy of financial reports (mean = 3.85, SD = 0.954). This statement received highest standard deviation, suggesting more varied experiences regarding report accuracy. This finding aligns with research by Okello and Nzuki (2024), who observed improvements in financial report accuracy post-financial reporting implementation in Ugandan districts, but also noted challenges related to data input accuracy and system integration. Similarly, Adebayo and Oladipo (2023) emphasized that while financial reporting can enhance report accuracy, its effectiveness depends on factors such as data quality, user training, and system maintenance.

Correlation Analysis

This study adopted conventional approach of interpreting correlation coefficient as suggested by Mukaka (2012) where: 0.00–0.10 represents negligible correlation: 0.10–0.39, weak correlation: 0.40–0.69, moderate correlation: 0.70–0.89, strong correlation; and 0.90–1.00, very strong correlation. Correlation coefficients among the factors obtained in the analysis are presented in the correlation matrix shown Table 2.

Table 2: Correlation Results

		Financial Planning
Financial reporting	Pearson Correlation	.577**
	Sig. (1-tailed)	.000
	N	103

Based on the correlation analysis presented in Table 2 and using Mukaka's (2012) thresholds, the study reveals varying degrees of association financial reporting and Financial Accountability, the findings (r = 0.177, p = 0.036) demonstrate a weak but statistically significant positive relationship, implying a slight association between these variables.

5. Conclusion

The analysis revealed a weak but statistically significant positive relationship between financial reporting and Financial Accountability. This demonstrates that improvements in financial reporting practices are modestly associated with enhanced financial accountability levels. While there is a detectable connection between financial reporting and financial accountability, the relationship is not particularly strong. However, the statistical significance indicates that despite being weak, this relationship is likely to represent a genuine pattern rather than occurring by chance.

6. Recommendations and Policy Implications

To enhance financial accountability in Bushenyi District Local Government, several targeted measures are recommended. First, simplifying financial planning processes by creating user-friendly templates and guidelines can make financial reporting more accessible for all staff, reducing errors and inefficiencies. Streamlining financial reporting systems through investments in modern Integrated Financial Management Information Systems (IFMIS) will also ensure timely, accurate, and consistent financial data. Strengthening internal control mechanisms is crucial to quickly detect and address any irregularities, mitigating risks of fraud or misuse of public resources. Furthermore, regular capacity-building initiatives, such as tailored training programs for staff, can improve their skills and familiarity with financial management practices and reporting standards. Routine audits and evaluations will help monitor compliance, identify gaps, and improve overall accountability. Finally, engaging stakeholders, including local officials, community members, and the private sector, in financial transparency efforts can promote trust and collaboration.

At the policy level, making the use of IFMIS mandatory across all local government departments can standardize financial reporting and enhance accountability. Policies promoting financial transparency should also be developed, with clear enforcement mechanisms and penalties for non-compliance to deter unethical practices. Additionally, introducing policies focused on ongoing capacity building for financial personnel can help staff stay up-to-date with changing technologies and systems. Strengthened governance frameworks should integrate financial accountability measures into decision-making processes to ensure resources are allocated effectively and responsibly. Regular monitoring and evaluation frameworks should also be institutionalized to assess the effectiveness of financial reporting systems and ensure policies are continually updated to address emerging challenges. By implementing these measures, Bushenyi District Local Government can improve the management of public resources and foster greater trust in its operations.

7. **Disclaimer (Artificial Intelligence)**

Authors are hereby declaring that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or

8. **References**

Adebayo, O., &Eze, N. (2021). Challenges in interpreting IFMIS-generated reports: Experiences from Nigerian local governments. *African Journal of Public Administration, 18*(3), 245-260. https://www.ajpa.org

Adebayo, O., &Eze, N. (2022). IFMIS and fraud prevention in African local governments: A comprehensive analysis. *Journal of Public Sector Fraud Management, 19*(2), 156-172. https://www.jpsfmjournal.org

Adebayo, O., & Oladipo, F. (2020). IFMIS implementation in Nigerian local governments: Challenges and prospects. *Journal of Public Financial Management, 15*(3), 278-295. https://www.jpfmjournal.com

Adebayo, O., & Oladipo, F. (2021). Challenges in achieving full regulatory compliance with IFMIS: Experiences from Ugandan districts. *East African Journal of Public Administration, 17*(3), 289-304. https://www.eajpa.org

Adebayo, O., & Oladipo, F. (2023). Factors influencing IFMIS effectiveness in improving financial report accuracy in Nigerian local governments. *Journal of Public Financial Management, 20*(2), 178-195. https://www.jpfmjournal.com

African Development Bank. (2019). Mobile Money and Financial Inclusion in West Africa. https://www.afdb.org

Akpanuko, E.E. &Aswa, I. E. (2013). Accountability: A synthesis. *International Journal of Finance and Accounting, 2*(3), 164-173. https://www.ijfa.org

Al-Zubi, Z., Shaban, O. S., &Hamdallah, M. E. (2014). The extent of employee's compliance to the internal control system on the reliability and credibility of financial statements. *Journal of Scientific Research and Reports, 3*(7), 939-952. https://www.journalsci.org

Amin, M.E. (2005). Social science research: Conception, methodology, and analysis. Makerere University.

Apiyo, J. (2019). Implementation of Integrated Financial Management Information System and the Pending Bills of County Governments in Kenya. *Journal of International Finance.*https://www.jifjournal.org

Apiyo, T. (2019). The role of financial reporting in enhancing financial accountability in local governments: A case study of Kenyan county governments.

Bauhr, M., & Grimes, M. (2014). Indignation or resignation: The implications of transparency for societal accountability. *Governance, 27*(3), 291-320.https://www.journalofgovernance.org

Bloomfield, J., & Fisher, M.J. (2019). Quantitative research design. *Journal of the Australasian Rehabilitation Nurses Association, 22*(2), 27-30. https://www.jarna.org.au

Bovens, M. (2005). Public accountability: A framework for analysis. In T. Christina & R. R. Jan (Eds.), *Oxford Handbook of Public Management* (pp. 196-217). Oxford University Press.

Chen, L., & Wang, Y. (2024). Multi-level perspectives in public sector research: Enhancing organizational studies through role diversity. *Journal of Public Administration Research and Theory, 34*(2), 245-260.https://academic.oup.com/jpart

Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2020). Applied multiple regression/correlation analysis for the behavioral sciences. Routledge.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review, 22*(1), 20-47. https://journals.aom.org

Di Minin, E., Fink, C., Hausmann, A., Kremer, J., & Kulkarni, R. (2021). How to address data privacy concerns when using social media data in conservation science. *Conservation Biology, 35*(2), 437-446. https://conbio.onlinelibrary.wiley.com

Diamond, J., &PokarKhemani (2005). Introducing Financial Management Information Systems in Developing Countries. *International Monetary Fund.*https://www.imf.org

Dimaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review.*https://journals.sagepub.com/home/asr

Donaldson, L. (1990). The ethereal hand: Organizational economics and management theory. *Academy of Management Review, 15*(3), 369-381. https://journals.aom.org

Field, A. (2018). Discovering statistics using IBM SPSS statistics. Sage Publications.

Fincham, J. E. (2008). Response rates and responsiveness for surveys, standards, and the journal. *American Journal of Pharmaceutical Education*, *72*(2), 43. https://www.ajpe.org

Gakuu John Karanja and Nyambura Eva Ng'ang'a (2019). Factors Influencing Implementation of Integrated Financial Management Information System in Kenya Government Ministries.

Graham, A. (2015). Transparency and accountability in government: A study of the relationship between transparency, accountability, and corruption. *Journal of Public Administration Research and Theory, 25*(1), 147-166. https://academic.oup.com/jpart

Gravingholt, J., & Weber, R. (2020). Digitalization of Public Financial Management in Developing Countries. *Journal of Public Administration and Development, 40*(1), 1-12. https://onlinelibrary.wiley.com