Accounting Professionalism and the Quality of Financial Reporting in Local Governments:

Case Study: Luweero District Local Government

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A postgraduate dissertation presented to the Faculty of Business Administration and Management in Partial Fulfillment of the Requirements for the award of the Degree of Masters of Business Administration and Management

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DEDICATION

This research report is dedicated to my late Parents Mr. Kalule Edirisa and Mrs. Kalule Janat Nabuuma Mubi, who un tirelessly opened my doors to education and made me what I'm today.

I also dedicate it to my Children: Kigongo Moses, Wasswa Mathew Daniel, Kato Mark David, and Kamya Comfort Elijah who have been very supportive and often giving me courage to continue.

Finally, I dedicate it to my husband for all the financial, material and moral support during my studies, and also for giving me an enabling environment to read.

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LIST OF ABBREVIATION

ACCA	-	Association of Chartered Certified Accountant
ASSIP	-	Accountability sector strategic investment plan
BC	-	Before Christ
CAO	-	Chief Administrative Officer
CBA	-	Collective Bargaining Agreements
CPA	-	Certified Public Accountant
CPD	-	Continuous professional development
CIPS	-	Chartered Institute of Purchase and Supply
CVI	-	Content Validity Index
DLG	-	District Local Government
FIRE AWARDS	-	Financial reporting awards
GoU	-	Government of Uganda
IASB	-	International accounting standards board
ICPAU	-	Institute of certified public accountants
IFAC	-	International Financial accounting
IFRS	-	International financial reporting standards
KNA	-	Kenya National Archives
LG	-	Local Government
LGFAR	-	Local Government financial and accounting regulations
NGOs	-	Non Government Organizations
PGDs	-	Post Graduate Diplomas
PhDs	-	Doctor of Philosophy
PWC	-	Price Water House Coopers
SPSS	-	Statistical package for social scientists
UCU	-	Uganda Christian University
UGX	-	Uganda Shillings
UNESCO	-	United Nation Education Scientific Cultural Organization
USA	-	United States of America

ABSTRACT

The study was set to establish the effect of accounting professionalism on the quality of financial reporting of Local Governments in Uganda with specific evidence from Luweero District Local Government. Its objectives included determining the influence of professional knowledge of accountants on the quality of financial reporting, establishing the influence of personal integrity of an accountant on the quality of financial reporting and evaluating the influence of professional independence of an accountant on the quality of financial reporting in Luweero District Local Government.

The study used a cross sectional relational both analytical and descriptive as well as both analytical and descriptive design in which data was collected from 60 district local government employees using self-administered questionnaires and in-depth interviews. Documentary review was also undertaken to supplement. The major findings of the study that were comparable to the qualitative results revealed a statistically significant positive effect of professional knowledge ($\beta = 0.434$; $t = 7.102$; *p* value = 0.000), personal integrity ($\beta = 0.372$; $t = 6.173$; *p* value = 0.000) and professional independence ($\beta = 0.426$; $t = 6.375$, *p*-value = 0.000) on the quality of financial reporting in Luweero District Local Government and multivariate analysis level.

The study based on the objectives and results concluded that professional knowledge, personal integrity and professional independence as dimensions of accounting professionalism were significant influential factors that determine the quality of financial reporting in local governments. This influence was such that improvements in professional knowledge, personal integrity alongside professional independence were followed by better financial reporting and vice versa.

The study as per the results and conclusions recommended among others that for better quality in financial reporting, district local government leadership should initiate and facilitate knowledge enhancement programs for accountants in areas of how to detect fraud in accounting. It is also recommended that the government through its line ministry of local government designs and institutes mechanisms that promote ethics that encourage demonstration of restraint by the top administrative officers from influencing district accountants performing their duties.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The issue of financial reporting according to Ferdy, Geert & Suzanne (2009), is a key ingredient required for any organization's continuity and achievement of organizational goals and objectives. The organization's different stakeholders like shareholders, management, customers, suppliers, and Government have different interests in knowing the financial performance of any organization, and Gale (2003) adds that, this can best be obtained when financial reporting is done timely, is consistent and reliable data is presented. The objective of financial reporting by any entity according to Ogbonna & Ebimobowel (2012), is primarily to provide financial information about the financial position and performance of an entity or business and the changes registered in the financial position of that entity, to the wide range of users so as to be able to make economic decisions for the continuity of the business. Financial reporting is the process of formally recording the financial activities and the position of a business, (Horne, 1998).it is also a means of portraying financial accountability as per Collins & Collins (1978).

Accountants are expected to exhibit their professional competence in reporting and avail strategic managers with quality (useful and meaningful) information to support their decision making exercise (Dignam & Lowry, 2006). To complement the above scholars, Nzotta (2008) argues that financial reporting in any organization is a critical issue that affects the investment and management decision making process of key actors.

Financial reporting according to Ferdy, Geert & Suzanne (2009), can be done monthly, quarterly, annually of as desired by the company owners. Financial reporting entails presenting on the four financial statement that include; the statement of financial position which reports on the company's assets, liabilities and owners' equity at a given point in time,. Statement of comprehensive income that includes revenues and expenses, profit and loss report over a period of time, statement of changes in owners' equity or statement of retained earnings which reports on the changes in the equity over a given period of time and cash flow statement which reports on the company's cash flow activities, particularly its operating, investing and financing activities. Biddle, etal (2009) adds that in addition to the four basic financial statements, there is also management discussion and analysis. Footnotes too have to be included in the financial reports because they are the ones that describe each item in the financial reports.

Beest, etal (2009) pointed out that financial reporting can be measured by looking at the objectives for which financial reporting is done. If the reports meet the intended objectives, then they can be said to be of good quality .Biddle, eta (2009) adds that the quality is determined by the recipients of the reports and if the report does not meet their objectives, its not of good quality.

Professionalism is defined in a myriad of ways. Professionalism is defined as the strict adherence to what a given profession requires of a professional (Askary, 2006).

Professionalism in accountancy is a calling that requires accountants to offer effective and high quality services in the execution of their duties while observing the accounting standards so as to win and retain business and maintain the trust and confidence of their clients who include shareholders, stakeholders, managers and owners of the business.

They have an ethical obligation to clients, employers, and other stakeholders to undertake their work with due care and diligence (Askary, (2006).

Therefore, every Accountant who is worth to be called so, should extend beyond the usual demands of the job, like being financially literate, and also be innovative, have a service oriented mindset, be reliable and trustworthy, be vigilant and also have strong organizational skills.

Despite the numerous definitions of professionalism by different scholars, there are certain characteristics that exude professionalism regardless of the profession. These include; having specialized knowledge which is not only about degrees and certificates, but the masterly and continuous updating of that knowledge in order to deliver the best work possible (Askary, 2006).

Being competent; this entails doing one's job perfectly well, being honest and having integrity; entails accountants keeping their word without being compromised and doing the right thing, even when it means taking the harder road, being accountable to one's thoughts, words and actions, being able to regulate oneself and being independent through exhibition of high levels of emotional integrity, and being mindful of one's image in society through minding about what the society will think, and talk about you (Askary,2006).

The study examined the influence of accounting professionalism (independent variable) on the quality of financial reporting (dependent variable) of Local Governments in Uganda using Luweero District Local Government as a case study. For purposes of this study only, professionalism in accounting meant having three aspects namely; having professional knowledge, having personal integrity and being professionally independent.

Quality financial reporting in this study entailed timeliness in financial reporting, reliability of data in the financial reports, and understandability of the financial reports by the different stakeholders.

This chapter presents the background of the study in terms of historical, theoretical, conceptual and contextual perspectives; statement of the problem, major objective, specific objectives, research questions, significance of the study, justification and significance of the study, scope and finally definition of key concepts, terms and finally end with a conceptual framework.

1.1 Background to the Study

1.1.1 Historical back ground

Accounting professionalism dates back to the 12^{th} century in England where Norman Kings developed systematic rules for the accountants to promote financial discipline among the professionals and also improve record-keeping in the United States of America (Saeed, 2006). The early 1920's saw a surge in business practices in Europe and during the economic depression there was realization of the need to improve professionalism in accounting as it was realized that it was lacking, and as such, accounting professionals were sought and called upon to exhibit high levels of professionalism to help the business community regain the lost glory, and these professionals were very much appreciated, (Wyatt, 2003). To uplift the economic surge, most businesses with the help of the accounting professionals, sought financing from sources less tied to their current cash flow (Pratchett, 2011). The 1940s throughout the 70's saw accounting professionalism improving and most businesses increasingly hired accounting professionals who used funds statement to measure the actual flow of monies while exercising high professionalism levels. The 1970's saw American Institute of Certified Public Accountants established which greatly contributed to setting up codes that accounting professionals had to adhere to, in order to exercise high professionalism levels in accounting. Worldwide, the 90s and 2000s have seen accounting professionalism improving and demanding that accounting professionals provide financial information in form of financial reports to current and potential investors, creditors, and stakeholders to make meaningful both financial related and non- financial related decisions for their organizations (Kernagham, 2000).

However, the 1980's and 1990's saw the accounting profession heavily hit by the media that reported frequently the gradual loss of accounting professionalism with reasonable justifications, (Wyaat,2003).There were numerous and complex reasons that led to an environment where large accounting firms in the USA like Andersen, whose reputation tarnished and collapsed due to forces that include corporate and individual greed, accountants' delivery of services that acted to impair professional independence, becoming too cozy with clients, and accountants participating in acts that led to the avoidance of accounting standards (Suddaby, Gendron and Lam, 2013)..

Financial reporting is believed to have emerged during the Industrial Revolution that began in Britain in the 1780s (Hobsbawm, n.d). By the mid-18th century, Britain controlled a global trading empire with colonies World Over in Africa. In addition, the occurrence of rapid economic growth after 1870 springing from a new group of innovations commonly known as the second industrial revolution (Wickham, 1916), the revolutions led to the emergency of the issue of financial reports as shareholders started demanding for proper financial reporting about the status of industries.

The early 1900's through to the 1920 saw the merge of large enterprises structured as corporations, with ownership interests traded on stock exchanges and separation of ownership from managerial control. The mid 1920s tightened the issue of financial reporting as it was a period of the Great Depression when several enterprises collapsed in business (Beattie, n.d).

For the case of the US, the stock market crash of 1929 exposed massive accounting fraud in several companies that were listed on the New York Stock Exchange which prompted measures in the US Government in 1933, the measures called for the independent audits of such company's financial statements to be done by public accountants before being listed on the exchange (Benson, 1989), hence an activity of financial reporting. The 40's through the 50s to the 60's saw several firms merged and went public and regulations which also demanded for increasingly frequent and stringent reports. The 1970s saw publicly traded companies for instance Price Waterhouse, Arthur Anderson, KPMG, and Touche Ross among others adopt the idea. The 80's to date has globally seen multiple companies adopt, follow and use financial reporting as a way to allow the different stakeholders, business owners and investors getting to know what exactly is happening in their businesses through the financial reporting exercise so as to be able to make informed decisions (Napier, 1994). Financial reporting has been subject to an ever-growing volume of regulation, in the form not only of company law but also of financial reporting standards, originally national, but since 2005 the pronouncements are of the International Accounting Standards Board.

In Uganda, there was no regulatory framework on accounting professionalism before 1970. In the 1970's the registered accountants' Act N0.5 was enacted, however, this was not implemented because of political instability and it was repealed and replaced by Act N0. 5 of 1992, which was subsequently replaced by Accountants Act 2013.The institute of certified public accountants of Uganda (ICPAU), is a national professional accountancy organization that was established in 1992, by an Act of Parliament, to regulate and control the conduct of all professional accountants in Uganda.

As a member of international federation of Accountants (IFAC), the ICPAU has a responsibility to adopt and implement the international financial reporting standards (IFRS). The World Bank report (2015) reported that the ICPAU having fully adopted the reporting standards, it has put up several initiatives to support its professional accountants to implement the accounting standards and among these are; the institute endeavors to share updates on new and revised accounting standards issued by the international accounting standards board (IASB), the institute conducts training on IFRS under its continuing professional development program (CPD) so as to bolster the members' capacity to implement the standards and finally, the institute also liaises with training providers in the country to include standard related topics in the initial development programs (World bank report 2015). There is not much literature in existence about the history of financial reporting in Uganda but the real boom originated during the early 90's attributed to the World Bank and the international monetary fund (IMF) economic diversification or reforms. It was during this time, the Government of Uganda (GOU) and her private sector showed commitment to financial reporting since a number of small, medium and large companies/ firms constituted several shareholders who demanded for the status of such firms and this was done through provision of financial reports (Obura & Magara, 2008).

1.1.2 Conceptual background

All corporations are obliged to keep accounting records and prepare financial reports that are relevant and understandable by the stakeholders and can enhance economic decision making (Taipaleen. M and Ikaheimo, 2013). Accountants employ different techniques in reporting their financial results and it is one of the reasons that the quality of financial reporting differs (Jerman and Novak, 2014;Macias and Muino, 2011).Financial reporting is defined as a process of providing financial information to the stakeholders and stock holders about the financial position of the company, the performance of the company and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions, Hornes (1998).

There are basically two methods used according to the international Public Sector accounting standards namely; cash based method and accrual based method (Bajra and Cadez, 2007). However, (Wyatt,2014; Leicht and Fennel, 1997) do not contend to this, they posit that the quality of financial reporting is not entirely dependent on the techniques used in financial reporting, rather the quality depends on other factors like professional knowledge, organizational context, professional independence, and personality traits.

Financial reporting is considered to be of high quality when financial reports produce a true and fair position of the financial performance of a company in line with the generally accepted accounting standards (Kusnadi et al.,2016; Marti and Kasperkaya,2015;

Peecher,2002). Quality financial reporting is a requirement not only corporations that are profit oriented but also for Government entities that are not for profit, because it promotes transparency and accountability of leadership especially the elected leaders and it enables the country's citizens to have a basis on which to rate the Government's performance in achieving the intended goals and assessment of how resources are utilized (Bastani, Abolhalaj, Jelodar and Ramazanian, 2012). Uganda's vision 2040, aspiration number 498 talks about the Government's desires to have the highest level of public satisfaction and increased transparency depicted through financial reporting (Mabirizi, 2015).

The Government of Uganda vision 2040, states: ''a transformed Ugandan society from a peasant to a modern and prosperous country with in thirty years'' (Mabirizi, 2015). In order to achieve the aspiration, the Government of Uganda is tasked through the accountancy profession enhance value for money in management of public funds by ensuring efficient use of public resources for better service delivery and also be effective in the use of these funds by implementing only those activities that can lead to the attainment of the intended goal (Flynn, Morreti and Cavanagh, 2016). The Government is also tasked among other factors; to ensure timely service delivery, adequate provision of resources, maintain peace in the country, intensify transparent financial reporting, and strengthening public sector institutions and systems (Mabirizi F, 2015).

The accountancy profession which handles the life blood of organizations is at the fore front of Public service delivery and public satisfaction which is best achieved through transparent financial reporting. This therefore calls for accountants to exhibit high levels of professionalism in order to have quality financial reporting (Friedson,2001).In the recently launched Accountability sector strategic investment plan ASSIP) 2016, the Government committed itself to enhancing coordination of services, planning, mobilization, allocation, management and financial reporting(ASSIP,2016). The accountancy profession still, is at the fore front of this and in order to realize quality financial reporting, accountants have to abide by what the regulations require of them, be selfless, seek more knowledge and apply it, exercise high levels of integrity and act independently

It is therefore imperative for the Government of Uganda to support the accounting profession in order to build strong accounting professionalism among accountants so that the country can achieve its vision 2040 (Semakula, 2017).

With this background therefore, accounting professionalism is seen as one of the ways that can help accountants during financial reporting to avail strategic managers with reports that are timely, relevant, reliable and have understandable information to support the different people interested in the financial reports to make decisions that can be of great impact to the business entity (Dignam & Lowry, 2006). To complement, Nzotta (2008) argues that financial reporting in any organization is a critical issue that affects the decision making process of key actors. It means therefore, that if the accounting professionals produce un reliable reports, even the decisions of the stakeholders or the key actors, will be irrelevant and will only lead to the down fall of the organization.

In a bid to improve the quality of financial reporting by accountants, the ICPAU put up awards which it refers to as FIRe awards, meaning financial reporting awards, with an intention of creating that urge to perform better and win the award in the country. All this is geared towards promoting best practices in financial reporting, and in complying with international financial reporting standards (IFRS), for the various sectors of Uganda's economy.

The issue of financial reporting in local governments stems from the introduction of Decentralization which entails the transfer of powers, functions and services from central Government to Local Councils (Local Government Act 1997, CAP 243). The concept of Decentralization empowers the people and institutions at every stage of society namely public, private and civic institutions; improving access to basic public services; increasing participation in decision-making and enhancing Government's responsiveness, transparency and accountability (Mugabi, 2004). Within the District, financial reporting is done by Chief Executive to highlight how public funds allocated to the District have been utilized to the satisfaction of key beneficiaries.

1.1.3 Theoretical background

This study adopted the agency theory by Jensen and Meckling (1976) as the lead theory, the stewardship theory by Donaldson and Davis (1991) and the idealized professional model by Suddaby, Gendron and Lam (2013) in examining the impact of accounting professionalism and quality of financial reporting.

In the agency theory, Jensen and Meckling, (1976) argues that any organizations in this case Luweero district local government, runs on a nexus of contract between the principals that is, the public and the managers who are agents and in this case, the employees at the district. In their postulations the agents are charged with not only using, but also controlling resources with the agents having more information than the principals which renders failure to monitor on part of the principals. Exertions by the likes of Jussi and Petri, (2014) postulate that as a way of strengthening the agent-principal relationship, the principals employ experts and systems that is, ,the accountants and auditors alongside control systems to monitor the agent.

The agency theory assumes that principals and agents act rationally and use contracting to maximize their wealth (Jensen and Meckling, 1976), something that is not right because agents have their own desires different from those of Principals and these desires make them act irrationally.

The study also adopted the stewardship theory in examining the influence of accounting professionalism on the quality of financial reporting. The theory stresses that contractual relationship between the owners of the company (the public), the upper echelon (the CAO); board of Directors and external Auditors is purely stewardship relationship (Adelegan, 2009). The theory provides a natural backdrop of this study because financial reporting concerns arose as result of divorce of company from owners of company and as such those who are entrusted to oversee and manage the company on behalf of the owners (CAO) are expected to render stewardship of their responsibilities. Consequently, those users who desire to assess the stewardship of management do so in order that they take economic decisions; these decisions may include, for instance, whether to hold or sell their investment in the enterprise or whether to reappoint or replace the management. The relevancy of this theory to the study is that, the company owners (Public) demand for financial accountability from the upper echelon of the organization (CAO).

The stewardship objective is considered as being about information that provides a foundation for a constructive dialogue between principals and agents.. Known adjusted advocate by the International Accounting Standards Board, (2007) postulate that whilst such dialogue taking place in many ways and in various media, reporting accountants and external auditors play a vital role in shaping this dialogue.

The study was also guided by the idealized professional model by Suddaby, Gendron and Lam (2013) which posits that individuals are assumed to have the necessary knowledge and skills to perform their work and are afforded considerable discretion in determining how and when the work will be accomplished

1.1.4 Contextual background

The District is mandated to provide financial accountability through reporting how it has utilized powers vested in it by the LG Act of 1997 CAP 243, to collect locally generated revenue to support service delivery to the community and how it has utilized Central Government Grants among others.

Financial reporting is a responsibility of the CAO through accountants (LGFAR, 2007), who are professionals in the field. These professionals have undergone University education and attained professional qualifications that include Certificates, Diplomas, and Degrees, PGDs, and Masters. Before their employment and eventual deployment, these applicants are double checked to establish whether they conform to the job requirements including whether they are members to the professional bodies for instance ACCA, CIPS and CPA which are solely responsible for molding their skills, competences, knowledge and abilities to the very best (Uganda Accountants Act, 2013). These professionals are expected to publically serve citizens with accountability and transparency in mind but in some instances, these accounting values have not been realized.

The District has been frequently exposed in numerous reports of the Office of Auditor General, as failing to report and account for public funds leading to more public outcry and loss of trust (Office of Auditor General Report, 2014).

Quite often, the Accounting officer, who is the Chief Executive of the District, is invited to the Parliamentary Public Accounts Committee, to explain expenditure and reporting discrepancies that put the District's operations at jeopardy (Auditor General Report ending FY, 2015/2016). It was still ambiguous in the minds of the researcher as to what causes such discrepancies whereby it raised questions on whether the accounting professionals lacked knowledge, lacked professional independence or had their personal integrity compromised raising a need to conduct a study to find out the influence of professionalism on the quality financial reporting, in Luweero District local Government.

This chapter presented the background of the study, statement of the problem, major objective, specific objectives, research questions, significance of the study, justification, significance of the study, scope, definition of key concepts, and finally ended with a conceptual framework.

1.2 Statement of the Problem

Financial reporting like Collins and Collins (1978) puts it, in District Local Governments is basically accounting for public resources. Barth, etal (2008) asserts that financial reporting ought to be reliable, and timely, to enhance decision making on the part of the business owners.

The Auditor General Kampala, who is the public trustee, reported Luweero District in the annual reports 2013/2014 and 2014.2015, as having failed to timely account for funds disbursed to it from the central Government, and from Donors.

Failure to timely account for public funds impacts on service delivery because most donor funds are tied to specific services like construction of health centers, schools, and provision of safe water among others in a specified period of time. This in return, leads to prohibition from receiving more funds, or delay in releasing more funds and the outcome is public outcry for services.

Luweero District has 13 professional accountants who have vast experience in accounting, source: Luweero District Human resource records.

The District has quite often either missed out on grants, or has had delays in receiving funds from the Central Government due to untimely submission of accountabilities, hence compromising service delivery.

This posed questions in the mind of the researcher as to whether the accountants have gaps in accounting professionalism.

This compelled the researcher to conduct a study, to examine the influence of accounting professionalism, specifically looking at Professional Knowledge, professional independence and personal integrity of the accountants, on the quality of financial reporting basically looking at timeliness, understandability and reliability of the financial reports.

1.3 Objectives of the Study

1.3.1 General Objective

The study examined the influence of accounting professionalism on quality of financial reporting in Local Governments using Luweero District Local Government as a case study.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

(i) To evaluate the influence of professional knowledge of accountants on the quality of financial reporting in Luweero District Local Government.

(ii) To establish the influence of personal integrity of an accountant on the quality of financial reporting in Luweero District Local Government.

(iii) To evaluate the influence of professional independence of an accountant on the quality of financial reporting in Luweero District Local Government.

1.4 Research Questions

The following research questions were answered namely:

1. What influence does professional knowledge of accountant shave the quality of financial reporting in Luweero District Local Government?

2. What effect does personal integrity of accountants have on the quality of financial reporting in Luweero District Local Government?

3. What influence does professional independence of accountants have on the quality of financial reporting in Luweero District Local Government?

1.5 Significance of the Study

The significance of the study was presented in two dimensions that is: the academic justification on the one hand and the policy justification on the other. In the first instance it was deemed to be significant because it may provide insights into how professional accounting affects the quality of financial reporting in the country.

The study results are to help policy makers in providing solutions to the factors that have consistently affected the quality of financial reporting in Luweero District Local Government.

The results have contributed to the existing gaps on the understanding of the relationship between accounting professionalism and the quality of financial reporting in Luweero District Local Government.

The study findings have enhanced the district's capacity to build mechanisms in order to increase the quality of financial reporting thereby reducing on the fraudulent and unprofessional tendencies that have existed in the country overtime.

The results have generated knowledge for the government, policy planners, donors as well as related stake holders about why local NGOs fail to comply with donor requirements. This would help the donors to identify what kind of practical support they should provide the respective district's before giving them any funding in order to ensure acceptable quality of financial reports.

The study findings have helped Local Governments in Uganda to improve their compliance to donor requirements and thus improve their capability to attract more funding and also ensure their organizational sustainability.

The study findings have formed a basis for further research relating to the phenomenon under investigation. In addition, it is a prerequisite for the researcher to accomplish her studies.

1.6 Justification of the Study

The auditor general reports 2013/2014, 2014/2015, reported Luweero District as having failed to account for public funds on time, and as a result, the District was denied funds in the ensuing years, hence, compromising service delivery. The study was carried out to establish reasons for accountants' failure to account on time, yet they are professionals and assumed to have all the knowledge.

1.7 Scope of the Study

1.7.1 Geographical Scope

The study was conducted in Luweero District at the District Headquarters and in 10 Sub-counties that included; Luweero, Katikamu, Nyimbwa, Makulubita, Kalagala, Kamira, Bamunanika, Zirobwe, Kikyusaand Butuntumula.

1.7.2 Content Scope

The study examined the influence of accounting professionalism on the quality of financial reporting in Luweero District Local Government. The study specifically evaluated how professional knowledge, professional independence and personal integrity of accountants influence the understandability, reliability and timeliness of financial reports.

1.7.3 Time Scope

The researcher considered time frame of less than 3 years, encompassing a period between the year 2015 and the year 2017. The researcher considered this period to be adequate to study the trend of accounting professionalism and the quality of financial reporting at the District given that this is the period during which the District experienced a rise in audit queries.

1.8 Definition of key terms

Accounting: This term refers to the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information, (Marty, 2017).

A Professional Accountant: An individual who has had professional training and is a member of an IFAC member body through registration, (IFAC CODE 2006).

Professionalism: This concept will mean having skills, technical expertise, continuous professional development to stimulate professional growth, creativity and innovation without compromising integrity and professional ethics (Raymond, 2005)

Accounting professionalism: The concept will refer to the knowledge, understanding, virtues and conduct following the regulations. It consists of four dimensions; accounting practice focus, accounting skill improvement, regulation implementation awareness and professional ethics orientation (Forgerty & Kolbers, 2008).

Financial statements: The concepts will mean a collection of reports about an organization's financial results, financial condition, and cash flows (Bragg, 2017).

Financial reporting: refers to the process of collecting, classifying, summarizing and reporting accounting information that relates to organizational activities thereby providing a background for people to have an informed judgement on the performance and accountability assessment (Bastani et al. 2012)

Financial reporting is a process of providing financial information about the financial position of the company, the performance of the company and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions, (Hornes, 1998). .

Relevance: This refers to the judgment made by a user as to whether there is a match between information or a document and the information needed, Beuselinck, C & Manigart, S, (2007).

Timeliness: This concept refers to the suitable time required to provide a service or product, Beuselinck, C & Manigart, S, (2007).

Quality: The concept will refer to a totality of features and characteristics of a product or service that satisfy a user's preference, Beuselinck, C & Manigart, S, (2007).

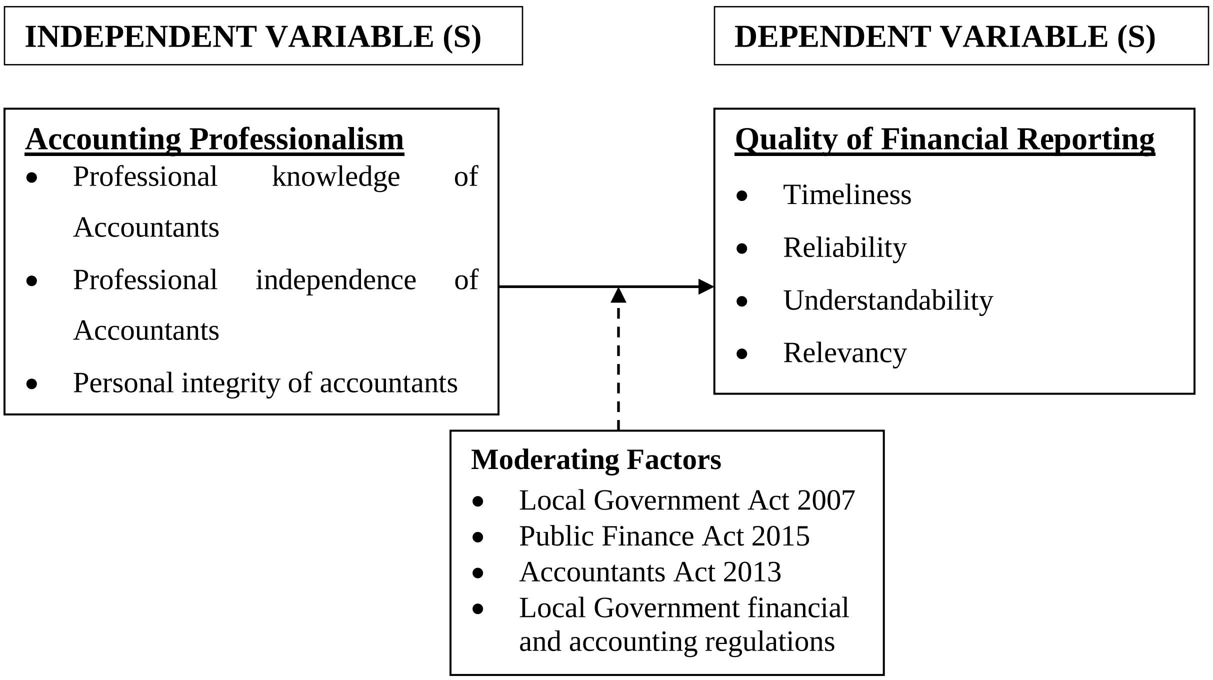
Professional Knowledge: Professional knowledge is defined as a combination of both technical (what is known) and practical knowledge (skills) and how such deliverables result in required output in terms of reports among others (Eraut, 2004).

Understandability: This concept will refer to the quality of financial information which and economic activities (Obaidullah, 2016). Reliability is a requirement that the information should be accurate, true and fair.

1.9 Conceptual Framework

According to Mugenda and Mugenda (2003), a conceptual framework is either a graphical or narrative form of the main dimensions to be studied or the presumed relationship among them. Amin (2005) states that a conceptual framework helps postulate or hypothesize and test certain relationships between the variables which improves an understanding of the situation under study. Ewama (2003) and Barrett (2004) posit that accounting professionalism has a positive influence on the quality of financial reporting. The framework shows the different determinants of the quality of financial reporting. The model shown in the figure below examines the relationship between accounting professionalism and the quality of financial reporting. The figure below presents the model.

Figure 1: Conceptual frame work showing accounting professionalism and the quality of financial reporting



Source: Adopted from (Ewama, 2003) & Barrett, 2004) and modified by the researcher

The conceptual framework above presents accounting professionalism as an independent variable and quality of financial reporting as the dependent variable. The figure posits in the above illustration that the dimensions of accounting professionalism entailed professional knowledge of accountants, professional independence of an auditor and personal integrity of accountants which are seen to influence the quality of financial reporting measured using the following indicators; timeliness, reliability of reporting, relevancy as well as understandability. Professional knowledge of accountants is a combination of technical (what is known) and practical knowledge seen, as “know how” (Eraut, 2014) while professional independence of an auditor’s unbiased mental attitude in making decisions throughout the audit and financial reporting, the quality of being free from influence, and persuasion (Maury, 2000). This can determine the quality of the reporting that if an auditor was free from influence, the results produced would be unbiased and represented the true image of the LG being reported about.

Personal integrity is an innate moral conviction to stand against things that are not virtuous or morally right, (Halfon, 2000). It is assumed that this can affect the timeliness in reporting, relevancy of the report to the prevailing situation and reliability of the contents in the finance report because persons of integrity are assumed that they do not just act consistently with their endorsements, but rather they stand for something and stand up for their best judgment. When integrity was compromised, the quality was affected too. However, there are legal and regulatory frameworks that influence the way professional accountants report which include the LG Act cap 243 as amended, Public Finance Act, (2015) and Accountants Act (2013). These are external to the study, but might influence the results when ascertaining the relationship between the variables. In this regard, the influence of the moderating variables must be gauged and controlled so as to ensure that the variables under investigation are properly studied. The financial regulations for example require non- urban Local Governments to use the cash basis accounting system and the urban local governments to use the accrual basis accounting system.

1.10 Conclusion

In conclusion, the chapter has provided an insight on the background of the study clearly stating the problem of study, the purpose of the study, the objectives of the study, the scope of the study covered, the contributions the study made, the reasons for carrying out the study and the conceptual framework which identified the independent variable and the dependent variable providing ground for the review of the existing literature in regard to the study objectives.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literature on accounting professionalism and quality of financial reporting obtained from a number of secondary sources for instance text books, dissertations, journals and the Internet as presented by scholars. The chapter is organized starting with the theoretical review, actual review of literature and ends with a summary of literature.

2.1 Theoretical Review

This study adopted the agency theory by Jensen and Meckling (1976) as the lead theory, the stewardship theory by Donaldson and Davis (1991) and the idealized professional model by Suddaby, Gendron and Lam (2013) in examining the impact of accounting professionalism and quality of financial reporting.

In the agency theory, Jensen and Meckling, (1976) argues that any organizations in this case Luweero district local government, runs on a nexus of contract between the principals that is, the public and the managers who are agents and in this case, the employees at the district. In their postulations the agents are charged with not only using, but also controlling resources with the agents having more information than the principals which renders failure to monitor on part of the principals. Exertions by the likes of Jussi and Petri (2014), postulate that as a way of strengthening the agent-principal relationship, the principals employ experts and systems that is, the accountants and auditors alongside control systems to monitor the agent. The agency theory thus assumes that principals and agents act rationally and use contracting to maximize their wealth (Jensen and Meckling, 1976)

In the stewardship theory, Adelegan (2009), asserts that the contractual relationship between the stakeholders in this case the public, who are the owners of the organization, and the upper echelon, board of directors and external auditors, is purely stewardship relationship. In his assertions Donaldson and Davis (1991), asserts the need for reporting as a result of divorce of organization from the owners and as such, agents are entrusted to oversee and manage the organization on behalf of the owners. In particular the agents are expected to render stewardship of their responsibilities that is, financial reports which must be validate by independent professional body (External Auditors) (Adelegan, 2009). Consequently, those users who desire to assess the stewardship of management do so such that they take economic decisions of whether to hold or sell their investment in the enterprise or whether to reappoint or replace the management. The stewardship objective is considered as being about information that provides a foundation for a constructive dialogue between principals and agents.

The study was also guided by the idealized professional model by Suddaby, Gendron and Lam (2013) which posits that individuals are assumed to have the necessary knowledge and skills to perform their work and are afforded considerable discretion in determining how and when the work will be accomplished.

2.1.1 Relevancy of the theories

The agency theory is relevant to the study in that, its suppositions about the relationship between the Principals and the agents depicts the very way the Public, which is the principal, relate with the Local Government staff (agent). The auditors are the independent body to check activities of the agents.

The postulations of the stewardship theory depict the way the business owners in this case, the Public conduct business with the accountants (stewards).

The postulations of the idealism model are very true for auditors, because they are left independent to perform their activities without or minimal interruptions. They design their timetable of when to work where and the amount of work to be done. The internal auditors at the District for example are mandated under the Local Government Financial and accounting regulations LGFAR, S. 171) to extend services to sub counties and schools which program and scope of work, are managed by the auditor.

2.1.2 Weaknesses of the theories

The agency theory assumes that the principals and agents act rationally and agents work to maximize wealth for the principals. This is not always true because agents' economic desires can lead them to act irrationally and agents usually foster their interests before those of the principal.

The stewardship theory like the agency theory assumes that the stewards will enhance the stewardship role, yet the stewards too have their own interests to foster before interests of the owners.

The idealism model assumes that everyone is knowledgeable and can independently determine their scope of work. The authors forgot that there are many other factors that determine performance of duty

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2.2 Actual Literature review

2.2.1: Over view of accounting Professionalism

The institute of chartered accountants in England and Wales (ICAEW) define a professional as a person who professes to have skill resulting from a coherent course of study and training based on professional values, and who continues to develop and enhance those skills by experience and continuing professional education. A professional has skill, technical competence and professional values (Gray, 1988).Professionalism is defined as the strict adherence to courtesy, honesty and responsibility when dealing with individuals or other companies in the business environment. (Bajra and Cadez, 2007). Professionalism often includes a high level of excellence, going above and beyond basic requirements. Previous research has defined accounting professionalism as focus on the nature, roles and responsibility of professionals (Staubus, 2004). Professionalism also has to do with how you conduct yourself during your business affairs. Accounting Professionalism is defined by Arens etal, (2010) as a responsibility that is imposed on a professional and has to more than meet those responsibilities assigned to him, the acts and the rules of the society. Raymond (2009) defines accounting professionalism as characteristics associated with personal qualities of an individual including personal moral conduct. He adds that it is more than skills, technical expertise and focuses on two key strands of professionalism which are; standards and qualifications.

In addition, UNDESA (2000) defined accounting professionalism in the public sector as values that guide public service that include; effectiveness, loyalty, transparency, accountability, diligence among other values. Sarji (2005) defines accounting professionalism as excellent work culture as exhibited by people in the accountancy profession and, a kind of performance ethic that drives professionals to adhere to defined normative and behavioral expectations as laid in the code of ethics. This definition is line with what the Certified Public Accountant of Uganda hand book says about exhibiting professionalism. In this hand book, it's reported that, professionalism in accountancy is a dedication to work which requires a high level of skill and also a commitment to a set of principles centered on the public interest. At the heart of being a certified public accountant of Uganda, it's their responsibility to serve the public interest. For purposes of this research, the researcher based the study on the definition by Raymond (2009).

Accounting professionalism is firmly linked to high individualism given the fact that there is a lot of personal judgement of the individual. Since individuals are quite different from others, exercising their professionalism too is also done differently, in quite unique ways (Imad, 2008). This therefore means that accounting professionalism cannot be expressed in exactly the same way by different accountants even if they get the same training and qualifications.

Hofstede (2008) advanced an opinion that since exhibiting accounting professionalism is an activity that requires judgement, then the outcome of accounting is governed by values which are also influenced by cultural differences. To Hofstede, accounting professionalism is exhibited by an accountant depending on the values one holds. Therefore accounting professionalism can never be expressed the same way because individual accountants have varying values. On the other hand, Chambers (1966) argued that accounting professionalism is expressed by accountants depending on their perceptions. The author adds that the way the accountant communicates the accounting information depends mainly on how he perceives the properties of economic events.

Belkaoui (1995) argues that accounting professionalism is expressed at work under the influence of an accountants' culture. The author adds that culture determines the manner in which an institution is structured and has direct influence on how accountants behave and perform their duties. The culture influences the behavior of accountants and this determines how one thinks .The author however forgot that now days, people copy cultures and this has greatly eroded morals among the youth most especially.

2.2.2: Accounting professionalism manifestations.

From the above definitions, accounting professionalism therefore is a dedication to work which requires an accountant to be selfless, be honest, have strong organizational skills, and have high commitment to a set of accounting principles centered on public interest. Professional conduct can enhance your standing among colleagues and customers and the public at large Adeyemi and Fagbeni (2011). Managers and executives talk of acting like a professional and quite often such statements are made by people "every accountant worthy of their certification should be expected to thoroughly analyze and report financial records, but the most essential characteristics of an accountant extend beyond the bare minimum demands of the job'' Ogbonna and Ebimobowe (2012).Doolan (2009) further reports that, in addition to being financially literate, professional accountants must also possess a number of personal characteristics to make sure that they provide the best and undoubtable quality of professional services that will meet the demands of the intended beneficiaries. The accounting profession in Uganda is young but rapidly growing. The accounting and auditing practices in Uganda suffers from institutional weaknesses in regulation, compliance, and enforcement of standards and rules (World Bank report 2005). This therefore means that the institutions in Uganda that deal with accountancy profession like the ICPAU, should work hard to improve the image of the accountancy profession in the country. Institutional weaknesses could probably explain the level of accounting professionalism in the country.

According to IFAC, professionalism in accountancy requires a professional accountant to have given qualities that distinguish him or her from non-professional accountants. This means that an accountant should take keen interest in the way he/she dresses should be organized at table, and even the way he/she talks. Professionalism in accountancy requires an accountant to be in position to work with people of different backgrounds because accounting is primarily a people oriented profession. This means that the accountant should be flexible and manage all types of clients and workmates regardless of their character. This means, the accountant should be able to interact with their clients well, build rapport at the beginning to create comfort and should not only mind about calculations alone.

Saeed (2006) adds that a professional accountant should be highly innovative, be able to formulate unconventional measures but again very effective approaches to solving very unique problems. This means that the accountant should think out of the box and forget consulting text books every time. Accounting professionalism requires accountants to be very flexible and learn on the job new account solving techniques that can help solve very unique problems.

Professionalism is a dynamic process of occupation which emphasizes on the process such as education, ethics, and expertise (Carnegie and Napier, 2010). This study defines the accounting professionalism as the performance of accounting with knowledge, understanding, virtue and ethics following the rule and regulations. Currently, accounting has played an important role to the firm success. Likewise, the images of accounting and accountants play an equally important role in social context (Carnegie and Napier, 2010). At the same time, these roles have reduced the reliability as evidenced by various scandals such as the collapse of large companies in several countries or the economic crises in Asia as well as in Thailand which were a result of the role of accounting.

More with the pressure from stakeholders and the rules that came out after the crises, there needs to have the financial reporting credibility, which affects an important part of the accounting operations of the business. Thus, the performance of accounting professionals of business has gained interest from stakeholders and public while the accounting professionalism of business may affect the efficiency of the financial reports. Hence, the quality of professional work is related to reputation and ethical behavior of business (Mataira and Van Peursem, 2010).The attribute of accounting professionalism comprises professional at both individual level and group level (firms or organizational level); especially individual level is essential to the development of a professional group or organizational level.

Previous scholars discussed the aspects of accounting professionalism such as accountability, transparency, practice, ethics, communication, or skill (Canning & O'Dwyer, 2001; Carnegie & Napier, 2010) including knowledge base and effectiveness of technical practice (Staubus, 2004).

In this study, we developed a construct of accounting professionalism from the previous literature that includes four dimensions; accounting practice focus, accountant's skill improvement, regulation implementation, and professional ethic orientation.

The previous scholars studied professional ethics of accountants as an aspect of accounting professionalism, as a whole and did not consider studying individual aspects to see their magnitude. So this study looked at only 2 individual aspects of professional ethics and how they individually influence the performance of accountants.

From the above discussions, accountancy boards assume that professionalism can be expressed the same way by all accountants, forgetting that, it is basically determined by individual characteristics

2.3 Quality of Financial Reporting

2.3.1 Over view of financial reporting

Financial reporting is a process of providing financial information about the financial position of the company, the performance of the company and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions, (Hornes, 1998). . Similarly, financial reporting is a means of portraying financial accountability (Collins and Collins, 1978).

Financial reporting quality is a very crucial issue to the community because it plays a very important role in determining the type of economic decisions to be made (Tasios and Bekiaris, 2012; Abang'a, 2017).

There is no universally accepted definition of financial reporting quality (Bajra and Cadez, 2017). Different scholars define quality financial reporting differently. Financial reporting is considered to be high in quality when financial reports present a true and fair position and performance of a company in line with generally accepted accounting standards (Kusnadi et al., 2016; Marti and Kasperkaya, 2015; Peecher, 2002).The quality of financial reporting is the extent to which financial reports clearly bring out the important qualitative attributes of the financial performance of the organization (Abang'a, 2017).

Whereas it is defined so, quality financial reporting's empirical measurement is very challenging (Barth et al., 2008; Francis and smith, 2005). A common used proxy is discretionary accruals (Dechow et al., 1995; Ecker et al., 2013; Jones, 1991; Peasnell et al., 2000). With discretionary accruals as Bajra and Cadez, (2017) put it, financial reporting is high quality when management can produce reports that portray management of earnings with high performance for personal gains like increasing profits and market performance to increase their compensation (Hartmann and Splanicar, 2012). Low performance manifested in low profits for profit making organizations damages status of management and career prospects but also managing earnings is in their interests in circumstances of fixed compensation (Naranjo- Gil, 2016).

The main purpose of financial reporting in organizations is to present information about the organization's financial position and performance that can be found useful by a range of different users in making decisions that can positively impact on the organization (Barth et al., 2008).

Financial reports are presented in a structured manner presenting the four statements that include; a statement of financial position, a statement of comprehensive income, a statement of cash flow and a statement of changes in equity. A statement of financial position, reports on a company's assets, liabilities and owners' equity at a given point in time. A statement of comprehensive income reports on the company's income, expenses and profit and loss over a period of time. A profit and loss statement provides information on the operation of the operations of the enterprise. A statement of changes in equity or equity statement or statement of retained earnings, reports on the changes in equity of the company during the stated period. A statement of cash flow reports on a company's cash flow activities particularly its operating activities, investing activities and financing activities (Flynn, Moretti and Cavanagh, 2016).

The objective of financial reporting is to provide financial information about the financial position of the company, the performance of the company and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions. Financial statements ought to be easily understood relevant, reliable, and comparable. The assets being reported, the liabilities, equity status, the income and expenses, are directly related to an organization's financial position, (Abang'a, 2017).

The methods of financial reporting in the Public sector using the international public sector accounting standards, are majorly divided into two ways; namely; the cash based accounting method and the accrual accounting method (Champoux, 2006; Abang'a AO, 2017). The cash basis method of reporting entails reporting revenues and expenditures that have been received by the organization. This saves the organization from committing it to debts (Flynn, Moretti and Cavanagh, 2016; Abang'a, 2017). The accrual reporting method on the other hand reports revenues and expenditures as they are received. It does report even those expenses that are not yet paid by the organization. In other words it commits the organization to debts (Flynn, Moretti and Cavanagh, 2016; Abang'a, 2017). The inconsistencies in financial reporting are definitely due to a number of reasons that include lack of a universal measure of the quality of financial reporting, differences in the levels of economic growth, difference in the country policies, and different sizes of organizations among other many factors (Jensen,2000; Mcfie,2006;olowokure et al.,2015;Wang'ombe,2013;Waqweru and Riro,2013;Abang'a AO,2017).

2.3.2 Financial reporting standards

Despite the adoption of international financial reporting standards by many organizations in different countries, there is still no uniform financial reporting in the different organization (Daske et al., 2008; IASB, 2017). This has brought about the need to converge financial reports in all the different countries such that they look alike (Abang'a AO, 2017), however, this requires international standards setters to come up with a uniform standard that suits all countries regardless of the several differences realized between these countries because reports should be in a form that is easy to understand when read by any user who has ''reasonable knowledge of business and economic activities and accounting and willing to study the financial information diligently'' (Hornes,1998). However, the international accounting standards board has been criticized for a number of reasons that include; poor governance structure, failing to provide transparency on agreement and lack of a close link to the accounting industry (Barth, 2008; Wang, 2014; Fang et al., 2016). Much as it is still responsible for the development, publication and interpretations of the international financial reporting standards (IASB, 2014). In order to attain the objective of converging the financial reporting, there is need for comparability first (Barth, 2008). Convergence means reducing international differences in accounting standards by selecting the" best practices'' currently available, or, if none is available, by developing new standards in partnerships with national standards setters (Whittington,2005). However, convergence not only refers to standardization of accounting standards but also accounting practices across the globe (Abang'a, 2017). A principle that was adopted by the international accounting standards board for developing the method that will lead to the conversion of the financial reporting systems is called "substance over form' and it requires accountants to employ professional judgement in interpreting and applying the international financial reporting standards. A distinctive feature of the international financial reporting standards is that they are 'principle based', drawn clearly from the international accounting standards board conceptual framework, instead of "rules based". Principle based standards do not provide detailed guidelines for their implementation and thus leave the accountant with enough freedom to employ professional judgement (Abang'a, 2017; Angoglia et al, 2011; Heidhues and Patel, 2011).

However, several researchers have pointed out in the different studies that even with the presence of a common set of accounting standards, there are several factors that can lead to variations and these include among others; historical factors, .social factors, political factors, economic factors, legal factors, and cultural values (Chand et al., 2012; Combs et al., 2013; Wehfritz and Haller, 2014; and Ghio and Verona, 2015; Grayet al., 2015; Ball, 2016).

2.3.3 Uses of financial reporting

Financial reporting is useful to different people in the following ways; owners and managers are able to make important business decisions that are geared towards the continuity of the business, from the help of financial reporting by accounting professionals and the managers. This enables management and business owners to tell how good the business is doing and what remedies can be put in place to arrest any situation that may not be favorable. Business owners and managers are very much interested in the going concern of the business (Biddle et al, 2009). Financial analysts use these financial statements so as to provide management with an analysis of the financial stand of the organization, and this helps management to get a more detailed understanding of the current business position and then make well informed decisions. Management is in position to make annual reports to stockholders basing on the financial reports, as Payamta, K (2006) says, without which, management would not be in position to defend their role to their bosses, the stockholders. Financial reporting therefore has to be based on genuine information that depicts the true image of the firm or business. Salaudeen, etal, asserts that, Employees benefit from financial reporting because they enable them to make collective bargaining agreements (CBA) with their employers in case of trade unions. Trade unions are able to study financial reports, (Appah,E., 2010), to tell the financial performance of the business and bargain accordingly. They look at the financial performance of the company in the name of profits made to demand for more pay from their employers. Labor Unions too use financial reports to set minimum pays for the employees and to bargain for employees' benefits. Individuals too, as Ajibolade, S, O (2008), puts it, can use financial reports in discussing their compensation benefits with their employees, promotions, and rankings. Abanga' A & Biddle, et al mentioned that, prospective investors too, make use of financial reports to assess the viability of investing in a business. The financial reports depict the true picture of the future prospects of the business and this is used to determine whether to invest, divest, or re-invest. Financial institutions (banks and other lending institutions) use them to decide whether to grant a company with fresh working capital or extend debt securities (such as long term loans or debentures) to finance expansion other significant expenditures.

According to Collins and Collins (1978), a financial report is a means of portraying financial accountability. In order for an organization to review the financial activities of the past year and make plans for the future it prepares and publishes annual accounts or financial reports. According to Samuel (1991), these are outputs of an accounting system and they are prepared at the end of the year, hence the name final accounts. According to Hornes (1998), the financial reports should include a narrative description of the organization's activities and audited financial statements. He argues that these enable the stakeholders to see the organization's performance and the overall financial situation of the organization. Samuel (1991), states that managers and accountants are usually required to defend the results shown in the financial reports as part of the accountability process. According to Gale (2003), financial reports must exhibit certain qualities that make them useful to the stakeholders and these include relevance, reliability, understandability and timeliness.

Biddle et al. (2009) defines financial reporting quality as precision of financial information of firm's operations for predicting firm cash flow. In addition, characteristics of financial reporting quality comprise relevance, reliability, and comparability McDaniel et al., (2002). In this study, financial reporting quality was defined as the accuracy with financial reporting information about the firm's operations that consist of relevance, completeness, neutrality, and comparability. The Australian Accounting Research Foundation (1990) stated that it is important for financial reports to be relevant. They must have value in terms in making and evaluating decisions about the allocation of scarce resources and in assessing the rendering of accountability by the providers. The reports must also be reliable because users use them for decision making. Reliability means that information is reasonably free from error and bias and faithfully represents what it purports to represent. Understandability is the ability of users to understand the financial reports. This will depend in part on their own capabilities and in part on the way in which the information is displayed. Timeliness of financial reports is very crucial because reports which are relevant and reliable may be rendered irrelevant if there is undue delay in presenting them. According to Gale (2003), poor quality of financial reports greatly diminishes the quality of local governments. Quality information is one that is readable, reliable, comparable, consistent, complete, timely, decision-useful, accessible and cost effective. The integrity of the local government sector is served best if local governments are accountable (Gale, 2003).

The institute of Public Accountants of Uganda usually gives awards (FIRE awards) to the best performing accountants in financial reporting annually. This is intended to promote the best practices in financial reporting in compliance with International financial reporting standards (IFRS) as prescribed by the institute of certified Public accountants of Uganda (ICPAU), for the various sectors of Uganda's economy, (ICPAU 2016).

2.4.1 Accounting Professionalism and Quality of Financial Reporting

The concept of accounting professionalism has been defined in a myriad of ways; Accounting Professionalism is defined by Arensetal (2010) as a responsibility that is imposed on a professional and has to more than meet those responsibilities assigned to him, the acts and the rules of the society.

Raymond (2009) defines accounting professionalism as characteristics associated with personal qualities of an individual including personal moral conduct. He adds that it is more than skills, technical expertise and focuses on two key strands of professionalism which are; standards and qualifications.

The researcher among all definitions of accounting professionalism picked on Raymond's definition. In this research, accounting professionalism, unpacked, includes; professional knowledge, professional independence and personal integrity.

Financial reporting is a process of providing financial information about the financial position of the company, the performance of the company and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions, Hornes (1998). On the other hand, Dignam & Lowry (2006) mentioned that financial reporting is a key ingredient that is required for purposes of corporate governance system to function successfully. Nzotta (2008) adds that financial reporting as a critical issue that affects the decision making process of various key actors. He goes ahead and argues that financial reports assist any user in evaluating the past and present performance of the organization and its ability to maximize the wealth of the shareholders.

Benston (2007) points out that the primary importance of financial reporting in an organisation is to avail information about the financial health, output and dynamics in the financial position of an organization/firm that is useful to a wide range of users in making economic decisions. According to this scholar, the report should be understandable, relevant, reliable and comparable. Similarly, Munawir (2002: 5) defines financial reporting as the art of recording, classifying and summarizing the events and happenings that least partly finance the rigorous manner and with a pointer or expressed in money, as well as the interpretation of matters arising. Salim (2007: 2) states that the financial reports are the primary means of communicating financial information to parties outside the corporation. He adds that financial reports entail presentation of the balance sheet; the income statement; statement of cash flows as well as statement of owner's equity or shareholders. In addition, the notes to the financial statements or disclosures are also an integral part of any financial statements because they explain the details in the financial reports. It therefore becomes evident according to Salim that, the notes explaining the financial report can be understood by any user whether an accountant or not.

Gale (2003) points out that, financial reporting can be regarded of good quality if it comprises of information that is timely created, complete, reliable, comparable, and consistent. To complement further, Nordiawan and Hertianti (2011: 44) argue that quality financial statements from a public Sector perspective is, financial information that is used measure the worthiness of investment and the quality of services delivered. From Gale's observation, one can then argue that, financial reports therefore should help any user to measure how far the objectives of the shareholders were met, and by what percentage was failure registered.

Having seen what accounting professionalism means and quality financial reporting is, we can then argue that accounting professionalism can impact the quality of financial reporting. A professional accountant should prepare financial information that can be used by others inside or outside the employing organization and the accountant should prepare this information fairly, honestly and in accordance with relevant professional standards so that the information can be understood in its context, World Bank report (2005).

The quality of financial reporting in an organization will depend on the three aspects of accounting professionalism. When the level of knowledge is high but when the accountant's integrity is low, the quality of reporting will be compromised. Price water house coopers (PWC) global establishment has audit firms all over the world and it's a re-known company that has been trusted by many of its clients it serves .It's reports have been relied on by many including Governments but in India Price water house Coopers was given a two year auditing ban for companies listed in India for failing to detect 1.7 billion dollar fraud at Satyam Computer Services Company (Thembo and Oketch 2018). Any sane person can believe that this was not an issue of lack of professional knowledge, but a person intention probably due to compromised integrity, and as a result the report that was produced was not reliable.

More still, Price Water House Coopers (PWC) Uganda has been operating in Uganda for over 50 years and it has been used by many clients. The incident in India has caused a lot of concern in government of Uganda because it's the auditors of Price Water House Coopers, that audited Crane Bank before it was taken over by Bank of Uganda in 2016 and assets handed over to DFCU Bank after Price Water House Coopers confirmed that Crane Bank was performing poorly and it's capital was eroded by non- performing loans (Muhumuza and Kigongo 2017). Price water house Coopers was not only the firm that had audited crane Bank, but other re-known firms in the country like KPMG and Deloitte and Touch too had previously audited it. If such leading firms can fail to report honestly, then the issue is about their professionalism in accountancy and this is how it can affect the quality of financial reporting in the organization. The researcher unpacked accounting professionalism in the coming chapters and tackled each aspect to see how it influences the quality of financial reporting in Luweero district local Government.

2.4.2 Professional Knowledge of Accountants and Quality of Financial Reporting

2.4.3: Over view of professional knowledge

Professional knowledge is defined as a combination of both technical (what is known) and practical knowledge (skills) and how such deliverables result in required output in terms of reports, (Eraut, 2004). Similarly, Manning (2007) argues that accountants having classroom knowledge alone is not enough but rather, they should always yearn to learn more on job because there are certain skills obtained on job and he contends that success in detecting and preventing fraud is dependent on the knowledge, skills and abilities of a designated officer and how he applies the knowledge that he acquired. He further adds that accountants need to possess knowledge on fraud, business reality; legal system and financial expertise among others.

Bajra and Cadez (2017) contend that professional knowledge of accountant impact greatly on the quality of financial reporting because the knowledge an accountant has, can best be seen during reporting as the reports will contain all the necessary details and secondly a knowledgeable accountant knows what the people he is reporting to, are interested in, so the report will contain those details. Therefore this study investigated the extent of the truthfulness of this statement. More still, McMullen and Sanchez (2010) coincide that it is important for accountants to have knowledge as requirements for the timely execution of assigned duties and responsibilities including financial reporting. To complement, Mazunder (2011) points out that the scope of professional accountants' services have widened to fraud detection, documentation; computation of economic damages; tracking of income and assets among others as well as formally documenting them for quality information. Accounting professionals are well known for being so Enlighten as a result of specialized knowledge. The fact that the field of accounting is constantly changing, it's one of the reasons why accountants should always seek knowledge and remain with the necessary expertise (Naranjo- Gil, 2016). Because of the dynamics in the profession, Beasley et al, (2009) adds that a strategy that might have been very effective today, one month later may not be relevant and as such, a high quality accountant must respond to this situation by getting well versed with new strategies that will remain relevant and can solve current problems. From these scholars, it's evident that an accountant should be widely knowledgeable and should always seek to get more knowledge of different disciplines. This study investigated the extent to which this statement is true about Luweero DLG.

2.4.4: How professional knowledge influences quality of financial reporting.

Dechow et al.,1995; Ecker et al.,2013;Jones,1991; Peasnell et al., 2000 argue that the economy requires a lot of vigilance from accountants because the nuances of accounting policies are subject to change and so it is very important that the accountant keeps himself updated with current knowledge of the latest amendments of the policies. Hartmann and Splannicar (2012), contend too, that a knowledgeable accountant is seen in the quality of reporting he presents and that an accountant who pretends to know it all will be liable to serious mistakes because of over confidence. Ecker et al, (2013) adds that even if an accountant is fully confident about the knowledge obtained and assumes to have all the fine details about accounting, he must keep convent with the field so as to ensure that the knowledge acquired is still relevant and applicable, because what might have been seen as the best strategy in presenting financial reports a month ago may no longer be applicable. So, an accountant who would like to remain with a high quality in financial reporting should be able to detect any changes and yearn for knowledge before the situation becomes problematic.

Meanwhile, Llanabel (2014) argues that accountants should familiarize themselves with the basic financial reports prepared for external use and what information is presented in each financial report and the basic terminology needed to communicate with other key stakeholders. From Llanabel's argument, one can say that an accountant who prepares financial reports should be knowledgeable enough to tell which terminologies to use for which categories of people being reported to, for ease of understanding the report. More still, Hines (2010) points out that accountants should know how to prepare departmental budgets, a quantification of the resources they require to achieve the objectives and action plans for the next fiscal year. The budget preparation process is a time to question how resources are being used and if they could be used more effectively or efficiently. From Hines' observation, it implied that when an accountant has thorough knowledge on how to prepare a budget, few questions will be raised because everything will be well explained.

Thong (2009) found out that the knowledge of employees about the information system becomes a deciding factor in increasing the quality of information systems within an enterprise. Similarly, Sedera, et. al., (2010) argues that knowledge has a positive relationship with the success of the business information system planning. Thus, the knowledge, skill and ingenuity of a staff are a key to realizing better outcomes as personnel form part of information systems (Xu, 2009).

Accountants have got to be very flexible and seek knowledge about the different techniques of preparing accounts in the public sector too because they determine the quality of reports to be produced and they should bear in mind that they can be deployed anywhere any time (Champoux, 2006). The author argues that the different techniques include; cash based accounting and accrual based accounting (Abang'a A.O, 2017). He adds that cash based accounting reports revenue and expenditures that have been received or paid, respectively, during the period. Champoux, (2006) too contends with that and adds that the cash based accounting discourages committing the Government to debts because you only budget and spend what you have. Accrual based accounting on the other hand refers to the type of accounting where revenues and expenditures are reported as they are incurred ,regardless of whether money is received or not, paid or not. Whereas it looks like it has disadvantages towards the Government, Flynn, Moretti and Cavanngh (2016) contend that it gives a better view of the Government's financial performance and the cost of Government activities.

This observation is relevant to this study in that, the Chief executive and Accountants too, have to be knowledgeable about information systems because, currently all payments in the District of Luweero and other selected Districts are authorized by the accounting officer online using an information system called Integrated financial Management System (IFMS). In addition to authorization, is reporting. All funds utilized in a given quarter have to be reported to the ministry of finance before the Ministry authorizes expenditure for the ensuing quarter.

Good quality financial reports will be generated from officials who understand the knowledge of financial management examining financial statements inclusive as reported by Subagjo (2013). The scholar adds that auditors knowledge of good financial management allow them to carry out their designated functions. Further to note, Effendy (2010) acknowledges that knowledge of financial management is useful as it ascertains whether budget implementation is done in accordance to rules or whether deviations are evident, all are formally done using reports. From Effendy's argument, a knowledgeable Accountant will apply knowledge and be able to identify gaps in financial reporting by others which can be corrected. However, he did not point out other factors that could be responsible for poor quality financial reporting. Catacutan (2006) stresses the need for accountants to use their professional knowledge and produce financial reports which should be in line with pre-defined fundamental qualities so as to meet standards as well as be understood by users whenever produced. He adds that as a result, accountants must be put to task or held responsible for the actions and therefore consequences of their moral choices. In addition, accountants who commit fraud not only ruins their own moral being (determining what is either right or wrong) but also harm the interests of other actors hence an obstacle to growth and development of entities who depend on him.

From Catacutan's argument, it follows that an accountant should highly defend his professionalism by doing only what depicts him/her as a knowledgeable person. The financial reports produced should have all the necessary ingredients and should depict the level of knowledge the accountant possesses. Salaudeen, et al (2015) while referring to a study conducted on unethical accounting practice and financial reporting quality in

Nigeria found out that behaving ethically was an essential and expected characteristic required for professional accountants. They further add that, the public puts confidence, trust and expectation from such professional individuals while it is expected that such individuals need to have confidence in the financial reports being prepared by them including using the reports to foster informed decision. They conclude by arguing that information prepared and availed by accountants and auditors must be unbiased, efficient, realistic, reliable, and provide value for money.

Nwagboso (2008) too adds that professional ethics provides designated officers including accountants the rights to the professional posture that they should adopt if they are to successfully succeed in their careers as well as determining the prosperity of their conduct in their professional relationship. From the above authors' argument, it is implied that accountants should be knowledgeable too about the ethical code of conduct and should follow it. They however forgot that, some accountants may even be knowledgeable about what their professional code of conduct requires of them but intentionally refuse to follow it up because of their personality. This study investigated whether professional knowledge of accountancy profession is adequately utilized by accountants to lead to production of high quality financial reports submitted by the Chief executive to the relevant stakeholders.

2.5: Personal Integrity of an Accountant and Quality of Financial Reporting

2.5.1: Overview of Personal integrity

The fall of Arthur Andersen, a re-known professional accountant in the USA, amidst reports of Andersen's accounting firms' role in misrepresenting the financial stand of re-known companies in the USA namely; World com, Enron and other clients they worked on, raised many questions about the ethical integrity of the accounting profession (Wyatt, 2004). In addition to the dramatic personal and financial tragedies represented by the disappearance of Arthur Andersen, the firm's fall also represents a serious failure in the professional project of accountancy, yet for quite a long time the profession has stood a test of times and accountants have remained committed to their profession despite profound changes in the context, content and location of their work (Suddaby, Gendron and Lam, 2013).

Personal integrity is a concept used in professional accounting to refer to an innate moral conviction to stand against issues that are not morally right. Early, evidence as provided by scholars reveals a positive correlation between personal integrity and financial reporting for instance Kermis and Kermis (2010) argue that understanding the ethic interrelationship between personal, professional and financial reporting regulations drive a designated person to carefully perform their assigned tasks. The scholars further add that it is critical that designated individuals provide an equal balance for behavior, and profession expectations to realize better results. The International financial accounting Code (2006), refers to professional integrity as fair dealing and truthfulness. According to international financial accounting code, the principle imposes an obligation on all professional accountants to be straight forward and honest in professional and business relationships. This calls for being transparent and have self- satisfaction and being highly principled. According to international financial accounting code (2006), a professional accountant should exhibit high levels of integrity and should not be associated with reports, returns, communications or other information where they believe that the information contains a materially false or misleading statement, or contains statements or information furnished recklessly or omits or obscures information required to be included where such omission or obscurity would be misleading.

2.5.2: Personal integrity and how it influences financial reporting

It is in order for an accountant to prepare high quality financial reports accountants ought to have moral considerations in performance of their duties. Asare et al., (2009) argue that auditors view integrity as an attribute of interest and explicitly consider management integrity when assessing the risk of material misstatement. The fact that it is the Chief executive of the District that reports to the Auditor General, the Public trustee, the chief executive has to rely on the integrity of the accountants who prepare financial reports, but the auditor too assumes the Chief executive's integrity is high and the reports submitted are free of material misstatements. This study investigated the level of integrity of the accountants and how it influences the quality of financial reporting Luweero District Local Government.

The COSO framework (2013) highlights that personal integrity of designated personnel is critical for the continuity of an organization however, if compromised it can create multiple loopholes that can result into more fraudulent acts which may not be fully reported. The framework further adds that it is important to closely monitor such weaknesses as soon as possible (Staubus, 2005). This is relevant to the intended study because, it's very clear that if accountants have their integrity compromised, the financial reports produced will be unreliable and will not help key shareholders to make proper investment decisions, yet accountants and the Chief executive are just stewards of the shareholders' assets. According to the OAG (2014), Luweero DLG designated officers had failed as required to account for advanced funds to perform council activities as cited in the internal audit reports. The report adds that Luweero audit department had done a wise thing to formally report the issue of an unaccounted for public funds at the time of general audit which is contrary to the Local Government Financial and accounting Regulations. Secondly, such a situation would result in falsification of required accountability documents (LGFAR, 2007). Failure to account for disbursed funds is a signal of low personal integrity. The intended study investigated whether designated officers to make financial reports still compromise their integrity by failing to put to good use disbursed funds.

Halfon (2000) took another direction by stressing that integrity is a person's moral purpose and their intellectual responsibility in exploring to understand the complexity of such life. He further adds that persons of integrity embrace a moral point of view that urges them to be. What Halfon forgot is that, most people especially the accountants have high personal integrity but usually circumstances around them like high cost of living and influence from colleagues, makes them compromise their integrity. The study will investigate how accountants' personal integrity if not compromised can influence the quality of financial reports produced in Luweero District. Otaloriand Eiya (2013) receipt that designated officers should observe ethical principles in financial reporting so as to enhance confidence and assurance of the reliability of financial statements. They add that unethical practices for instance lobbying, bribery as well as kickbacks among others increased reporting discrepancies that affect the quality of the audit reports. The inability of practicing accountants to ensure diligence while executing their assigned responsibilities and failed integrity, would impinge on their roles reporting inclusive in the accounting professional. This study therefore investigated how Luweero District Local Government has been able to ensure ethical principles of its accountants and auditors especially in financial reporting.

Ogbonna and Appah (2011), while referring to a study on quality finance information argue that the levels of corruption in businesses seem to prevail in most entities and other social settings and therefore accountants and auditors need to work with professional integrity. To them, accountants as professionals are responsible for the preparation of financial reports based on the codes of ethical accounting standards and when done, they are bound to realise reliable, relevant, timely, accurate, understandable and comprehensive financial reports. Salisu (2007) adds that accountants/auditors should express their integrity and abandon any attempts to be compromised while producing reports. He adds that prepared financial reports need to exhibit understandable, reliable, relevant, and comparable information that shareholders can consider of good quality. He further stresses that when the financial information is misleading, it will no longer represent the true and fair view of the financial performance and position of the reporting organisation which moves a longer way in making the key actors to take flawed strategic decisions that are even misleading. Scholar goes further and cites instances where poor financial reporting have compromised and led to the fall of power companies for instance unprofessional acts have seen Ernon among other companies collapse. I concur with the above scholars except that they did not tell us indicators of integrity and they also did not mention that the understanding of integrity varies from person to person and what is considered to be morally right by one person may not be seen the same way by another.

2.6 Professional Independence of an Accountant and Quality of Financial Reporting

2.6.1 Overview of professional independence

A number of critics have come out to say that internal auditors because they work for organizations that they audit, they and are subject to the power structure and can be easily affected by the authorities' decisions, they are not able to develop professional values of objectivity and independence (Ziengenfu, Singhapadki and Martinson,1994). Accountants in public practice are exposed to a broad range of practical and ethical values available in public practice that are necessary to develop professional judgement and values (Wyaat, 2004). For many decades the accounting profession has claimed to espouse independence as a core value (Squires, Smith, Mac Dougall and Yeak, 2003). 'The dubious relationship between Arthur Andersen and Enron, as well as the apparent inability of even elite members of the profession to self-regulate, made evident in the events surrounding Enron have initiated an era of critical self-appraisal among the accountants (Suddaby, Gendron, and Lam, 2013).

Professional independence for purposes of this research was defined in relation to auditors. Audit independence is defined as an auditor' unbiased mental attitude in making decisions throughout the audit and financial reporting' (Bartlett, 1993) and that without independence, audit has no value (Power, 1997). Independence is the main means by which an auditor demonstrates that he can perform his task in an objective manner (Olalekannd).the primary purpose of an audit is to provide the company information about the financial and non- financial performance and whether they can be relied on. Auditors are primarily mandated to oversee the financial reporting process and ensure true and fair reporting (Beasley et al., 2009) and an auditor's effectiveness in doing a job is espoused depending on the auditor's objective (Cadez and Guilding, 2008).

The International financial accounting code (2006) (IFAC) requires accountants to be independent of two aspects namely; independence of mind and independence in appearance. Independence of mind according to IFAC (2006) requires accountants to have a state of mind that allows them to express a conclusion without being affected by influences that can compromise professional judgement and hence allows an accountant to act with integrity, and exercise objectivity and professional skepticism". This means that auditors in their performance of duties should have an independent mind and disregard all attachments they could be having with their clients and should not be influenced by anybody while making conclusions. The audit opinions for example should be based on empirical evidence and not out of emotions. The international financial accounting code goes ahead to emphasize independence in appearance and this entails an auditor avoiding facts and circumstances that are so significant that any ‘‘reasonable person and informed third party and also having some knowledge of all the relevant information, including safeguards applied, would reasonably conclude that a firm's or a member of the assurance team's integrity, objectivity or professional skepticism had been compromised’’. This means an auditor should try as much as possible to uphold his/ her integrity and avoid activities that can lead him to be doubted and lose trust in all that he does.

The attribute of independence is a very specialized concept for auditors. Looking for maintaining the highest ethical standard for the accounting profession, independence refers to the quality of being free from influence, persuasion or bias (Maury, 2000). In addition, an independent auditor is expected to be without bias with respect to the client under audit and should appear to be objective to those relying on the results of the audit (Maury, 2000). Similarly, auditor independence refers to the auditors' ability to maintain an objective and impartial mental attitude throughout the audit (Sridharan, et. al., 2002).

Audit reports are wholly accepted by either internal or external stakeholders who have vested their time in ensuring proper accountability of public funds that have been allocated to provide public service delivery therefore the issue of professional independence is coiled in here.

Literature has been provided by scholars on professional independence and quality of financial reporting of which some are provided as follows;

2.6.2: Professional independence and how it affects the quality of financial reporting.

Soltani (2007) argues that professional independence as exhibited by designated officers helps to maintain objective and impartial mental attitude as well as foster better reports as required by strategists to plan. To further complement, Arens, Randal and Beasley (2012) acknowledge that professional independence reflects an attitude of responsibility separate from the client's interest. The auditor therefore, must instill trust in the public by performing his/her assigned duties and responsibilities with less or no influence. They add that if such an employee commands maximum respect they are bound to exhibit good professional ethics. This study therefore established how professional integrity influences the quality of financial reporting.

Sukrisno (2004) adds that it is important for auditors to maintain an independent instance while executing professional services as stipulated in the public accounting financial regulations (Local Government Finance and Accounting Regulations, 2004). In addition, Boyton,et. al., (2002) has it that professional independence incorporates both integrity and objectivity whereas Kusharyanti (2003) suggests that the possibility that internal auditors will find irregularities, fraud and misstatement depends on their understanding. On the contrary, some internal auditors do not formally unearth fraud in an organization they belong to. They tend to be mixed up in the system, and unless they are really strong, at times their independence is compromised. Therefore the intended study established how far auditors are independent in Luweero District Local Government.

Similarly, Payamta (2006) acknowledges that there are situations where professional independence causes less interest which leads to unacceptable bias especially while reporting. Pike (2003) adds that if the auditor is not independent, the incentive to do a high quality audit is weakened, as misstatements will not be reported even if found. Based on the above scholarly writings, it can be argued that internal auditors are not independent of management but must be independent of their duties and responsibilities. The study therefore established whether such designated officers at the district have followed a similar path. Lindberg and Beck (2004) argue that professional independence ensures quality audits which are made and appropriately reported, however Dando and Swift (2003) deviates from the Lindberg & Beck by arguing that audit credibility can be achieved through mechanisms of assurance for example assuring the public and other users access reports that are true and fair. They add that the higher the level of audited financial statement assurance by auditor independence, the more an auditor's credibility (Dopuch et al., 2003). This is an area of interest for the study.

Chia-ah and Karlsson (2010) argue that professional independence entails a profession's mind and appearance. The independence of mind relates to a mind that permits auditors' actual opinions without being compromised hence integrity and objectivity while independence in appearance requires that an auditor (s) avoid situations that may compromise them or conclude that they are not maintaining an unbiased attitude objective of mind especially in the lines of reporting. Nwagboso (2008) observed that professional ethics including independence guides accountants/auditors in ensuring that they regulate their behaviour in the area of finance. The independence creates clients' confidence and makes accountants/auditors thrive. It guarantee clients that standards of competence, independence and integrity shall prevail while they execute their assigned duties and responsibilities; the independence reveals how their professional memberships bodies and other regulatory authorities have labored to mould such professionals into accomplishing organisation objectives and improve the way they are viewed in public (Jenfa, 2000).

Australian Securities and Investment Commission Report (2014), highlights the need for designated personnel to continuously execute their finance and accounting related work like professions. The report further calls for designated personnel conducting financial audits to base on a written declaration confirming no contraventions of the auditor independence requirements or the misuse of any applicable code of professional conduct. It further argues that accountants/auditors to be diligent in identifying and evaluating all potential threats to independence and applying appropriate measures to mitigate any threat if any. The financial report being written or complied must have strings linked to complied guidelines and accounting standards which give a true and fair representation of financial position of an entity. Nwagboso (2008) observed that professional ethics including independence guides accountants/auditors in ensuring that they regulate their behaviour in the area of finance. The independence creates clients' confidence and makes accountants/auditors thrive. It guarantee clients that standards of competence, independence and integrity shall prevail while they execute their assigned duties and responsibilities; the independence reveals how their professional memberships bodies and other regulatory authorities have labored to mould such professionals into accomplishing organization objectives and improve the way they are viewed in public (Jenfa, 2000).

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The level of independence varied from organization to organization. The study established how professional independence influences the quality of financial reporting in the District.

2.3 Synthesis of the Literature Review

The reviewed literature puts a lot of emphasis on accountants adhering to set rules and regulations in accounting, so as to exhibit accounting professionalism while making financial reports ignoring the personal aspects like the level of professional knowledge, personal integrity of the accountant and the level of professional independence of the accountant. This has contributed to inadequate literature on the association between accounting professionalism and quality of financial reporting and more specifically in Uganda's local government sector.

On the other hand, much of the available literature is centered on developed economies and little or no research has been conduct on the subject in developing economies such as Uganda. This has left a literature gaps which the study intends to close by carrying out a study on the effect of accounting professionalism on quality of financial reporting in Uganda's local government sector. As observed from the assertions of the studies reviewed in literature, there is some level of accounting professionalism in Uganda's local government sector. However, this is still in its infancy stage given that Uganda's local government sector has just been undergoing reforms over the years. To this end, local government institutions have not realized the tangible benefits of accounting professionalism as a strategy. This may explain why in Luweero DLG is still facing challenges of financial reporting quality. The literature review presents gaps and arguments that need to be authenticated through investigation. This has left a literature gap which the study intends to close by carrying out a study on the effect of accounting professionalism on quality of financial reporting in Luweero DLG in Uganda.

2.4 Summary of Literature

The study examined the influence of accounting professionalism on quality of financial reporting in Local Governments: A case of Luweero District Local Government. The above literature suggests that professional knowledge is seen as a combination of both technical and practical knowledge and these are instrumental in realizing quality financial report production (Eraut, 2004). Meanwhile, Llanabel (2014) state that accountants need to familiarize themselves with the basic financial statements that are prepared for external users and what information is presented in each financial report as well as obtain good understanding of such financial reports. Furthermore, professional independence reflects an attitude of responsibility separate from the client's interest. In addition, public trust is very critical to the responsibilities of accountants/auditors as they believe it is tax payers' money. However, a number of gaps were evident for instance; the entire recruitment process is influenced by some political leaders which compromises the expected roles of accountants and auditors within the district. Many designated officers seem to engage in coordinated fraudulent acts which make it difficult to perform council activities with professionalism, integrity and independence. Another gap is that delays in the production of required financial reports increases accounting mistakes made and raises audit queries. Further to note, supervisor laxity and personality traits cause the delay in production of reports.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents methods and approaches that were used to collect and analyze data on the research problem. It entails the research design, area of study, study population, sample size, sampling procedures and techniques, data collection methods and instruments, data quality control, data analysis, ethical consideration and lastly, the limitations of the study.

3.1 Research Design

A research design is an outline serving as a useful guide to the researcher to gather data. Creswell (2007) defines a research design as a combination of processes, methods and procedures for data collection and analysis of measures of variables in a coherent and logical manner. This study adopted a cross-sectional relational both analytical and descriptive as well as both qualitative and quantitative research study design. A relational study design was adopted because the study was studying more than one variable and shows cause and effect. The cross sectional design was used when the study because the study was between < one year up to 3 years i.e 2015- 2017. Descriptive research design was used because the researcher wanted to describe a particular variable why it is the way it is. Analytical design was used because the researcher wanted to establish the relationship between variables and both qualitative and quantitative designs were used because the study in its discussions had both qualitative and quantitative aspects.

3.2Area of Study

The study area was Luweero DLG Headquarter located in Luweero District. The District is bordered by four Districts which include Mukono, Wakiso, Nakaseke and Nakasongola Districts. The choice for this locality was because the District is still engulfed in failure to account for public funds as indicated by the Auditor General reports 2013/14, 2014/15.

3.3 Study Population

The study population is defined as the entire group of elements with common observable characteristics (Mugenda and Mugenda, 1999). The study population was 69 respondents comprising of 12 local politicians, 2 Administrative staff, 32 finance and accounting staff, 15 Heads of Departments, 5 Public Accounts Committee members, and 3 auditors. Source: Luweero DLG Personnel Records.

3.4 Sampling Procedures

Sampling is a statistical process in which a researcher selects predetermined number of respondents from a larger population depending on the type of analysis to be performed (Mugenda and Mugenda, 2003).

3.4.1 Sample Size

A sample is a sub-set of a population to be studied (Mugenda and Mugenda, 2003). The sample size was computed using the Krecie and Morgan (1970) sample size determination table. The sample size of 60 was obtained from a population of 69 elements.

Table 3.1: Population, Sample Size and Sampling Techniques

Category	Population	Sample size	Sampling Tech
Chief Administrative Officer	1	1	
Principal assistant secretary	1	1	
Internal Auditors	3	3	Census
District Chairperson	1	1	
Public accounts committee	5	5	
Accountants	13	13	
Heads of Departments	15	12	Simple random
Accounts Assistants	19	17	Simple random
District Councilors	11	7	Simple random
Total	**69**	**60**	

Source: Luweero DLG Personnel Records (2015)

3.5Sampling Techniques

The researcher used a combination of the probabilistic (simple random) and non-probabilistic sampling techniques (Census) as indicated in subsections below.

3.5.1 Census Method

A census technique enabled the researcher to select all units of a population from which complete information was obtained. The technique allows all respondents to be selected from a population. Further to note, a census provides a true measure of the population with limited or no sampling error, it allows the bench marking of data which may be used as reference for future studies and finally, the technique allows the eliciting of detailed information about sub-groups within the population that make themselves available for a study. This method was used to select the Chief Administrative Officer, principal assistant secretary, internal auditors, district chairperson, public accounts committee and accountants.

3.5.2 Simple Random Sampling

In this study, a simple random sampling technique that allows a researcher to identify and select respondents, (Osso & Onen, 2008) for the study was adopted. Simple random sampling is a technique where respondents have an equal chance of being selected to form a sample. The choice for this method is that it produces more precise population estimates as compared with estimates that would have been obtained using other sampling techniques (Osso and Onen, 2008). In addition, the technique can be used to eliminate all possibilities of bias, ensures independent chances of selecting respondents for a sample. This method was used to select the district councilors, heads of departments and accounts assistants.

3.6 Data Collection Methods

Three data collection methods were used namely questionnaire, interviews, and documentary review as explained below.

3.6.1 Questionnaire Method

Osso and Onen, (2008) define questionnaires as a data collection technique in which the researcher poses questions to respondents on a number of items in writing and they also respond in writing. The method was used to obtain quantified responses about the study with ease and less tension. The method enabled the researcher to come up with closed ended questions from which numeric data was obtained. This method reduced on time wasting hence takes lesser time to administer (Sekaran, 2003). Respondents are free in answering because no one is putting them on pressure. This method was administered to Accounts Assistants, Public Accounts Committee Members, Heads of Departments, and District Councilors.

3.6.2 Interview Method

An interview is a conversation between an interviewer and interviewee only that it is organized and involves a researcher obtaining data from the respondent about a given study (Oso & Onen). This method is good because a researcher first builds a rapport, to make the respondent feel at ease and the researcher can ably assess the answers given there and then because he/she can ask again what is not clear and the facial expression of the respondent also talks a lot. The method involves creating awareness to the respondents as it includes explaining issues that are not clear to the respondents. In this case, the interviews during this research were structured and were specifically administered. This method was administered face to face with key informants who included accountants, the CAO, the Principal Assistant Secretary, the District Public accounts committee members, the District Chairperson and the Auditors. The method allowed the elicitation of non-numeric data. The method was better than the questionnaire as it provided more in-depth information for the study.

3.6.3 Documentary Review Method

This method that involves the consulting method was used to obtain secondary information about the study as per the set objectives of the study. This method was used as it supported the eliciting of detailed information about a study from various secondary sources. The method involved the researcher to read through the financial reports for the previous financial years that included the financial years ending 2014 and 2015, the Auditor General reports for the same years, the annual budgets 2013/2014 and 2014/2015 and, the Public Finance Act 2015, the Auditors manual 2007, and the Local Government financial and accounting regulations 2007 in order to obtain information that helped the researcher to verify the research objectives. The documents enabled the researcher to have facts about financial reporting, what the situation was in the District and what it ought to be. The method provided more factual and reliable secondary or documented information that was used to enrich the study.

3.7 Data Collection Instruments

Three data collection instruments were used namely questionnaire, and interview guide and Documentary Checklist as explained below.

3.7.1 Structured Questionnaire

Questionnaires were used to collect information during the study. The instrument entailed three sections with the first planned to have respondents' bio-data. Section two had information about accounting professionalism and section three had questions about quality of financial reporting. The items were anchored on a 5 Likert scale ranging from strongly disagree (1) to strongly agree (5). The instrument was administered to the largest respondents which was convenient for them and easier to interpret (Sekaran, 2003).

3.7.2 Interview Guide

An interview guide instrument was used to orally read questions to the key respondents and answers were recorded in a note book for future reference. The interview guide had a list of open ended questions about the study which were directly read to the interviewee.

The instrument provided more in depth information about the study because it allowed probing. A rapport was first built such that tension was eased and each respondent's answers was carefully recorded without changing the meaning. The questions to be asked were categorized according to the set objectives. Interviews were conducted to the following: Chief Administrative Officer, Accountants, Principal assistant secretary, and Internal Auditors.

3.7.3 Documentary Review Checklist

The document review checklist was designed with a list reflecting a number of secondary data sources that were reviewed to obtain information about the study. Documentary review helped the researcher to gain more insight about the accounting profession rules and regulations. It's during the study that a number of documents were reviewed and these included the District annual financial reports 2013/2014, 2014/2015, the Auditor General reports, 2013/ 2014 and 2014/2015, the Audit management letters 2013/2014, 2014/2015, Audit responses and the District annual budgets 2013/2014, 2014/2015, the Local Government Act cap 243 as amended (2010), the Local Government Financial and Accounting Regulations (2010), the Public Finance Act (2015), the Accounting Manual (2007), and the auditors manual 2007

3.8Data Quality Control

Two data quality control measures namely validity and reliability were used on the instrument as indicated in the sub sections below.

3.8.1 Validity

The concept of validity entails questioning how accurate the instrument provides answers from the will be respondents. To answer this, two experts were identified and requested to provide their rating about the questions in the instrument. Later, content validity index (CVI) was used to compute the results where CVI= valid questions divided by both invalid and valid questions multiplied by 100%. The validity score above 0.7 signified a valid instrument (Amin, 2005). The expert determined whether the questions were valid and the cumulative index too. These were required to comment on the relevance of the questions/items in the instrument. Content validity was assessed by using the questionnaire which was used to measure the same concepts. If the measurements are consistent with the theoretical expectation, then the data had construct validity. Validity of the instrument was also obtained using the Content Validity Index (CVI).

$$CVI = \frac{\text{Number of valid items}}{\text{Total number of item}}$$

Table 3.2: Validity Test results

Variable	Anchor	Number of items	Content Validity Indices
Professional knowledge of Accountants	Likert Scale	6	.832
Professional independence of Accountants	Likert Scale	6	.801
Personal integrity of accountants	Likert Scale	6	.853
Quality of financial reporting	Likert Scale	6	.883

Source: ***Primary data, 2017***

The computed CVIs for the different items all of them scored above 0.70 showing that they have met the acceptable standards (Amin, 2005). From the results all the Content Validity Indices ranged from .801 to .883, therefore meeting the acceptable standards.

3.8.2 Reliability

Reliability refers to the extent to which a research instrument is dependable and trustworthy such that another researcher using the same tool can ably come up with the same results (Amin, 2005). This can be done using Cronbach's Alpha coefficient to ensure accuracy, completeness and consistent measurement across time and across the various items in the instruments (Amin, 2005). Cronbach's Alpha value helps the researcher in establishing the extent of relationship between the various items in the questionnaire and also checks for the internal consistency of our scale in order to recognize problem items in the scale and to calculate overall index of the repeatability preset in the scale (Razzaq 2014).In a situation where an instrument provides consistent results every time it's administered, it can be said to be reliable (Grad 2011). In addition, reliability essentially refers to consistency. The researcher ensured reliability by subjecting the questionnaires to the different groups that do not know one another at different intervals. The researcher confirmed the reliability of the research instruments if the responses obtained during the test of the questionnaire produced similar responses. A pretest of the instrument in a time lapse of 2 weeks was carried out to establish consistence in responses. According to Amin (2005), test-retest reliability can be used to measure the extent to which the instrument can produce consistent scores when the same group of individuals is repeatedly measured under same conditions. The results from the pretest were used to modify the items in the instruments. According to Sekaran (2003), coefficient alpha of 0.70 and above was considered adequate.

Table 3.3: Reliability Test

Variable	Anchor	Number of items	Cronbach Alpha Value
Professional knowledge of Accountants	Likert Scale	6	.862
Professional independence of Accountants	Likert Scale	6	.784
Personal integrity of accountants	Likert Scale	6	.775
Quality of financial reporting	Likert Scale	6	.828

Source: Primary data, 2016

According to Cronbach (1950), coefficient alpha of 0.70 and above is considered adequate. From the results all the Cronbach alpha coefficients ranged from .775 to .828, therefore meeting the acceptable standards.

3.9 Data Management and Processing

After issuing questionnaires to respondents, the researcher collected the answered questionnaires from the respondents herself, cross checked to find out how many had not been answered correctly so as to return them to respondents and also to ascertain how many had completely not responded. The researcher then classified the questionnaires according to the different categories of respondents. Responses from interviews were written in a note book and they were arranged according to the different categories of respondents. After all the data was obtained the researcher typed the responses using Microsoft word and Microsoft excel computer programs. After entering the data into the computer, it was fed into the Social Scientist statistical package (SPSS), for analysis. Secondary data from journals, books of accounts, District annual financial reports and, accounting regulations was obtained by reading through the documents and the researcher used a lot of intuition to interpret the data and it was fed into the computer using Microsoft word. The data collected in the research was edited, coded, classified on the basis of similarity and then was run through the SPSS to get tables and Pie charts that gave results which were studied to establish the influence of accounting professionalism on the quality of financial reporting.

3.10 Data Analysis

Data analysis a process of careful reading, interpreting transforming, manipulation, modelling collected data to be able to generate useful information out of it to be able to answer pre- determined objectives of the study so as to reach meaningful conclusion. Since the study objectives were analytical in nature; the study used both qualitative and quantitative data analysis methods, as shown below.

3.10.1 Quantitative data analysis

Quantitative analysis entailed quantification, assigning numbers, percentages or degrees using SPSS. Questionnaires were sorted, coded and responses entered into SPSS (Statistical Packages for Social Scientists) to help analyze the data. Regression analysis was used. Regression analysis is a statistical measure that helps a researcher to measure the relationship between the independent variable denoted as ‘x’ and the dependent variable, denoted as ‘y’. Regression equation was used to predict the values of ‘y’, if the value of ‘x’ is given, and both ‘y’ and ‘x’ are the two sets of measures of a sample size of ‘n’. the researcher used the equation, $y=\beta_0+\beta_1x_1+\beta_2x_3+\ldots\ldots+\beta_nx_n+\varepsilon$, where

X_i= Independent variables (Accounting professionalism)

Y= Dependent variable (Quality of financial reporting),

B_i= Coefficients (showing magnitude and effect direction of the respective independent variable)

β_0 = Constant

The researcher also used the Pearson correlation coefficient (r), to determine the strength of the association between the independent variable and the dependent variable. The Pearson's Product Moment Correlation Coefficient was used to find the relationship between the independent and dependent variables. The value for a Pearson's correlation can fall between 0.00 (no correlation) and 1.00 (perfect correlation). Generally, correlations above 0.80 were considered very strong relationship. The closer the Pearson correlation was, the stronger the association of the variables was. This was denoted by either +1 or -1 implying a strong positive or strong negative relationship respectively. A value greater than zero indicated a positive correlation, meaning that when one variable increased, the other increased too and a value less than zero indicated a negative association meaning that when one variable increased, the other decreased (Sekaran, 2003).

3.10.2 Qualitative Data Analysis

Qualitative data analysis refers to non-empirical analysis. Qualitative data was analyzed into a manageable form and a narrative constructed around it (Amin, 2005). Information was analyzed in a systematic way in order to come to useful conclusion. Examples were used in the narrative in order to review trends and compare the respondents' opinions/perspectives of the issues being discussed. The data was classified into simple content categories, themes and sub-themes, closely examined and compared for similarities and differences. Qualitative data was obtained by way of an interview guide which was used to reinforce information gathered using the questionnaire to draw meaningful conclusions. The respondent's responses were summarized and reflected in the study to support quantitative data.

3.10.3 Triangulation of Qualitative and Quantitative Methods

In evaluation, the researcher adopted both qualitative and quantitative methods. The integration of the methods is referred to as triangulation (Amin, 2005). It can also be referred to as the combination of several research methods in the study of the same phenomenon. This helped the researcher to provide more data to work with and ultimately a more accurate evaluation. This provided invaluable information and gave the evaluation heightened status within the area of study.

3.11 Ethical Considerations

The following ethical considerations were implemented;

i) The researcher sought authorization from the District administration of Luweero District to conduct research at the District.

ii) The questionnaires were designed in such a way that there was no mention of the respondent's name.

iii) A statement indicating that the responses given by respondents were to be treated with ultimate confidentiality was expressly stated on the questionnaires.

iv) Respondents were requested to respond to the questionnaires and interviews without coercion

v) Acknowledgement of other scholars' work was properly cited and proper referencing using the Harvard style was used in the study.

3.12 Limitation of the Study

i) The researcher encountered several challenges including financial constraints where she was required to travel to and from (Luweero -UMU) to check on the supervisors therefore incurring extra costs

ii) Since the study was proposed to deal with a sensitive subject of accounting professionalism and quality of financial reporting, eliciting factual information was a constraint.

iii) Another challenging issue was the limited time since the study and course in general are designed to terminate at a specific time, the researcher faced the issue of limited time where she was required to collect, analyze and process data for the study and therefore these activities required more time.

iv) Since the researcher conducted the study in her place of work, some respondents did not give the matter during interviews serious attention and would keep postponing the interview claiming they are still engaged and others developed jealousy.

v) Finally, the researcher encountered issues to do with non-response which prevailed where some respondents were attending to their routine duties which resulted to less or no time allocated or spared to collect her questionnaires as well as conduct the interviews.

3.12.1 How limitations of the Study were overcome.

i) The limitation of financial constraint was overcome by adjusting the expenditure budget so as to fit in transport to the University.

ii) The limitation of sensitivity of the subject under study was overcome by building a rapport with respondents during interviews so as to make them feel comfortable to respond.

iii) The limitation of limited time was overcome by the researcher adjusting her day to day schedule so as to create more time for research.

iv) The limitation of respondents postponing the interview was overcome by the researcher being patient until a time they would be in position to respond.

v) The limitation of non-response was overcome by the researcher continuously sending back the research assistant to collect responses and when the response rate reached an acceptable level of above 70%, the rest were ignored.

3.13 Conclusion

The chapter introduced and explained the methodological aspects that were followed when constituting the population, selecting the sample, the sampling methods to be used, the data collection methods and instruments to be employed during the study, quality control of the instruments, data management and processing, ethical considerations and the anticipated limitations of the study. This set ground for chapter four which dealt with presentation and interpretation of the results of the study.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presents the empirical findings, analysis and interpretation of the study according to the purpose and objectives of the study. It presents the response rate, the demographic characteristics and thereafter empirical findings based on the study objectives using graphs, descriptive statistics and correlations. It also provides multiple regressions which presented the results on the combined effect of the independent variables on the dependent variable using regression analysis.

4.1 Response Rate

Response rate in survey research refers to the number of people who answered the survey divided by the number of people in the sample. It is usually expressed in the form of a percentage. Therefore, response rate is viewed as an important indicator of survey quality. Amin (2005) suggests that higher response rates assure more accurate survey results. Out of the 60 respondents, 53 selected respondents provided responses for the study, giving a response rate 88.3% which was acceptable for the study. According to Sekaran (2003), the results would be representative if the response rate is 70% or higher. 7 respondents did not return the questionnaires as every time the researcher would ask them to return, they would claim they have not found time to concentrate, and this reduced to responses received, to 53.

Table 4.0 showing response rate

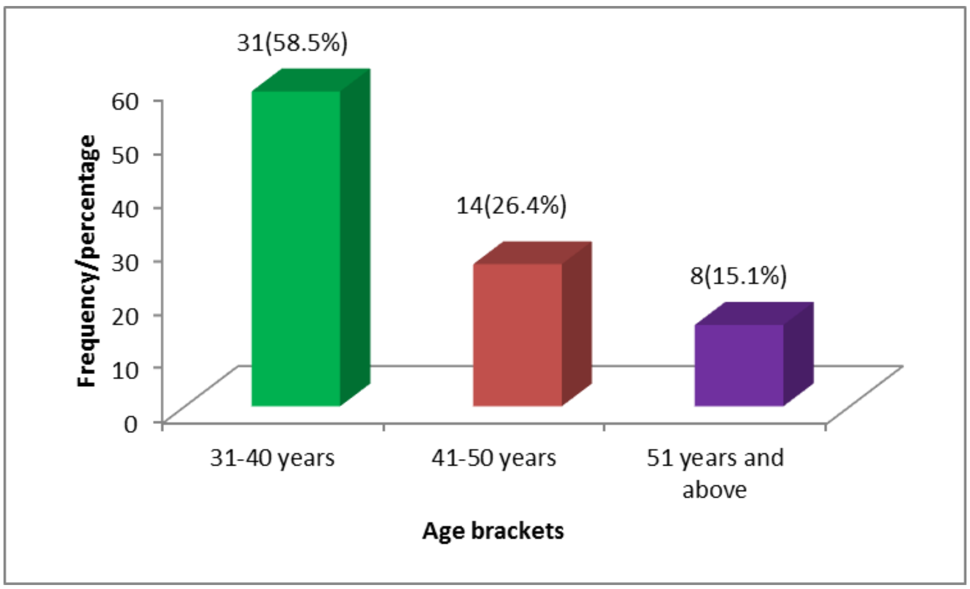
Questionnaires distributed	Questionnaires returned	response rate
60	53	88.3%

4.2 Demographic characteristics

In this section the findings in relation to the background characteristics of the respondents are presented. The findings are particularly regard age, gender marital status, education level and the time spent in service as presented and interpreted.

4.2.1 Age of the respondents

Figure 2: Age distribution of respondents

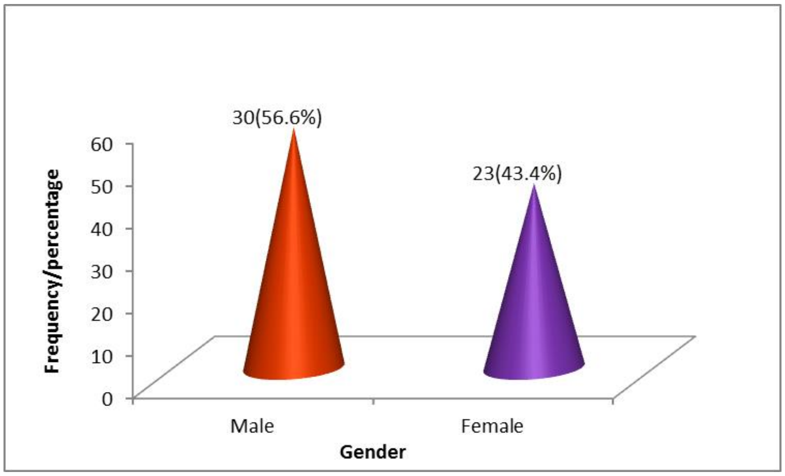


Source: Primary, 2018

The study findings as presented in figure 1 above indicate that the majority respondents were 31 to 40 years of age 31(58.5%). Results also reveal that a moderate number of respondents were 41 to 50 years of age 14(26.4%) as compared to the minority respondents who were 51 years and above 8(15.1%). From the above results, there were no respondents within the age bracket 21-30 years which is considered the young age. This implies that all the responses obtained were from mature persons.

4.2.2 Gender of the respondents

Figure 3: Gender distribution of respondents

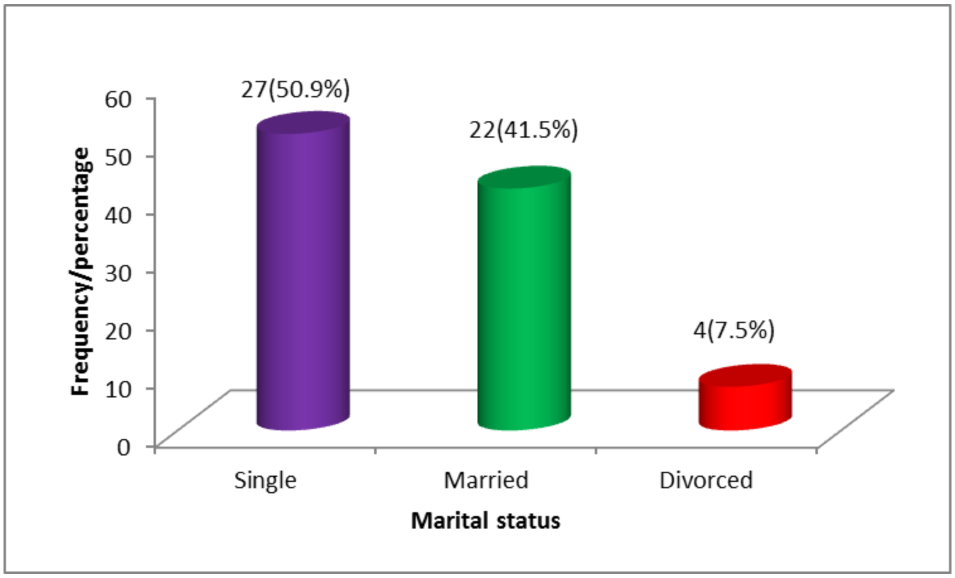


Source: Primary 2018

The study results in relation to gender as presented in figure 2 indicate that the majority respondents were males 30(56.6%).This is compared to the minority respondents who constituted 23(43.4%) in proportion. With the majority key respondents (accountants) being female, it probably explains why the financial reports are not produced on time because ladies usually need being pushed to finish up their work especially if they are many.

4.2.3 Marital status of respondents

Figure 4: Marital status of respondents

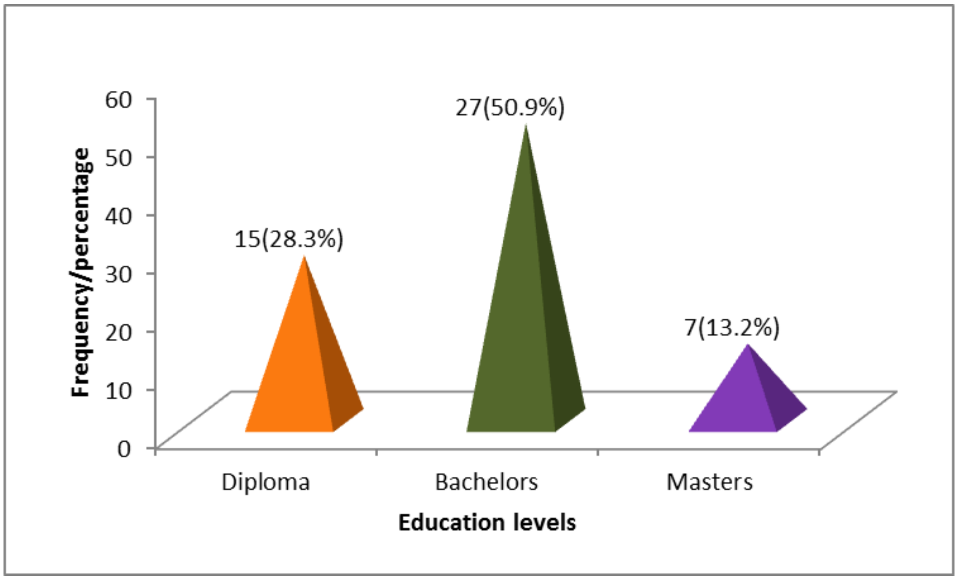


Source:Primary 2018

Findings as in figure 3 show that most of the respondents were single 27(50.9%) as compared to the fewer ones who were married 22(41.5%). Results however indicated the minority respondents who were divorced 4(7.5%). The implication is that if the key respondents (accountants) majority are single, commitment levels are minimal and the degree of concentration is still minimal and can probably explain why the research findings show that accountants at the district do not produce reports on time.

4.2.4 Education levels of respondents

Figure 5: Highest level of education of respondents

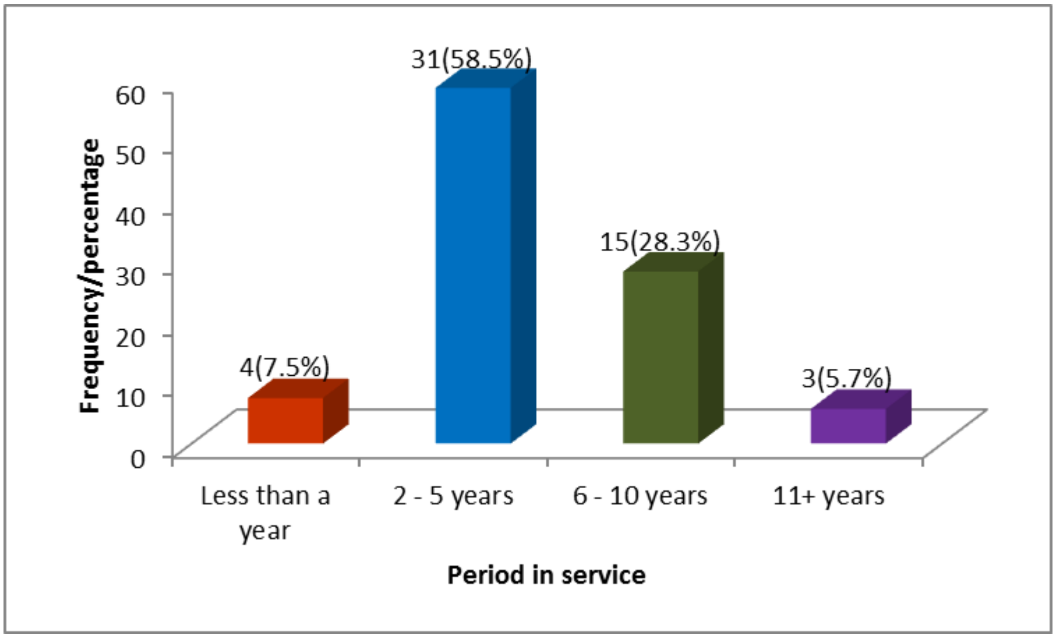


Source: Primary 2018

With regard to educational; attainment, the study findings as in figure 4 show most of the respondents having Bachelors 27(50.9%). In additions study results indicate that a moderate number of respondents had diploma in education 15(28.3%). The study findings also indicate a few respondents as having Master's degree 7(13.2%), and the least respondents were below diploma level 4(7.6%). The implication is that the majority of the respondents who were graduates could easily read questionnaires on their own and interpret them because they had adequate knowledge.

4.2.5 Tenure of employment

Figure 6: Period spent while serving the district



Source: Primary 2018

The results in relation to the period in service indicate that the majority respondents had spent 2 to 5 years in service 31(58%). Study findings however show that the minority respondents had spent 11 years and above 3(5.7%). The implication of the results on period spent in service is that most respondents were relatively new in the District who may not have a profound background the status of financial reporting in the district in the previous years.

4.3 Accounting professionalism

According to the conceptual framework, in chapter one, the independent variable was accounting professionalism operationalized as professional knowledge, professional integrity and professional independence. Each of the variables is described in the next subsections.

4.3.1 Professional Knowledge of Accountants

The first objective in this study was to establish the effect of professional knowledge on the quality of financial reporting of Luweero district local government. Descriptive statistics on professional knowledge are presented below;

Figure 7: Showing interpretation of descriptive statistics on the Likert scale

Code 1 1.5 2 2.5 3 3.5 4 4.5 5

Label	Strongly disagree	Disagree	Moderate neither agree nor disagree	Agree	Strongly agree
Interpretation/ **Synonym**	Never	Rarely	Sometimes	Often	Always

Table 4.1: Descriptive statistics on level of Professional Knowledge of Accountants

Professional Knowledge of Accountants	Mean	Std. Deviation
Accountants in the District have knowledge on how to prepare financial reports	3.83	1.17
Accountants at the District have knowledge of public sector accounting standards and policies	3.67	1.37
Accountants at the District apply analytical skills in accounting.	3.81	1.32
Accountants at the District have knowledge on how to detect fraud in accounting.	3.28	1.28
Accountants have knowledge on the likely consequences of financial misreporting.	3.94	1.23
Accountants at the District have knowledge in accounting software packages.	3.43	1.41
Overall mean	**3.66**	**1.30**

Source: Primary 2018

The study findings in regard to professional knowledge of accountants indicate that accountants working within Luweero district local government have moderate knowledge on how to prepare financial reports (Mean = 3.83, SD = 1.17<1.27). A mean of 3.83 indicates that accountants have professional knowledge on some aspects but not all because respondents exhibited a degree of uncertainty though it was tending more to 4 which represents agree on the Linkert scale. The standard variation of 1.17 is less than one third of the mean (1.27) which means there was no variation hence, most responses showed that accountants do not possess professional knowledge on some aspects.

Study results similarly reveal that accountants at the district have a moderate knowledge of public sector accounting standards and policies (Mean = 3.67, SD = 1.37 > 1.2).the mean of 3.67 implies that respondents are uncertain and standard deviation indicates a variation from the mean results and the implication is that whereas some accountants have moderate knowledge in public sector accounting standards and policies, others do not.

Study findings also reveal that accountants sometimes apply analytical skills in accounting (Mean = 3.81, SD = 1.32 > 1.27). A mean of 3.81 indicates respondents were not certain that accountants all the time apply analytical skills in accounting hence the interpretation that they sometimes do and on other times do not. The standard deviation indicates that there is variation in the mean hence confirming that whereas some respondents say that accountants could be applying analytical skills, others do not concur.

Study findings reveal that accountants at the district can sometimes detect fraud in accounting and on other occasions they may not, and it is supported by the standard deviation too which indicates high variation, (Mean = 3.28, SD = 1.28 >1.09).

Study results also indicated that although there is some uncertainty of respondents, accountants have moderate knowledge on the likely consequences of financial misreporting and mean was closer to 4, which signifies agree on the Linkert scale. The standard deviation too supported this as it showed that there was no variation in results, (Mean = 3.94, SD = 1.23 < 1.31)

Finally, study findings revealed that some accountants possess some knowledge in accounting software packages and others do not (Mean = 3.43, SD = 1.41 > 1.14). the mean results indicate uncertainty of the respondents and the standard deviation too indicates a variation which means all respondents were not agreeing to the same position.

Generally, the research findings on the level of professional knowledge of accountants in Luweero, (Mean = 3.66, SD = 1.30 > 1.22), show that accountants have moderate professional knowledge meaning that there is a lot more they need to acquire to beef up their status and the standard deviation too indicates variation, which means that whereas some respondents said that accountants have some professional accounting knowledge, other respondents said that some respondents do not have.

These findings blend well with those of the interviews, where most respondents 20/24 (83.3%) indicated that Luweero District accountants lack great knowledge and hence need refresher courses because the majority kept on upgrading from certificate level up to the professional level where the majority are.

4.3.2 Professional independence of Auditors

The second objective in this study was to establish the influence of professional independence on the quality of financial reporting of Luweero District Local Government. The descriptive statistics on professional independence as an aspect of the accounting professionalism are presented below;

Figure 8: Showing interpretation about descriptive statistics on the Likert scale.

Code	1 – 1.5	1.5 – 2.5	2.5 – 3.5	3.5 – 4.5	4.5 – 5
Label	Strongly disagree	Disagree	Moderate (neither agree nor disagree)	Agree	Strongly agree
Interpretation/ **Synonym**	Never	Rarely	Sometimes	Often	Always

Table 4.2: Descriptive statistics on professional independence of Auditors

Professional Independence of Auditors	**Mean**	**Std. Deviation**
The District auditors are influenced by their superiors in performance of their duties.	2.62	1.30
The District Internal auditors have autonomy in deciding what recommendations to make.	3.74	1.16
The District internal auditors have autonomy to decide the amount of work to be worked on.	3.28	1.26
Auditors have freedom to express their opinions in the audit reports prepared	3.62	1.40
Auditors freely access the organization’s books of Accounts.	3.91	1.27
Auditors produce reports independently and submit to the District Leadership without hindrance	3.89	1.19
Overall mean	**3.51**	**1.27**

Source: Primary 2018

Study findings on whether auditors are influenced by their superiors influence them in performance of their duties reveal that the district auditors are on rare occasions influenced by their superiors in performance of their duties (Mean = 2.62, SD = 1.30 > 0.87). The standard deviation indicates that the respondents all concur to this.

The research findings in respect to autonomy of auditors in deciding what recommendations to make, indicate that the District Internal auditors sometimes have autonomy in deciding what recommendations to make and on other occasions, they do not have autonomy, (Mean = 3.74, SD = 1.16 < 1.24). The standard deviation indicates that there is no variation in responses from the respondents because the standard deviation is less than a third of a mean which indicates the magnitude of variation.

Research findings also show that the district internal auditors sometimes have autonomy to decide the amount of work to be worked on and on other times, they do not, (Mean = 3.28, SD = 1.26 > 1.09). The standard deviation too is greater than a third of a mean (1.09) hence, a big variation.

Research findings too, reveal that auditors sometimes have freedom to express their opinions in the audit reports prepared and on other occasions, they do not have that autonomy, (Mean = 3.62, SD = 1.40 > 1.20). The standard deviation is greater than 1.20 implying high variation. The documentary review results based on the audit reports for 2015/2016 financial year however show varying results as indicated herein below;

> *"The auditors have a responsibility to express an opinion on the financial reports based on audit findings in accordance with the International standards on auditing and these standards require them to comply with auditing requirements. The ability of an auditor to express an opinion regardless of what others think is a sign of high professional independence".*

Findings however affirm that auditors have access to the organization's books of accounts and there is no variation in responses from respondents as the standard deviation is lower than 1/3 of a mean which indicates the magnitude of deviation, (Mean = 3.91, SD = 1.27 < 1.30).

Research findings too indicate that auditors sometimes produce reports independently and submit to the district leadership without hindrance and on other instances they are not independent, (Mean = 3.89, SD = 1.19 < 1.28). The standard deviation indicates that there is no variation in responses, hence supporting the mean results.

In general as per the results presented above, auditors at Luweero District Local Government, sometimes experience a moderate level of professional independence (Mean = 3.51, SD = 1.27 > 1.17), and the standard deviation results indicate that there is a high level of variation in results on all aspects of professional independence.

These research findings on professional independence therefor indicate that accountants at Luweero district do not follow IFAC recommendations that requires accountants to have a state of mind that allows them to express a conclusion without being affected by influences that can compromise professional judgments and hence allows an accountant to act with integrity, and exercise objectivity and professional skepticism (IFAC 2006). The findings still, do not concur with those earlier established by Maury (2000) that in order to maintain the highest ethical standard for the accounting profession, professional independence is urged, and independence means, the quality of being free from influence, persuasion or bias.

The interview results too, indicated that, accountants ought to exhibit professional independence in performance of their activities but because of the economic constraints, and desire for job security, majority respondents concurred, this has been eluded.

4.3.3 Personal integrity of accountants and auditors

The third objective in this study was to evaluate the influence of personal integrity on the quality of financial reporting of Luweero district local government. The descriptive statistics on personal integrity as an aspect of the accounting professionalism are presented below;

Figure 9: Showing interpretation about descriptive statistics on the Likert scale

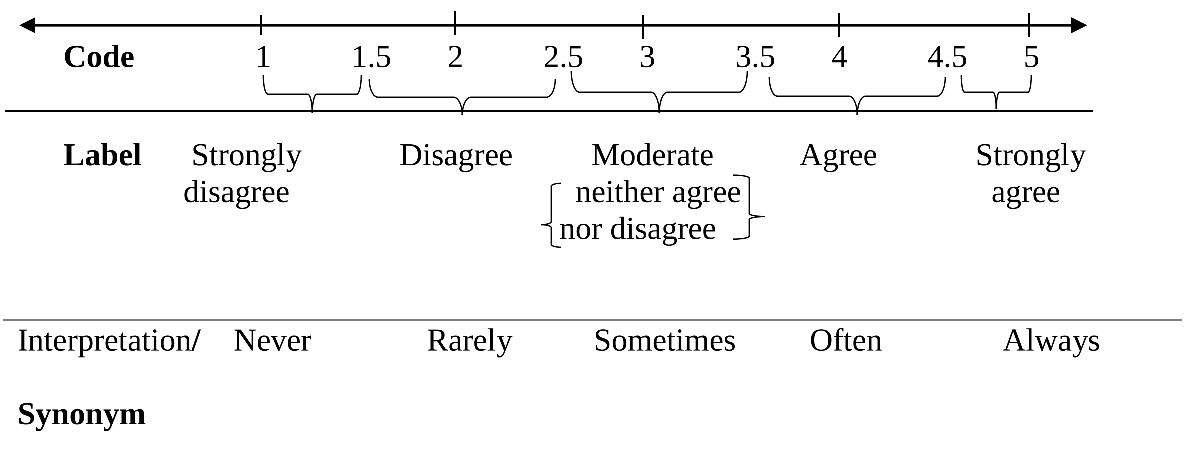


Table 4.3: Descriptive statistics on level of Personal Integrity of Accountants and Auditors

Personal Integrity of Accountants and Auditors	Mean	Std. Deviation
Accountants at the District uphold morals in the performance of their duties.	2.78	1.27
Accountants at the District are straight forward while executing assigned duties.	3.62	1.24
Accountants have public trust in performance of their duties	2.62	1.38
Accountants are not driven by personal gains in performance of their duties.	2.23	1.22
Accountants at the District rely on facts when doing their work.	3.68	1.21
Accountants of the District do not mix personal conflicts in work.	3.55	1.32
Overall mean	**3.08**	**1.27**

Source: Primary 2018

Research findings indicate that accountants at the district rarely uphold morals in the performance of their duties (Mean = 2.78, SD = 1.27 > 0.92). The standard deviation indicates a high variation in responses, meaning that whereas some respondents said that they do not uphold morals in performance of their duties,, others were saying, they somehow uphold.

The study results in regard to personal integrity of accountants and auditors indicate that accountants at the district are sometimes straight forward while executing assigned duties and on other occasions, they are not, (Mean = 3.62, SD = 1.24 > 1.20). The standard deviation indicates that there is no deviation in responses.

The study results furthermore, show that accountants sometimes lack public trust in performance of their duties (Mean = 2.62, SD = 1.38 > 0.87). The standard deviation indicates that there is a high variation because it's higher than 1/3 of the mean which is the acceptable measure of magnitude of variation.

The table presented above also indicates that accountants are rarely not driven by personal gains in performance of their duties (Mean = 2.23, SD = 1.22 > 0.74). The standard deviation results indicate a high variation in responses, meaning that respondents had varying responses.

Study findings as shown above also show that accountants at the district sometimes do not consider facts when doing their work (Mean = 3.68, SD = 1.21 < 1.22). The standard deviation indicates no variation in responses.

The findings further revealed that accountants sometimes do not mix personal conflicts in work, but on certain occasions, they do, (Mean = 3.54, SD = 1.32 > 1.18). The standard deviation indicates a high variation in responses.

These results are quite different from those indicated by the international financial accounting code (2006) which indicates that a professional accountant should exhibit high levels of integrity and should not be associated with reports, returns, communications or other information where they believe that the information contains a materially false or misleading statement, or contains statements or information furnished recklessly or omits or obscures information required to be included where such omission or obscurity would be misleading.

On the overall, the study findings indicate that accountants and auditors sometimes exhibit personal integrity but not always, (Mean = 3.08, SD = 1.27 > 1.02). The standard deviation indicates a very high degree of variation in responses all together on aspects of personal integrity.

The interview results indicated that since personal integrity is an inner moral conviction of some body, it remains very hard to enforce and 90% concurred that accountants sometimes do not exhibit professional integrity.

4.4 Quality of financial reporting

In this study, the dependent variable was quality of financial reporting measured in terms of timeliness, reliability, understandability and relevancy. Descriptive statistics on this variable as per these aspects is presented below;

Figure 10: Showing descriptive statistics on the Likert scale

Code	1	1.5	2	2.5	3	3.5	4	4.5	5

Label	Strongly disagree	Disagree	Moderate neither agree nor disagree	Agree	Strongly agree
Interpretation/ **Synonym**	Never	Rarely	Sometimes	Often	Always

Table 4.4: Descriptive statistics on quality of financial reporting

Quality of financial reporting	Mean	Std. Deviation
Accountants at the District produce financial reports on time.	3.11	1.15
District Accountants' reports are understandable.	3.02	1.23
Financial reporting guidelines are followed when preparing reports	3.11	1.07
The District financial reports are reliable.	3.08	1.19
The District financial reports support decision making.	2.98	1.03
District financial reports present a true picture of the financial position of the District.	3.06	1.17
The District financial reports are dependable.	2.77	1.09
Overall mean	**3.53**	**1.32**

Source: Primary 2018

The study findings in relation to the quality of financial reporting as in table 4.4 indicate that accountants at the District sometimes delay to produce financial reports (Mean = 3.11, SD = 1.15 >1.03). The standard deviation indicates a high level of variation in responses, meaning that whereas some respondents were saying, they could be producing reports on time, others were saying different things

Study findings equally show that district accountants sometimes produce reports that are not understandable and sometimes they are, (Mean = 3.02, SD = 1.23 < 1.00). The standard deviation indicates a very high degree of variation in the responses from respondents.

The research findings on whether financial reporting guidelines are followed when preparing reports, results indicated that accountants sometimes follow guidelines and in other instances, they do not, (Mean = 3.11, SD = 1.07 < 1.03). The standard deviation revealed that there is a small variation in the responses which cannot also be ignored.

Other results similarly reveal that the district financial reports are sometimes reliable but in most cases not reliable, (Mean = 3.08, SD = 1.19 > 1.02). The standard deviation reveal a very high variation in responses, implying whereas some claim reliability, others are highly uncertain that reports can be relied on.

The study findings indicate that the district financial reports rarely support decision making (Mean = 2.98, SD = 1.03 > 0.99). The standard deviation indicate a small variation in responses, but which should not be ignored, meaning that on some occasions, financial reports support decision making.

Research findings further reveal that the district financial reports sometimes do not present a true picture of the financial position of Luweero District (Mean = 3.06, SD = 1.17 > 1.01). The standard deviation however, indicates a very high degree of variation. Whereas some respondents were saying they may be representing a true picture, others were nullifying. This is however different from the documentary review findings based on audit reports of the District from the office of the Auditor General Uganda, for the financial years ending 2014 and 2015 that;

> "*the auditors expressed an opinion that what was expressed in financial reports fairly represented in all material respects the financial position of the District as at 30th June 2014 and 30th June 2015 and the results of the District's operations for the years ended, and complied in all material respects with the International*

Public Sector Accounting standards (IPSAS), the Local Governments' Act Cap 243 of the Laws of Uganda (as amended) , the Financial Regulations 2007 and the Public Finance Act 2015".

Finally, the research findings on whether reports are dependable, results revealed that District financial reports are rarely dependable, because a mean of 2.77 indicates that respondents disagreed that the reports are dependable (Mean = 2.77, SD = 1.09 > 0.92). The standard deviation indicates a small variation in the responses meaning that respondents had a relatively uniform response.

Generally as presented in the table above, the quality of financial reporting at Luweero District Local Government can be described as moderate, (Mean = 3.53, SD = 1.32 > 1.17). The standard deviation indicates a very high variation in responses, indicating that respondents had various responses on the quality of financial reporting and hence were not concurring that its good enough. Some were not even sure whether the quality can be considered good or poor.

The interview results too revealed that the quality of financial reporting is still lacking and reported that the financial reports are usually prepared in a rushed manner when there is demand for accountability, which can also lead to reports having many errors.

4.5 Correlation results

The study using Pearson's correlation coefficient, attempted to get the influence of professional knowledge, professional independence and personal integrity, respectively on quality of financial reporting in Luweero district local government. Correlation results are presented in the next sub-sections.

Figure 11: Showing correlation analysis

				Very weak	**weak**	**strong**	**very strong**	
-1	**-0.75**	**-0.5**	**-0.25**	**0**	**0.25**	**0.5**	**0.75**	**1**
Perfect negative correlation	Very strong negative correlation	Weak negative correlation	Very weak negative correlation	No relationship or no correlation	Very weak positive correlation	Strong positive correlation	Very strong positive correlation	Perfect positive correlation

4.5.1 Professional knowledge of accountants and quality of financial reporting

The study findings following Pearson's correlation analysis between professional knowledge and quality of financial reporting were as presented in the table below;

Table 4.5: Correlation results between professional knowledge of Accountants and quality of financial reporting

Correlations		
		Quality of financial reporting
Professional Knowledge	Pearson Correlation	0.678**
	Sig. (2-tailed)	0.000
	N	53

*****Significant at 5%***

The study finding show a strong positive statistically significant correlation between level of professional knowledge demonstrated by the accountants and quality of financial reporting in Luweero district (r = 0.678, *p*-value = 0.000).This correlations if predictive is such that the higher the level of professional knowledge amongst the accountants the better the quality of financial reporting. These results are similar to the earlier found by Sedera, et. al., (2010) that knowledge of the employees has a positive relationship with the success of the business information system planning which is based on the quality of financial reporting. They are equal at par with those earlier found by Xu (2009) that the knowledge, skill and ingenuity of a staff are a key to realizing better outcomes as personnel form part of information systems. Interview results in a similar way indicated professional knowledge as propelling quality of financial reporting and one interviewee had this to say,

> *"In this district local government, to a greater extent, the knowledge that our accountants possess have been able to produce financial reports in line with accounting standards or set accounting guidelines, much as, there was deliberate misrepresentation of some accounting information in financial reports which raised audit queries"KII*1

> "*The accountant's possession of professional knowledge, was a key factor in determining the quality of financial reporting in this District. But actually accountants need to apply and adhere to set accounting procedures, standards and guidelines so as to ensure quality financial reporting. Our accountants actually demonstrate some good knowledge areas that lead to production of financial reports that are dependable, because they are aware of what to include in the report*". *KII*3

These results are equally similar to those earlier established by Subagjo (2013) that the auditors' knowledge of good financial management allows them to carry out their designated functions. The findings are similarly =comparable to those earlier found by Effendy (2010) that knowledge of financial management is useful as it ascertains whether budget implementation is done in accordance to rules or whether deviations are evident, all are formally done using reports and that a knowledgeable Accountant will apply knowledge and be able to identify gaps in financial reporting by others which can be corrected.

4.5.2 Professional independence of auditors and quality of financial reporting

The study was equally set to examine the influence of risk professional independence as an accounting profession aspect on the quality of financial reporting of Luweero district local government. The study results following Pearson's correlation analysis between professional and quality of financial reporting are as presented in table 4.6 below;

Table 4.6: Correlation results between professional independence of auditors and quality of financial reporting

Correlations		
		Quality of financial reporting
	Pearson Correlation	0.779^{**}
Professional Independence	Sig. (2-tailed)	0.000
	N	53

*****Significant at 5%***

The study findings similarly show a very strong statistically significant correlation between professional independence of auditors and quality of financial reporting in Luweero district($r = 0.779$, p-value $=0.000$). This influence if predictive is such that improvements in level of professional independence of auditors results into improvements in quality of financial reporting. Whereas the researcher equally agrees with these findings, the interview results equally echoed the same

> "*Independence with this politics is not easily achievable. What I only have to say is that when they [internal auditors] do not have the independence, quality of the reports will be poor internally but may be good for those who see them…..in fact many of them are influenced by their line superiors to undermine their integrity which in the end affected the quality of financial reporting at the District*". *KII*2

These results are however comparable to those earlier found by Power (1997), that without independence, audit has no value. The current findings compare well with those earlier found by Nwagboso (2008) observing that professional ethics including independence guides accountants and or auditors ensures that they regulate their behaviour in the area of finance which by implication has a bearing in quality of financial reporting.

4.5.3 Personal Integrity of Accountants and Auditors and quality of financial reporting

In this study its third objective was also meant to evaluate the influence of personal integrity of accountants and auditorson the quality of financial reporting of Luweero district local government.The study results following a Pearson’s correlation analysis between personal integrity and the quality of financial reporting were as presented in Table 4.7;

Table 4.7: Correlation results between personal integrity of accountants and auditors and quality of financial reporting

Correlations		
		Quality of financial reporting
Personal Integrity	Pearson Correlation	0.613**
	Sig. (2-tailed)	0.000
	N	53

*****Significant at 5%***

The study findings as presented in table 4.7 above show a strong but statistically significant positive correlation between personal integrity of accountants and auditors and quality of financial reporting at Luweero district (r= 0.613, *p*-value = 0.000). It should be noted that this influence if predictive is such that improvements in personal Integrity of Accountants and Auditors are followed by improved quality of financial reporting. Different however is that a decline in the personal Integrity of Accountants and Auditors results into poor quality of financial reporting at the district. The researcher in a similar way agree to this results as supported earlier by Kermis and Kermis (2010) that ethic interrelationship between personal, professional and financial reporting regulations drive a designated person to carefully perform their assigned tasks. The results are in agreement with those from the key informants who said that;

> "*Yes I think so……now …although not all accountants have the integrity when performing their work, some actually try doing their work,……which favours quality reporting. I must however say that sometimes the financial crisis leads to most accountants to drop their integrity in a bid to satisfy their financial desires which is a menace to quality reporting*".

The findings are similar to those indicated by the COSO framework (2013) highlights that personal integrity of designated personnel is critical for the continuity of an organization however, if compromised it can create multiple loopholes that can result into more fraudulent acts which may not be fully reported.

4.6 Multivariate regression results for the effect of accounting professionalism on quality of financial reporting

In this study, attempts were also made to establish the effect of professional knowledge, personal integrity and professional independence as a combined accounting professionalism on quality of financial reporting of Luweero District Local Government using multivariate regression analysis was undertaken using linear regression. Results are presented in Table 4.8;

Table 4.8: Coefficient of determination results

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.924[a]	0.854	0.845	1.72808

Table 4.8 (a) shows that the adjusted R Square which is a coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables is 0.854. The figure of coefficient of 0.854 indicates that there was a variation of 85.4% on quality of financial reporting due to changes in professional knowledge, personal integrity and professional independence. It explains the extent to which changes in the quality of financial reporting as a dependent variable can be explained by changes in accounting professionalism as an independent variable.

Table 4.9: Analysis of the Variance results

ANOVA						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Regression	858.692	3	286.231	95.849	0.000
1	Residual	146.327	49	2.986		
	Total	1005.019	52			

a. Dependent Variable: Quality of financial reporting

b. *Predictors: (Constant), Personal integrity, Professional knowledge, Professional independence*

Results following the analysis of the variance shows that accounting professionalism in terms of personal integrity, professional knowledge and professional independence is a significant predictor of quality of financial reporting of Luweero District Local Government (*F* = 95.849, *p*- value = 0.000). These results align well with the postulations embedded aggregately in the agency theory by Jensen and Meckling (1976), the stewardship theory by Donaldson and Davis (1991) and the idealized professional model by Suddaby, Gendron and Lam (2013)

As shown in the table above the coefficient of determination results that accounting professionalism explains 82.2% to variation in quality of financial reporting of Luweero District Local Government (R^2 = 0.822) is confirmed by the disparity in regression value of 858.692 compared to residual value of 146.327.

Table 4.10: Multiple regression results of accounting professionalism on quality of financial reporting

Coefficients						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	-9.806	1.758		-5.579	0.000
	Professional knowledge	0.512	0.072	0.434	7.102	0.000
	Professional independence	0.427	0.067	0.426	6.375	0.000
	Personal integrity	0.441	0.071	0.372	6.173	0.000

a. Dependent Variable: Quality of financial reporting

Following regression analysis under standardized coefficients, professional knowledge is statistically significant in influencing the quality of financial reporting and unit increase in professional knowledge, increases the quality of financial reporting by 43.4% (β= 0.434; t = 7.102; *p* value = 0.000), professional independence too, is statistically significant and a unit increase in professional independence, increases the quality of financial reporting by 42.6%, (β = 0.426; t = 6.375, *p*-value = 0.000). Similarly personal integrity (β = 0.372; t = 6.173; *p* value = 0.466) is a statistically significant predictor of quality of financial reporting of Luweero District Local Government and a unit increase in personal integrity, increases the quality of financial reporting by 37.2%..

To sum it up, the three aspects of accounting professionalism are statistically significant predictors of quality of financial reporting of Luweero District Local Government.

The findings following a regression analysis shows that holding professional knowledge, personal integrity and professional independence to a constant zero, quality of financial reporting of Luweero District Local Government would be -9.806 units. The study results further show that a unit increase in professional knowledge would lead to an increase in quality of financial reporting of Luweero District Local Government by 51.2%. These findings are much similar with those earlier found by Thong (2009) that the knowledge of employees is a deciding factor in increasing the quality of information systems within an enterprise. Findings further indicate that a unit improvement in professional independence would contribute to improvement in quality of financial reporting of Luweero District Local Government by 42.7% as opposed to a unit increase in personal integrity which would contribute to an improvement in the quality of financial reporting of Luweero District Local Government by 44.1%. These results comparae well with those earlier found by Soltani (2007) that professional independence as exhibited by designated officers helps to maintain objective and impartial mental attitude as well as foster better reports as required by strategists to plan. They are comparable to the assertions in the COSO framework (2013) which highlights that personal integrity of designated personnel is critical for the continuity of an organization however, if compromised it can create multiple loopholes that can result into more fraudulent acts which may not be fully reported. They are as well at par with those earlier established by Otalori and Eiya (2013) receipt that designated officers should observe ethical principles in financial reporting so as to enhance confidence and assurance of the reliability of financial statements. The study results equally show that Professional knowledge ($t = 7.102$, $p = 0.000$), professional independence ($t = 6.375$, $p = 0.000$) and the les with personal integrity ($t = 6.173$, $p = 0.000$) much as all are statistically significant factors in improving quality of financial reporting of Luweero District Local Government.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the major findings consistent with the study objectives and the results presented, analyzed and interpreted are examined in the wider context of the conceptual framework as well as related literature reviewed and in answer to the research questions.

5.2 Summary of the major findings

The general objective of the study was to establish the effect of internal accounting professionalism on the quality of financial reporting of private universities in Uganda with specific reference to Luweero District Local Government. In specific terms, the study examined the effect of professional knowledge, personal integrity and professional independence, respectively on quality of financial reporting of Luweero District Local Government. The main results findings on each of these objectives are as presented in the next sub-sections of this section.

5.2.1 Professional knowledge and quality of financial reporting of Luweero District Local Government

According to descriptive statistics, Luweero District Local Government accountants on the overall have moderate professional knowledge (Mean = 3.66, SD = 1.30). Correlation results between professional knowledge and quality of financial reporting of Luweero District Local Government indicated a strong positive statistically significant correlation between the two variables($r = 0.678$, $p = 0.000$). Regression results revealed that professional knowledge on the overall is an influential factor on the quality of financial reporting of Luweero District Local Government and a unit increase in professional knowledge, increases the quality of financial reporting by 43.4% (β= 0.434; t = 7.102; *p* value = 0.000).

5.2.2Personal integrity and quality of financial reporting of Luweero District Local Government

According to descriptive statistics results overall, Accountants of Luweero District Local Government moderately exhibit personal integrity (Mean = 3.08, SD = 1.27). Results revealed that there is a strong positive statistically significant correlation between personal integrity and quality of financial reporting of Luweero District Local Government (r =0.613, *p* = 0.000). Regression results revealed that personal integrity aspects are collectively influential factors on quality of financial reporting of Luweero District Local Government and a unit increase in personal integrity as a whole, leads to 37.2% increase in the quality of financial reporting, (β = 0.372; t = 6.173; *p* value = 0.000).

5.2.3Professional independence and quality of financial reporting of Luweero District Local Government

According to descriptive statistics results, accountants of Luweero District Local Government have moderate professional independence (Mean = 3.51, SD =1.27). Correlation results between professional independence and quality of financial reporting of Luweero District Local Government indicated a strong positive statistically significant relationship between the two variables (r=0.779, *p* =0.000). Regression results revealed that professional independence statistically influences the quality of financial reporting

0of Luweero District Local Government (β = 0.426; t = 6.375, *p*-value = 0.000), and a unit increase in professional independence, increases the quality of financial reporting by 42.6%.

5.2.4 Significant findings of the study

1. In all the aspects of accounting professionalism i.e professional knowledge, personal integrity and professional independence, descriptive statistic revealed Accountants of Luweero District as just moderate in exhibition of those aspects (Mean = 3.66,). Being moderate is not the best position and this means, they have gaps bin their performance.

2. The descriptive statistics revealed that the quality of financial reporting at Luweero District Local Government can be described as moderate, (Mean = 3.53). The quality being moderate is not the best position because this means that there is not sufficient accountability of public funds and the implication is that without appropriate accountability the Central Government and the Donors will not send more money to be used on services like construction of schools, health facilities, and grading of roads among others. The final position will be no service delivery.

3. The multi variate regression results below revealed that accounting professionalism influences the quality of financial reporting by 84.5%, which means that there are other factors that influence the quality of financial reporting contributing 15.5%. Further research can be conducted to find out what these other factors are.

Adjusted R Square
0.845

4. The descriptive statistics revealed that, District internal auditors who are the public trustees only possess moderate knowledge in detecting fraud (Mean: 3.28) meaning that public funds can be easily be misused and auditors fail to detect this because of minimal knowledge.

5.3 Conclusion

From the findings and the corresponding discussion, the study concludes that accounting professionalism (professional knowledge, personal integrity and professional independence) significantly affect the quality of financial reporting of Luweero District Local Government. The following are conclusions as per the respective objectives:

5.3.1 Professional knowledge and quality of financial reporting of Luweero District Local Government

The first objective was to evaluate the influence of professional knowledge on the quality of financial reporting of Luweero District Local Government. The study concludes that professional knowledge practices are significant predictors of quality of financial reporting of Luweero District Local Government. This effect is such that the better the professional knowledge practices, the higher the quality of financial reporting and the poorer the professional knowledge practices the lower the quality of financial reporting. It is generally concluded that by upholding practices ability to detect fraud in accounting, public sector accounting standards and policies alongside applying analytical skills in accounting, the quality of financial reporting of Luweero District Local Government increases. Similarly holding better knowledge in accounting software packages, and being knowledgeable on the likely consequences of financial misreporting, can help accountants adhere to accounting policies and hence this can lead to improvement in quality of financial reporting and vice versa.

5.3.2 Personal integrity and quality of financial reporting of Luweero District Local Government

This study's second objective was to establish the influence of personal integrity on quality of financial reporting of Luweero District Local Government. The study concludes that personal integrity practices statistically influence the quality of financial reporting of Luweero District Local Government. This effect is such that better personal integrity practices resulted into significant improvements in the quality of financial reporting. It can be thus concluded that high levels of upholding morals in the performance of auditors' duties, being straight forward while executing assigned duties and having public trust in performance of their duties improves the quality of financial reporting in the district local government. Similarly, relying on facts when doing their work significantly improves the quality of financial reporting in district local governments.

5.3.3 Professional independence and quality of financial reporting of Luweero District Local Government

In this study the third objective was to evaluate the influence of professional independence on the quality of financial reporting in Luweero District Local Government. The study concludes that proper demonstration of professional independence aspects are statistically significant factors explaining quality of financial reporting in Luweero District Local Government. This effect is such that improvements in the level of professional independence leads to improvement in the quality of financial reporting and declines in professional independence results into a decline in the quality of financial reporting in Luweero District Local Government. It is specifically concluded that minimized influence by superiors in performance of accountants' duties, improvement in autonomy by the internal auditors in deciding what recommendations to make alongside free access to the organization's books of Accounts improves the quality of reporting in Luweero District Local Government.

5.4 Recommendations

Having given research findings and discussion of the same findings and conclusions derived therefore, this section makes recommendations arising from significant findings of the study objective by objective.

5.4.1 Professional knowledge and quality of financial reporting of Luweero District Local Government

Resulting from findings on the first objective in this study, the study recommends that the district local government leadership should initiate and facilitate knowledge enhancement programs for accountants in areas of how to detect fraud in accounting. This will build capacity for the district local government auditors to develop appropriate competence in fraud detection so as to enhance proper use of public and donor funds.

The internal auditors at the district should each seek training so as to develop both theoretical and practical knowledge in accounting software packages so as to acquire knowledge in computer financial reporting which is considered to be accurate and eventually the quality of financial reporting will be improved.

5.4.2 Personal integrity and quality of financial reporting of Luweero District Local Government

Resulting from significant findings on objective two, the study recommends that accountants at the districts should demonstrate proper ethics by desisting from being driven by personal gains in performance of their duties. This will help improve the quality of financial reporting at the district local governments.

The accountants through their associations and professional bodies that they belong to like CPAU,ACCA, should design and institute mechanism that promote public trust in performance of their duties at the district.

The accountants should in all their actions uphold morals in the performance of their duties and as well avoid mixing personal conflicts in work if the quality of financial reporting is to be improved within the district local governments.

5.4.3 Professional independence and quality of financial reporting of Luweero District Local Government

In this study resulting from significant findings on objective three, the study recommends that the Government through its line ministry of local government should design and institute mechanisms that promote ethics that encourage demonstration of restraint by the top administrative officers from influencing district accountants while performing their duties.

The management of the district local governments should come up with strategies that enable the internal auditors at the district to demonstrate autonomy in making audit opinions, and decision making about the amount of work to be worked on in pursuance of their duties.

5.5 Contributions of this research to knowledge and policy issues

The study findings revealed that accounting professionalism aspects of professional knowledge, personal integrity and professional independence influence the quality of financial reporting by 84.5% and the 15.55 is contributed by other factors.

The study findings revealed that accountants compromise their integrity to a large extent and therefore, there is need for the line Ministry and accounting professional bodies to come up with that strengthen upholding personal integrity in the execution of duties.

The findings revealed that accountants have moderate knowledge in accounting software packages, hence the need for the MOLG to always put up refresher courses for accountants to enhance continuous professional development.

The study findings revealed that whereas the essence of financial reporting in private sector is basically to reveal the financial position of the organization in order to make economic decisions, in the public sector its about accounting for how public and donor funds were utilized and the status of service delivery.

5.6 Areas of further research

The current study results were based on findings from only one district local government particularly Luweero District Local Government. Such results would vary if many more district local governments were to be involved would be involved. It is therefore recommended that future studies target many more district local governments examining the effect of accounting professionalism on quality of financial reporting in Uganda for a better generalization.

The study only put emphasis of accounting professionalism which explains 85.4% of the quality of financial reporting. It is recommended that future studies consider examining the effect of the district local government structure alongside issues to do with information system factors that may have a bearing in quality of financial reporting. Future studies should also consider investigating the effect of personnel related factors on the quality of financial reporting.

Further research should be conducted to establish the other factors that contribute 15.5% in influencing the quality of financial reporting.

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APPENDICES

Appendix I: Background information for District LG respondents

Dear Respondent

My name is Nanfuka Kalule Sauya a student of Uganda Martyrs' University, Nkozi, pursuing a Masters in Business Administration. As part of my course requirements, I am undertaking a research on "*Accounting professionalism and the quality of financial reporting of Local Governments in Uganda", a case of Luweero District.* You have been identified as a key informant on this subject of study and kindly request you to complete the questionnaires. The information you provide will be kept with utmost confidentiality and be used for academic purposes only. I thank you for your participation and cooperation. Your time and effort are sincerely appreciated.

Section A: Bio data for the respondents

a) Age bracket

20-30 years ☐ 31-40 years ☐ 41-50 years ☐ 51 years and above ☐

b) **Gender**

Male ☐ Female ☐

c**) Marital Status**

Single ☐ Married ☐ divorced ☐

d) **Level of education**

O' level ☐ Masters ☐

A' level ☐ Graduate ☐

Others, please specify: ………………………………………………………………….

e) **How long have you served at the District?**

Less than a year ☐ 2 - 5 years ☐

6 - 10 years ☐ 11+ ☐

Others (specify)………………………………………………………………………………..

f) What is your responsibility at the District?

…………………………………………………………………………………………

Section B: Assessing the level of Professional Knowledge of Accountants

Please respond to the following statements by indicating the extent to which you strongly agree or SA (5), agree or A (4), un Certain or UD (3), disagree or D (2) and SD strongly disagree (1) as per the given choices.

	Item	SA (5)	A (4)	UC (3)	D (2)	SD (1)
1	Accountants in the District have knowledge on how to prepare financial reports					
2	Accountants at the District have knowledge of public sector accounting standards and policies					
3	Accountants at the District apply analytical skills in accounting.					
4	Accountants at the District have knowledge on how to detect fraud in accounting.					
5	Accountants have knowledge on the likely consequences of financial misreporting.					
6	Accountants at the District have knowledge in accounting software packages.					

SECTION C: Assessing the level of Professional Independence of Auditors in Luweero District.

Please respond to the following statements by indicating the extent to which you strongly agree or SA (5), agree or A (4),uncertain or UC (3), disagree D (2) and SD or strongly disagree (1) as per the given choices

	Item	SA (5)	A (4)	UC (3)	D (2)	SD (1)
1	The District auditors are not influenced by their superiors in performance of their duties.					
2	The District Internal auditors have autonomy in deciding what recommendations to make.					
3	The District internal auditors have autonomy to decide the amount of work to be worked on.					
4	Auditors have freedom to express their opinions in the audit reports prepared					
5	Auditors freely access the organization’s books of Accounts.					
6	Auditors produce reports independently and submit to the District Leadership without hindrance.					

SECTION D: The level of Personal Integrity of Accountants and Auditors in Luweero District.

Please respond to the following statements by indicating the extent to which you strongly agree or SA (5), agree or A (4), uncertain or UC (3), disagreed or D (2) and SD or Strongly disagree (1) as per the given choices

	Item	SA (5)	A (4)	UC (3)	D (2)	SD (1)
1	Accountants at the District uphold morals in the performance of their duties.					
2	Accountants at the District are straight forward while executing assigned duties.					
3	Accountants have public trust in performance of their duties					
4	Accountants are not driven by personal gains in performance of their duties.					
5	Accountants at the District rely on facts when doing their work.					
6	Accountants of the District do not mix personal conflicts in work.					

SECTION E: Assessing the quality of financial reporting in Luweero District.

Please respond to the following statements by indicating the extent to which you strongly agree or SA (5), agree or A (4), uncertain or UC (3), disagreed or D (2) and SD or strongly disagree (1) as per the given choices

	Item	SA (5)	A (4)	NS (3)	D (2)	SD (1)
1	Accountants at the District produce financial reports on time.					
2	District Accountants produce reports that are understandable.					
3	Financial reporting guidelines are followed when preparing reports					
3	The District financial reports are reliable.					
4	The District financial reports support decision making.					
5	District financial reports present a true picture of the financial position of the District.					
6	The District financial reports are dependable.					

Appendix II: Key Informant Interview Guide

1. Please in this organization, what is your take in regarding to the professional knowledge of accountants who you work with?
2. In your own view, does such professional knowledge demonstrated by the accountants affect the quality of financial reporting at this District Local Government? Please give details on how
3. Of what integrity do the accountants demonstrate while working in this organization? Please explain give details
4. How does such personal integrity demonstrated by accountants affect the quality of financial reporting in Luweero District Local Government? Explain you response
5. Are the accountants/ auditors provided with an environment that promotes professional independence? Give details
6. What influence does such professional independence accorded to accountants have on the quality of financial reporting in Luweero District Local Government?
7. What is you view on the quality of reporting in this organization? In what ways can the quality of reporting be improved in this organization?

Appendix III: Documentary Review Checklist

1. Auditor General Reports 2014/2015, 2015/2016
2. Local Governments' financial and accounting regulations 2007
3. Local Governments' financial and accounting manual 2007