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Original Article

Control Environment, Financial Accountability and Financial Reporting Quality in Uganda's Public Sector

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This paper investigates how Control Environment (CE) and Financial Accountability (FA) influence Financial Reporting Quality (FRQ) in the public-sector institutions in South-Western Uganda, a context where public institutions face persistent financial reporting inaccuracies and delays. This was a cross-sectional quantitative study involving structured questionnaires distributed to 96 public officials across various public sector entities in Uganda. Data were analysed through correlation and also regression analyses, employing Baron and Kenny's (1986) four-step approach for mediation, with significance of indirect effect assessed using the Sobel test. The research study results show that CE plays a key role in improving both FA and FRQ. Public sector institutions with strong CE have improved ethical leadership, audit oversight, and clearly defined roles that allow for accurate and timely reporting. The study results revealed that public sector institutions with strong governance structures were more likely to uphold transparency and responsible financial behaviour, highlighting the contingent role of CE in explaining FA to public stakeholders. The results indicated a positive association between FA and FRQ, implying that public sector institutions that practice expenditure tracking, documentation, and ethical compliance were likely to produce more credible financial reports. The mediation analysis revealed that FA partially mediated the association between CE and FRQ, which suggested that CE can accurately influence FRQ through FA. This study makes a unique contribution by incorporating the agency theory (AT) and also the stewardship theory (ST) in the examination of FRQ in public sector institutions, a sector where the quality of financial reports is inherently linked to managerial accountability towards organisational goals and the safeguarding of stakeholder interests. The research study demonstrates that CE not only enhance FRQ directly but also has an influence on the upholding of transparency and responsible financial behaviour that supports public sector institutions to prepare and present financial reports on an accurate, timely and consistent basis. The study advocates that public institutions

invest in training programs that reinforce ethical leadership, effective audit committees and enhance FA mechanisms, ultimately improving public sector institution FRQ.

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INTRODUCTION

In today's public sector environment, which is characterised by increasing demands for transparency, accountability and prudent resource management, FRQ has emerged as a critical priority for governance and performance of public sector institutions. High FRQ involves timely submissions of financial statements that are accurate, complete, consistent across periods, and adhere to established financial reporting frameworks. Countries have responded to these financial reporting demands by undertaking several reforms, including increased public sector financing to reporting entities, enforcement of compliance with international & national financial reporting standards, continuous capacity building through staff training and expanded financial management personnel (OAG, 2023; Tawiah, 2023). However, the OAG reports 2021 – 2023 have continued to show deficiencies in FRQ despite these sustained reforms. Less than 50% (14 of 33) of the public institutions submitted financial reports that met OAG's reporting requirements in the 2022/2023 FY. This suggested that the majority of these reporting entities produced reports with material inaccuracies. Additionally, timely financial reporting continued to be a challenge during this

period. Specifically, only 14 institutions in 2021, 10 institutions in 2022 and 15 public institutions in 2023 complied with the statutory requirement to submit financial statements within the legally mandated month following the end of the fiscal year deadline. It was observed that some public sector entities in South Western submitted their reports more than five (5) months following the close of the fiscal year. Further delays in the publication of audit accounts become unavoidable as a result of the delays in submission of financial reports, which further highlight embedded weaknesses within the public sector's financial reporting framework. The importance of the CE in public sector reporting has evolved to be a crucial aspect due to the deficiencies in public sector reporting. This evolution explains the change in public sector reporting from a rather narrow emphasis on compliance and adherence to procedures towards a broader institutional perception that values integrated oversight mechanisms, ethical management, and accountability controls. This evolving perspective, therefore, addresses the gap where earlier studies focused largely on the correction of reporting errors after their occurrence. Instead, it recognises FRQ as an outcome of the CE. A broader understanding of FRQ is especially important for public sector institutions in Uganda.

This is because they operate in complex governance systems where several are interdependent on each other. Key players include accounting officers, internal auditors and oversight bodies, all of whom play a collective role in ensuring transparency as well as accountability, which is important in the support of effective decision making and overall public accountability.

However, evidence suggests that the FRQ has remained sensitive to weaknesses in the institutional control environment, particularly where integrity values are compromised, organisational operating styles are ineffective, organisational structures are unclear, audit committee participation is limited and where assignment of authority is poor. These institution-specific weaknesses undermine the ability of institutions to produce reliable financial information, which increases the risk of material errors and non-compliance. Complementary to the role of CE is the purpose of FA as a mediating variable in this relationship. FA is important in achieving high-quality FRQ because it promotes transparency, effectiveness in internal control mechanisms, and the promotion of ethical conduct of the public officials involved in financial reporting. In many developing country contexts, these challenges are further exacerbated by institutional capacity constraints, weak enforcement of regulations, and limited resources, all of which hinder the consistent production of high-quality financial reports.

Recent research studies have emphasised the key role of CE in enhancing FRQ within public sector institutions, with empirical evidence indicating that a strong CE is positively associated with improved financial reporting outcomes. This is because a well-established CE provides the foundation upon which effective financial processes are built, enabling public officials to adhere to reporting standards and also respond appropriately to reporting requirements. Within this context, FA plays a mediating role by reinforcing transparency by public officials, proper assignment of responsibility and

reinforcing ethical practices in institutions. Additionally, FA introduces an obligation of the public officials to justify their actions and use of resources, which is key to high FRQ. According to Hossain et al. (2025), institutions that have robust accountability frameworks in place are better positioned to translate strong CEs into high-quality financial reporting. This is because strong CEs promote prudence in financial management and also ensure that reporting practices align with regulatory expectations. This mediation perspective of FA in the relationship between CE and FRQ aligns with agency and stewardship theories, which emphasise that FA works as a monitoring mechanism for decreasing information asymmetry and preventing self-interest among the agents from misrepresenting financial data, whereas the stewardship theory presents a framework that empowers stewards to align their financial reporting with the collective goals of the public institution and the public interest.

Additionally, when the public sector institutions exhibit high levels of FA, they demonstrate greater capacity to utilise established control mechanisms, thereby enhancing the FRQ. This improved capability allows public institutions to strengthen how they prepare and report financial information that is accurate, timely, complete, adequate and consistent. FA serves as a mediating pathway through which CE translates into improved reporting outcomes because it reinforces transparency, responsibility, and ethical behaviour in public financial management. Whereas a strong CE provides a solid foundation, its effect on FRQ becomes much stronger when it is backed by effective accountability practices. Previous studies show that internal controls alone may not lead to the best reporting outcomes unless they are supported by strong FA frameworks, which encourage compliance and ethical behaviour of officials responsible for reporting. Prior studies suggest that internal controls alone may not yield optimal reporting outcomes unless they are accompanied by effective FA frameworks that promote compliance and ethical behaviour.

Given this discussion, prior research shows mixed results on the link between CE and FRQ. These inconsistencies could be attributed to heterogeneity in theoretical lenses, methodological approaches and contextual choices in which the studies were conducted. These discrepancies warrant examining moderators of the CE-FRQ relationship. To address this gap, this study therefore investigates the relationship that exists between CE and FRQ, mediated by FA, within public sector institutions in South-Western Uganda. This research study also contributes to the existing body of literature regarding FRQ and provides practical insights for improving financial reporting in Uganda and comparable contexts. The remaining part of this research paper takes the following arrangement: section 2, which is the review of related literature and ends with the development of the study's conceptual framework. Section 3 summarises the study's research methodology. After this section is section 4, which presents and interprets the research study findings. The final section is section 5, which is a discussion of study findings, explores the research study implications, as well as the contribution to be made by the study.

Public Interest Statement

The research study provides findings of the control environment and financial accountability in supporting the desired quality of financial reporting and presentation in public institutions, in view of meeting public accountability needs. The findings emphasise that the control environment can accurately influence the quality of the financial reporting through financial accountability. These results are critical in the improvement of the quality of financial reports in developing economies like Uganda, where transparency and accountability are needed for citizens to ascertain whether or not the public funds are managed efficiently and for their intended use.

LITERATURE REVIEW

Theoretical Foundation

There are two complementary theories: the Agency Theory (AT) and the Stewardship Theory (ST), which provide complementary perspectives for understanding the mechanisms that drive FRQ in public sector institutions. The AT, as developed by authors Jensen and Meckling (1976), emphasises the principal – agent relationship in which the principals, public stakeholders, delegate their authority to agents, who are public officials or managers, to then act on the principals' behalf. Agency problem arises where there is misalignment of interests that arises when agents prioritise their self-interest over the organisational or public objectives, which is often exacerbated by information asymmetry. The mitigation of such conflicts forces the principals to implement control mechanisms such as audits, monitoring systems, and performance-based incentives so as to align agent behaviour with organisational and public objectives. The AT is particularly relevant to FRQ in the public institutions in the South-Western Uganda because of the influence of the effectiveness of the existing internal controls, audit committees, and structured assignment of authority, which are evidence of AT mechanisms and all of which ensure that financial reports are accurate, timely, complete, and consistent, thereby linking the variables. However, the AT is limited by its assumption that agents are primarily self-interested, thereby underplaying situations where ethical considerations, loyalty, or intrinsic motivation guide behaviour.

ST, developed by Donaldson and Davis (1991), complements the AT by making the assumption that managers and public officials are intrinsically motivated to behave in the greatest interests of the organisation and its stakeholders. According to ST, managers are able to prioritise corporate goals, adopt ethical standards and uphold accountability when they are entrusted with resources and assigned responsibility. In order to reinforce FA, the ST emphasises the significance

of fostering shared values, trust and accountability among the public officials. The ST suggests that when public officials are empowered, trusted and assigned responsibility, oversight mechanisms could perform a support role in the financial presentation and reporting results. This balance helps improve transparency, clarify the responsibility of officials, and strengthen control practices, all of which contribute to better financial reporting outcomes. However, the ST is limited by its assumptions about human conduct, which may ignore situations where public officials are opportunistic, where institutional oversight mechanisms are weak.

Together, the AT and ST offer useful perspectives in this research study by recognising that FRQ in Uganda's public sector is shaped by both managerial accountability towards organisational goals and the safeguarding of stakeholder interests. This integrated approach helps to explain how CE interacts with FA to improve the quality of the financial reporting outcomes. It also offers a strong foundation to develop hypotheses and the shaping of a conceptual model for FRQ in today's public sector environment in Uganda.

Empirical Literature

The Relationship between CE and FRQ

The CE, which is rooted in AT, has become central in several research studies that relate to financial reporting outcomes in several institutions. Several empirical studies have emphasised bidirectional relationships; Barigye et al. (2024) found that a strong CE improves FRQ by ensuring compliance with financial regulations and promoting accountability, which reduces errors in reporting. Nonetheless, this study is known to have focused on the operational efficiency aspect, thereby leaving out the effects of the specific CE components. Likewise, Kajokaya (2023) found internal controls reinforced FRQ through minimising reporting misstatements, ensuring compliance and improving accountability. Koowa (2024) put

emphasis on effective internal controls as a reinforcement of FRQ through the presence of clear procedures, monitoring mechanisms, as well as oversight, which enabled the preparation and presentation of reliable financial outcomes. Similarly, Abdulai et al. (2021) found that the internal audit function in public institutions aims to enhance reporting accuracy, compliance and the trust of stakeholders. This study concentrated on auditing rather than the specific CE elements. Also, findings by Oyetola et al. (2024) and Festus (2023) suggest that strong CE facilitate accurate and credible financial reports with a focus on timeliness and reliability. However, these focused on the wider contextual determinants, such as the quality of audit and organisational culture, without necessarily examining the direct effect of the specific CE elements.

Generally, these studies suggest that a strong CE has a positive association with FRQ by promoting attributes of accuracy, timeliness, completeness and transparency in entities. These studies left out the gap of studying the effect of specific CE elements on FRQ in public institutions in Southwestern Uganda.

H1: Control environment (CE) positively influences financial reporting quality (FRQ) among public sector institutions in the South-Western Uganda.

Relationship between CE and FA

Empirical evidence indicates that a strong CE is critical for enhancing FA. According to Abdi (2021), robust CEs improved accountability by ensuring proper monitoring and control of financial transactions while supporting the accurate preparation of financial reports. However, the study did not explore the role of specific CE components, such as internal audits, in shaping accountability outcomes. Similarly, Abdulai et al. (2021) found that internal audit operating within a well-established CE enhanced financial reporting quality and accountability by ensuring thorough review and compliance of financial transactions. Agbenyo et al. (2018) also

found that internal control systems mitigated risks such as fraud, errors, and omissions, which improved financial accountability through constant monitoring and evaluation of resources. Ashfaq and Rui (2019) emphasised that active boards as well as audit committees improved internal control disclosures and promoted transparency in financial management, which enhanced accountability. John and Nyamboga (2024) reported that effective CE enhanced accountability by ensuring proper monitoring of financial transactions and accurate reporting.

Generally, these studies converge on the viewpoint that a robust CE strengthens FA by ensuring transparency, responsibility, and ethical management of public resources. Whereas some studies have focused more on internal controls, auditing and reporting reforms, they collectively highlight that FA is enhanced when CE are well-structured and effectively implemented.

H2: Control environment (CE) has a positive relationship with financial accountability (FA) among public sector institutions in South-Western Uganda.

Relationship between FA and FRQ

Empirical evidence demonstrates that FA plays a critical role in enhancing FRQ in public sector organisations. Abdulai et al. (2021) found that entities with effective accountability mechanisms prepared high-quality financial outputs because the mechanisms increased the accuracy, timeliness of reporting and reduced misstatements. Likewise, Agbenyo et al. (2018) found that entities with robust internal control mechanisms along with strong financial management frameworks achieved accurate, timely and complete financial outcomes, noting that weak accountability often led to unreliable financial reporting. Similarly, Perpetua et al. (2021) noted that with established accountability systems, including open budgeting, effective resource allocation, and frequent audits, were necessary for the preparation of reliable and standards-compliant financial reports. Ashfaq and

Rui (2019) corroborated these study findings by showing that transparent decision-making, proper record-keeping, and regular communication with stakeholders enhanced the reliability of financial reports and reduced errors. Collectively, these studies underscore that FA through transparency, monitoring, ethical practices, and adherence to standards is crucial to high-quality financial reporting institutions.

H3: Financial accountability has a positive relationship with FRQ among public sector institutions in South Western Uganda.

The Mediating Effect of FA on the Relationship between CE and FRQ

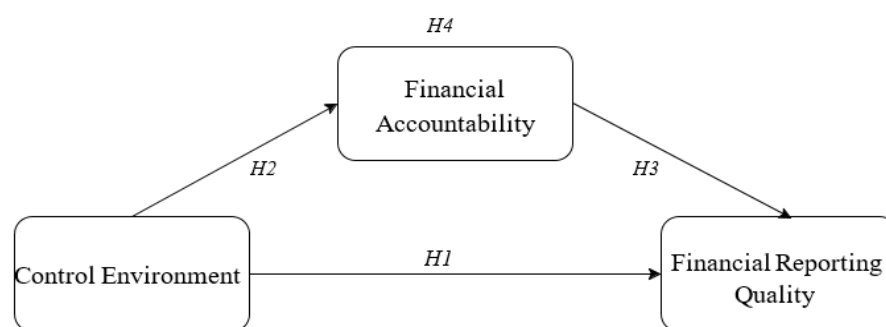
The mediating effect that FA has on the association between CE and FRQ plays the role as a mechanism via which CE translates into FRQ in public sector institutions. Oyeola, David and FF (2024) found that strong accountability systems enhanced the effectiveness of the CE, which in turn led to more reliable and accurate financial reports, emphasising that even a well-structured CE may fail to ensure high-quality reporting without proper accountability mechanisms. Likewise, Abdulai et al. (2021) opined that FA mediates the association between internal CE and the quality of financial reporting, particularly suggesting that clear accountability mechanisms allowed for more accurate reporting, transparency and greater reliance on the financial reports. This demonstrated that accountability served as a link between internal controls and reporting outcomes. According to Ashrafi et al. (2024), clear accountability frameworks in the form of defined lines of responsibility and transparency practices enhance the relevance and accuracy of the financial presentation and reporting in an organisation. According to Nehmo (2022), the integration of compliance auditing and FA mechanisms creates room for the effective application of control measures and higher reporting standards, which are inevitable for high-quality financial reports. According to Kule et al. (2022), strong internal controls established FA practices, such as transparency and responsibility,

which mediated the link between the CE and improved financial performance, indirectly reinforcing reporting quality. Collectively, these studies illustrate that financial accountability enables the control environment to translate internal control structures into reliable, accurate, and timely financial statements across diverse public sector contexts.

With regard to the empirical literature, hypothesis H4 is proposed:

H4: Financial accountability (FA) mediates the relationship between the control environment (CE) and financial reporting quality (FRQ) among public sector institutions in South Western Uganda.

Figure 1: The Conceptual Framework.



Source: Review of the literature of (Kajokaya, 2023; Kule et al., 2022; Kule et al., 2020; Perpetua et al., 2021)

RESEARCH METHODOLOGY

Research Design

This research study used a cross-sectional survey design. This was used to investigate relationships among the study variables. The cross-sectional design was suited to capture relationships as well as the testing of theoretical models in a specific time-based setting (Maier et al., 2023).

The Study Population, Sample Size and Sampling Procedure

The research study targeted a study population of 33 public sector institutions located in South Western Uganda, according to the OAG report of 2024. These institutions were selected because they provide a diverse context to empirically examine how the institutional control environment influences financial accountability and financial reporting quality. The population was divided into institutions from two sub-regions, with 20 located in Ankole and 13 in the Kigezi region. Census sampling was employed as

all 33 public sector institutions in the region were included in the study. Census sampling was considered appropriate because the population of institutions was finite, and including all of them eliminated sampling error, enhanced data accuracy, and provided a complete representation of the region's public sector, resulting in reliable and generalizable findings.

To ensure representativeness, purposive sampling, which is a judgmental sampling method where the respondents are selected based on the investigator's informed judgment, and in this case, inclusion was predetermined based on the specific roles and relevance of the targeted respondents to the study objectives and thus its choice in the study. In the study, three respondents, namely the Accountant, Internal Auditor, and Accounting Officer from each institution, were selected by purposive sampling as recommended by Campbell et al. (2020), Obilor (2023) and Thomas (2022).

Ethical Statement

The authors confirm that this study complies with the ethical guidelines provided on the journal's author instruction page. The study is part of the author's master's degree research dissertation and received the necessary approval from Mbarara University of Science and Technology, an affiliated institution. Furthermore, the MUST Research Ethics Committee issued a formal introductory letter for data collection dated (REC 20/06/2025), highlighting the study's importance and validity. This introductory letter was shared with public sector institution heads, who oversaw the Accountant, Internal Auditor, and Accounting Officer participating as respondents in the study.

Statement of Consent

The current study involved human participants, and in accordance with the journal's policies, written informed consent was obtained. However, in some specific cases, the authors may provide a legitimate justification for obtaining verbal consent. In this study, consent was obtained from all participants through verbal agreement, which was obtained after they were given comprehensive information about the role of the research.

Legitimate Justification for a Verbal Consent

This research study forms a part of the corresponding author's master's dissertation towards the fulfilment of the relevant requirements by the affiliate university. Due to the time constraint nature of the research, a verbal consent approach was employed so as to ensure that participants were fully informed and willingly agreed to participate without the administrative burden of paperwork. Furthermore, to maintain privacy and ensure data confidentiality, personal identifiers, such as names, were not recorded on the data collection instruments.

Data Collection Tool and Procedure

Data in the context of the study were collected with the use of a formal questionnaire on a Likert scale that ranged from 1 - 5, in which 5 represented strong agreement by the respondent, and 1 represented strong disagreement. The scale also included two (disagree), three (not sure), and four (agree), and minor adjustments were made to the questions and definitions to better fit the local context. These changes, based on earlier research, make measurements more relevant and comparable (Jebb et al., 2021). The CE was measured by Ashfaq and Rui (2019), Barigye et al. (2024) and Kule et al. (2022), featuring five items on a five-point Likert scale to evaluate the participants' ability to maintain integrity, operating values and audit committee participation. Additionally, the public institution FRQ was based on Abimbola et al. (2017), Abhayawansa and Adams (2022), Biancone et al. (2019) and Tran et al. (2021), and utilised four items on a five-point scale. The measurement of FA was adapted from Kule et al. (2022), Benon (2021) and Tran et al. (2021), using four items to assess this variable.

The instrument's validity was tested through expert consultation and a content validity index test. A test for reliability was also conducted using Cronbach's alpha to ensure consistent interpretation of the adapted instrument across diverse respondents. In accordance with Amin, both the validity and reliability coefficients exceeded 0.7.

The research procedure was such that upon approval of the study proposal by the Faculty of Business & Management Sciences and successful defence, the proposal was submitted to the Research Ethics Committee (REC) of Mbarara University of Science & Technology for ethical clearance. After securing approvals from both the Faculty and REC, the researcher was introduced to relevant public sector institutions in South Western Uganda to commence data collection.

Common Method Bias Testing

To reduce concerns of the common method bias, which was a result of self-reporting, the need to conduct Harman's single-factor test was deemed necessary, and it was then conducted. Findings revealed the first factor explained only 37.6% of the full variance, which was less than the 50% threshold, indicating that the CMB was not a major issue.

Data Analysis

The study data was processed using the SPSS software, version 26. First, we checked descriptive statistics. We then aggregated data at

the institutional level and checked the Pearson correlation coefficient to determine the relationships between variables. To examine the mediating effect of FA in the relationship between the CE and quality of FRQ, the research study followed Baron and Kenny's (1986) four-step mediation procedure, with the mediation effect finally being tested by establishing the nature of mediation. Finally, to establish the significance of the mediation effect, the Sobel test was then conducted with the help of the MedGraph online tool.

RESULTS

Descriptive Statistics

Table 1: Demographic Characteristics of Respondents

Category	Frequency.	Percentage (%)
Gender		
Male	63	65.6
Female	33	34.4
Total	96	100.0
Age group (Years)		
18–24	2	2.1
25–30	20	20.8
31–35	26	27.1
36–40	24	25.0
Above 40	24	25.0
Total	96	100.0
Education level		
Diploma	24	25.0
Degree	30	31.3
Postgraduate	30	31.3
Others (specify)	12	12.5
Total	96	100.0
Duration of employment (Years)		
1–5 years	11	11.5
6–10 years	43	44.8
Above 11 years	42	43.8
Total	96	100.0
Position Held		
Accountant	32	33.3
Internal Auditor	32	33.3
Accounting Officer	32	33.3
Total	96	100.0

Source: *Primary Data (2025)*

(65.6%), male and (34.4%) female, implying male dominance in handling of public sector financial

reporting. Most respondents were within the productive and experienced age brackets, with

(27.1%) aged 31 – 35 years, (25.0%) aged 36 – 40 years, and (25.0%) above 40 years. A smaller proportion was aged 25 – 30 years, represented by 20 (20.8%), while only (2.1%) were aged 18 – 24 years, suggesting that the respondents were largely mature individuals with substantial work experience. The majority of respondents were well educated, with (31.3%) holding a degree and another (31.3%) possessing postgraduate qualifications. Additionally, (25.0%) of the respondents possessed diplomas, whereas 12 (12.5%) had other qualifications, which indicated that most of the respondents had adequate academic backgrounds necessary to understand public sector reporting. Regarding the tenure of employment, most respondents had considerable work experience, with (44.8%) having worked for 6 – 10 years and (43.8%) having employment tenure of more than 11 years. Only (11.5%) had worked for less than 5 years, implying that the majority were experienced employees capable of providing reliable information in the study. Pertaining to the position held, there was a balance of (33.3%) of the respondents in each of the categories of respondents: accountants, internal auditors, and accounting officers. This ensured that diverse operational perspectives on the financial reporting quality (FRQ) in the public sector were then obtained.

Descriptive Statistics and Validity of Results

This research study sought to determine whether FA mediates the relationship between the CE and FRQ. The research findings are summarised in Table 2, and they capture the mean, standard deviation, validity, reliability, and correlation results for the variables under investigation. From the findings, the mean of CE was 2.945 (SD = 0.38), which indicated that, whereas there was a moderate level of strength in control systems existing across the public sector institutions, significant improvement is needed. Regarding FRQ, a mean of 1.810 (SD = 0.403) was observed which suggests a moderate – to – low level of reporting quality. This suggests that financial reports prepared by public institutions lack the qualities of completeness, timeliness, accuracy

and consistency. This reveals that FA recorded the lowest mean value 1.080 with (SD = 0.349), suggesting that relatively low-level accountability practices existed in the public institutions. These results call for a need for reinforcement of accountability frameworks so as to ensure the public funds are used with transparency and efficiency.

The validity and reliability were also assessed to warrant the robustness of the research measurement scales. The coefficients of validity for the study variables were found to be high with CE (0.967), FA (0.933) and FRQ (0.950). These indicate that the instruments effectively measured the intended constructs. Reliability coefficients measured using Cronbach's alpha were also found to be satisfactory with CE (0.847), FA (0.862), and FRQ (0.834). All coefficients exceeded the 0.70, the recommended threshold, thereby confirming that the measurement scales were reliable and internally consistent.

The correlation among the study variables was analysed using Pearson's coefficient of correlation. The research study findings show that the CE was positively and significantly correlated with both FA ($r = 0.442$, $p < 0.01$) and FRQ ($r = 0.614$, $p < 0.01$). Furthermore, FA was seen to be positively and significantly correlated with FRQ ($r = 0.573$, $p < 0.01$). These study results suggest that an improvement in CE is associated with higher levels of FA and better FRQ in public sector entities and that increased FA further enhances FRQ.

When correlation results were examined, Hypothesis 1 was found to be supported as there was a statistically significant yet positive correlation between CE and FRQ among public sector institutions in South Western Uganda. This finding suggests that CE, in terms of integrity, structured audit committees, operating style and authority assignment, once they are improved, are more likely to bring about a higher change in reporting practices in public institutions.

Hypothesis 2 was also supported, revealing a significant yet positive correlation between CE and FA. This relationship suggests that institutions with a well-established control environment were more likely to show a high level of financial accountability, including adherence to responsibilities, proper documentation, ethical compliance, and effective control mechanisms.

Hypothesis 3 was also supported by revealing a significant yet positive correlation between FA and FRQ. This implies that when institutions exhibit responsible financial conduct, including adherence to reporting responsibilities, ethical handling of resources, and implementation of internal controls, there is a parallel improvement in the quality of the financial reports they produce.

Table 2: Correlation Analysis Results

Variable	Mean	SD	Validity	Reliability	1	2	3
Control environment	2.945	0.378	0.967	0.847	1		
Financial accountability	1.080	0.349	0.933	0.862	0.442**	1	
Financial reporting quality	1.810	0.403	0.95	0.834	0.614**	0.573**	1

Source: (Primary Data, 2025)

Note: **. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

Multiple Regression Analysis

In Model 1, where FA is the outcome variable, the study results show that entity control environment (CE) has a positive effect on financial accountability ($\beta = 0.442$). This result indicates that an improvement in the CE significantly enhances FA within public sector institutions. The model 1 explains 19.5% ($R^2 = 0.195$) of the variation in FA, thereby suggesting a moderate explanatory power.

In the Model 2, where FRQ is the outcome variable and CE is the predictor, the findings show that CE has a strong positive effect on FRQ ($\beta = 0.614$). This implies that a stronger CE leads to better financial reporting practices. The model 2 explains

37.7% ($R^2 = 0.377$) of the variation in FRQ, indicating a substantial improvement in the explanatory power compared to the Model 1.

In Model 3, both CE and FA are included as predictors of FRQ. The findings reveal that the CE remains positively significant ($\beta = 0.449$), although its effect reduces compared to that in Model 2, whereas FA also has a significant yet positive effect on FRQ ($\beta = 0.374$). This reduction in the coefficient of the CE suggests that FA partially mediates the relationship between CE and FRQ. The model explains 49.0% ($R^2 = 0.490$) of the variation in financial reporting quality, indicating the highest explanatory power among the three models.

Table 3: Regression Analysis Results

DV	Financial Accountability			Quality of Financial Reporting					
	Model 1			Model 2			Model 3		
	Unstandardized	Standardized		Unstandardized	Standardized		Unstandardized	Standardized	Correlations
	Coefficients	Coefficients		Coefficients	Coefficients		Coefficients	Coefficients	
	B	SE	Beta	B	SE	Beta	B	SE	Part
(Constant)	-.121	.448		.140	.14		-.064	.420	
CE	.408	.408	.442	.654	.420	.614	.478	.158	.449
FA							.432	.171	.374
									.336

DV	Financial Accountability	Quality of Financial Reporting
Model summary		
R-Square	0.195	0.377
Adjusted R-Square	0.169	0.356
Sig.	0.000 ^b	0.490

Predictors: (Control Environment (CE), Financial Accountability (FA))

Source: (Primary Data, 2025)

The Mediating Effect of FA

To test for the mediating effect of FA, a Baron-Kenny stepwise regression testing for Hypothesis 4 (H4) was used. The findings reveal that FA partially mediates the relationship between CE and FRQ in Uganda's public sector. Step 1 (Total Effect) revealed that CE positively and significantly predicts FRQ ($\beta=0.614$, $p < 0.001$), establishing the direct path. Step 2 revealed that CE positively and significantly predicts the mediator FA ($\beta=0.442$, $p < 0.001$). Step 3 revealed that FA positively and significantly predicts FRQ even after controlling for CE ($\beta=0.374$, $p < 0.001$), with a partial correlation of 0.336. Step 4 (Direct Effect) reveals that CE's effect on FRQ weakens but remains significant ($\beta=0.449$, $p < 0.001$; reduced from 0.614), confirming partial mediation as the

coefficient drop (from 0.654 to 0.478 unstandardized) indicates FA explains some of the CE-FRQ link.

Using the standardised indirect effect formula (0.442×0.374), the mediation effect was $\beta = 0.165$, which represents 23.2% of the total influence of control environment on financial reporting quality. The remaining 76.8% was explained by the direct effect. Based on these findings, the study confirms Hypothesis H4, which stated that financial accountability (FA) mediates the relationship between control environment (CE) and financial reporting quality (FRQ) among public sector institutions in South Western Uganda. This suggests that strengthening financial accountability mechanisms enhances the contribution of the control environment toward improving financial reporting quality.

Financial Accountability Mediates the Relationship between CE and FRQ -H4.

Table 4: Mediation Results

Step	Regression Path	Model Used	Unstandardized B	SE	Beta	Sig.	Part Correlation	Interpretation
1	CE → FRQ (Total Effect)	Model 2	.654	.140	.614	.000		CE had a significant yet positive total effect on QFR.
2	CE → FA	Model 1	.408	.408	.442	.000		CE exerted a significant positive effect on FA.
3	FA → FRQ (controlling for CE)	Model 3	.432	.171	.374	.000	.336	FA significantly predicted QFR, even after controlling for CE
4	CE → FRQ (direct effect, with FA)	Model 3	.478	.158	.449	.000	.402	CE remained significant, but the coefficient reduced → Partial mediation

Source: (Primary Data, 2025)

DISCUSSION OF STUDY RESULTS

The research study confirms the hypothesis that the control environment positively influences financial reporting quality (FRQ) among public institutions in South Western Uganda. The study results reveal that public institutions that have a strong control environment that is characterised by integrity, ethical conduct, as well as clear accountability practices are better equipped to produce accurate reports on a timely basis. In this finding, the role of an efficient CE is seen to extend beyond the simple compliance to creating a structured organisational environment where the public officials are motivated to comply with financial guidelines as well as proactively responding to statutory expectations. During times of operational pressures and when reporting deadlines are key, entities with strong ethical foundations and efficient leadership have been seen to prevail and manage risks related to unexplained variances. According to Kajokaya (2023), internal financial controls that are rooted in organisation-wide ethical frameworks, along with clear job roles, are seen to foster mutual responsibility, leading to high-quality financial stewardship. It is through such formal frameworks that a functioning CE is able to promote regular supervision, which is an enabler of entities in the identification of errors and the refining of internal processes that are key to the long-term reliability of financial outputs.

These findings are in agreement with Koowa (2024) and Abdi (2021), who support the idea that a deliberate and well-structured internal governance environment is not a bureaucracy but rather a solid foundation for the preparation of credit and audit-ready financial reports for public institutions. Likewise, Barigye et al. (2024) and John and Nyamboga (2024) also emphasise the relevance of internal roles and consistent oversight in the achievement of consistent and accurate financial reports. Therefore, evidence from OAG (2022) is validated by this study, as it confirms that the CE has an effect on the vulnerability of public institutions regarding timely submissions and a lack of transparency,

ultimately proving that integrity in leadership is the primary determinant of high FRQ.

The study findings accept hypothesis (H2) that CE positively influences FA among public sector institutions in South Western Uganda. This study proposes that public institutions should maintain clear assignment of financial responsibility, active internal supervision, and maintain ethical standards to achieve accurate and timely financial reports.

Evidence suggests that in organisations with efficient governance structures, clarity in financial responsibilities becomes a safeguard against erroneous financial reporting. According to Benon (2021), well-communicated internal controls along with consistent leadership oversight attract staff compliance towards public financial management procedures. This supports the perspective that the leadership tone and the existence of structured oversight contribute directly to the mutual responsibility of public officials, and not maintaining basic reporting compliance by the officials. Abdulai et al. (2021) emphasise that continuous financial reviews and independent audit units should be in place to create a feedback mechanism where variances are addressed and compliance improved.

These study findings are in agreement with Ashfaq and Rui (2019) and Dabbicco and Mattei (2021), who reinforce the view that the linkage of internal controls to routine financial operations is crucial for the minimisation of accountability gaps.

These findings confirm hypothesis (H3) that FA positively influence FRQ among public sector institutions in South Western Uganda. The result suggests that public entities that implement efficient accountability procedures are better positioned to prepare accurate, complete and more reliable financial reports. This link goes beyond record keeping towards a culture of responsibility where the requirement to explain financial decisions directly enhances the integrity of the resulting financial reports.

Regarding institutions where individuals hold responsibility for fund management, the financial reporting process becomes an extension of responsible stewardship. According to Ojeh and Eze (2023), the adoption of structured reporting frameworks and the clear assignment of accountability roles result in higher reporting accuracy as well as consistency. This suggests that when employees are held accountable through audit trails and continuous expenditure justifications, timely reconciliations of records and reliability of reports are made possible. It is through such frameworks that FA acts as a corrective mechanism, thereby ensuring that management is committed to transparency that translates to reduced misstatements and better documentation (David & Festus, 2023). While these findings are in agreement with several studies, they differ from Nehmo (2022), who observed that accountability structures fail to translate into improved financial reporting outcomes, especially in the face of political interference and weak enforcement. Therefore, by institutionalising the audit function and transparency mechanisms, public institutions can minimise the likelihood of opportunistic behaviour by public officials, which ensures the financial disclosures meet the expectations of the stakeholders. This emphasises the perspective that for public institutions, institutionalising accountability practices should not just be regulatory but should be seen as a driver of appropriate reporting, transparency and credibility, withstanding scrutiny.

In hypothesis (H4), the analysis confirms that FA serves a significant partial mediation role in the association between the CE and the FRQ among public sector institutions in South Western Uganda. This finding suggests that, whereas a strong CE is foundational, its impact on FRQ is partially channelled through the practical application of accountability mechanisms in the form of regular audits and transparent documentation. FA's mediating effect shows that leadership tone and ethical standards improve FRQ best when backed by practical mechanisms

that enforce staff accountability for financial outcomes.

Whereas this mediating relationship is robust in the Ugandan context, it contrasts with Nehmo (2022), who found that the mediation failed due to gaps in enforcement. This contrast suggests that CE improves FRQ through accountability only when supported by consistent institutional enforcement. Absent such enforcement, the link between internal governance and reporting quality remains fragmented.

CONCLUSION

Conclusively, this study demonstrates that a robust CE, characterised by ethical leadership and structured governance, serves as the primary catalyst for both FA and high FRQ in South-Western Uganda's public institutions. While strong internal controls directly improve reporting accuracy as well as timeliness of the financial statements, the impact of the internal controls is significantly magnified when channelled through accountability mechanisms such as transparency, role assignment and ethical conduct. The partial mediation by FA shows that formal governance structures are most effective when they foster a culture of stewardship and individual responsibility. Ultimately, integrating structural controls with active accountability practices is essential for translating internal governance into a disciplined, reliable and audit-ready reporting framework.

Implications

Managerial Implications

The study provides insights to assist managers and researchers. This is achievable when public sector institutions are encouraged to actively strengthen the control environment to enhance FRQ leveraging ethical leadership, clarifying internal roles and ensuring functional audit committee participation. In the case of researchers, this research study makes visible the necessity to research the unique dynamics via

which the CE supports FRQ in the offering of a rich avenue for refining both the theoretical frameworks and practical mechanisms within the evolving public financial management and reporting field.

Policy Implications

The research study suggests that financial accountability mechanisms be operationalised across all departments through regular internal audits, documentation of expenditure responsibilities, and enforcement of ethical financial behaviour. Results showed that public institutions with active accountability mechanisms produced more reliable and transparent financial reports. By entrenching accountability practices in routine financial operations, financial reporting irregularities will be reduced, and compliance with financial regulations will be enhanced.

There is a need for strategies that bring accountability practices and internal control structures together for improved financial reporting outcomes. The study found that FA partially explains the link between the CE and FRQ. When public institutions align their governance procedures with operational accountability, their reporting performance becomes more consistent, and transparency improves.

Study Limitations

The study findings are limited to only public sector institutions in South Western Uganda. These institutions operate under specific governance structures, policy frameworks, and financial reporting practices that may differ from those in other regions or countries. Therefore, in case of need to generate general conclusions applicable to a wider context, there is no necessity to conduct similar research studies in other geographic and institutional settings. This would help determine whether the observed relationships hold in different public sector environments.

This study on the relationship between CE, FA, and FRQ within the Ugandan public sector provides valuable insights, but also has limitations that future research needs to address. The cross-sectional research design, which was used in this research study, creates a limit to the ability to establish causal relationships amongst variables, suggesting the need for longitudinal research studies which could trace changes over different time contexts and assess the association of these variables with FRQ.

Areas for Future Research

There is a research need for future scholars to conduct similar and related studies in other regions and sectors of Uganda or in different countries to determine whether the relationship between CE, FA, and FRQ holds across varying institutional contexts. The current study findings are limited to only public sector institutions in South Western Uganda.

The researcher recommends that future scholars adopt a longitudinal research design to assess changes in CE, FA, and FRQ over time. Data was collected at a single point under a cross-sectional research design, which limited the ability to capture trends or even the evolving practices in public sector financial management.

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Author's Contributions

Credit: Noowe Nelson and Dr. John Baguma Muhunga Kule: Conceptualisation, availed resources, and conducted significant writing of the original draft. They also carried out reviews & continuous editing, analysis of data and did overall supervision. Kambale Sowedi and Angee Gladys: Writing the discussion section and also reviewing and editing the manuscript.

Disclosure Statement

The authors in this research manuscript commit and declare that there is no conflict of interest.

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