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# AN EXPLORATION OF THE FACTORS AFFECTING THE QUALITY OF FINANCIAL REPORTS OF REGIONAL COUNCILS IN NAMIBIA

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## A DISSERTATION

Presented to the Department of
Business Administration
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## CERTIFICATION

The undersigned certify that they have read and hereby recommend the acceptance by the Selinus University, Italy a dissertation titled “An Exploration of the Factors affecting the quality of Financial Reports of Regional Councils in Namibia” Submitted in (partial) fulfilment of the requirements for the degree Doctor of Business Administration of the Selinus University.

## ABSTRACT

This study aimed to investigate the many internal and external factors that influence the quality of financial reports within the Khomas, Otjozondjupa, and Zambezi Regional Councils in Namibia. The study focused on accounting and top management personnel employed at the three Regional Councils, as well as accounting staff members at the Ministry of Urban and Rural Development and the Office of The Auditor General of Namibia.

The quantitative data was subjected to descriptive and regression analyses in order to assess the impact of internal and external factors on the quality of financial reporting. The Nvivo programme was utilised to do the thematic analysis of the qualitative data. The results suggest that internal elements, specifically internal control, demonstrate a significant and negative correlation with the quality of financial reporting. On the other hand, there exists a notable beneficial relationship between the effectiveness of Audit committees and the calibre of financial reporting within Regional Councils. The results confirmed the support for the widespread implementation of International Public Sector Accounting Standards (IPSAS), emphasising the importance of providing training to finance staff on IPSAS and utilising Annual Finance Statement (AFS) software. This perspective demonstrates a proactive approach in improving openness, assuring adherence to regulations, and fostering efficiency in the realm of financial reporting.

The study proposes that Regional Councils should give priority to improving the skills and abilities of their workforce in order to improve the quality of financial reporting. It is advisable for Regional Councils to consider implementing recommended steps with the objective of improving the quality of financial reporting. It is advisable to schedule regular training sessions in order to enhance the dependability of the International Public Sector Accounting Standards (IPSAS). The collaborative efforts of the Auditor General's office and the Ministry of Finance in Namibia in providing support to improve the capacities necessary for the generation of accurate and reliable financial statements within the Regional Councils are commendable.

**Keywords**: Financial Reports, Regional Councils, Internal Control, Audit Committee.

## DECLARATION

“This thesis titled An Exploration of the Factors Affecting the quality of Financial Reports of regional councils in Namibia is my original work and has not been submitted elsewhere in fulfilment of the requirements of this or any other award. "

**Signature:**

**Date:**

## DEDICATION

This thesis is dedicated to my children and husband.

## ACKNOWLEDGEMENTS

Foremost, I express my gratitude to the Almighty God for bestowing upon me the blessings and favour necessary to successfully conclude my research.

I express my gratitude to my primary supervisor, Dr. Salvatore Fava, as well as my co-supervisor, Dr. Simon E. Akpo, for their invaluable guidance throughout the research process. I express my gratitude to the Khomas, Otjozondjupa, and Zambezi Chief Regional Officers for affording me the permission to acquire access to the employees to collect the primary data.

I express my gratitude to the participants representing the three Regional councils, as well as the accounting staff at the Office of the Auditor General of Namibia and the Ministry of Urban And Rural Development, for their valuable contributions to this study. Their involvement facilitated the exploration of internal and external variables that influence financial reporting within the Regional councils of Namibia.

I would like to express my gratitude to my children and my spouse for their unwavering spiritual and financial support throughout my doctoral programme at the university.

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| | | |
|---|---|---|
| MOF | - | Ministry of Finance |
| OAG | - | Office of the Auditor General |
| AR | - | Audit Report |
| RC | - | Regional Council |
| NPC | - | National Planning Commission |
| TFRD | - | Trust Fund for Regional Development |
| MURD | - | Ministry of Urban and Rural Development |
| IFMS | - | Integrated Financial Management System |
| QAR | - | Qualified Audit Reports |
| UAR | - | Unqualified Audit Reports |
| IFRIS | - | International Financial Reporting Standards |
| QFR | - | Quality of Financial Reporting |
| GAAP | - | Generally Accepted Accounting Principles |
| IAF | - | Internal Audit Function |
| PAT | - | Positive Accounting Theory |
| TAM | - | Theoretical Acceptance Model |
| UET | - | Upper Echelons Theory |
| ST | - | Stakeholders Theory |
| IT | - | Institutional Theory |
| AT | - | Agency Theory |
| IPSAS | - | International Public Sector Accounting Standards |

# CHAPTER ONE: RESEARCH PROBLEM BACKGROUND OF THE STUDY

## 1.1 Introduction

The quality of financial reporting is an essential element in an accounting system (CIMA, 2007; Drury, 2015). Hence, it is imperative for businesses to undertake the task of preparing financial statements. The utilisation of financial accounts, adhering to widely accepted accounting standards, constitutes a fundamental component within the governance and accountability framework of the public sector (Drury, 2015). The preparation and publication of yearly financial accounts in the annual reports of government departments, including Regional Councils (RC), is widely recognised as a crucial element of external accountability. Hence, the objective of this study is to investigate and ascertain the variables that influence the standard of financial reporting in the Regional Councils of Namibia. The primary objective of financial statements is to accurately and objectively depict an organisation's financial performance, financial position, equity and cash flows (Auditor General Office, 2014). Therefore, they serve as a significant method for showcasing the public sector's fulfilment of its financial management obligations, encompassing both individual ministries and the collective Regional and Local Councils at the whole-of-government level.

The Ministry of Finance (MOF) and Office of the Auditor General (OAG) serve as regulatory bodies that provide instructions for the preparation of financial statements. Following the conclusion of the fiscal year, it is imperative for government ministries to provide a detailed report detailing the outcomes of their financial activities throughout the preceding year. There are two methods by which this is accomplished: The accountability report is compiled and then submitted to the Ministry of Finance (MOF), while the appropriation account is generated and submitted to both the MOF and the Office of the Auditor General (OAG). The financial accounts are submitted to the Office of the Auditor General (OAG) for the purpose of being included in the Audit Report (AR). The audit opinions of Regional Councils in Namibia have consistently been qualified over a consecutive period of five years. This study is centred on three regional councils, namely Khomas, with an emphasis on their inclusivity. The Regional councils that have been chosen for analysis are Otjozondjupa and Zambezi. These particular regional councils have consistently earned competent audit reports.

## 1.2 Overview of Regional Councils and Background Context

The governance structure of the Republic of Namibia is characterised by a three-tier system, wherein distinct levels of government, namely the National, Regional, and local levels, possess unique authorities and responsibilities. The Namibian Constitution, namely in Chapter 12, Articles 102 to 111, established the framework for Regional and Local Governments, enabling the division of Namibia into distinct administrative regions. The aforementioned task was conducted by the Delimitation and Demarcation Commission, which was duly appointed by the President and received the necessary consent from the National Assembly. In order to facilitate the administration of Regional and Local Governments, Namibia was geographically divided into distinct entities known as regions and localities. These units were further governed by respective Regional and Local Authorities. Each administrative division of the Region and Local Government was mandated to establish a Council as the primary governing entity, which is to be democratically elected in adherence to the Constitution of the Republic of Namibia and its parliamentary legislation. This Council shall be supported by an executive and administrative body responsible for implementing all lawful resolutions and policies of the Council, while operating within the confines of the constitution and other applicable laws.

Moreover, the Commission was responsible for dividing Regions into Constituencies. The boundaries of the Regions and Constituencies have the potential to undergo periodic modifications, including the establishment of new Regions and Constituencies. The allocation of regions in Namibia is not predicated upon racial, tribal, or ethnic affiliations, hence granting Namibian citizens the freedom to reside in any region of their preference. The constituents residing within each constituency exercise their voting rights to elect a representative who will advocate for their interests on the regional councils. Residency within the constituency is a prerequisite for the elected individual. The Regional Councils collaborate with the National Planning Commission (NPC) in order to establish a development plan that effectively directs the growth and development within each respective region. The President and Parliament possess the authority to delegate additional responsibilities to regional councils when deemed necessary. The appointment of Regional Governors by the President of the Republic of Namibia is conducted with the purpose of overseeing the execution of executive governmental functions within each respective region. Regional Governors have a crucial role in enhancing communication and facilitating coordination between the federal government, regional council, local authorities, and traditional authority. The primary legislative instruments that regulate Regional Councils in Namibia consist of the Regional Councils Act 22 of 1992 and its subsequent revisions, the Decentralisation Enabling Act 33 of 2000, the Trust Fund for Regional Development (TFRD), and the Equity Provision Act 22 of 2000. The Constitution confers upon the Regional Councils the authority to: (a) select representatives for the national council; (b) wield executive powers within their respective regions; (c) generate money; and (d) exercise powers to fulfil any additional function and establish by-laws. The decentralisation process in Namibia was initiated with the country's attainment of independence in 1990. The process began with deconcentration and subsequently progressed to delegation, ultimately culminating in devolution. According to LAC (2022), it is proposed that each Regional Council organ shall be governed by a council that is elected by residence of that particular region.

The Ministry of Urban and Rural Development (MURD) is tasked with the responsibility of formulating, coordinating, and assuring the implementation of suitable policies, legal frameworks, regulations, and institutional structures to facilitate efficient and sustainable urban and rural development in the country of Namibia. One of the operating purposes of the organisation is to facilitate the coordination of activities between Local Authorities, Regional Councils, and Traditional Authorities, as well as providing financial aid for the provision of their services. The allocation of operational and development budgets to Regional Councils is facilitated by the respective line Ministry. Regional councils are administrative bodies that govern certain geographic regions. These councils are often composed of elected representatives who make decisions and the task at hand involves the preparation and submission of financial statements in accordance with the provisions outlined in section 40 of the Regional Council Act, namely Act 22 of 1992. The accounting officer of a regional council is required, within a period of three months or a longer duration, approved by the Auditor-General, to prepare financial statements for the respective financial year of the regional council. These financial statements must be in a format determined by the Auditor-General and must be submitted to the Auditor-General. The Regional Councils in Namibia have consistently been issued with audit results that indicate a high level of compliance. This issue has been a recurring concern throughout the course of the previous five (5) years. The primary objective of this study is to investigate the numerous elements that influence the financial reports of regional councils in Namibia. According to the 2017 Auditor General report, just one out of the fourteen Regional Councils in Namibia obtained an unqualified audit opinion.

### 1.3 Problem Statement

The timely submission of financial statements by regional councils in Namibia is a persistent issue. Certain individuals have presented financial statements that are not fully completed, leading to a consistent occurrence of qualified and disclaimed audit opinions. The presence of financial disclaimer reports inside certain Regional Councils suggests a deficiency in responsibility, perhaps leading to financial risks or indicating subpar financial management. According to the Auditor General's report in 2017, it was disclosed that certain source documents are not being submitted for audit procedures as a result of misfiling. A significant proportion of Regional Councils experience delays in the submission of their financial reports. It can be inferred that regional councils have deficiencies in their financial reporting capabilities, potentially stemming from a shortage of professional personnel proficient in preparing financial statements. The presence of consultants in the preparation of financial statements has been observed in the majority of regional councils, therefore providing evidence in support of this assertion. This observation indicates a lack of comprehensive understanding of financial processes among the majority of Regional Councils, as evidenced by the fact that only one out of fourteen Regional Councils received an unqualified audit opinion. The Erongo Regional Council can serve as a noteworthy exemplar for other entities. What specific actions or strategies did they successfully implement? What was the method employed to accomplish the task? What were the differences in their actions? What are the inquiries that the remaining thirteen (13) Regional Councils and the Office of the Auditor General (OAG) are obligated to pose at this particular point in time? According to a study published by NIPAM (2019), it was emphasised that the Regional Council should establish an internal audit function to conduct a review of the financial accounts prior to preparing external reports. Despite the Office of the Auditor General (OAG) acknowledging a modest improvement in the reports of the Regional Council, it has been noted that merely three regional councils were successful in resolving their outstanding workloads.

The financial reports of the thirteen Regional Councils (13) have continued to receive a qualified audit opinion for the fiscal year 2017-2018. It is mandatory for regional councils to submit their financial reports within a period of three months, subsequent to the conclusion of the fiscal year. Nevertheless, numerous Regional Councils continue to encounter difficulties regarding the formulation and delivery of financial statements. This predicament arises from the absence of reporting frameworks at the regional level, the lack of established accounting standards and policies, and the prevalent reliance on consultants. These consultants primarily focus on training officials in accounting systems, VAT returns, and the preparation of financial statements. However, the effectiveness of these efforts can only be assessed once there is a noticeable shift in the status of audit opinions. Furthermore, it has been observed that the internal audit operations at the majority of Regional Councils are not operating at full capacity. Despite having received training, regional councils continue to have challenges in maintaining accurate records of their financial activities. Additionally, they still rely on hiring consultants to manage their accounting software systems. Additionally, it should be acknowledged that the filing of papers is not executed in a suitable manner, which poses challenges when attempting to mine the source documents throughout the process of reporting and audits, primarily owing to the presence of backlogs. Several regional councils have fallen late in submitting their financial reports, with delays exceeding three years. The enhancement of financial reporting is contingent upon the timely submission of reports.

## 1.4 Research Objectives

This study's main objective is to explore and evaluate the factors affecting the quality of financial reporting of regional councils in Namibia.

**Specific objectives are:**

1. To analyse the impact of employees' capacity on the quality of financial reporting of Regional Councils in Namibia.
2. To evaluate the effect of top management's expertise on the quality of financial reporting of Regional Councils in Namibia.
3. To appraise the effect of an Integrated Financial Management System (IFMS) on the quality of financial reporting of Regional councils in Namibia.
4. To evaluate the effect of internal audit quality on financial reporting of Regional Councils in Namibia.
5. To determine the effect of internal control and IPSAS on the Quality of Financial Reporting of Regional Councils in Namibia.

## 1.5 Research question

The main research question guiding this research is - What are the factors affecting the quality of financial reporting of Regional Councils in Namibia?

**The study intends to answer the following sub-research questions:**

**1)** What is the impact of employees' capacity on the quality of financial reporting of Regional Councils in Namibia?

**2)** How does top management's expertise affect the quality of financial reporting of Regional Councils in Namibia?

**3)** What is the effect of an Integrated Financial Management System (IFMS) on the quality of financial reporting of Regional councils in Namibia?

4) What is the effect of an internal audit on the quality of financial reporting of Regional Councils in Namibia?
5) What are the effects of internal control and IPSAS on the quality of Financial Reporting of Regional Councils in Namibia?

## 1.6 Research Hypothesis

A hypothesis is as an assertion made to explain a phenomenon which is subject to research to confirm or to disapprove (Jowah, 2015).

H0: Internal organisational factors do not affect the quality of financial reporting of regional councils in Namibia.

## 1.7 Significance of the Study

Considering the significance of the functions performed by Regional Councils in formulating strategic plans that direct the progress and advancement of various regions within a nation. Regional Councils are entrusted with the responsibility of receiving and overseeing funds allocated from the national budget through the Ministry of Urban and Regional Development (MURD). These monies, being of a public nature, necessitate a high level of transparency and accountability. Effective financial management is essential and may be accurately assessed through the analysis of financial data. Over the course of the previous five-year period, the financial reports of Regional Councils have garnered significant attention in national news due to the issuance of qualified Audit views and disclaimed opinions by the Office of the Auditor General (OAG). Numerous inquiries have been raised regarding the factors contributing to the issuance of qualified audit opinions on the financial statements of a significant proportion of Regional Councils. The significance of the findings in this research lies in their ability to shed light on the factors contributing to the Regional Council's issuance of Qualified Audit Reports (OAR) and propose strategies for transitioning to Unqualified Audit Reports (UAR) in terms of financial reporting.

## 1.8 Scope of the Study

The sample size was chosen based on the knowledge and involvement in the financial management of Regional Councils. Although, Namibia has fourteen (14) Regional Councils (namely Erongo, Hardap. Khomas, Kharas, Kavango East, Kavango West, Kunene, Ohangwena, Omaheke, Omusati, Oshana, Oshikoto, Otjozondjupa and Zambezi), the study was conducted only in Khomas, Otjozondjupa and Zambezi Regional Councils. The study focuses on the effects of employees' capacity, internal controls, top management demographics and IPSAS on the quality of financial reporting in the three Regional Councils of Namibia.

## 1.9 Limitation of the Study

The scope of this study was restricted to the Khomas, Otjozondjupa and Zambezi Regional Councils. The selection of the sample size was based on a comprehensive understanding of the subject area, specifically pertaining to financial accounts.

The limitations imposed by restricted temporal and financial resources presented challenges in attaining a comprehensive coverage of the target population. This study would have offered a more extensive and meticulous examination, serving as a significant asset for the Regional Councils of Namibia, Ministry of Urban and Rural Development, and Office of Auditor General of Namibia. Nevertheless, the researcher's determination to pursue the study aims and formulate findings remained unaffected by this setback. The beneficiaries that have been highlighted will persist in their capacity to obtain benefits from this study.

Some of the participants reported facing time constraints that prevented them from completing the questionnaires, while others mentioned being unavailable due to formal commitments undertaken outside of the office. Attaining a response rate of 100% for this study endeavour would have required a substantial allocation of time, a resource that was unfortunately limited for the researcher. The study assumed that the responses obtained were a reliable and accurate reflection of the target population. As a result, the researcher was able to draw inferences based on the data that was presented.

## 1.10 Research Format

Chapter one provides an overview of the background and research setting, including a statement of the problem, research aims and questions, as well as the significance, scope, and limitations of the study. This part culminates with a discussion of the research format and a concise summary.

Chapter two of this study incorporates the study area, the geographical location and the legal framework that regulates the financial administration of regional councils in Namibia. Chapter three provides a comprehensive overview of the theoretical and empirical literature, along with an analysis of the existing research gap.

Chapter four of the study elucidates the methodology employed, encompassing the research philosophy, research design, data gathering methods, and data analysis procedures. The concluding section of this chapter addresses the ethical considerations and protocols pertaining to data storage. Chapter five of this study shows the results obtained through a mixed methods approach, with a specific focus on the primary data collected. These findings are then connected to the existing literature review. Chapter six of the document provides a comprehensive overview of the summary, discussions, and recommendations, and potential avenues for future research.

## 1.11 Conclusion

This chapter provides a concise overview of the first chapter, which focused on the research background, problem statement, significance of the study, research aims and questions, scope and limitation of the investigation, and the study's format. The subsequent chapter will give an overview of the study area and the financial management in regional council and the legal framework that enables their operations.

# CHAPTER TWO STUDY AREA AND THE LEGAL FRAMEWORK OF REGIONAL COUNCIL FINANCIAL MANAGEMENT IN NAMIBIA

## 2.1 Introduction

This chapter provides an overview of the geographical distribution of the three regional councils in Namibia, as well as a discussion of the country of Namibia itself. Furthermore, this chapter centers its attention on the fiscal administration of regional councils in Namibia. Specifically, it delves into the responsibilities of the Chief Regional Officer (CRO) in their capacity as an Accounting Officer, the financial advisor's position within the regional council, and the significance of the management committee in the realm of financial management for regional councils. The subject matter pertains to the legal framework that regulates the financial administration of regional councils.

## 2.2 Khomas, Otjozondjupa and Zambezi Regional Councils in Namibia

The study was carried out inside the three regional councils of Khomas, Otjozondjupa, and Zambezi in Namibia, which is officially recognised as the Republic of Namibia. Namibia is situated in the southern part of Africa. Namibia, a substantial nation, situated on the southern Atlantic coast of Africa, is characterised by its vast expanse and relatively low population density. The nation in question is geographically next to Angola in the northern direction, Zambia in the northeastern direction, Botswana in the eastern direction, South Africa in the southeast and southern directions, and the Atlantic Ocean in the western direction. According to Green (2023), the geographical range of aridity in the region exhibits a spectrum, ranging from arid conditions in the northern areas to desert-like conditions along the coast and eastern regions.

The constitution of the nation was enacted subsequent to its attainment of independence in 1990 and has undergone further amendments (National Planning Commission (NPC), 2005). The Constitution in question demonstrates a strong concern to preserve the rights and actively advocates for the establishment of a durable system of checks and balances. The President holds executive authority as both the head of state and government and is elected directly for a term of five years. The Vice President is appointed by the President, while the Cabinet, which includes the Prime Minister and other ministers, is also appointed by the President. The legislative power of Parliament operates at two distinct levels. The establishment of the National Assembly was intended to serve as the primary body responsible for the initiation and enactment of legislation. The composition of this body comprises 96 individuals who are elected by means of universal adult suffrage for duration of five years. Additionally, the President has the authority to appoint up to 8 members, who, despite their membership, do not possess the privilege of voting. The National Council, serving as the second house, assumes an advising function in legislative affairs and is composed of three delegates from each of Namibia's fourteen administrative regions. The individuals comprising the National Council are elected through a democratic process by the regional councils and hold their positions for duration of six years (National Planning Commission (NPC), 2005).

The figure 1.1 below depicts the map of the Republic of Namibia.

Figure 1.1 shows the Namibian regions.

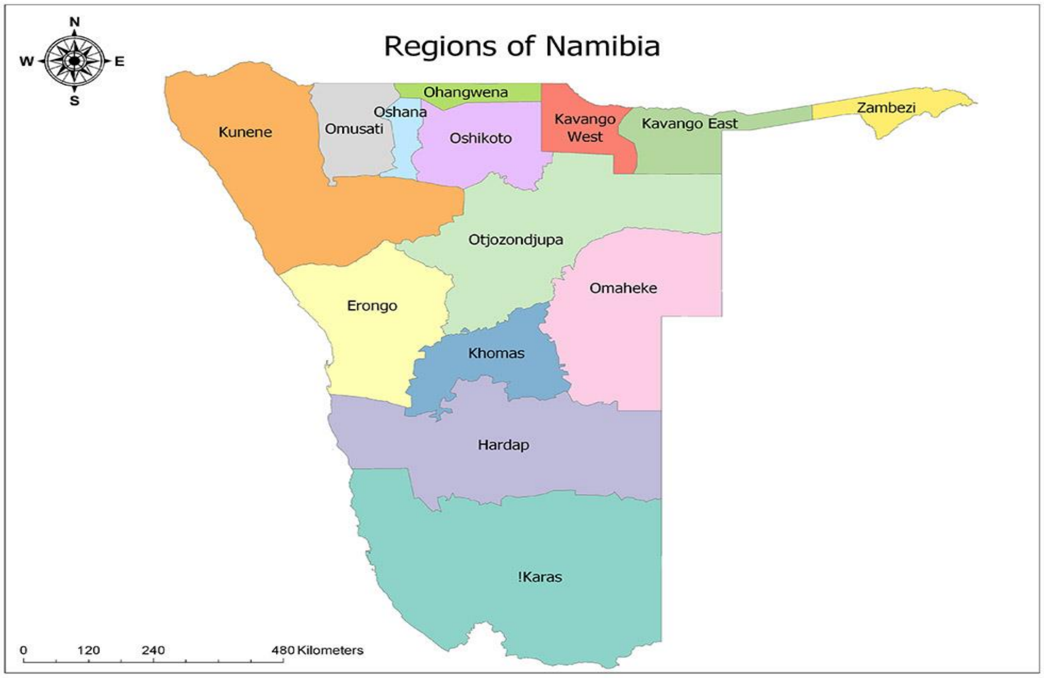


*Figure 2.1 Namibian Map (Source: Mendelsohn et al 2002*

### 2.2.1 Khomas Regional Council (KRC)

The nomenclature of the region indicates the significance attributed to the Khomas Hochland mountain range in close proximity to Windhoek. The Region under consideration, with Windhoek serving as the capital of Namibia, is geographically positioned as the most centrally located region within the country. It encompasses a land area of 36,805 square kilometers. The Region consists of ten (10) constituencies, namely John A. Pandeni, Katatura Central, Katatura East, Khomasdal, Moses //Garoëb, Samora Machel, Tobias Hainyeko, Windhoek West, Windhoek East, and Windhoek Rural. Although these constituencies are located inside the municipal boundaries, they exhibit distinct characteristics in terms of demographics, geography, politics, and economy (KRC Profiling Report, 2015).

The regional governance structure comprises ten (10) constituencies, each represented by an elected council member. Additionally, the region is headed by a governor selected by the President, who is supported administratively by a Chief Regional Officer (ORC, 2015). The CRO also assumes the role of the Accounting Officer for the institution.

Figure 1.2 below displays the map illustrating the Khomas Regional Council by constituencies (KRC Profiling Report. 2015)


***Figure 2.2 Map of Khomas Regional Council by Constituencies (Source:*** <u>*NordNordWest*</u> ***(2014))***

### 2.2.2 Otjozondjupa Regional Council (ORC)

The Otjozondjupa Regional Council (ORC) functions as the governmental administrative body responsible for regional governance and the management of activities within the Otjozondjupa Region. With regards to its geographical expanse, this region ranks as the fourth largest in the nation. Additionally, it has a moderate population density on average. The geographical boundaries of this particular region are defined by its neighbouring regions, namely Kunene and Erongo to the west, Oshikoto to the north, Kavango to the west and Kavango to the east, Khomas to the south, Omaheke to the southeast, and Botswana to the east. Otjiwarongo serves as the administrative capital of the region. Based on the data from the 2011 census, the population residing in the region amounts to 142.4 thousand individuals. The region, including an expanse of 105,460 square kilometres, ranks as the fourth largest in the nation. The regional governance structure comprises seven constituencies, each represented by an elected council member. Additionally, the region is headed by a governor selected by the President, who is supported administratively by a Chief Regional Director (ORC, 2015). The Chief Regional Director also assumes the role of the Regional Council's accounting officer.

Figure 2.3 shown the map of Otjozondjupa Region.

*Figure 2.3* ***<u>Otjozondjupa Map (Source:NordNordWest)</u>***

### 2.2.3 Zambezi Regional Council (ZRC)

The Zambezi Regional Council (ZRC) is classified as one of the fourteen administrative divisions in the country of Namibia. The individual in question serves as the governmental representative responsible for administrative matters at the regional level, with oversight over the region's activities. The Zambezi region exhibits the lowest area coverage among all regions within the country, accompanied by a notably sparse population density (ZRC, 2015). The geographical area in question is situated in close proximity to East Kavango on its western border, Botswana on its southern border, and Angola and Zambia on its northern border. The controversy around Zimbabwe's border, situated approximately 100 metres east of Namibia and thus to the east of the Zambezi River, has garnered academic attention. Katima Mulilo serves as the administrative capital of the region. Based on the data from the 2011 census, the population of the region is recorded as 90,596 individuals. The region, including an area of 19,532 square kilometres, is considered being among the most compact in the nation. The regional governance structure consists of six constituencies, each represented by an elected council member. Additionally, a governor, nominated by the President, serves as the Regional Head (ZRC, 2015). Assisting the Governor in administrative matters is a Senior Regional Director, who also holds the position of Accounting officer for the Regional Council.

Figure 2.4 shown the map of Zambezi Region.

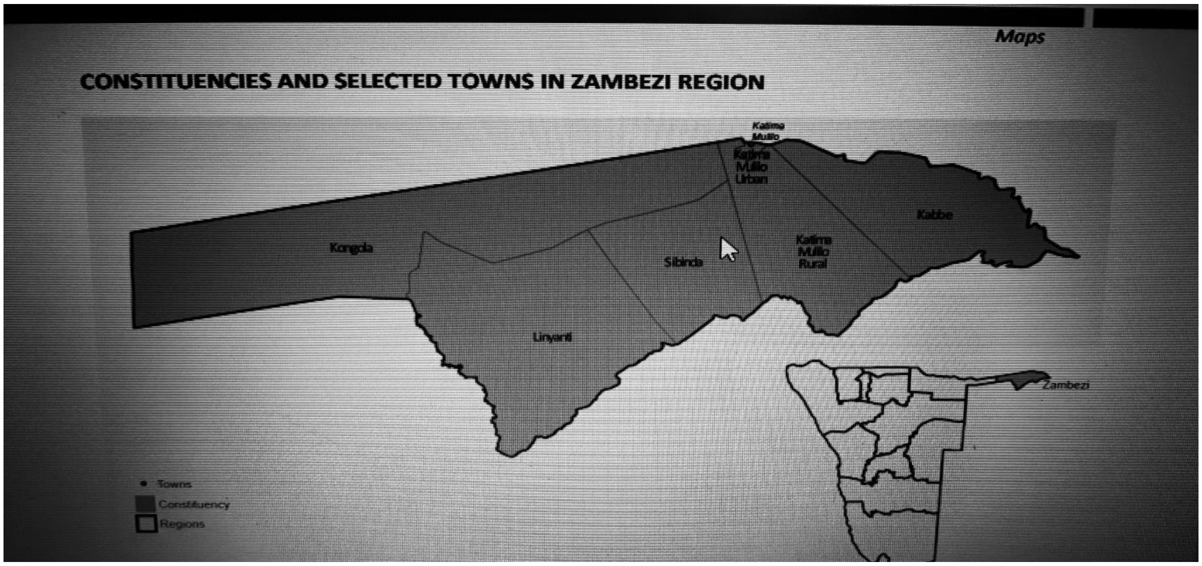


*Figure 2.4 Zambezi region map*

*(Source: Source: Population and housing Census Regional Profile Zambezi 2011*
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**2.3 Overview of Financial Management of Regional Councils in Namibia**

The legal framework that regulates the financial management of regional councils is outlined in Article 108 of the Namibian constitution. This article grants regional councils the authority to generate revenue or partake in the revenue generated by the Central Government within their respective regions, as determined by legislation enacted by Parliament. Section 28 of the Regional Council Act confers authority upon regional councils to engage in the planning of regional development for the specific region for which they have been established. This authority extends to matters pertaining to the powers, duties and functions of the National Planning Commission as outlined in Article 129 of the Namibian Constitution, as well as any other legislation pertaining to planning. Moreover, Section 38 of the Regional Council Act 22 delineates the structure of Regional Councils' financial resources, including the methods by which they should acquire cash, allocate gifts and potentially invest or reserve these assets.

The establishment of the Regional Councils is stipulated in Section 2(1) of the Regional Councils Act, 1992 (Act 22 of 1992). The financial powers, duties, and activities of the Councils are outlined in Article 108 of the Namibian Constitution and Section 28 of the Regional Council Act. According to Sections 39 and 40 of the Act, it is mandated that the Council must maintain accounting records and that it's Chief Regional Officer is responsible for preparing the financial statements.

### 2.3.1 Roles of Chief Regional Officers (CRO) As Accounting Officers in Regional Councils

As per Section 34 of Act 22 of 1992 of the Regional Council, it is stipulated that the primary role of the chief regional officer is to serve as the accounting officer of the regional council. In this capacity, the chief regional officer assumes the responsibility of accurately recording and managing all financial transactions conducted by the regional council, including the receipt of funds and the disbursement of payments. The functions of the accounting officer have been outlined in section 8 (1) to (4) of the State Finance Act 31 of 1991, with the aim of empowering them.

(1) In the absence of any determination by the Treasury, the individual holding the position of executive director within an office, ministry, or agency will, in accordance with the provisions outlined in paragraph (4), assume the role of accounting officer for the respective vote or votes associated with said office, ministry, or agency. It is the responsibility of the aforementioned individual to fulfil this role.

The individual shall assume responsibility for the receipt, safekeeping, depositing, and disbursement of state funds received within the specified office, department, or organisation. Additionally, they shall perform the authorities and obligations assigned to an accounting officer by this Act or any other relevant legislation, specifically pertaining to the aforementioned allocation of funds.

The text in Subsection (1) has been modified as per the provisions of Act 13 of 1995.

In the event that an accounting officer is not present or is otherwise incapable of fulfilling their duties, the individual assuming their role shall carry out the responsibilities and exercise the authority granted to an accounting officer under this Act or any other relevant legislation, as if they were the designated accounting officer.

The accounting officer, as stipulated in this Act or any other legislation, is authorised to exercise or carry out the powers and responsibilities assigned to them. These powers and duties can be fulfilled either by the accounting officer themselves or by an officer within their office, ministry, or agency who is responsible for implementing the relevant provisions. In such cases, the accounting officer retains control, direction and supervision over the officer involved.

In spite of the stipulations outlined in subsection (1), the Treasury has the authority to assign the duty of accounting for state funds received and disbursed by individuals who are not accounting officers. This assignment is contingent upon the consultation with the relevant accounting officer and pertains specifically to a designated portion of a vote.

(b) The Treasury has the authority to delegate to an individual who is accused under paragraph (a) the responsibility for a specific component of a vote, including all the powers and responsibilities that the accounting officer is authorised or obligated to carry out in connection with that particular element of a vote. The subject of discussion pertains to the Republic of Namibia and its 9 Annotated Statutes. The Finance Act 31 of 1991 is a legislative enactment pertaining to the field of state finance.

(c) An individual who has been assigned a power or duty under paragraph (b) is required to exercise or perform that power or duty in relation to the specified portion of a vote, excluding the accounting officer for the vote. This individual is to act as if they were the accounting officer.

The regulations stated in subsection (2) shall be applied, with necessary modifications, to an individual who is accused under paragraph (a) of being accountable for a portion of a vote. The withdrawal of funds from the State Revenue Fund requires authorisation by the Minister.

### 2.3.2 Role of the Financial Advisor in Regional Councils

The above is supplemented by Treasury Instructions BB 0101 to BB 0106. That further indicates in BC 0101 that the accounting officer shall designate in writing a Financial Advisor for his Ministry or institution as a whole the most senior officer in the finance division the same applies in Regional Councils. According to Treasury instructions, financial advisors have the following powers and duties.

A financial adviser -

a) The individual shall assume the additional responsibility of overseeing the overall management of state funds for which the accounting officer is held responsible, under the guidance and oversight of said accounting officer.
b) The individual shall serve as a financial advisor to the accounting officer and shall be held accountable to the accounting officer for all matters pertaining to the general financial management of a budget allocation and state funds.
c) The individual shall maintain the required financial records and furnish information pertaining to financial matters within their ministry.
d) The individual shall provide financial analysis and commentary on administrative or functional actions or policies from a financial perspective.
e) The individual shall be granted unrestricted access to all documentation pertaining to financial outlays and is obligated to promptly notify the accounting officer of any perceived irregularities.
f) The individual in question is responsible for reviewing all submissions from their ministry to the Treasury. Their objective is to verify that these submissions align with the requirements outlined in the Act, Treasury Instructions, Budgetary Instructions, and Regulations and Instructions of the Tender Board. Additionally, they are tasked with providing guidance to the accounting officer regarding the financial and other consequences associated with new projects or initiatives proposed by the ministry. Furthermore, they are responsible for addressing any ministerial matters related to revenue and expenditure that have been brought to their attention.
g) The individual in question must ensure compliance with the Act, Treasury Instructions, Regulations and Instructions of the Tender Board, the Public

Service Act, Regulations and Personnel Code, and the Laws and Regulations enforced by their ministry, in relation to the financial administration of their ministry.

h) The individual shall be responsible for collecting, organising, and analysing budgetary information to be submitted to the accounting officer. Additionally, they shall provide their comments on the financial implications and policy aspects of the budget.

i) The individual shall be responsible for completing the final version of the revenue and expenditure budget and transmitting it to the Treasury.

j) The individual shall act as a liaison between their ministry, the Treasury, and the Auditor General. They shall also receive all communications from the Treasury for recording and distribution purposes.

k) The individual in question is responsible for overseeing the allocation of funds and promptly notifying the accounting officer if there is a likelihood of exceeding the available funds. If it becomes inevitable to exceed the allocated amount for a specific category or classification, the individual must take proactive measures to obtain prior authorisation.

l) The individual shall verify the accuracy of the annual appropriation accounts of the votes under their control and other final accounts and statements as required by the Auditor General. They shall also create classifications and provide advice to the accounting officer on any significant matters that arise from these accounts.

m) The individual shall promptly address any audit inquiries directed to the accounting officer and, if applicable, arranges for the submission of responses on audit minutes to be signed by the accounting officer.

n) The individual shall report any instances of wasteful or fruitless expenditure to the accounting officer.

o) The individual shall ensure that proper internal financial supervision and control systems are implemented in their ministry.

p) The individual shall serve on and provide financial guidance to the economising committee of their ministry.

q) The individual shall, with the approval of the accounting officer and in accordance with established procedures, undertake any other necessary tasks. In relation to the aforementioned matter, it is imperative to provide further instructions within the ministry or public office that align with the Act or Treasury Instructions. These instructions pertain to the processes involved in the collection, reception, custody, and disbursement of funds belonging to the State.

r) BC 0302 in exercising his powers and fulfilling his duties, the financial adviser shall avail himself of his subordinates: However, he shall not be exempted from liability concerning any duty assigned to him by entrusting such duty to a subordinate.

### 2.3.3 Roles of Management Committee in Financial Management of Regional Councils

According to Article 109 of the Namibian constitution, there is a clause that allows for the appointment of the executive committee. According to the stipulations of an Act of Parliament, the members of each Regional Council are required to elect a Management Committee from their ranks. This Management Committee is entrusted with executive authority within the framework of the aforementioned legislation. The election of the Chairperson for the Management Committee is the responsibility of the members of the Regional Council during the same period when they elect the Management Committee. The Chairperson, if chosen, will assume the role of presiding over meetings of their respective Regional Council. The Regional Council Act, 22 of 1992, section 22 (c) and (d) outlines the responsibilities of the management committee in relation to financial management within the regional council. According to the Act, the management committee is mandated to prepare and compile the estimates and supplementary estimates of revenue and expenditure for the regional council, seeking approval from the council. Additionally, the committee is entrusted with the task of overseeing the expenditure of funds allocated by the regional council as per the approved estimates and additional estimates, as well as any other funds made accessible to the council. The aforementioned provisions outlined in the act serve to elucidate the fact that individuals serving on the management committee bear a duty in relation to the financial management of the Regional Council.

## 2.4 Conclusion

This chapter focused on the area of study, the location and the legal frameworks that govern regional council financial management. The subsequent section of this paper provides an overview of the existing literature and establishes the conceptual framework

# CHAPTER THREE: LITERATURE REVIEW

## 3.1 Introduction

This chapter provides a comprehensive overview of the existing research literature pertaining to the many elements that influence the quality of financial reporting within Regional Councils in Namibia. The review elucidates the pertinent theories that underpin this work. Additionally, the empirical literature review aims to assess and critique the discoveries made by other scholars globally, starting with studies conducted on a continental scale and concluding with a national assessment, thereby identifying any existing research gaps.

## 3.2 Conceptual Literature Review

This section defines and discusses the relevant constructs and appraises other authors' definitions and meanings thereof.

## 3.3 Financial management, Financial Planning, Financial Reporting and Financial Statements

### 3.3.1 Financial management

Financial management is an integral aspect of overall management, as stated by Paramasivan and Subramanian (2009) in their presented definition. The subsequent discourse pertains to the delineation of duties within corporate and organisational finance departments. The primary objective of this endeavour is to optimise the utilisation of a crucial economic asset, namely capital. The definition of financial management, as stated by Paramasivan and Subramanian (2009), is widely acknowledged as the most accepted within the field. Kuchal (2013) posits that Financial Management pertains to the procurement of finances and their effective allocation within the organisation. Howard and Upton (2013), in their influential publication titled ": Financial Management," these authors provide a comprehensive definition of financial management as the utilisation of overarching managerial principles within the realm of financial decision-making. According to Weston and Brigham, (2013) the concept of "financial management" pertains to the exercise of making prudent economic decisions while simultaneously considering the interests of both individuals and the broader organisation. Conferring to the same matter Josephep and Massie (2019), stated that financial management refers to the operational function inside a business that entails the acquisition and efficient utilisation of cash required for optimal organisational functioning. The findings of Paramasivan and Subramanian (2009) suggest that the primary objective of Financial Management is to maximise the efficient allocation and use of a firm's financial assets. Corporation finance, also referred to as corporation finance, denotes the discipline of financial management utilised by enterprises. Authors such as Grozdanovska et al. (2017), theorise that financial management refers to the process of formulating and executing financial projections that impact the financial well-being of an organisation. Organisations have the potential to optimise their return on investment (ROI) through the implementation of effective financial planning and management strategies that consider the present and future cash inflows derived from projects, assets, and various other sources. Financial management, as defined by Grozdanovska et al. (2017), includes the formulation of a comprehensive company plan and subsequent oversight of its execution. Effective financial management enables the Chief Financial Officer (CFO) to provide valuable information that assists in the development of a strategy plan, facilitates investment decision-making, and discloses vital aspects of the financial well-being of the organisation, such as liquidity, profitability and cash flow sustainability, among other factors.

### 3.3.2 Financial planning

Grozdanovska et al. (2017) posit that financial planning serves as the initial stage of financial management, encompassing the regulation of both present and future financial and business occurrences. It involves the management of overall cash flows required to secure essential funds. Based on the prior research conducted by Paramasivan and Subramanian (2009), the primary objective of financial planning in organisations is to anticipate potential financial outcomes and optimise the allocation of financial resources to achieve both short-term and long-term goals. Furthermore, it has been elucidated that the responsibility of financial planning inside the organisation is the determining factor in shaping the organisation's approach to achieving its strategic goals. Once a corporation has formulated its vision and identified the objectives it aims to accomplish through its activities, it frequently develops a financial plan. The profitability of an organisation is significantly contingent upon the calibre of its financial planning. According to Brigham and Ehrhardt (2015), financial planning refers to the systematic determination of the capital necessary for conducting an organisation's commercial operations. The concept of "financial policy formulation" pertains to the systematic process by which principles are devised to govern the distribution of a corporation's financial assets. The concept of "financial planning" encompasses the systematic development of goals, strategies, procedures, initiatives and a financial framework for an organisation's monetary pursuits. Financial planning, as outlined by Manning (2023), encompasses the systematic anticipation of financial requirements, the strategic allocation of resources, and the on-going assessment of performance. Cash flow predictions and capital budgeting plays a major role in the process of financial planning. The quantification of organisational activity is typically expressed in monetary terms, and the financial plan encompasses all relevant features, including the sources of funding and cash flows, within a set timeframe. Financial planning is the practical implementation of fiscal policy by means of budgetary plans that prioritise the temporal and spatial realisation of value.

### 3.3.3 Financial reporting

In fulfilling its governance obligations, management is required to guarantee the precision and comprehensiveness of all financial reporting. It is imperative that the financial accounts of the organisation be created and presented in a manner that adheres to principles of fairness by the management. According to the provisions outlined in Article 127 (2) of the Namibian Constitution and Section 25 (1) of the State Finance Act, Act 31 of 1991, the Auditor General is entrusted with the responsibility of offering an informed judgement, supported by reasonable assurance, regarding the absence of significant inaccuracies in the financial statements of the Ministry or institution in question, whether stemming from fraudulent activities or unintentional errors. The auditor's report encompasses the perspective of the auditor.

The 2016 Parliament study, published by the New Zealand Office of the Auditor General (OAG), encompasses an analysis of financial reporting within the public sector. The study specifically emphasises the significance of impartial standard-setting in this context. Additionally, it is worth mentioning that public entities demonstrate their responsibility through the process of financial reporting. This pertains to the prudence exhibited in the management of public funds and assets. Financial reporting plays a crucial role in facilitating decision-making processes and promoting principles of openness, transparency, and accountability. Enhancing public confidence and improving official efficiency are both valuable outcomes.

According to MEFMI (2008), it concurs with the aforementioned assertion that ministries are responsible for preparing financial reports within the designated fiscal year. The senior leadership of the Ministry is provided with monthly reports that outline the budget and expenditure of the department. The Accountant General under the Ministry of Finance is responsible for receiving and reviewing a midyear budget review, budget reports, and accountability reports. The preparation of ministry appropriation accounts and financial statements is a necessary need for the auditor general's report, which is compiled at the conclusion of the fiscal year. The inclusion of these reports is essential for the comprehensive implementation of internal controls in financial management.

Financial reporting is a prevalent accounting practice, as asserted by Brown and Howard (2002). It encompasses the process of preparing financial statements that aim to demonstrate a company's financial situation and performance over a specific time period, typically spanning one year or one quarter. The process of making strategic business decisions in management heavily depends on the availability of precise and reliable financial information. Both internal and external stakeholders can utilise financial information. Investors and lenders utilise financial reports as a means of evaluating the viability of engaging in business with your firm.

According to Olivier (2020), financial reporting refers to the systematic procedure of recording and disseminating information regarding financial transactions and outcomes within specific time intervals, typically on a quarterly or annual basis. Businesses utilise financial reports as a means to effectively manage accounting data and provide a comprehensive overview of their present financial condition. According to Paramasivan and Subramanian (2009), financial reporting encompasses certain protocols that organisations follow to fulfil legal accounting obligations. Various financial regulatory authorities scrutinise the documentation employed to evaluate commercial transactions. Therefore, it is imperative to maintain accurate documentation in order to ensure compliance with tax regulations and accounting principles for all financial reporting. Accurate financial reporting plays a crucial role in reducing the time and effort needed to meet financial obligations and ensuring compliance with financial regulations. The comprehension of financial reporting is vital for individuals in the fields of accounting, finance, and business (Carney et al., 2008). The primary objective of financial reporting is to enhance business performance and outcomes by the examination and evaluation of financial information at regular intervals, such as monthly, quarterly, or annually. The availability of timely and accurate financial reports enables individuals to obtain valuable insights into their organisation's performance and identify potential areas of growth.

In order to facilitate the efficient and effective functioning of our democratic form of governance, the implementation of accounting and financial reporting mechanisms assumes paramount importance. The disclosure of the government's financial matters is both a fundamental entitlement and a necessary requirement for individuals. Financial reports serve as a vital mechanism in safeguarding this entitlement and facilitating the government's accountability to the general populace. Financial reports serve as essential tools for both investors and government officials. If individuals lack convenient means of obtaining internal data, they are categorised as main consumers.

### 3.3.4 Financial Statements

Financial reports are also utilised by governmental officials. Individuals who lack access to data that is exclusive to a certain company are referred to as primary consumers. According to Marx and De Swart (2013), it is imperative that a company's financial statements for the year provide a precise representation of the company's performance and financial condition. Organisations operating under a public company form are required to furnish an annual report to their shareholders. The financial statements of a firm encompass the income statement, balance sheet, statement of retained earnings, and statement of cash flows. In order to provide value to investors and other stakeholders, it is imperative that financial statements accurately depict an entity's performance, financial status, equity and cash flows. Due to these characteristic, financial statement serve as an essential instrument for illustrating the effectiveness of financial management in the public sector, encompassing both the Line Ministry and Regional Council tiers. Regional councils are responsible for the compilation of financial reports as well. The Ministry of Finance and the Office of the Auditor General are responsible for establishing regulations pertaining to the compilation of financial statements. The responsibility for ensuring the accurate preparation of audited financial accounts, in accordance with Section 39 of the Regional Council Act, 22 of 1992 and relevant laws and regulations, lies with the management of the Regional Council. This includes preventing any significant misstatements in the financial statements due to fraud or error. The accounting officer must submit the financial statements to the office of the Auditor General, as required by subsection 10(1) of the Regional Council Act. According to Kumar and Sharma (2009), an integrated audit offers an auditor's perspective on financial statements and internal control over financial reporting, serving as supporting evidence.

The manner in which funds are allocated and utilised within an organisation can be observed through the examination of its financial records. According to Fernando (2022), financial accounting involves the systematic recording and monitoring of a company's monetary transactions. It is necessary to condense, evaluate and communicate all of these transactions to the appropriate entities, which encompass tax authorities. Financial statements are utilised in accounting to provide a concise overview of a company's operations, financial condition and cash flows throughout a specific accounting period. According to Murphy (2022), financial statements are formal records that provide comprehensive information regarding a company's financial activities and results. Financial statements are frequently subjected to audits by various entities, such as government agencies, accountants and enterprises in order to ensure precision and facilitate tax, financing, or investment-related activities. In support of the aforementioned characterisation, Srivastav (2022) provides a definition of financial statements as written documents produced by the management of a company to provide a concise overview of the company's financial status within a specified timeframe, such as quarterly, semi-annually or annually. The financial statements, namely the balance sheet, income statement, cash flow statement and statement of shareholders' equity, constitute the essential components of a company's financial reporting. These statements are required to be prepared in adherence to the universally recognised accounting standards known as generally accepted accounting principles (GAAP). Brigham and Ehrhardt (2015) assert that a financial statement serves as a comprehensive record detailing the historical occurrences pertaining to assets, earnings and dividends. Conversely, a note to the financial statement endeavours to provide elucidation into the underlying factors that contributed to the observed outcomes.

Financial statements are a collection of formalised papers that provide comprehensive information regarding an organisation's financial performance, including its profit and loss, assets and liabilities and cash inflows and outflows. These statements are derived from structured accounting procedures and systems, as defined by experts in the field. The financial administration of public sector entities in Namibia is governed by accounting practices and laws, which are also followed by regional councils when preparing financial statements through the use of financial systems.

### 3.4 Regional Council Financial Reports (RCFR)

The task of governance, which includes the oversight of financial reporting, has been assigned to the management. It is imperative that management ensures the accurate and unbiased preparation and presentation of the organisation's financial accounts. According to the provisions outlined in Article 127 (2) of the Namibian Constitution and Section 25 (1) of the State Finance Act, Act 31 of 1991, the Auditor General is tasked with the responsibility of offering an informed judgement, supported by reasonable assurance, regarding the absence of significant inaccuracies in the financial statements of the Ministry or institution in question. These inaccuracies may arise from either fraudulent activities or unintentional errors. The auditor's report encompasses the perspective of the auditor. The 2016 Parliament Report from the New

Zealand Office of the Auditor General (oag.parliament.nz) highlights the significance of independent standard-setting in the realm of financial reporting within the public sector. The paper went on to explain that financial statements are the means by which government agencies demonstrate their accountability as stewards of taxpayer funds and other assets. Financial reporting plays a crucial role in facilitating decision-making processes and promoting principles of openness, transparency, and accountability.

Enhancing public confidence and improving official efficiency are valuable outcomes that can be achieved through its utilisation. According to MEFMI (2008), it is recommended that line ministries should generate financial reports periodically during the fiscal year. The senior leadership of the Ministry is provided with monthly reports that outline the budget and expenditure of the department. The midyear budget review process entails the generation of accountability reports and budget reports for the Accountant General within the Ministry of Finance. It is imperative for the line ministries to assemble appropriation accounts and financial statements in order to facilitate the auditor general report at the conclusion of each fiscal year. Including these reports is essential for the comprehensive implementation of internal controls in financial management. According to the scholarly work of Brown and Howard (2002), financial reporting is a prevalent accounting procedure that entails the compilation of financial statements to depict a company's financial status and outcomes within a specific period, typically spanning one year or one quarter. The process of making strategic business decisions in management heavily depends on the availability of precise and reliable financial information. Financial information serves as a valuable resource for both internal and external stakeholders.

### 3.4.1 Characteristics of Regional Council Financial Reports

The Characteristics are categorised into Relevance, and Faithful representation and discussions of its usefulness are on findings from (CIMA, 2007; Drury, 2015).

#### 3.4.1.1 Relevance

Financial information is relevant if it is capable of making a difference in the decisions made by users of that information. Such information can make a difference if it has:

- predictive value
- confirmatory value, or
- both.

The concept of predictive value in knowledge refers to the capacity to anticipate forthcoming events. The financial data presented does not necessarily serve as a prognosis or forecast in its own right, but it may be utilised as such by end users. To project forthcoming revenues, an approach that may be employed involves utilising data from the on-going fiscal year as an initial reference point. When the data provides users with the opportunity to either validate or modify their initial evaluations, it is referred to as possessing confirmatory value. In order to improve or refine the methodologies employed for generating revenue projections in previous periods, it may be beneficial to compare the aforementioned data from the present year with estimations generated in prior years. The interconnection between predictive and confirmatory utility is inherent in financial data. The utilisation of the notion of materiality serves to ascertain the suitability of particular financial information (CIMA, 2007; Drury, 2015).

#### 3.4.1.2 Faithful representation

The term "economic phenomena" is employed within the Conceptual Framework to denote factual information pertaining to an entity's economic assets, liabilities, and the effects of transactions and other occurrences and circumstances that modify these quantities (CIMA, 2007; Drury, 2015). The financial report of an institution presents a comprehensive portrayal of economic data through both textual and numerical means. It is imperative to provide precise descriptions of these phenomena rather than relying solely on the surrounding information. The Conceptual Framework posits that, in order to achieve a completely accurate portrayal, a representation of any economic phenomena must possess the following characteristics:

- complete
- neutral, and
- free from error

Although achieving ultimate perfection is a rare occurrence, it is essential to maximise all the aforementioned characteristics in order to accurately depict the subject matter. In order to be deemed valuable, information must encompass a comprehensive understanding for the recipient. The concept of data neutrality refers to the lack of bias in both the selection and presentation of financial information. In order to achieve a state of being "free from error," it is unnecessary for knowledge to possess an absolute accuracy rate of 100%. However, it is important to note that the methodologies employed in acquiring the aforementioned data have been carefully selected and implemented with precision, ensuring the absence of any inaccuracies in the portrayal of observed occurrences. One illustrative instance pertains to the utilisation of an approximation in the computation of financial information. If the quantity is designated as estimation, the constraints of the estimation procedure are elucidated, and no errors were committed in the selection and implementation of a suitable procedure employed to formulate the estimation, then the estimation may be accurately portrayed despite its lack of precision (CIMA,2007; Drury,2015).

#### 3.4.1.3 Enhancing qualitative characteristics

**Comparability**

Individuals who utilise financial information engage in the process of evaluating and selecting among several options for action. One illustrative scenario pertains to the decision-making process about the disposition or retention of an investment in the equity of a given corporation. Hence, the utility of financial information is enhanced when it can be subjected to comparative analysis with analogous data pertaining to other businesses, as well as with analogous data about the same entity for a different time period or date (CIMA, 2007; Drury, 2015).

### Verifiability

The verification of information provides a level of confidence in its accurate representation of economic realities. The verifiability of information refers to the ability of various informed and independent entities to potentially arrive at a consensus, if not always complete agreement, over the accuracy and faithfulness of a certain portrayal (CIMA, 2007; Drury, 2015).

### Timeliness

Typically, the timeliness of information directly correlates with its use. While certain information may retain its relevance over an extended period, such as data utilised for trend analysis and evaluation, generally speaking, more recent information tends to possess greater utility compared to older information (CIMA,2007;Drury,2015).

### Understandability

The act of categorising, delineating, and effectively conveying information in a clear and succinct manner enhances its comprehensibility. The inclusion of complicated information in financial reports is essential, as omitting such information may enhance their comprehensibility but would compromise their integrity and accuracy. Ultimately, this does not contribute to the enhancement of comprehensibility. Financial reports are designed to be utilised by individuals who possess a decent level of expertise, and the Conceptual Framework acknowledges that even skilled users may require assistance in comprehending more intricate matters (CIMA, 2007; Drury, 2015).

Financial reports are primarily intended for external stakeholders who want information to facilitate decision-making processes related to the company, such as investment evaluations or credit extension assessments. The reason for their increased formality in both structure and substance is attributed to their adherence to the Generally Accepted Accounting Principles (GAAP). Given that all firms adhere to the same structural and content guidelines, customers find it more convenient to do a comparative analysis of reports from two companies (CIMA, 2007; Drury, 2015).

### 3.5 Auditing of Regional Council Financial Reports (Financial statements)

In accordance with the findings of Marx and De Swart (2014), it is imperative for financial statements to offer an equitable representation of a company's financial performance and its financial condition. Publicly traded corporations are required to submit reports to their shareholders.

The financial statements of a firm comprise the income statement, the balance sheet, the statement of retained earnings and the cash flow statement. The primary objective of financial statements is to accurately and objectively depict an organisation's financial performance, financial position, equity, and cash flows. Therefore, public sector entities, including line ministries and Regional Councils, utilise performance reports as a crucial tool to showcase their adherence to financial management obligations. The financial statements of regional councils encompass four key components, namely the income statement, the balance sheet, the statement of retained earnings, and the cash flow statement.

Financial statements and reports are essential papers that offer a comprehensive overview of an organisation's financial standing. Broadly speaking, there exist four distinct categories of financial statements (CIMA, 2007; Drury, 2015)

#### 3.5.1 Balance Sheet

The balance sheet serves as a concise representation of an organisation's financial status at a specific moment in time. Therefore, it may be argued that the aforementioned financial statement holds the highest level of significance among the four. Balance sheets play a crucial role in enabling businesses to ascertain their accurate net worth by providing a comprehensive breakdown of the company's assets (i.e., possessions and resources), liabilities (i.e., financial obligations and debts) and shareholder equity/owner's equity (i.e., the disparity between assets and liabilities),( CIMA,2007;Drury,2015)

### 3.5.2 Profit and Loss Statement

The financial statement, commonly referred to as a Profit and Loss (P&L) report or Income Statement, provides an overview of a company's revenue, expenditures, and resulting profits or losses during a designated timeframe. The tool provides a comprehensive understanding of the financial viability of your organisation. Creditors and investors frequently integrate data from the profit-and-loss statement, together with insights derived from the remaining three financial statements, in order to assess the viability of investing in or extending financial support to a business (CIMA, 2007; Drury, 2015)

### 3.5.3 Cash Flow Statement

The cash flow statement, also known as the statement of cash flows, provides a comprehensive overview of the inflows and outflows of cash inside a business within a certain timeframe. The financial statement is derived from the operational, investment, and financing undertakings of an organisation. This statement provides the business with valuable information regarding the liquidity and solvency of a firm. This provides stakeholders with an understanding of how a business effectively handles its cash flow to support operational activities, debt repayment, and the financing of both immediate expenditures and prospective ventures. The cash flow statement serves as a valuable tool for lenders and investors in assessing the potential for loan payback (CIMA, 2007; Drury, 2015)

### 3.5.4 Statement of Changes in Equity

This financial statement provides an overview of a company's adjustments to its retained earnings subsequent to the distribution of dividends to its stakeholders. The provision enables stakeholders to discern the reasons that contributed to alterations in owner's equity throughout the course of the accounting period. The significance of the Statement of Changes in Equity lies in its inclusion of activities that are not captured in a company's income statement and balance sheet, such as equity withdrawal and dividend payments. Therefore, it assists shareholders and investors in making well-informed judgements regarding their assets.

Based on the perspectives expressed by the aforementioned researchers, it is vital to say that financial reporting employs financial statements as a means of revealing financial information that indicates the fiscal well-being of an entity over a designated timeframe. The information is important for management to make decisions about the organisation’s future and provide information to capital providers like creditors and investors about the profitability and financial stability of the company (CIMA, 2007; Drury, 2015).

### 3.6 Audit Opinions

The Ministry of Finance and the Office of the Auditor General serve as regulatory bodies that provide directives for the formulation of financial statements. The responsibility for the preparation of financial statements in compliance with Section 39 of the Regional Council Act, 22 of 1992, and other applicable laws lies with the management of Regional Councils. Additionally, management is accountable for establishing internal controls deemed necessary to facilitate the creation of accurate financial statements that are devoid of significant misstatements caused by either fraudulent activities or unintentional errors. The accounting officer submits these accounts to the office of the Auditor General in accordance with section 10 (1) of the Regional Council Act. According to Kumar and Sharma (2009), the implementation of an integrated audit entails the auditor issuing an opinion on both the financial statements and the internal control over financial reporting. Gramling, Rittenberg, and Johnstone (2011) have provided a comprehensive delineation of the various categories of audit opinions and their corresponding interpretations:

#### 3.6.1 Qualified audit Opinion

A qualified opinion is rendered in cases where an organisation's financial records deviate from Generally Accepted Accounting Principles (GAAP) in its financial transactions. A qualified opinion is rendered in instances where there exists a significant deviation from Generally Accepted Accounting Principles (GAAP) or insufficient disclosure. A qualified opinion may be rendered as a result of either a restriction in the auditor's scope or a departure from Generally Accepted Accounting Principles (GAAP) in the accounting methodology employed. As stated by Tuovila

(2021), a qualified opinion signifies the presence of a scope limitation, a non-pervasive concern identified during the financial audit, or insufficient disclosure in the footnotes (p. 1). The author asserts that the financial statements are provided in accordance with generally accepted accounting principles, except for a specific sector (p.1).

Another scholar who shares a similar definition of the term as Tuovila is Davoren (2019). According to Tuovila, she provides a similar concept but emphasises notable distinctions between qualified and unqualified audit reports.

Lekamaria (2017) conducted a study examining the factors that influence the quality of financial reporting in the government sector of Kenya, thereby providing additional insights into this topic. According to Lekamario (2017), financial reporting refers to the process of preparing financial statements, also known as financial reports or accounts, for one or more entities. This process is conducted within a framework that encompasses financial accounting ideas and standards (p.vi). According to the researcher, financial reporting quality may be defined as the degree of accuracy in which a company's reported financial statements accurately represent its operational performance and its effectiveness in predicting future cash flows (CFA Institute, 2015). The study, however, continues by asserting that sufficient training on the IFMIS system is crucial for achieving high-quality financial reporting. In a similar vein, Ochung (2017) conducted a survey focusing on the quality of financial reporting within public sector entities in the Ministry of Environment and Natural Resource in Kenya. The study highlights the significance of strengthening public sector entities to ensure that their internal control systems effectively enhance the quality of financial reporting. This is crucial as it directly influences the prudent utilisation of public resources. The findings of this study provide more evidence that aligns with the conclusions drawn by earlier scholars, including Ball and Plugath (2012), Opanyi (2016), and Nkwagu, Uguru, and Nkwede (2016).

In a similar vein, Yetneberk (2018) conducted a study that investigates the various elements that influence the quality of financial reporting. However, the research specifically concentrates on the challenges and opportunities associated with the implementation of the International Financial Reporting Standards (IFRS) and its impact on the quality of financial reporting within the banking sector of Ethiopia. Although the current study does not directly address this topic, it is nonetheless pertinent due to its examination of the difficulties associated with ensuring high-quality financial reporting. Understanding these problems is crucial for comprehending the factors that influence the quality of financial reporting. The study posits that the adoption of International Financial Reporting Standards (IFRS) in Ethiopia's banking sector, facilitated by collaboration between the Ministry of Education and professional associations from other countries, would yield positive outcomes such as increased foreign investments and overall economic growth and development in Ethiopia. Hari, Nurul, Dien, and Dewi (2020) conducted a study investigating the determinants influencing the quality of financial reporting. The study was grounded in theoretical frameworks and supported by a substantial body of literature that elucidated the notion of financial reporting quality.

The primary objective of the study was to assess the effects of implementing the principles of effective corporate governance, adherence to legal requirements, and the use of internal control mechanisms on the overall quality of financial reporting. The primary data collection approach employed in this study was predominantly the use of surveys. The study's findings indicate that implementing sound corporate governance principles has a notable impact on the quality of financial reporting. One study that is notable in relation to the topic being investigated is the research conducted by Thomas (2021). This study, conducted in a specific Local Government Area in Tanzania, provides useful insights into the elements that influence the quality of financial reporting, particularly in the context of another African country. This study places emphasis on the impact of internal audit on the quality of financial reporting within Local Government Authorities in Tanzania. This study provides more insights into the impact of political factors on the quality of financial reporting in a representative African nation. The approach employed for data gathering and analysis was mostly quantitative, with a descriptive orientation. The research continues by saying that there exists a considerable and substantial association between the recommendation provided in follow-up audit reports and the quality of financial reporting. The findings of the survey demonstrate a noteworthy correlation between political competition and the quality of financial reporting. As a result, the study suggests that it is crucial for the Local Government Authorities in Tanzania to prioritise the enhancement of internal audit practises and implementing follow-up audit recommendations. These measures are essential for improving financial disclosures, fostering accountability and promoting transparency in the financial reporting of Local Government Authorities in Tanzania (p.vi). In a separate audit report pertaining to the financial accounts of the Otjozondjupa Regional Council, conducted by the Auditor-General of Namibia. This report enhances one's comprehension of financial reporting or statements.

The report explicitly indicated that management bears the responsibility for the preparation and accurate presentation of the financial statements, as outlined in Section 39 of the Regional Act, 1992, and relevant legislation. Additionally, management is accountable for establishing internal control measures deemed necessary to facilitate the creation of financial statements that are devoid of significant misstatement, whether resulting from fraud or error (p.1). The study provides an overview of fundamental principles pertaining to the quality of financial reporting.

Dambala (2021) conducted a study in Kenya that highlights the issue of mismanagement of public resources, which has generated diverse sentiments and responses in various global forums. According to the aforementioned expert, this particular circumstance has imposed significant pressures on those responsible for preparing financial statements and other managerial personnel within the accounting department and banking industry. The primary focus of this study pertains to the determinants that impact financial management within the Marsabit Country Government. However, it should be noted that this research serves as a valuable resource due to its examination of elements that have an influence on the quality of financial reporting. The study, in its conclusion, suggests that implementing a hiring process that prioritises competent and qualified workers can effectively prevent the occurrence of subpar financial reporting.

In the aforementioned audit report, the Auditor-General provides a complete assessment of the Zambezi Regional Council in Namibia, comparable to the one conducted for the Otjozondjupa Region  2019 In this instance, the Auditor-General presents an additional report pertaining to a different region, focusing on the cash flows derived from operational operations, net cash flows resulting from investing activities, the overall cash movement over the specified time, and the total cash balance at the conclusion of said period. According to the Auditor-General, it is imperative for accounting officials to consider these factors while preparing for yearly financial accounts.

In a scholarly study authored by Afiah and Rahmatika (2014), significant attention was given to the importance of competency in financial reporting, as it has a direct impact on the quality of financial statements presented by government officials and departments. The study's findings indicate that there is a noteworthy correlation between inadequate financial reporting and the quality of governance in seven Local Government Countries within the study area.

### 3.6.2 Adverse Opinion

An adverse opinion signifies that the financial records do not adhere to Generally Accepted Accounting Principles (GAAP) and are significantly misrepresented. An adverse opinion might serve as a potential indication of fraudulent activity, prompting public corporations to rectify their financial statements and undergo a further audit of those statements.

### 3.6.3 Disclaimer of Opinion

A disclaimer of opinion is rendered by the auditor in cases where the audit report cannot be completed due to the absence of financial records or inadequate cooperation from management. This suggests that a conclusive assessment of the financial accounts could not be made. A disclaimer of opinion should not be seen as an expression of opinion in and of itself.

### 3.6.4 Unqualified Opinion

An unqualified audit refers to a complete audit that has been performed and examined so thoroughly that the only possible remaining discrepancies are from information that could not be obtained by the auditor. An unqualified audit analyses both the internal controls, as well as all the details in the organisation's books. All auxiliary documentation and supporting records are used in an unqualified audit (Gramling et al., 2011).

## 3.7 Internal Audit function, Audit Committee and Corporate Governance issues in Regional Councils

### 3.7.1 Internal audit function

According to Tuovilla et al. (2022) an internal audit encompasses the assessment of a firm's internal control mechanisms, encompassing aspects such as corporate governance and accounting procedures. The purpose of conducting these audits is to verify adherence to legal and regulatory requirements, as well as to uphold the accuracy and timeliness of financial reporting and data collecting. Internal audits also equip management with the essential skills to achieve operational efficiency by identifying issues and rectifying deficiencies prior to their detection in an external audit. Vaidya (2022) provides an explanation of internal audit as a critical organisational function that evaluates the extent to which a firm effectively maintains operational efficiency and manages accounting processes in accordance with established norms and regulations. Regularly conducting audits helps to guarantee that organisations adhere strictly to administrative principles and maintain a high level of accuracy in financial reporting.

### 3.7.2 Audit Committee

King III Report of (2015) places significant emphasis on the crucial importance of an audit committee in safeguarding the integrity of financial controls and integrated reporting, encompassing both financial and sustainability reporting. Additionally, the audit committee is tasked with the identification and effective management of financial risk. This sentiment is corroborated by the Act. The regulation of the formation of an audit committee is governed by the improved accountability and transparency criteria outlined in Chapter 3 of the Act. The legislation mandates that both publicly traded corporations and state-owned enterprises must establish an audit committee. Other types of corporations have the option to establish an audit committee, although the regulations outlined in the Act regarding the audit committee will only apply to these companies as specified in their separate Memorandums of Incorporation. Despite the stipulations outlined in the Act, King III (2015) suggests that the inclusion of an audit committee should be mandatory for all corporations. According to the Act, in cases where the establishment of an audit committee is mandatory, it is incumbent upon the shareholders to appoint the audit committee during each annual general meeting.

According to King III (2015), the statutory duties of the audit committee include:

• Engaging in the act of presenting formal communications to the board pertaining to the accounting policies, financial controls, and records and reporting of the Company.

• Proposing an auditor for consideration by the audit committee, ensuring their independence.

• Establishing the appropriate audit fee.

• Ensuring that the selection of the auditor aligns with the requirements outlined in the Companies Act and other applicable legislation.

• Deciding on the scope and magnitude of non-audit services.

The committee is responsible for the following tasks:

1. Conducting a pre-approval process for any proposed agreement with the Auditor regarding the provision of non-audit services.

2. Compiling a report to be included in the annual financial statements, which outlines how the Committee fulfilled its duties, verifies the independence of the auditor, and provides commentary on the financial statements, accounting practises, and internal financial control measures of the company.

3. Receiving and addressing any relevant complaints.

4. Undertaking any additional functions assigned by the board.

### 3.7.3 Corporate governance issues in Regional Councils

The efficacy and transparency of regional councils in Namibia are significantly impeded by challenges associated with corporate governance. The absence of transparency in the processes of decision-making and resource management gives rise to public skepticism and the potential for allegations of corrupt practices, hence, highlighting the widespread prevalence of issues pertaining to transparency and accountability. In order to address these challenges, it is imperative for regional councils to establish transparent accountability mechanisms, such as regular reporting to stakeholders and conducting financial audits. Additionally, it is important to consider the potential for corruption and fraudulent activities, such as embezzlement, bribery and nepotism, which may undermine the integrity of the councils (Auditor General Office, 2015).

Insufficient leadership capabilities and a dearth of experience among council members and personnel may undermine the councils' capacity to operate with optimal effectiveness. In order to address this issue, it is imperative to establish and execute comprehensive training and evaluation initiatives. Political intervention in decision-making procedures and budget distribution can undermine the autonomy of councils and impede their capacity to act in the best interest of the public. Preserving the independence of regional councils from undue influence is vital for the establishment of effective governance. In order to adequately tackle these concerns, it is imperative for Namibia's regional councils to establish a collaborative approach with the central government, non-governmental organisations, and the wider public. This collaborative effort aims to enhance governance, foster public confidence, and reinforce accountability and transparency. The implementation of regular monitoring and auditing processes is of paramount importance in promptly identifying and rectifying emerging issues (AG, 2015; KRC, 2015; ORC 2015; ZRC 2015).

## 3.8 Implementation or adoption of IPSAS, Systems, Training and Skills

### 3.8.1 Implementation or adoption of IPSAS

The implementation of IPSAS in the Namibian public sector is a noteworthy development that warrants acknowledgement, particularly due to its novelty and the limited understanding around it among various stakeholders. According to PricewaterhouseCoopers (2011), due to its role as the foremost adopter of these standards, the government would be required to allocate substantial resources towards the training and education of its accountants to effectively implement IPSAS. The recognition of the challenges involved in transitioning from cash accounting to accrual accounting, a more prevalent practice in corporate settings, is acknowledged. These challenges mostly stem from the financial investments required for capacity building and the need for effective change management strategies. The implementation of this new framework is expected to bring about significant changes in the techniques and infrastructure of government financial reporting, as stated in the Assembly Budget Remarks of 2021. The implementation of accrual accounting and the update of International Public Sector Accounting Standards (IPSAS) entail more than mere numerical considerations, as emphasised in the address delivered by the Auditor General's office. The implementation of new policies and significant accounting procedures will impact reporting duties, legislative requirements, organisational systems, and personnel throughout the entire organisation. The presence of a consistent flow of information and well-established internal procedures is crucial for the process of data collection.

### 3.8.2 Systems training and Skills

The implementation of International Public Sector Accounting Standards (IPSAS) in the Namibian public sector is a noteworthy development that warrants acknowledgment, particularly due to its relatively recent introduction and limited comprehension among stakeholders.

However, the capacity of the current information technology infrastructure in the public sector to accommodate the proposed modification needs attention. Individual topics that should be taken into consideration include change management, the process of adapting to a new culture, and the necessary training (PriceWaterCoopers, 2011). The aforementioned text refers to the budget remarks for the year 2021 made by A.G. The adoption of IPSAS may need the implementation of new forms and financial reporting templates by different government entities, such as Ministries and Regional Councils.

## 3.9 Theoretical Framework

This section presents the relevant theories that informed this study. Moreover, the adoption of the relevant sections of the theories in this study is presented.

### 3.9.1 Agency Theory

The mitigation of the principal-agent dilemma can be achieved by implementing accountability mechanisms. This concept, rooted in agency theory (Berle & Means, 1932), holds significant importance in the public sector and various governance studies. The agency theory was initially proposed by Jensen and Meckling in 1976. In this concept, public sector managers are perceived as agents, with the government being the principal. An "agent" refers to an individual who does actions on behalf of another individual, commonly known as the "principal," with the objective of achieving a specific objective. One of the inherent difficulties in the principal-agent relationship lies in the inherent impossibility for principals to provide an exhaustive and clear delineation of the agent's responsibilities in every conceivable circumstance. In a context characterised by restricted logical parameters, the existence of an impeccable contract becomes unattainable. The principal-agent dynamic can be subject to three potential sources of complication, including opportunism, sunk costs, and the revealing of confidential knowledge. According to Jensen and Meckling (1976), the separation of ownership and control allows managers, acting as agents, to potentially act in ways that do not align with the best interests of the shareholders or owners, who act as principals. Potential factors contributing to this phenomenon may involve a misalignment of goals amongst the aforementioned groups. The agency conundrum incurs costs due to the separation of ownership and management. The determination has been made that agency costs are equivalent to the sum of principal monitoring expenditures, agent bonding expenses, and any residual costs remaining after subtracting these two categories.

Managers may engage in actions aimed at protecting their own interests or prioritising the company's growth in earnings, hence, exacerbating agency problems. These challenges arise due to the legitimate expectation of shareholders that managers will operate in the shareholders' best interests. Jensen and Meckling (1976) recommended the implementation of heightened incentives for managers as a means to encourage value-maximising decision-making, perhaps resulting in a reduction of inefficiency. Agency costs arise when there is a divergence between the interests of shareholders and the management of a company. The costs encompass several components, such as free cash flow, debt charges, monitoring fees, and bonding expenses.

### 3.9.2 Accounting Stewardship

The stewardship style of accounting places significant emphasis on an organisation's challenges, as stated by Syahdan (2021). The practice of accounting for stewards was developed in ancient times as a means of overseeing the financial affairs of individuals who employed stewards. This included various entities, such as ancient temples, sovereigns, merchants, and landed nobility. Within an organisational context, several individuals actively give their temporal resources, physical exertion, innovative concepts, and pertinent knowledge. The adoption of hierarchical structures in companies emerged as a result of the evolution of labour markets, specifically in relation to managerial labour markets. In parallel, the concept of stewardship accounting was established to provide necessary support to these hierarchical organisations. The divergence between publicly listed corporations and privately held enterprises in terms of their accounting practises, specifically the financial-reporting model, can be attributed to the advancement of capital markets. A significant proportion of the curriculum on "managerial controls" in the early twenty-first century can be accurately categorised as stewardship. Challenges linked to the existence of a distinct labour market for managerial positions. The concept of control holds significant importance in various disciplines that are oriented towards managerial practises. These disciplines include planning and budgeting, evaluation and compensation of divisional and managerial performance, decentralisation, transfer pricing, capital budgeting, as well as activity-based costing, variable costing, and absorption costing. Bookkeeping serves as the fundamental pillar of both stewardship and managerial accounting.

### 3.9.3 Accounting Theory

Otley and Pollanen (2000) assert that the primary objective of formulating an accounting theory is to establish a framework for assessing the efficacy of accounting practices. It is imperative for accountants to employ methodologies that adhere to the established standard. This theoretical framework has facilitated the prediction of the probable result of budgetary measures in various scenarios, as well as the assessment of the consequences resulting from modifications to such scenarios. Standards can be produced through the utilisation of models that have been developed within the realm of accounting theory. Management accounting theory can facilitate the implementation of various control systems. The term "variance analysis" refers to the process of examining and evaluating the differences between planned and actual outcomes in order to identify and understand the reasons for these discrepancies. The budget serves as a crucial planning tool. The management is responsible for establishing a framework to solicit feedback regarding the effective implementation of the budget. In order to make precise forecasts, it is important to possess historical data, upon which this theory significantly relies.

According to Kaplan and Norton (1996), accounting theory aims to provide a coherent framework of logical principles that may be used as a benchmark to evaluate and enhance sound accounting practices and regulations. The cost accounting theory developed by Wedgwood during the early 20th century provides a fundamental comprehension and structure for organisational budgeting and control. This theory places a significant focus on the identification and allocation of costs, as well as the optimisation of revenues.

### 3.9.4 Stewardship Theory

Syahdan (2021) posits that stewardship theory serves as a normative alternative to agency theory in the realm of corporate governance. The stewardship theory posits a robust correlation between satisfaction and organisational success. It further suggests that managers, when granted autonomy, will operate as accountable stewards of the assets within their jurisdiction. The notion was initially offered by Donaldson and Davis (1989). Effective stewards prioritise collaboration above competition and are motivated by collective interests, in contrast to agency theorists, who are primarily motivated by self-interest. The fundamental principle underlying stewardship theory posits that a proficient steward comprehends the potential to attain personal, professional and other objectives through active engagement and dedication to the collective welfare of the organisation. Trust, reputational enhancement, reciprocal behaviour, discretion and independence, level of accountability, job contentment, stability and longevity, alignment with organisational mission and alignment with organisational mission all contribute to motivating stewards to perform optimally. The disposal of assets by principals and trustees is of the utmost importance in the context of stewardship theory. There exists a positive correlation between degrees of encouragement and stewardship behaviour. Relational leadership acts facilitate the development of trust within the interpersonal relationship, as guided by the concept of stewardship. Furthermore, the integration of contextual and motivational assistance holds promise for fostering creativity. To ensure the protection and enhancement of shareholder wealth, trustees are required to consider and utilise both internal and external incentives. According to Syahdan (2021), the performance of a company can be enhanced via the unwavering commitment and dedication of its management to fulfilling their obligations.

### 3.9.5 Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) of Venkatesh et al. (2003) is a conceptual framework that investigates the determinants that impact the acceptance and adoption of technology. The Acceptance Theory Model (TAM), on the other hand, explains the elements that impact the acceptance of different end-user computer technologies by users. The Technology Acceptance Model (TAM) has two core theoretical components, namely perceived usefulness (PU) and perceived ease of use (PEOU).

### 3.9.6 Positive Accounting Theory (PAT)

The origins of Positive Accounting Theory (PAT) can be traced back to the scholarly contributions of Watts and Zimmerman in 1978 and 1986. According to Sugut (2014), the primary objective of the Predictive Ability Test (PAT) to offer forecasts and justifications for managers' preference for specific accounting procedures. The objective of the study conducted by Mutai (2014) is to elucidate the essence of accounting, the undertakings of accountants, and the repercussions of these occurrences on persons and the allocation of resources. Abdulrazakh (2013) posits that the influence of the Performance Assessment Tool (PAT) can be ascribed to the selection of accounting methods, methodologies and policy decisions. Mutai (2014) asserts that the concept of an organisation can be defined as a collection of contractual arrangements that enable collaboration among individuals driven by self-interest, encompassing employee contracts and analogous agreements.

According to Oluoch (2014), the distortion of information can occur as a result of managerial incentives, as discussed in the Principles of Accounting Theory (PAT). The management possesses a distinct informational edge compared to other stakeholders and can actively pursue the manipulation of earnings and capital structure disclosure in financial reports as a result of the inherent conflict of interest between managers (agents) and the owners of the company.

The primary objective of Positive Accounting Theory (PAT) is to offer a theoretical framework that elucidates the selection of accounting practices by managers, taking into consideration various elements such as self-interest and the interplay of stakeholders. The present study finds relevance in this theory, as it elucidates the rationale underlying the decision-making process of financial statement preparers when choosing a specific accounting technique. The effective implementation of the International Public Sector Accounting Standards (IPSAS) cash basis within regional councils necessitates a continual enhancement of staff capabilities to successfully navigate the evolving organisational environment.

### 3.10 Empirical Literature Review - Findings of other researchers from the rest of the World, followed by African Countries and Last Namibia

#### 3.10.1 Global Empirical literature Review on Factors affecting the quality of Financial Reporting

The study conducted by Rahmatika (2016) examined the diverse factors that exert influence on the magnitude of fraudulent activities and their subsequent consequences on the integrity of financial reporting within the context of Indonesia. The variables under consideration encompass the degree of senior management engagement in fraudulent behaviours, the existence and efficacy of the internal audit function, and the standard of financial reporting quality. The research employed both primary and secondary data sources and encompassed a sample size of 108 individuals from 36 local government entities within the region of Central Java, Indonesia. The analysis of data was conducted with Partial Least Squares (PLS) simultaneous equation modelling (SEM). Based on the estimated data, the findings indicate that there is no statistically significant or adverse correlation between internal audits and the prevalence of fraudulent activities. Furthermore, a significant inverse correlation exists between the level of top management support and the prevalence of fraudulent activities. Furthermore, a noteworthy and adverse correlation exists between the magnitude of fraudulent activities and the calibre of financial reporting.

Dewata, Hadi, and Jauhari (2016) conducted a study to analyse the factors that influence the quality of financial reporting and its subsequent impact on the financial performance of state-owned companies (SOEs) in Indonesia. A sample of fifty (50) state-owned firms listed on the Indonesian Stock Exchange was selected using purposive sampling. The data collection spanned the duration of five years, specifically encompassing the years 2010 to 2014. The study considers multiple explanatory variables, specifically the efficacy of the audit committee, the makeup of independent commissioners, government ownership, and board size. The variable under investigation as the dependent variable is the quality of financial reporting. The study employed a regression estimation method to investigate the correlation between various variables, such as board size, composition of independent commissioners, government ownership, and the quality of financial reporting. The findings indicated that a limited or negligible correlation existed among these variables. Nevertheless, a robust and statistically significant correlation was observed between the efficacy of the audit committee and the quality of financial reporting. However, the study also revealed that factors, such as board size, audit committee effectiveness, and financial reporting quality, exhibited a noteworthy and constructive influence on the financial performance. Conversely, the inclusion of autonomous commissioners and state stakeholders exerted a notable and adverse influence on the financial performance of corporations.

In a study conducted by Mahboub (2017), an investigation was undertaken to analyse the primary determinants influencing the quality of financial reports within the Lebanese banking sector. The research has spanned duration of four years, commencing in 2012 and concluding in 2015, encompassing a cohort of 22 banking institutions. The study used a 40-point index as a proxy for the dependent variable, whereas explanatory variables such as corporate governance characteristics and other organisational traits were used. This study using the Ordinary Least Squares (OLS) estimation methodology to analyse the data and discovered a statistically significant and positive correlation between ownership structure, financial impact and board size with the quality of financial reporting. Nevertheless, the study also discovered that there was no significant correlation between profitability, bank size and board independence with the quality of financial reporting.

### 3.10.2 Continental Empirical Review on Factor affecting the quality of Financial Reporting in Regional Councils African Context

In a study done by Abang'a (2017), the objective was to investigate the effects of implementing the International Public Sector Accounting Standards (IPSAS-Accrual) on the overall quality of financial reporting within semi-autonomous government agencies (SAGAs) in Kenya. The study examined the periods of pre-implementation (2011 to 2013) and post-implementation (2014 to 2015) of IPSAS delimitation. The objective of this study was to investigate the impact of SAGA characteristics on the quality of financial reporting in the context of Kenya. This study examined many explanatory variables that are associated with the SAGAs, including leverage, size of SAGAs, size of audit committee, liquidity, age of SAGAs and profitability. The data that was gathered underwent analysis through the utilisation of paired sample t-test, descriptive statistics, and stepwise regression. The findings of the analysis suggest a notable enhancement in the standard of financial reporting throughout the time after the implementation. The regression analysis findings indicate a statistically significant association between the logarithmic measurement of SAGAs' size (Crossman, 2018), liquidity, the age of SAGAs and the quality of financial reporting.

The research conducted by Onyulo (2017) investigated the multitude of factors that exert influence on the quality of financial reporting in public institutions within the context of Kenya. The research incorporates various explanatory variables, specifically the adoption of international public sector accounting standards, the deployment of internal control measures and the presence of an audit committee. The study sample comprised managers who were employed at institutes under the Ministry of Environment and Natural Resources. The process of data gathering involved the administration of a questionnaire to the participants. The data analysis was conducted using STATA software version 13, employing descriptive statistics and multiple regression techniques. The results of the estimation demonstrated a statistically significant association between the independent variables and the dependent variable. The internal control mechanism exerted the most significant influence, with subsequent effects observed by the audit committee and the implementation of International Public Sector Accounting Standards (IPSAS), in that respective sequence.

The research conducted by Nwanyanwu (2017) investigated the influence of audit quality practices on financial reporting within the Nigerian setting. Questionnaires were employed to ease data collecting in this study. Furthermore, the examination of the data entailed the implementation of three-part studies encompassing univariate, bivariate, and multivariate analyses. Based on the examination of descriptive statistics, the Pearson Product-Moment Coefficient of Correlation, and stepwise multiple regression, it becomes apparent that there exists a statistically significant and positive correlation between audit quality practices, encompassing technical training and competence, auditor independence, engagement performance, and financial reporting, as assessed by the Reliability of financial reports. The observation of auditor independence is of considerable importance, as it demonstrates a substantial ability to explain variations, accounting for an average of around 47.9% of the observed variances.

The research undertaken by Umaru (2014) investigated the correlation between audit firm attributes and the quality of financial reporting in construction materials firms that are publicly listed on the Nigeria Stock Exchange (N.S.E). The research study employed a correlational research design as a framework for conducting the examination. A representative subset of four organisations was chosen to be studied over a span of 10 years, specifically from 2002 to 2011. The data obtained from these companies was subsequently subjected to analysis utilising Ordinary Least Square (OLS) and multiple regression estimate methodologies. The investigation yielded significant findings that demonstrate a robust and direct correlation between the variables under observation, specifically audit compensation and audit firm independence, and the quality of financial reporting. The obtained results were determined to possess statistical significance at a significance level of 1%.

### 3.10.3 Namibia Empirical Literature Review on factors affecting the quality of Financial of Regional Councils

However there seem to be limited studies conducted on the financial management of Regional councils in Namibia. The study undertaken by Mutumba, (2012) focused on the roles of Regional Councilors in financial management of Regional Councils in Namibia. The research tool involved interviews to gather data, the analysis was confined to aspects of financial management namely resource acquisition, budgeting and budget control. This study suggested that regional councils move away from the current traditional financial management approaches. This study did not examine the subject of financial reports; this suggests a gap and more opportunity for future scholars.

### 3.11 Conceptual Framework for the Study

This section provides a schematic diagram illustrating the independent variables (IV) that exert an influence on the result dependent variable (VD), as indicated by the primary purpose of the study. The term "conceptual framework" pertains to a theoretical framework that provides guidance for the growth and comprehension of a specific subject or discipline. According to Smyth (2009), a conceptual framework serves as a structural framework that facilitates the organisations and interpretation of information by elucidating potential links among the variables being investigated. A theoretical framework or conceptual framework is employed within a pertinent domain of scholarly inquiry. The diagram presented in Figure 2.1 depicts the interconnectedness among the variables under investigation.

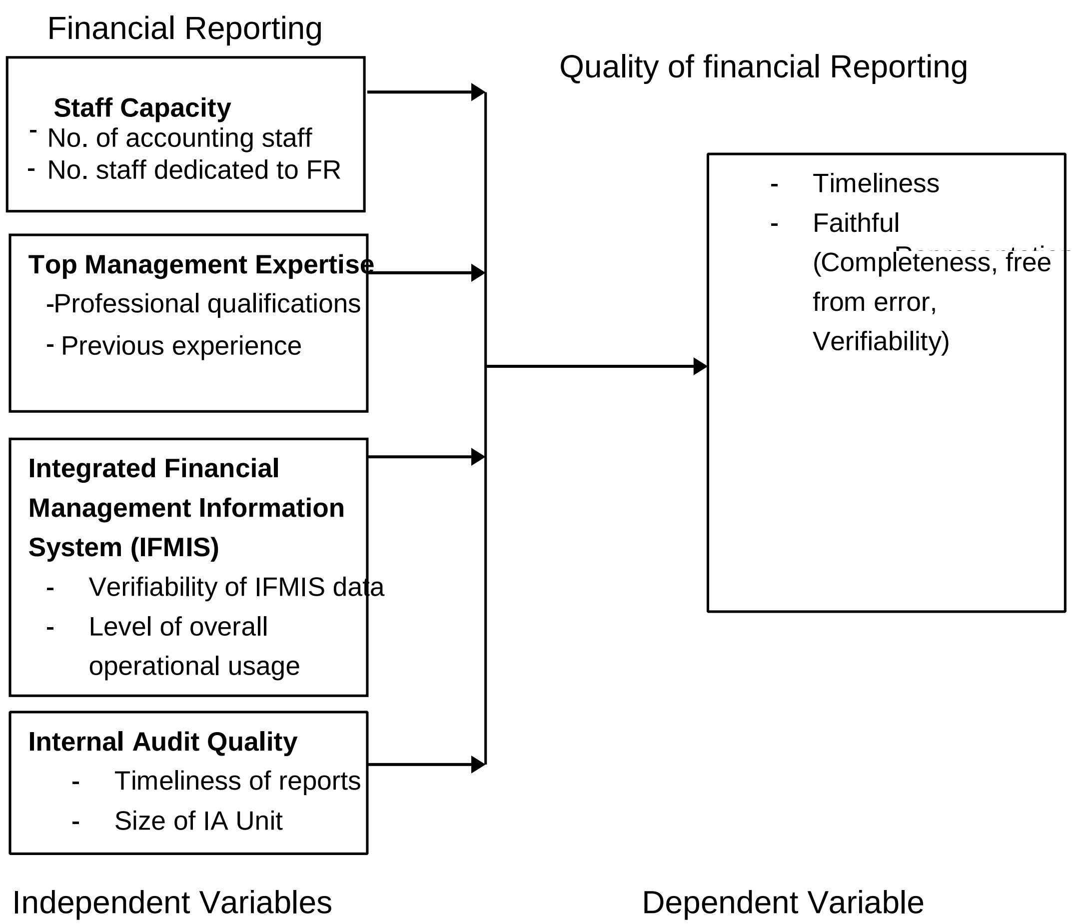

*Figure 2.5 Interconnectedness among the variables*

## 3.12 Summary and Research Gap

### 3.12.1 Summary

The extant literature pertaining to the factors under investigation in this study has furnished significant insights into the diverse findings drawn by various authors with respect to the standard of reporting in regional councils. This study is grounded in four distinct theoretical frameworks: agency theory: Meckling, 1976, Stewardship theory Donaldson and Davis 1989 Technology Acceptance Model theory Venkatesh et al. (2003) and governance theory. These ideas played a pivotal role in elucidating the significance of financial reporting quality in facilitating the efficient utilisation of public resources. Numerous researches in the empirical literature have shown a demonstrated link between individual factors. The primary aim of these endeavours is to make a substantial impact on enhancing the worldwide benchmark of financial reporting, which is a pivotal facet of reporting practices in the public sector. The chapter's conclusion emphasised the existing research gap pertaining to the dearth of empirical studies on the subject of quality financial reporting within regional councils in Namibia.

### 3.12.2 Research gap

The topic of financial reporting quality in the public sector has garnered significant interest from both academic researchers and professionals in the field. This emphasis is primarily driven by the identified shortcomings in corporate reporting practises. This phenomenon has been substantiated by a substantial body of research conducted across several countries and businesses. Nevertheless, despite the considerable level of interest surrounding this subject matter, there is a dearth of scholarly investigations pertaining to the standard of financial reporting within Namibian regional councils. The Government of Namibia places major emphasis on the role of regional councils in the realisation of Vision 2030. Substantial investments have been made to support regional councils in effectively providing public services.

# CHAPTER FOUR: RESEARCH METHODOLOGY AND DESIGN

## 4.1 Introduction

The present chapter provides an overview of the methods utilised in the investigation. The research process involves several distinct steps, including the creation of a research design, identification of the target population, selection of an appropriate sampling method, development of research instruments, implementation of data collection procedures, analysis of the collected data, and presentation of the findings. This methodology enabled the inquiry into establishing the association between the variables under research, specifically the identified elements and financial reporting. This chapter provides a comprehensive overview of the methodology employed in the study, encompassing several aspects such as research philosophy, research design, target population, sample and sampling procedures, research instruments, data collection procedures, reliability and validity considerations, data analysis techniques, and ethical considerations.

## 4.2 Research Philosophy

According to Howell (2013), research philosophy can be defined as an individual's belief system regarding the appropriate methods for collecting, analysing, and utilising data pertaining to a particular topic. The concept of epistemology, which pertains to knowledge and truth, as distinguished from doxology, which pertains to beliefs, incorporates a range of philosophical perspectives on research methodologies. The research philosophy is a term widely used to describe the researcher's epistemological and ontological perspectives towards the creation and progression of knowledge (Saunders, 2016). There are five distinct research philosophies that may be identified, which include Positivism, Critical Realism, Interpretivism, Post Modernism, and Pragmatism. The thesis utilises the philosophical framework of positivism, and its justification will be further expounded upon in later parts.

### 4.2.1 Epistemology Philosophy

Epistemology is concerned with the fundamental assumptions that are constructed with respect to knowledge and its subsequent transmission to others (Burrell & Morgan, 2017). In the realm of business, a wide array of knowledge types are currently utilised, encompassing numerical data, visual data, textual information and various others. The presence of various epistemological frameworks provides researchers with the potential to use discretion in their decision-making processes. Nevertheless, it is imperative to acknowledge that, in the next examination, researchers bear a heightened obligation to carefully choose the philosophical standpoint and methodology that best corresponds to the goals of their research. Creswell(2014), has expounded that epistemology is a branch of philosophy that focuses on fundamental concerns pertaining to the acquisition of knowledge and the determination of its validity. What factors determine the criteria for determining knowledge as acceptable? Furthermore, it is vital to investigate: What are the distinctive attributes of data that can be considered of superior quality? What are the various forms of contributions that can be made towards the progression of knowledge?

### 4.2.2 Ontology

The notion of ontology encompasses the fundamental principles and presuppositions concerning the essence of existence, together with the capacity of individuals to apprehend and construe reality through diverse lenses (Saunders, 2016). The notion that individuals perceive experiences in unique manners automatically gives rise to the notion of researcher bias in cases where the researcher retains a close interaction with the research participants. The researcher's judgments are significantly influenced by a range of aspects when it comes to selecting the philosophy and technique, consequently shaping and impacting their study. The manner in which individuals view reality, referred to as their ontology, has a significant impact on both their chosen research approach and the selection of issues for examination.

The discipline of ontology is dedicated to the examination and exploration of the basic essence and nature of reality. What is the current global condition? What is the professional experience associated with the occupation of a salesperson? What is the professional experience associated with the role of a sales manager? The answers to these concerns can be positioned on a continuum ranging from objectivism to subjectivism.

#### 4.2.3 Adopted Research Philosophy

The researcher employed the research philosophy of pragmatism which postulates that concepts are deemed meaningful solely if they contribute to the facilitation of action. The present study employed the research philosophy of pragmatism due to its alignment with the desired design for information collection, which aims to yield a comprehensive and knowledge-intensive research outcome. The objective of this study was to examine the various elements that influence the financial reports of regional councils in Namibia. To do this, a data gathering methodology was employed to investigate the underlying causes of the problem and to endeavour to identify potential solutions.

### 4.3 Research Paradigm

#### 4.3.1 Quantitative (Positivism) Paradigm

The construct “positivism" is derived from the notion of positing or establishing something and its origins may be traced back to the writings of Francis Bacon in 1620. Subsequently, it was further developed by Auguste Comte in the early 20th century (Blaikie, 2017). Positivism places considerable emphasis on the utilisation of empirical scientific evidence that stays unaltered by the prejudices and subjectivity of the researcher. Hence, it is the favoured philosophical methodology among scholars in the scientific sciences who strive to give exclusively objective evidence and factual knowledge. The researcher plays a vital role in upholding objectivity throughout the research process by preserving a sense of detachment and independence from the research being undertaken (Saunders, 2016). The primary aim of positivism is to construct "law-like generalisations" (Saunders et al., 2016, p.144) that facilitates the prediction of outcomes in similar or identical situations. The achievement of this objective is commonly attained by employing comprehensive datasets that may undergo statistical analysis, therefore employing a quantitative approach (Blaikie, 2017; Saunders, 2016). Hence, positivist research tends to employ a meticulously organised technique to enable the replication process. The positivist paradigm involves the systematic investigation and analysis of empirical evidence that is both meaningful and measurable in nature. This phenomenon can be subjected to hypothesis testing, which may require the utilisation of significant quantities of data.

### 4.3.2 Qualitative (Interpretivism) Paradigm

Interpretivism frequently adopts an inductive methodology, which is distinguished by the usage of small sample numbers. The study's methodology is based on the use of qualitative methods and a comprehensive analysis of the subject matter.

### 4.3.3 Pragmatic (Mixed Methods) Paradigm

Pragmatism conceives the existence of a multifaceted and intricate external reality. The assumption asserts that the manifestation of reality is contingent upon implementing ideas, processes, and practices. Pragmatism contends that knowledge holds practical significance within highly particularised circumstances. The primary focus of this study is centered on the examination of various concerns, challenges and practices, with the intention of informing and guiding future endeavours in the field. Pragmatism is a research approach that is heavily influenced by values (Creswell,2014). The research is launched and sustained by the researcher's personal convictions. The researcher demonstrates a high level of reflexivity in their approach. The research methods utilised in this approach demonstrate a wide array of variability. The central emphasis is placed on practical resolutions and outcomes; hence, a range of methodologies was utilised, including quantitative, qualitative, and mixed methods.

### 4.3.4 Adopted Research Paradigm

The study adopted a research philosophy of pragmatism, which purports that concepts are considered meaningful only if they have practical implications and can be applied in action. Pragmatism acknowledges the existence of multiple interpretive frameworks and research methodologies, recognising the limitations of any singular perspective in achieving a thorough understanding of reality. The philosophical perspective under consideration acknowledges the presence of numerous realities (Howell, 2013).

The selection of pragmatism as the guiding philosophy in this research was motivated by its alignment with the requisite design for information-rich research. The principal objective of this study was to investigate the factors that influence the financial reports of regional councils in Namibia. This purpose necessitated the utilisation of a data collection methodology capable of examining the fundamental factors contributing to the problem and striving to identify feasible resolutions. Thus the Mixed methods Philosophy were adopted to accommodate the Positivism and Interpretivism philosophies.

## 4.4 Research Design

A research design is explained by Kumar (2011:94) as a “plan and strategy of the investigation so conceived as to obtain answers to research questions or problems.”

### 4.4.1 Qualitative Research Design

The researcher opted to perform exploratory research as it was determined to be the most appropriate approach for this particular study. The exploratory research design was classified as a form of qualitative research. According to Kothari (2007), exploratory research is a methodology employed to examine a subject that lacks a clear definition. The study aimed to enhance comprehension of a pre-existing issue, although its design did not facilitate the provision of definitive findings. In the context of this study, the researcher initiated the investigation with a broad concept and employed it as a mechanism to discern pertinent topics that may serve as the primary subjects of subsequent research endeavours. A crucial element of exploratory research entailed the researcher's inclination to modify their course of inquiry in response to the unearthing of novel data or insights. This form of research was commonly conducted during the initial phase of a problem. The methodology in question is commonly known as the grounded theory approach or interpretive research, since its primary objective was to address inquiries pertaining to the nature of phenomena, their underlying causes, and the mechanisms by which they operate. The selection of this particular study methodology was based on its inherent advantages, which encompass flexibility, cost-effectiveness, and notably, it’s potential to establish a solid groundwork for subsequent investigations. This study has the potential to assist fellow researchers in identifying potential factors contributing to a given issue, hence, enabling further comprehensive investigations to ascertain the most probable underlying cause. Nevertheless, this approach exhibited the drawback of lacking definitive solutions, albeit it possessed the capability to indicate the correct path towards resolving the study difficulty.

The main rationale behind selecting exploratory research as the methodology for this study was from the requirement to get a comprehensive comprehension of the subject matter. This decision was motivated by the belief that no prior research had been undertaken on this specific issue pertaining to Regional Councils in Namibia. The objective of this study was to investigate the problem and its contextual factors, rather than arriving at a conclusive determination. The primary objective of this study was to build a robust framework for the exploration of ideas, providing assistance to organisations, particularly Regional Councils and offering guidance to future researchers.

The research was conducted in the Khomas, Otjozondjupa and Zambezi Regional Councils, which were selected from a pool of fourteen regional councils in Namibia. The primary aim of this study was to investigate the factors that influence the financial reports of Regional Councils in Namibia. Data was obtained from both primary and secondary sources, specifically from the staff of the regional councils that were selected for the study. The data underwent analysis using both qualitative and quantitative methods. Field visits were undertaken in the designated regions of investigation, encompassing both regional councils Office of the Auditor General and the Ministry of Urban and Rural Development. In order to efficiently handle the workload, a field technician assistant was designated and provided with training in the administration of questionnaires for data collecting.

The process of distributing questionnaires to regional officials was conducted, accompanied by personal observations, interviews, and focused group interviews. The duration of the data collection phase was around two weeks. The collection of secondary data involved a comprehensive study of pertinent material from many sources, including government libraries, archives, professional journals, audit reports, periodicals, newspapers, dissertations/thesis reports, and research performed by other individuals or organisations with a vested interest in the topic at hand. The regional councils also furnished pertinent information and documentation as needed. The aforementioned documents encompassed a wide range of information pertaining to governmental plans, as well as past, present and future operations. These data sources comprised both published and unpublished reports from both public and private entities.

### 4.4.2 Quantitative Research Design

Quantitative research approaches rely on the usage of numerical data, which is then submitted to mathematical analysis, with statistics serving as the major analytical instrument (Yilmaz, 2013). Muijs (2010, p.2) asserts that the fundamental characteristic of quantitative research involves the gathering of numerical data to provide insight into a certain phenomenon, particularly those inquiries that are deemed suitable for quantitative methodologies. Creswell (2014) asserts that a customary format characterises the conclusive written report of a quantitative research study, encompassing distinct elements such as the introduction, literature review and theoretical framework, methodology, findings and discussion (p. 4). Moreover, within the framework of quantitative research, the process of constructing reality takes place when researchers undertake an impartial analysis of a phenomenon, while keeping a certain degree of detachment from the issue under investigation (Yilmaz, 2013).

### 4.4.3 Mixed Methods Research Design

Mixed methods research refers to incorporating both quantitative and qualitative research procedures within the framework of inquiry. According to Creswell (2014), mixed methods research involves the integration of quantitative and qualitative procedures, utilising distinct designs that may comprise philosophical assumptions and theoretical frameworks.

As stated by the author, the core principle of incorporating qualitative and quantitative approaches in research leads to a more comprehensive understanding of a specific study problem when compared to using either methodology independently.

### 4.4.4 Adopted Research Design

The researcher employed a mixed methods approach to ascertain the characteristics that influence the quality of financial reporting among the Regional Councils in Namibia. Saunders et al. (2016) assert that the utilisation of a mixed methods study design enables researchers to seamlessly traverse between theoretical frameworks and empirical data. Deductive reasoning is a logical process that starts with a theory or hypothesis and then seeks to gather facts to support or refute it. On the other hand, inductive reasoning involves gathering data first and then formulating a theory or hypothesis based on the observed patterns or trends. However, mixed methods thinking allows researchers to move back and forth between deductive and inductive approaches, enabling a more comprehensive and flexible approach to study. The mixed methods approach initiates with the identification and observation of an event that is considered atypical or unforeseen, subsequently leading to the development of viable theories to elucidate the observed phenomenon. The researcher may thereafter conduct further investigation into these theories and reveal further unforeseen discoveries, so giving rise to succeeding theoretical frameworks. Given the intrinsic versatility of this approach, it has the potential to be utilised in diverse study contexts. Nevertheless, it is important to acknowledge that a comprehensive and well-elaborated mixed methods approach is especially suitable for research paradigms, such as pragmatism or critical realism.

## 4.5 Target Population

According to Kumar (2011), the population is defined as a comprehensive assembly of individual elements within an item. The speaker placed significant emphasis on the comprehensive nature of the elements being examined in the definition. A population refers to a clearly defined collection of individuals, entities or homes that are the subject of investigation, encompassing persons, services, elements, and events (Creswell, 2014).

The three regional councils that have been chosen for this study are the Khomas, Otjozondjupa and Zambezi Regional Councils. Each of these councils is headed by a Chief Regional Officer, who serves as the accounting officer. Additionally, there are Administrative Directors, Planning Directors, Finance Deputy Directors, Planning Deputy Directors, and Finance Staff, with three individuals serving in each role. Furthermore, the population of each council comprises elected Councillors representatives. The region of Otjozondjupa is composed of seven (7) constituencies, whilst the region of Zambezi consists of six (6) constituencies, and the region of Khomas encompasses ten (10) constituencies. The overall population consists of twenty-seven individuals, which include both the councillors and staff members of the Regional Councils.

## 4.6 Sampling Procedure

Sampling procedures refer to the systematic processes or techniques employed to pick a subset, or subgroup, from a larger population for the purpose of participating in research (Creswell 2014). This process involves the careful selection of a limited number of persons who are representative of the broader group from which they were chosen. There are two primary sampling methods commonly employed in research, namely probability sampling and non-probability sampling (Welman et al., 2005).

Purposive sampling was employed in this study due to the specific subject matter of financial management (Creswell, 2014). It is imperative that the selected participants possess adequate knowledge and awareness of the topic under investigation in order to yield the most valuable information. Purposive sampling is a sampling technique commonly employed in qualitative research as well as mixed method research. This study is deemed optimal as its purpose includes the exploration of information-rich sources. The sample size for this study comprises twenty-seven (27) participants, including both councillors and staff members from the Regional Councils. The selection of these participants is contingent upon their possession of the necessary expertise pertaining to the study's subject matter.

## 4.7 Research Instruments

### 4.7.1 Questionnaire

The authors De Vos et al. (2011) provided an explanation of a questionnaire as a research tool that consists of a set of inquiries specifically crafted to gather data from individuals participating in a study. Questionnaires can be seen as a textual manifestation of interviews and can be conducted using diverse methods, such as in-person, telephonic, computer-based, or postal surveys. The method they provide presents a comparatively affordable, expeditious, and successful approach to collecting significant quantities of data from a sizable population sample. One of the primary benefits associated with questionnaires is their capacity to efficiently gather data without necessitating the physical presence of the researcher during their administration. This characteristic is especially advantageous in the context of extensive populations, when the feasibility of conducting individual interviews is limited.

Nevertheless, one potential obstacle linked to the utilisation of questionnaires is the possibility that respondents may not consistently offer entirely truthful answers as a result of the influence of social desirability bias. A significant number of persons possess an inherent tendency to portray a favourable self-image, resulting in a propensity to distort the facts or offer responses that align with societal expectations.

This study utilised two distinct types of questionnaires. Two separate questionnaires were developed, one specifically for the finance technical staff and another specifically for the members of the management committee of the regional council. The utilisation of this methodology facilitated the acquisition of data from two discrete cohorts of participants, each possessing separate viewpoints and views, as an integral component of the previously conducted research.

### 4.7.2 Interviews

In qualitative research, interviews were predominantly employed as a method of data collection. These interviews involved researchers posing generic, open-ended questions to one or more participants, and subsequently recording their responses. As a result, audiotapes were employed as a means to enhance the reliability of transcription (Creswell, 2014). After conducting the interviews, the data was transcribed and entered into a computer file by the researcher for further study.

Interviews have demonstrated their effectiveness in revealing the narratives underlying participants' experiences and in acquiring comprehensive insights into many subjects. Interviews proved to be a helpful method for researchers to do follow-up with individual respondents subsequent to their completion of questionnaires, so enabling a more comprehensive examination and investigation of their responses (Creswell, 2014).

Within the realm of qualitative research, interviews were utilised as a means to explore the underlying significance of key topics within the domain of the study participants. The main purpose of conducting interviews was to acquire a comprehensive understanding of the information presented by the interviewees (McNamara, 2009). In the course of these interviews, it was customary to pose open-ended questions with the intention of obtaining impartial and comprehensive responses. Conversely, closed-ended questions were deliberately avoided due to their potential to prompt participants to answer in a preconceived fashion (Creswell, 2014; McNamara, 1999).

This study utilised individual interviews, with a specific focus. The aforementioned methodologies provide a complete approach to data collection and facilitated a more profound investigation of the research subject in previous instances (Creswell, 2014).

### 4.7.3 Personal Field Observation

Kothari (2004) provides an elucidation of personal field observation as a data collecting approach that involves the monitoring of participants, rather than relying on direct data solicitation from them. The category of personal field observation is a specific subclass that involves the researcher serving as the primary instrument for data collection and monitoring. This approach is commonly employed in conjunction with ethnography. The act of collecting can manifest in several forms, namely covert or overt, participatory or non-participatory, and can exhibit varying degrees of invasiveness into the life of the participants. Participant observation refers to a methodical process of documenting and analysing data acquired through active engagement and observation of activities, rituals, interactions, and events. Its purpose is to reveal both explicit and implicit elements within the subject area under investigation. The act of personal observation presents numerous significant ethical considerations for researchers, encompassing the delineation of participation boundaries, the attainment of an appropriate balance between observation and participation and the preservation of informant anonymity.

### 4.7.4 Adopted Research Instruments

The researcher adopted the structured questionnaire and interviews to collect the data from the respondents.

## 4.8 Data Collection Procedures

The present research study employed concurrent data gathering methodologies to effectively acquire data from employees across many Regional Councils. The process was started by the researcher through the acquisition of an access authorisation letter from the University, which granted authority to perform the research within the aforementioned organisations. This formal correspondence established a sense of trustworthiness and simplified the process of obtaining entry or permission.

In order to facilitate a seamless data collection procedure, a letter of introduction was dispatched to the Regional Councils, elucidating the research aims and ethical deliberations. The aforementioned correspondence furnished the essential background information for the research endeavour and effectively obtained consent and collaboration from the Regional Councils.

To effectively manage the gathering of data from several sites and a heterogeneous cohort of participants, a team of six research assistants was recruited. The research assistants played a vital role in the simultaneous data collection from the Regional

Councils, thereby ensuring the efficiency and timeliness of the process. It is probable that they received training in order to adhere to standardised protocols for data collection, with the aim of ensuring consistency and the quality of the collected data.

In order to mitigate the occurrence of data misuse and uphold the integrity of data, appropriate protocols for data management were implemented. The data gathered from various Regional Councils was methodically arranged and safely archived.

Maintaining regular reporting and communication between the research assistants and the lead researcher played a vital role in overseeing the advancement of the project, resolving any potential challenges, and guaranteeing that the data gathering procedures maintained a high level of consistency and alignment with the research objectives. When implemented successfully, concurrent data collecting processes have the potential to greatly improve the efficiency of data collection in a research project conducted across many sites.

## 4.9 Data analysis and presentation

### 4.9.1 Quantitative Analysis Phase

De Vos et al. (2011) claim that the process of data analysis involved a methodical strategy aimed at reducing research data into manageable pieces and extracting meaningful insights to satisfy research queries. The data capture procedure entails the conversion of information from physical surveys into a digital format, commonly accomplished through the utilisation of Microsoft Excel software on a computer. The main aim of the analysis was to proficiently manage the data and methodically classify it into cohesive themes that might be employed to draw significant findings (Jackson, 2011).

The study utilised a blend of qualitative and quantitative research methods to gather data. The data acquired from the study underwent analysis with the statistical programme SPSS 25. The results were visually depicted using graphs and charts to enhance the effectiveness of the presentation.

### 4.9.2 Qualitative Analysis Phase

Content Analysis was used for the analysis of the interviews from the Respondents. Content Analysis is a research tool used to determine the presence of certain words, themes or concepts within given qualitative data (Creswell, 2014). The researcher adopted this content analysis to explore the effects of internal factors affecting the quality of financial reporting for the three Regional councils.

## 4.10 Reliability and Validity

In order to determine the dependability and validity of the research instruments, a questionnaire was administered to a subset of the population at one of the institutions that was not included in the primary sample. The results that were collected were compiled and will be described in greater detail in the next section.

### 4.10.1 Reliability

Cronbach's alpha was applied to each of the four variables—namely, internal control, audit committee, IPSAS, and quality financial reporting—during the course of the study. When evaluating the internal consistency of a scale's items, the Cronbach's alpha statistic is almost universally acknowledged to be the gold standard measure. The assessment determines how much of a correlation there is between the responses to the various questions that are presented. Estimates can range anywhere from 0 to 1.00 when using this test. According to Gliem and Gliem (2003), a greater value of the Cronbach's alpha coefficient suggests a stronger internal consistency among the items on the scale. This is the case when there is a correlation between the items on the scale.

### 4.10.2 Validity

According to Kothari (2004), validity refers to the extent to which instruments effectively measure the specific content the test intends to assess. The questionnaire was developed with the guidance of academic experts and practitioners in the field. Their valuable comments were subsequently integrated into the final draft to enhance the questionnaire's content.

### 4.11 Ethical Issues

According to De Vos, Strydom, Fouche, and Delport (2011), ethics encompass a collection of moral standards that should be adhered to during the conduct of research. De Vos et al. (2011) also posited that individuals may experience emotional, moral, or psychological harm, and measures should be taken to prevent such suffering. The study was designed to circumvent the use of direct inquiries that could potentially reveal the socio-economic standing of the participants. This study employed measures to prevent the inclusion of sensitive or potentially harmful information. Prior to commencing the study, the researcher sought approval from the appropriate regulatory bodies, namely Selinus University and the Ministry of Urban and Rural Development, and the three Regional Councils.

Data collection commenced subsequent to the researcher obtaining ethical approval from the ethics committee at Selinus University, as well as other pertinent research oversight bodies, such as the Ministry under investigation. The identities and names of all participants were kept confidential, with the exception of the researcher. Consequently, the identities of the participants were kept confidential, ensuring the preservation of their dignity, freedom to engage and privacy.

The participants were provided with a letter accompanying the questionnaire, which explicitly stated that the research was being conducted for academic purposes. Furthermore, it emphasised that their identities would be kept anonymous throughout the study. Additionally, the participants were assured that they had the choice to withdraw from participation in the research at any point, and this right would be fully respected.

The collected data was exclusively utilised for the research purposes pertaining to this study within the academic institution and not for any other intentions. The researcher ensured the confidentiality of the provided material and presented it in a thorough and truthful manner, without engaging in data falsification or deliberate deception. The conclusive research result will be disseminated to the Ministry of Urban and Rural Development and the various regional Councils.

### 4.12 Conclusion

In this chapter, the methodology was addressed, which is quite important because it acts as the basis for the research study. The next chapter, will concentrate on the interpretation and analysis of the data, it will illustrate the natural evolution in the process of doing research. The data that was gathered throughout the research process is analysed, processed and placed into a meaningful context at this phase.

## CHAPTER FIVE: DATA ANALYSIS AND INTERPRETATION

### 5.1 Introduction

This chapter presents an analysis of the results obtained from the field research. The results contain the demographic features of the participants, as well as the three particular research objectives. After the completion of editing and coding, the field work data was processed. Following that, the data was subjected to analysis using the SPSS Version 25 programme. During the contracting process, a descriptive statistical analysis was performed on the sample profile. The utilisation of regression analysis was employed in order to investigate the correlation between variables and ascertain the degree to which the independent variables are capable of predicting the dependent variable. The Nvivo programme was used to do the thematic analysis of the qualitative data.

### 5.2 Response rate

The researcher targeted 15 staff at the regional councils. Ten of the targeted population responded representing 66.67%

### 5.3 Demographic Variables Analysis of Participants

This section presents the demographic characteristics of the respondents. The results are presented in Figures 4.1 to Figure 4.7 below.

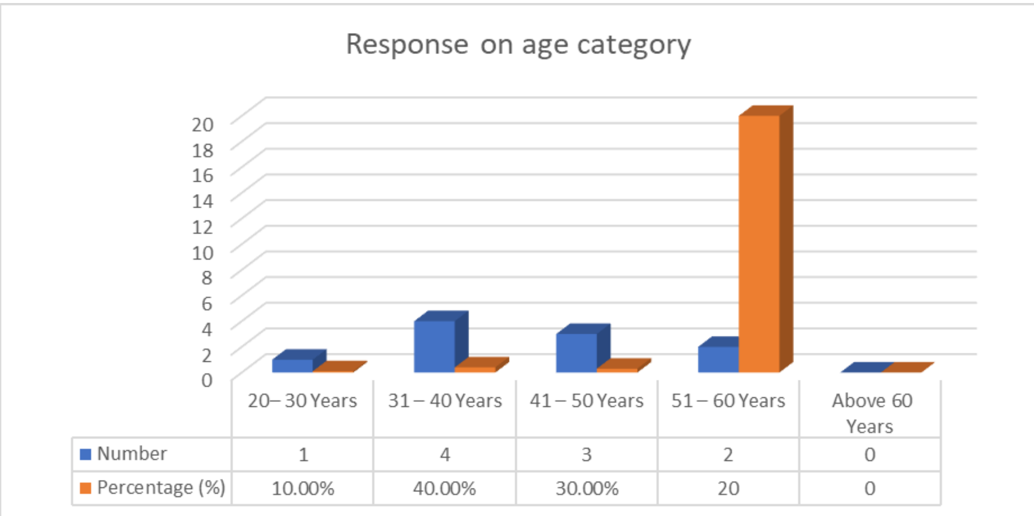

*Figure 5.1 Response on age category (N=10)*

The findings above show that the majority of the respondent (N=4) accumulating to 40% were within the age range of 31- 40 years whilst the least were within the range of 20-30 years encompassing of (N=1) giving only a 10% of the respondents. However, moderately, (N=3) that is 30% of the respondents were within the age range of 41- 50 years whereas (N= 2) giving 20% of the respondents were from the age range of 51- 60 years. The findings gave an impression that the majority were mature enough to have the knowledge to answer the questions regarding the topic under study.

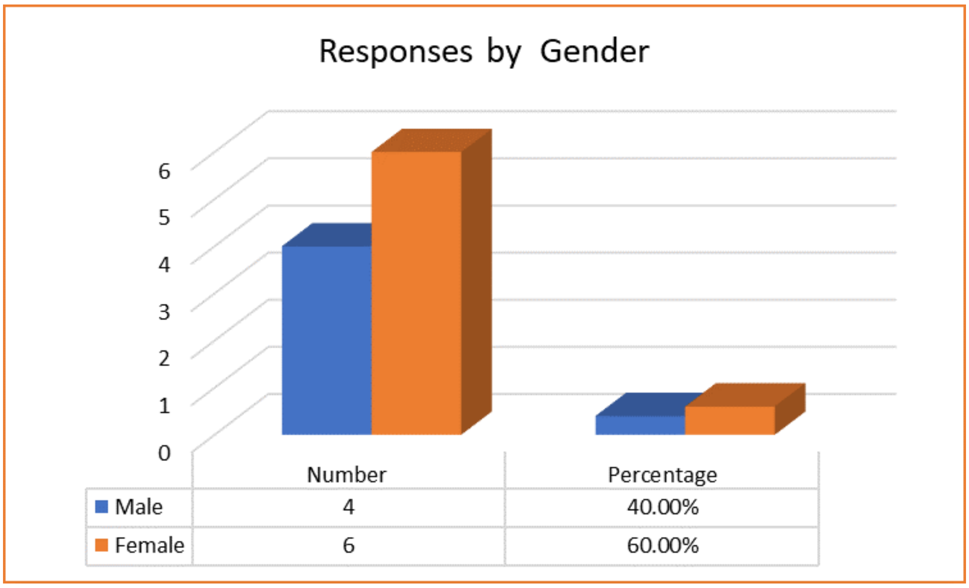


*Figure 5.2 Responses by Gender (n=10)*

The study findings noted that the majority of the respondents (n=6) 60% were female whilst (n=4) 40% of the respondents were male. The study showed an all-inclusive approach as it represented the entire gender category in the study hence, the study results represent divergent perspective and are not biased.


*Figure 5.3 Responses by Working Experience (n=10)*

The findings noted that the majority of the study has 11-15 years of experience with (n=5) giving 50% of the respondents to be more experienced. In addition, a notable number of respondents (n=2) giving 20% of the respondents having above 20 years of experience and another (n=2) 20% having 6-10 years of experience. However, the least (n=1) giving 10% of the respondents had 0-5 years of experience. Notably the majority of the respondents had sufficient years of experience, and this gave the impression that they had a better knowledge of the concept of financial reporting and control within the regional council based on their experience and the challenges they have been facing. Such an experience gave a better content validity as the respondents were having required knowledge regarding the topic under study.

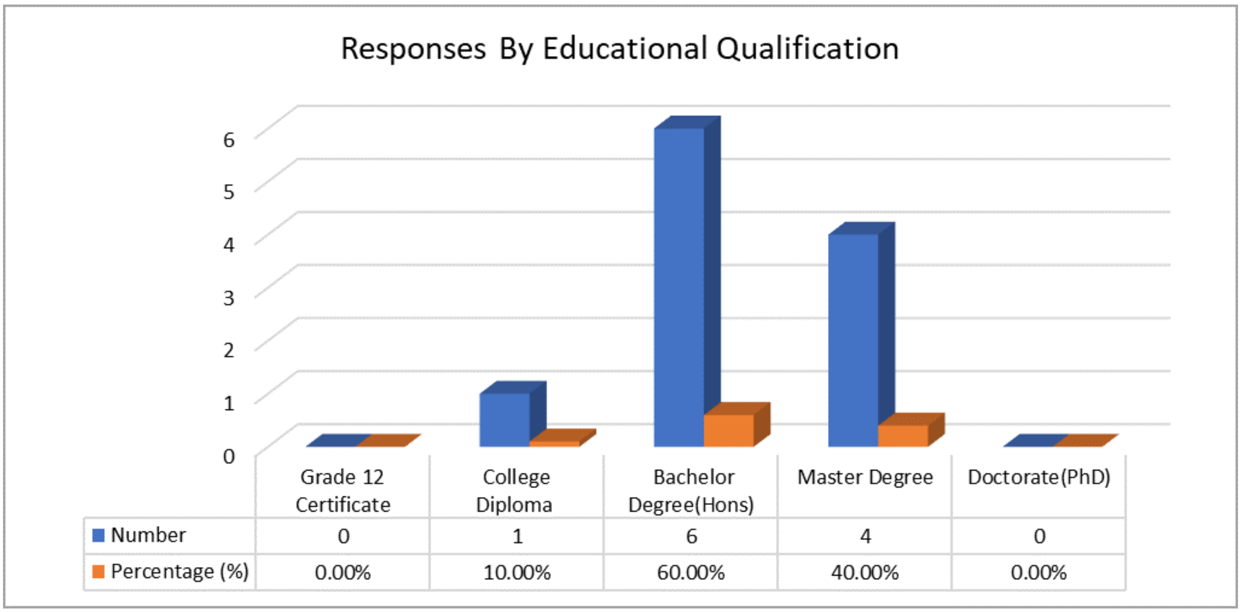


*Figure 5.4 Responses by Educational Qualification (n=10)*

The findings noted that the majority of the study participants (n=6) 60% held a bachelor's degree (Honours) giving assurance of a better understanding of the concepts related to financial reporting. In addition, a notable (n=4) 40% had a master's degree whilst (n=1) 10% of the respondents had diplomas. The results showed that the respondents were intellectually fit to answer relevant questions posed to achieve the results for this study, hence, the content validity for this study was granted based on their level of education in comprehending the topic under study.

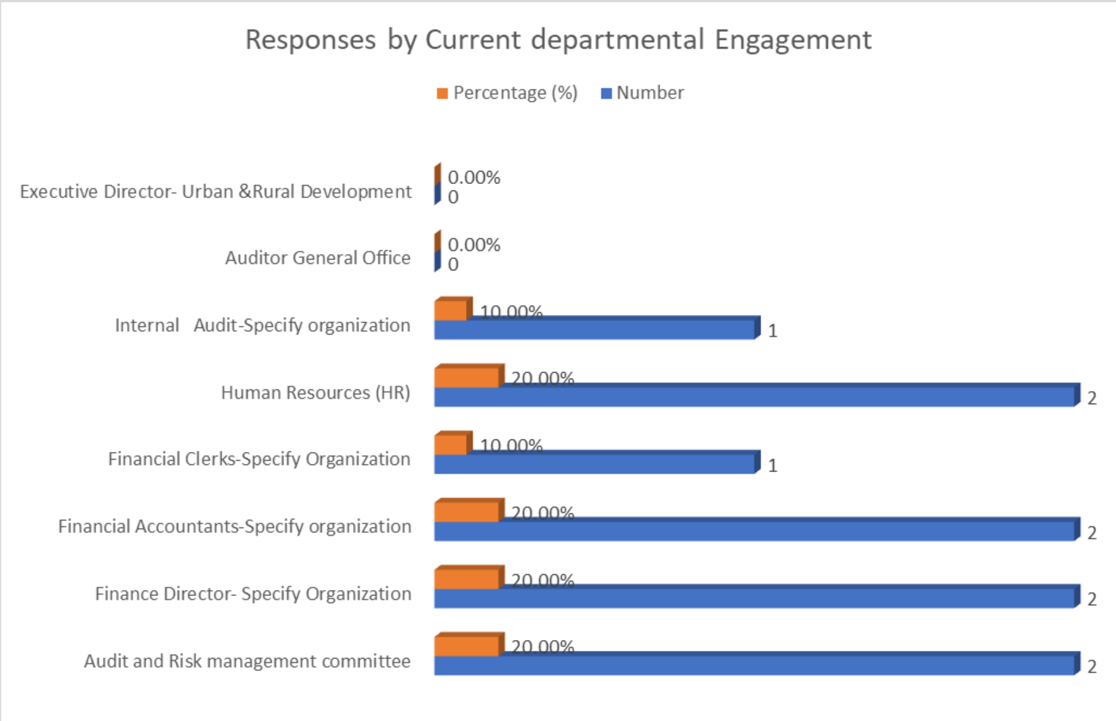


*Figure 5.5 Responses by Current departmental engagement (n=10)*

The findings above show that, on average, each department has been represented with at least (n=2) of the respondents, whereas only the internal audit and financial clerks were represented by (n=1) each. However, in general, all the departments were equally represented based on the proportion of the sample selected for the study. This helped to boost the reliability and validity of the study as it was all – comprehensive.

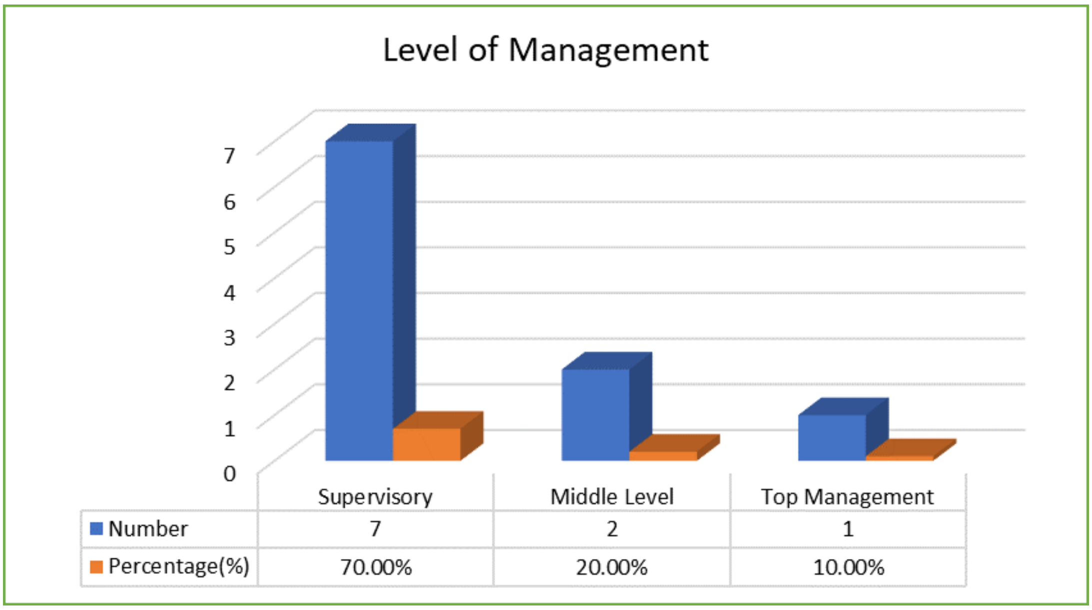


*Figure 5.6 Responses on level of management (n=10)*

The findings noted that, (n=7) 70% of the respondents held supervisory positions whilst only (n=2) that is 20% of the respondents were from the middle management and (n=1) giving 10% of the respondents were from top management. The study findings fully represented all categories of management and it ensured to prove the credibility of this study.

**Responses by concern on the quality of regional council financial reporting**

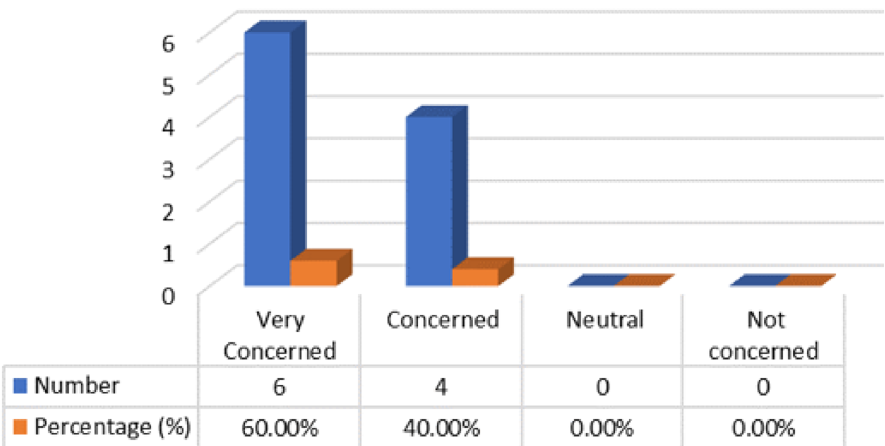


*Figure 5.7 Responses by concern on the quality of regional council financial reporting (n=10)*

The findings noted that (n=6) 60% of the respondents were very concerned about the quality of regional council financial reporting whilst (n=4) 40% of the respondents showed that they were also concerned. It has been established in this study that all the respondents were very concerned with the quality of regional council financial reporting, as it is underscored by a 100% acknowledgement form the responses.

### 5.4 Quantitative Analysis of Effects of Staff Capacity on Quality of Financial Reporting

This section provides an analysis and interpretation of the viewpoints expressed by the respondents regarding the impact of employees' capacity on the quality of financial reporting in regional councils in Namibia. The results are presented in Table 5.1 below.

#### 5.4.1 Effects of Staff Capacity on Quality of Financial Reporting

In accordance with the stated purpose of this study, participants were instructed to indicate their level of agreement with a series of statements related to personnel capability. The participants were provided with instructions to assess the degree to which a thorough evaluation of capacity requirements has been carried out within their individual Regional Councils. The findings pertaining to the influence of employees' capabilities on the quality of financial reporting are displayed in Table 5.1 provided beneath.

**Table 5.1: Responses on staffing capacity and quality of financial reporting**

| | Statement | **5** | **4** | **3** | **2** | **1** | **Total** |
|---|---|---|---|---|---|---|---|
| | | **SA** | **A** | **N** | **DA** | **SD** | |
| **1.** | Capacity needs assessment has been carried out in Regional Councils | 2(20%) | 3(30%) | 3(30%) | 0 | 2(20%) | 10(100%) |
| **2.** | Regional Councils have an effective system of staff recruitment and selection in place to ensure that only the best applicants are | 3(30%) | 3(30%) | 1(1%) | 2(20%) | 1(10%) | 10(100%) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | selected for the Job | | | | | | |
| **3.** | The department of Finance is responsible for financial management and reporting is adequately staffed | 3(30%) | 4(40%) | 1(10%) | 1(10%) | 1(10%) | 10(100%) |
| **4.** | Accounting staff in Regional Councils have relevant qualifications are experienced to perform their duties including financial reporting | 3(30%) | 1(10%) | 5(50%) | 1(10%) | 0 | 10(100%) |
| **5.** | Regional Council Staff have received adequate training from both the Ministry of Finance and other relevant institutions | 0 | 0 | 4(40%) | 6(60%) | 0 | 10(100%) |
| **6.** | Regional Council Finance staff have Knowledge or understanding of the State Finance Act and the Treasury Instructions and other regulations relating to Regional Council Financial Reporting | 0 | 2(20%) | 8(80%) | 0 | 0 | 10(100%) |
| **7.** | The Ministry of Finance and Auditor General office has given adequate support and guidelines to Regional Councils regarding the International Public Sector Accounting Standards (IPSAS) | 2 (20%) | 0 | 4(20%) | 3(30%) | 1(10%) | 10(100%) |
| **8.** | The Top Management in Regional Councils supports and understands the importance of timely and | 4 (40%) | 2(20%) | 3(30%) | 0 | 1(10%) | 10(100%) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | quality financial reporting | | | | | | |

### 5.4.2 Capacity needs assessments have been carried out in Regional Councils

Based on the data shown in Table 5.1, a significant percentage of the participants, precisely 50%, indicated their agreement with implementing capacity requirements assessment in Regional Councils. It is imperative to establish the presence of highly skilled individuals operating within these specific areas to effectively facilitate the generation of financial reports of exceptional meticulousness. A notable segment, including 20% of individuals, has conveyed their dissent with the previously mentioned assertion; however, 30% have adopted a neutral position regarding the issue.

### 5.4.3 Regional Councils have an effective system of staff recruitment and selection in place that ensures that only the best applicants are selected for the job.

The participants were instructed to evaluate the presence of a proficient framework for the recruitment and selection of personnel, aimed at guaranteeing the exclusive selection of the most qualified candidates for the position. A significant proportion, specifically 60%, concurred with the aforementioned statement, whereas a notable 10% of the participants expressed a neutral stance when prompted to evaluate the said statement. A notable proportion of 30%, however, expressed a strong disagreement with the aforementioned statement. The results are presented in Table 5.1 above.

### 5.4.4 The department of Finance, which is responsible for financial management and reporting, is adequately staffed

The participants were additionally prompted to evaluate whether the Regional Council department of finance, which is accountable for the creation of financial reports, possesses a sufficient number of personnel. A majority of 70% of respondents expressed agreement with the notion that the department is sufficiently staffed, whereas a minority of 20% expressed disagreement with this assertion. The prevailing response, amounting to 70%, thus signifies that the department is sufficiently equipped with personnel to effectively carry out its responsibilities in financial management and the production of high-quality financial reports. The results are presented in Table 5.1 above.

### 5.4.5 Accounting Staff in Regional Councils have relevant qualifications and are experienced to perform their duties, including financial reporting

The participants were requested to evaluate the extent to which the personnel employed by The Regional Councils in the Finance department possess the necessary qualifications and experience to effectively carry out their duties, including financial reporting. A majority of the participants, specifically 40%, expressed agreement with the given statement, whereas a smaller proportion of 10%, strongly disagreed. Whereas a noteworthy 50% of the participants expressed a neutral stance when prompted to evaluate said statement. This thus suggests that most of personnel do not possess the requisite qualifications and experience to ensure the production of high-quality financial reports. The results are presented in table 5.1 above.

### 5.4.6 Regional Council Staff received adequate training from both the Ministry of Finance and other relevant institutions

The participants were requested to evaluate the extent to which the personnel employed by the Regional Councils possess the necessary qualifications and experience to effectively carry out their duties, including financial reporting. A majority of the participants, precisely 60%, expressed disagreement with the given statement, whereas smaller proportions, specifically 40%, were neutral. This thus suggests that most of the personnel do not possess the requisite qualifications and experience to ensure the production of high-quality financial reports. The results are presented in Table 5.1 above.

### 5.4.7 Regional Council Finance staff have knowledge or understanding of the State Finance Act and the Treasury Instructions and other Regulations relating to Regional Council Financial Reporting

The participants were requested to express their level of agreement or disagreement with a statement that asserts the extent to which Regional Council personnel comprehend the State Finance Act, Treasury Instructions and other regulations pertaining to financial reporting by Regional Councils. A total of 80% of the participants expressed a neutral stance agreement with the aforementioned statement; a 20% affirmed this assertion. This finding suggests that while a majority of the participants acknowledge their comprehension of the State Finance Act, Treasury Instructions and other Regulations, a notable proportion neither affirmed nor negated this assertion.

### 5.4.8 Ministry of Finance and Auditor General Office have given adequate support and guidelines to Regional Councils regarding the International Public Sector Accounting Standards (IPSAS) and Financial Reporting

An additional inquiry prompted the participants to provide their assessment regarding a statement that asserts the sufficiency of support provided by the Ministry of Finance and Auditor General Office on the International Public Sector Accounting Standards (IPSAS) guidelines regarding financial reporting. According to the findings, a majority of the participants, specifically 60%, expressed agreement with the given statement. Additionally, a significant proportion of respondents, namely 10%, strongly disagreed, while a notable portion, accounting to 30%, remained neutral when posed with this particular query. This finding suggests that a significant proportion of respondents expressed satisfaction with the level of assistance provided by the Ministry of Finance and Auditor General Office in terms of IPSAS and financial reporting for Regional Councils.

### 5.4.9 The Top Management in Regional Councils supports and understands the importance of timely and quality financial reporting

The participants were requested to evaluate the extent to which top management demonstrates support for and comprehension of the significance of punctual and high-quality financial reporting. A total of 60% of the participants expressed agreement with the given statement, while 30% indicated a neutral stance agreement with the aforementioned statement. Conversely, 10% of the respondents disagreed with the statement. The majority of individuals expressed satisfaction with the level of support and understanding exhibited by management in relation to the quality and timeliness of financial reporting.

### 5.5 Top Management Expertise and Quality of Financial Reporting

This study additionally aimed to examine the impact of top management's expertise on the quality of financial reporting. Participants were requested to express their degree of agreement with a statement that suggests the influence of the professional background of top management on the quality of financial reporting.

**Table 5.2: Top Management Expertise and quality of Financial Reporting**

| | **Top Management Expertise and quality of Financial Reporting** | **5** | **4** | **3** | **2** | **1** | **Total** |
|---|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** | |
| **1.** | Professional background of the top Management in Regional Council influences the quality of financial reporting | **7(70%)** | **3(30%)** | **0** | **0** | **0** | **10(100%)** |
| **2.** | Top management's previous experience influences the quality of financial reporting | **4(40%)** | **3(30%)** | **3(30%)** | **0** | **0** | **10(100%)** |
| **3.** | Top management consistently builds its financial reporting skills through seminars and conferences | **2(20%)** | **3(30%)** | **2(20%)** | **2(20%)** | **1(10%)** | **10(100%)** |
| **4** | Top management makes available financial reporting guidelines for use by accountants who prepare all | **3(30%)** | **3(30%)** | **3(30%)** | **0** | **1(10%)** | **10(100%)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | financial statements, which in turn influence the quality of financial reporting | | | | | | |
| **5.** | Top management has relevant academic qualifications that suit their roles as accounting officers/ Financial Advisors | **4(40%)** | **3(30%)** | **3(30%)** | **0** | **0** | **10(100%)** |

#### 5.5.1 Professional background of the top Management in Regional Councils influences the quality of financial reporting

A total of 100% of the participants expressed agreement with the aforementioned statement. This finding suggests that the Regional Councils should consider employing managers who possess a background in accounting and financial reporting, as doing so may enhance the overall quality of financial reporting.

#### 5.5.2 Top Management Previous Experience influences the quality of Financial Reporting

The participants were additionally requested to assess a statement suggesting that the prior experience of top management affects the quality of financial reporting. It was found that 70% of the participants agreed with this statement, while an additional 30% of the participants expressed a neutral stance with it. The performance of top managers in financial reporting is heavily influenced by their prior experience. It is advisable for Regional Councils to employ executives who possess prior experiences that are pertinent to the field of accounting.

#### 5.5.3 Top Management consistently builds its Financial Reporting Skills through seminars and conferences

The respondents were asked to provide ratings on whether top management in regional councils consistently enhances its financial reporting skills through participation in seminars and conferences. A majority of 50% of respondents agreed, while a significant proportion of 30% strongly agreed with the given statement, and

20% maintained a neutral stance with the statement. This suggests that the enhancement of financial reporting quality will probably occur over time, contingent upon the on-going improvement of top managers' financial reporting skills.

### 5.5.4 Top management makes available financial reporting guidelines for use by accountants who prepare all financial statements, which in turn influence the quality of financial reporting

The participants were additionally requested to evaluate a statement that indicates the provision of financial reporting guidelines by top management for all financial statement preparers, which subsequently impacts the quality of financial reporting. A majority of the participants, specifically 60%, expressed agreement with the statement, while a smaller proportion, precisely 10%, strongly disagreed. However, a notable proportion of 30% of the participants expressed a neutral stance towards this assertion. This suggests that senior management provides the requisite financial reporting guidelines for Regional Councils.

### 5.5.5 Top Management have relevant academic qualifications that suit their roles as accounting officers and that of financial advisors

The participants were requested to evaluate a statement inquiring about the extent to which the senior executives possess the necessary qualifications to effectively fulfil their responsibilities as accounting officers and that of financial advisors. A majority of the participants, specifically 70%, expressed agreement with the given statement, and an additional 30% indicated a neutral stance with the statement. This finding suggests that the participants from the three Regional Councils expressed satisfaction with the existing qualifications possessed by the top management.

## 5.6 Effects of Integrated Financial Management Information Systems on Quality of Financial Reporting in Regional Councils in Namibia

In an effort to ascertain the impact of the Integrated Financial Management Information System (IFMIS) on the overall quality of financial reporting, participants were requested to evaluate a series of statements from the survey, as indicated below.

**Table 5.3: Integrated Financial Management Information (IFMIS) and The Quality of Financial reporting**

| | | 5 | 4 | 3 | 2 | 1 | Total |
|---|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** | |
| **1.** | Top management of the Regional Council supports the implementation on the use of IFMIS system | 5(50%) | 3(30%) | 0 | 0 | 2(20%) | 10(100%) |
| **2.** | The Ministry of Finance, IFMIS department, provides adequate technical support to enable effective the use of IFMIS system | 3(30%) | 2(30%) | 1(10%) | 1(10%) | 2(20%) | 10(100%) |
| **3.** | All staff using IFMIS system have been adequately trained to perform their roles in the system. | 3(30%) | 4(40%) | 0 | 2(20%) | 1(10%) | 10(100%) |
| **4.** | The IFMIS system produces financial reports that comply with the accrual basis of accounting, which is applicable in the Regional Council financial reporting | 3(30%) | 1(10%) | 2(20%) | 2(20%) | 2(20%) | 10(100%) |
| **5.** | The Regional Councils produce financial statements entirely from the IFMIS system | 3(30%) | 1(10%) | 2(20%) | 2(20%) | 2(20%) | 10(100%) |
| **6.** | IFMIS support timely and quality financial reporting of the Regional Council | 4(40%) | 2(20%) | 2(20%) | 0 | 2(20%) | 10(100%) |
| **7.** | IFMIS is responsible for poor public sector financial reporting | 2(20%) | 4(40%) | 3(30%) | 0 | 1(10%) | 10(100%) |

### 5.6.1 Top management of the Regional Council supports the implementation of the use of the IFMIS system

The participants were requested to express their degree of concurrence with a statement affirming that the regional council endorses the adoption and utilisation of the IFMIS system. A total of 80% of respondents expressed agreement with the statement, while 20% indicated strong disagreement. This observation suggests that survey participants express a sense of satisfaction regarding the endorsement of executives in relation to the implementation and utilisation of the IFMIS system.

### 5.6.2 Ministry of Finance, IFMIS department, provides adequate technical support to enable effective use of the IFMIS system

The participants were requested to express their degree of agreement with a statement pertaining to the extent to which IFMIS departments from the Ministry of Finance offers technical assistance to facilitate the efficient utilisation of the IFMIS system. A majority of the participants, specifically 50%, expressed agreement with the given statement, with an additional 30% indicating disagreement. This suggests that the level of technical support provided by the Ministry of Finance suffices to ensure the production of high-quality financial reports.

### 5.6.3 All staff using IFMIS system have been adequately trained to perform their roles in the system.

The participants were furthermore requested to express their degree of concurrence with a statement suggesting that all personnel utilising the IFMIS system have received sufficient training to fulfil their responsibilities within the system. A notable proportion of 40% concurred with the aforementioned statement, whereas a substantial percentage of 40% expressed disagreement with the statement. Moreover, 20% expressed a neutral stance with the statement. The findings seem to suggest that participants mixed opinions on satisfaction with the current level of training, but they suggest that enhancing training would be beneficial for improving the quality of financial reporting.

### 5.6.4 The IFMIS system produces financial reports that comply with the accrual basis of accounting, which is applicable in the Regional Council financial reporting

The IFMIS system produces financial reports that comply with the accrual basis of accounting, which is applicable in the Regional Council financial reporting. The study aimed to determine the extent to which respondents agreed with a statement regarding the production of financial reports that adhere to the accrual basis of accounting, as required for financial reporting in Regional Councils. A majority of the participants, specifically 40%, expressed disagreement with the given statement, whereas a significant proportion, explicitly 40%, strongly endorsed it. The findings seem to suggest those participants' mixed opinions on satisfaction with the reports generated by the Integrated Financial Management Information System (IFMIS). This is indicative that the participants are somewhat not sure of the use of IFMIS in the generation of financial statements.

### 5.6.5 The Regional Councils produce financial statements entirely from the IFMIS system

The participants were requested to indicate their degree of agreement regarding a statement that asserts the exclusive generation of financial statements by regional council through the IFMIS system. A total of 60% of respondents expressed agreement with the statement, while 20% indicated disagreement. This finding suggests that the survey participants express satisfaction with the extent of the IFMIS utilisation within the Regional Councils, which is a crucial factor in ensuring high-quality financial reporting.

### 5.6.6 IFMIS supports timely and quality financial reporting of the Regional Council

The participants were additionally requested to express their degree of concurrence regarding a statement positing that IFMIS facilitates the provision of punctual and high-quality financial reporting within the Regional Councils. A notable majority of 60% of the participants concurred with the aforementioned statement, whereas a substantial proportion of 10% expressed a disagreement. This observation serves as an indication that the Integrated Financial Management

Information System (IFMIS) is effectively facilitating the production of accurate and punctual financial reports of high calibre.

### 5.6.7 THE IFMIS is responsible for poor public sector financial reporting

The participants were additionally requested to express their level of agreement regarding a statement positing that the IFMIS is accountable for inadequate financial reporting in the public sector. A total of 10% of the participants expressed disagreement with the aforementioned statement, while 30% maintained a neutral stance. On the other hand, 60% of the respondents agreed with the statement. The aforementioned statement suggests that the IFMIS system has played a partial role in the diminished quality of financial reporting within the Regional Councils in Namibia.

## 5.7 Effects of Internal Audit on Quality of Financial Reporting in Regional Councils

In order to examine the impact of internal audit quality on the quality of financial reporting, a questionnaire was administered to participants. The questionnaire consisted of eight statements, which were rated by the respondents. Participants were requested to express their degree of agreement with a statement affirming the presence of a proficient and successful internal audit mechanism within the Regional Councils in Namibia. The findings are presented in Table 4.4 below.

**Table 5.4: Internal Audit Function and Quality of Financial reporting**

| | | 5 | 4 | 3 | 2 | 1 | Total |
|---|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** | |
| **1.** | The Regional Council has an efficient and effective internal audit department in place | 2(20%) | 6(60%) | 2(20%) | 0 | 0 | 10(100%) |
| **2.** | The internal audit function staff are professionally and academically qualified to perform internal audits | 5(50%) | 4(40%) | 1(10%) | 0 | 0 | 10(100%) |
| **3.** | The internal audit function is | 3(30%) | 0 | 7(70%) | 0 | 0 | 10(100%) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | concerned about the quality of financial reporting of the Regional Council | | | | | | |
| **4.** | The Regional Council has an efficient and effective audit committee in place | 4(40%) | 3(30%) | 3(30%) | 0 | 0 | 10(100%) |
| **5.** | Audit recommendations are picked by management and instituted in order to improve financial controls and quality of financial reporting | 1(10%) | 5(50%) | 4(40%) | 0 | 0 | 10(100%) |
| **6.** | Management and the accounting staff understand the meaning of the different types of audit opinions and are committed to better financial reporting practices | 3(30%) | 3(30%) | 4(40%) | 0 | 0 | 10(100%) |
| **7.** | Bank reconciliations are performed on a regular basis | 3(30%) | 3(30%) | 3(30%) | 0 | 1(10%) | 10(100%) |
| **8.** | The Regional Council staff maintains an up-to-date asset register and ensures a safe custody for all Council assets | 0 | 2(20%) | 7(70%) | 0 | 1(10%) | 10(100%) |

### 5.7.1 Regional Councils have an Effective and Efficient Internal Audit Unit in place

A total of 80% of the participants expressed an agreement with the aforementioned statement. Notably, a small proportion of 20% maintained a neutral stance towards the statement. This observation suggests that there exists a strong perspective regarding the efficacy and efficiency of the internal audit function. Hence, this suggests an approval regarding the efficacy of the internal audit function within the Regional Councils.

### 5.7.2 The internal Audit unit staff are professionally and academically qualified to perform internal audit roles

The participants were requested to express their degree of agreement regarding a statement pertaining to the professional and academic qualifications of internal audit staff in performing internal audits. A majority of 90% of the participants expressed agreement with the given statement, while a minority of 10% maintained a neutral stance. The fact that a significant majority of 90% concurs with this statement suggests that the Regional Councils have successfully recruited competent professionals for their internal audit departments.

### 5.7.3 The internal audit function is concerned about the quality of financial reporting of the Regional Council

Participants were requested to express their degree of agreement regarding a statement that asserted the internal audit function's apprehension regarding the standard of financial reporting within the Regional Council. A total of 30% of respondents expressed an agreement with the given statement. Additionally, 70% of participants remained neutral to the statement. This observation suggests that the internal audit department exhibits a diminished level of concern regarding the quality of financial reporting within the Regional Councils.

### 5.7.4 Regional Council has Effective Audit Committee

The participants were requested to express their degree of agreement towards a statement suggesting that the Regional Council has implemented a proficient and successful audit committee. A total of 70% of the participants expressed agreement with the aforementioned statement. Additionally, 30% of the respondents maintained a neutral stance on the matter. This suggests that the presence or effectiveness of the audit committee is in existent.

### 5.7.5 Implementation of Audit Committee Recommendations by Regional Councils

The participants were additionally requested to express their degree of agreement with a statement suggesting that management selects audit recommendations and implements them intending to enhance financial controls and consequently, the quality of financial reporting. A total of 60% of the participants expressed agreement with the given statement, whereas 40% maintained a neutral stance. This finding suggests that the majority of participants expressed satisfaction with the manner in which audit recommendations were managed in the Regional Councils.

### 5.7.6 Regional Council Staffs' Comprehension of Various Audit Opinions

The participants were additionally requested to express their level of agreement with a statement that implies the comprehension of various audit opinions and dedication to enhancing financial reporting practices by management and accounting personnel. The majority, comprising 60% of the respondents, expressed agreement. A total of 40% of the participants maintained a neutral stance. The varied response observed suggests that there is a requirement for enhancing the awareness and understanding of audit opinion and interpretation among the Regional Councils employees.

### 5.7.7 Regularity of Bank Reconciliations by Regional Councils

The participants were additionally requested to express their degree of agreement with a statement affirming the regularity of bank reconciliations. A total of 60% of respondents expressed agreement with the given statement, while 30% maintained a neutral stance. This suggests that regular performance of bank reconciliations, which is a fundamental practise for enhancing financial reporting, is being carried out.

### 5.7.8 Regional Councils Maintain Current assets Register

The participants were ultimately requested to express their degree of agreement with a statement that suggests the Regional Councils maintains a current asset register and guarantee secure custody of all assets. A total of 70% of respondents expressed a neutral stance, whereas a minority of 20% indicated agreement with the given statement, and 10% disagreed with the statement, respectively. The varied response suggests that there is a need for enhancement in order to increase consensus regarding this statement in subsequent instances.

## 5.8 Regional Council's quality of Financial Reporting

The study sought to measure the quality in the financial reporting in three Regional Councils in Namibia. The results obtained are presented in Table 4.5 below.

**Table 5.5: Financial Reporting quality of Regional Council Office**

| | | 5 | 4 | 3 | 2 | 1 | Total |
|---|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** | |
| **1.** | The financial reports have relevant disclosures as prescribed by the cash-based International Public Sector Accounting Standards e.g., Asset register, Pending bills, etc. | 3(30%) | 4(40%) | 3(30%) | 0 | 0 | 10(100%) |
| **2.** | The financial statement complies with the International Public Sector Accounting Standards; Cash basis | 3(30%) | 7(70%) | 0 | 0 | 0 | 10(100%) |
| **3.** | The financial reports are free from errors | 0 | 2(20%) | 3(30%) | 3(30%) | 2(20%) | 10(100%) |
| **4.** | The financial reports are prepared within a timely framework as required by the PFM Act | 0 | 2(20%) | 6(60%) | 1(10%) | 1(10%) | 10(100%) |

### 5.8.1 Neutrality of Management

The respondents agreed and strongly agreed that the financial reports prepared by the Regional Councils are complete and lack no errors. A total of 70% of the participants expressed agreement with the aforementioned statement. Additionally, 30% of the respondents maintained a neutral stance on the matter. This suggests that the presence or effectiveness of the neutrality of management.

### 5.8.2 Adoption of IPSAS

The other area sought was whether the Regional Council adopted IPSAS according to the Office of Auditor General and /or Ministry of Finance Policies and Regulations. A total of 100% of the participants expressed agreement with the aforementioned statement. This suggests that the Regional Councils adopt the Standards on a cash basis.

### 5.8.3 Financial reports free of errors

Regarding the financial reports prepared by the Regional Councils show a high level of transparency and accountability to the users, the results revealed that 20% and 50% agreed and agreed, respectively. Additionally, 30% of the respondents maintained a neutral stance on the matter. The varied response suggests that there is a need for enhancement in order to increase consensus regarding this statement in subsequent instances.

### 5.8.4 Level of Transparency within PFM Framework

Regarding the financial reports prepared by the Regional Councils show a high level of transparency and accountability to the users, the results revealed that 20% and 20% agreed and disagreed respectively. A total of 40% of the participants maintained a neutral stance. The varied response observed suggests that the PFM is not applicable to Regional Councils.

## 5.9 Effects of Internal Controls on the Quality of Financial Reporting

The objective of this study was to evaluate the different dimensions of internal controls in the context of the financial reporting process within the Regional Councils. The findings are presented in Table 4.6 below.

**Table 5.6: Existences of Internal Controls**

| **INTERNAL CONTROLS** | | **5** | **4** | **3** | **2** | **1** | **Total** |
|---|---|---|---|---|---|---|---|
| **NO** | **STATEMENT** | SA | A | N | DA | SD | |
| **1** | Regional Council management | 7(70%) | 2(20%) | 1(10%) | 0 | 0 | 10(100%) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | is the body with the mandate in developing procedures and rules to be used in Regional Councils | | | | | | |
| **2** | Regional Councils have well-established policies regarding acceptable business practices, conflicts of interest and operational ethics | 5(50%) | 3(30%) | 2(20%) | 0 | 0 | 10(100%) |
| **3** | Regional Councils' control system and processes provide effective mechanism to compliance in operations as well as helping to reach its goals and objectives | 3(30%) | 5(50%) | 2(20%) | 0 | 0 | 10(100%) |
| **4** | Regional Council has put in place adequate checks on evaluating and control of all business activities | 2(20%) | 3(30%) | 4(40%) | 1(10%) | 0 | 10(100%) |
| **5** | Regional Council has put in place a team that reviews audit reports and provides solutions for non-compliance | 4(40%) | 2(20%) | 4(40%) | 0 | 0 | 10(10%) |

### 5.9.1 Involvement of Regional Council Management in developing Policies and Regulations

According to the data Table 5.6, a significant proportion (90%) of participants, expressed agreement with statement, regarding the involvement of the Management in the development of policies, procedures and rules for the Regional Councils usage.

### 5.9.2 Implementation of Policies and Protocols

The study additionally aimed to ascertain the perspectives of the participants regarding the policies and protocols implemented to tackle acceptable business practices, conflicts of interest, and operational ethics. The findings indicated that a significant proportion 80% of the participants expressed agreement to the statement, and 20% indicated a neutral stance.

### 5.9.3 Alignment of Internal Controls with Strategic objectives of Regional Councils

Another aspect that was investigated was whether the internal control and other processes are effectively aligned with the strategic objectives of the entities. The findings indicated that 80% of the respondent's expressed agreement with the statement and 20% indicated a neutral stance. The varied response suggests that there is a need for enhancement in order to increase consensus regarding this statement in subsequent instances.

### 5.9.4 Regional Councils checks and Balances

With respect to the checks and balances of the Regional Councils' activities, the findings reveal that 50% of the participants expressed agreement and 40% maintained a neutral stance, respectively.

### 5.9.5 Regional Councils Mechanism for Review of Internal Control systems

Additionally, the study aimed to ascertain the existence of mechanisms for conducting periodic reviews of the systems. The majority of participants 50% expressed agreement with the statement and 40% maintained a neutral stance.

## 5.10 Effects of Audit Committee on Quality of Financial Reporting

The objective of this study was to examine the impact of the audit committee on the quality of the financial reporting process within the Regional Councils. The findings are presented in Table 5.7 below.

**Table 5.7: Existence of Audit Committee**

| **Existence of Audit Committee** | | **5** | **4** | **3** | **2** | **1** | **Total** |
|---|---|---|---|---|---|---|---|
| **NO** | **STATEMENT** | SA | A | N | DA | SD | |
| 1 | Audit committee determines the nature of financial reporting prepared by Regional Council | 3(30%) | 4(40%) | 3(30%) | 0 | 0 | 10(100%) |
| 2 | Audit committee has accounting and finance | 5(50%) | 3(30%) | 2(20%) | 0 | 0 | 10(100%) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | management skills and experience | | | | | | |
| 3 | The audit committee reports are presented to the main board for adoption and implementation by the management of Regional Councils | 2(20%) | 6(60%) | 2(20%) | 0 | 0 | 10(100%) |
| 4 | Existence of audit committee has improved the quality of reporting because of ensuring there is strong internal control system in Regional Councils | 1(10%) | 5(50%) | 3(30%) | 1(10%) | 0 | 10(100%) |
| 5 | The audit committee ensures that all the implementations are affected by the management according to the Regional Council Regulations | 2(20%) | 5(50%) | 3(30%) | 1(10%) | 0 | 10(100%) |

### 5.10.1 Impact of Audit Committee on quality of Financial Reporting in Regional Councils

According to the data presented in Table 5.7 above, a significant proportion 70% of the respondents expressed agreement and 30% maintained a neutral stance regarding the influence of the audit committee's oversight role on the nature of financial reports prepared by Regional Councils.

### 5.10.2 Adoption of Audit Committee reports by Management

The study also aimed to ascertain the perspectives of the respondents regarding the manner in which audit committee reports are presented to the board of management for adoption and implementation by the management. The findings reveal that 80% and 20% of the participants expressed agreement and neutral stance, respectively.

### 5.10.3 Audit Committee members' professional and academic skills

Another aspect that was examined was whether the members of the audit committee possess accounting and finance management skills, as well as the requisite experience to effectively fulfil their oversight responsibilities. The findings reveal that 80% and 20% of the participants expressed agreement and a neutral stance, respectively.

### 5.10.4 Standard of Financial Reporting by Audit Committee

In relation to the enhanced standard of financial reporting attributable to the presence of an audit committee, the findings indicated that 60% of respondents concurred, while an additional 30% expressed indicated neutral stance, respectively.

### 5.10.5 Assurance and Implementation of Audit committee recommendations by Regional Council Management

The primary objective of this inquiry was to ascertain whether the audit committee ensures that the management performs all implementations in accordance with the recommendations put forth by the board. The findings of the survey indicate that a significant proportion of participants, specifically 70% strong agreement and agreement, respectively, expressed consensus on the matter. Nonetheless, 30% and 10% of the respondents were either neutral or disagreed with the statement. However, this suggests that the presence of an audit committee within organisations plays a substantial role in enhancing the quality of financial reporting.

## 5.11 Impact of Adoption of IPSAS on Quality of Financial Reporting by Regional Councils

The study sought to establish the influence of IPSAS adoption on the quality financial reporting process in the Regional Councils. The Findings are presented in Table 5.8 below.

**Table 5.8: Adoption of IPSAS**

| ADOPTION OF IPSAS | 5 | 4 | 3 | 2 | 1 | Total |
|---|---|---|---|---|---|---|

| NO | STATEMENT | SA | A | N | DA | SD | |
|---|---|---|---|---|---|---|---|
| 1 | There is sufficient awareness among senior management staff, especially finance and audit staff, regarding the International public sector accounting standards adoption | 7(70%) | 2(20%) | 0 | 0 | 1(10%) | 10(100%) |
| 2 | The adoption of IPSAS in Regional Council has helped in the improvement of the quality of financial reporting than before | 5(50%) | 3(30%) | 2(20%) | 0 | 0 | 10(100%) |
| 3 | Regional Council has fully adopted IPSAS policies and guidelines as per the PFM Act, including accrual-based solutions | 7(70%) | 1(10%) | 2(20%) | 0 | 0 | 10(100%) |
| 4 | The management has provided full support for the adoption of IPSAS in terms of resources and staff training | 4(40%) | 1(10%) | 5(50%) | 0 | 0 | 10(100%) |
| 5 | Regional Council has qualified staff that are involved in adoption of IPSAS | 1(10%) | 2(20%) | 7(70%) | 0 | 0 | 10(100%) |

### 5.11.1 Awareness of IPSAS among Audit and Finance staff of Regional Council

The respondents agreed and strongly agreed that there is a sufficient awareness among finance and internal audit staff about the IPSASs adoption. The findings indicated that 90% and 10% of the respondents expressed agreement and disagreement, respectively.

### 5.11.2 Influence of IPSAS on Quality of Financial Reporting of Regional Councils

The study also sought to establish the respondents' opinions was that adoption of IPSAS in the entities has helped in the improvement of the quality of financial reporting. The results revealed that the majority of the respondents 80% agreed and 20% of them maintained a neutral stance.

### 5.11.3 Adoption of Auditor General IPSAS Policies and Guidelines

The other area sought was whether the entities adopted IPSASs according to the National Treasury circulars, policies and guidelines. The results showed that the majority of 50% and 30% strongly agreed and agreed, respectively.

### 5.11.4 Management Support for Use of IPSAS

Regarding the management support for the adoption of IPSASs in terms of resources and staff training, the results revealed that 80% and 20% of the respondents agreed and maintained a neutral stance, respectively.

### 5.11.5 Staff Acquisition of Necessary Skills for Implementation of IPSAS

Finally, the question sought to determine whether entities have qualified staffs that are involved in the adoption of IPSASs.  A minority 30% of respondents were in agreement with the statement in contrast to 70% of the respondents that maintained a neutral stance. This implies that adoption of IPSASs has mixed opinions from the respondents, although it significantly improved the quality of financial reporting as per the literature review in government ministries.

## 5.12 Quality of Financial Reporting

The study sought to measure the quality of the financial reporting in the two Regional Councils in Namibia. The findings are presented in Table 5.9 below.

**Table 5.9: Quality Financial Reporting**

| **QUALITY FINANCIAL REPORTING** | | **5** | **4** | **3** | **2** | **1** | **Total** |
|---|---|---|---|---|---|---|---|
| **NO** | **STATEMENT** | **SA** | **A** | **N** | **DA** | **SD** | |
| **1** | Regional Council financial reports are complete, neutral, lack of material errors, and can be verified | 3(30%) | 2(20%) | 4(40%) | 1(10%) | 0 | 10(100%) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **2** | Regional Council prepares financial reports on time to meet the stipulated time frame as per Auditor General directives | 0 | 5(50%) | 3(30%) | 0 | 2(20%) | 10(100%) |
| **3** | Regional Council financial reports shows high level of transparency and accountability to the users | 3(30%) | 3(30%) | 2(20%) | 2(20%) | 0 | 10(100%) |
| **4** | Regional Council Financial reports disclose financial and non-financial matters which help in decision-making processes | 0 | 6(60%) | 3(30%) | 1(10%) | 0 | 10(100%) |
| **5** | Regional Council Financial reports contain relevant information that the user requires | 2(20%) | 8(80%) | 0 | 0 | 0 | 10(100%) |

### 5.12.1 Completeness and Neutrality of Regional Councils Financial Reports

The respondents were asked to agree or disagree on the statement that the financial reports prepared by Regional Councils are complete, neutral, lack of material error, and can be verified. The findings indicated that 50% and 10% of the respondents agreed and disagreed, respectively. Nonetheless, 40% of the respondents maintained a neutral stance.

### 5.12.2 Meeting Target date for submission of Financial Reports to the Auditor General Office

The study also sought to establish the respondents' opinions on whether Regional Councils prepare financial reports on time to meet the stipulated time frame from the Office of the Auditor General. The results revealed that the majority of the respondents 50% and 20% agreed and disagreed, respectively. Nonetheless, 30% of the Respondents maintained a neutral stance.

### 5.12.3 Adoption of IPSAS in Accordance with Auditor General Polices and Guidelines

The other area sought was whether the entities adopted IPSASs according to the Auditor General Circulars, policies and guidelines. The results showed that the majority of 50% and 20% agreed and disagreed, respectively. Nonetheless, 30% of the respondents maintained a neutral stance.

### 5.12.4 Accountability and Transparency of Financial Reports

Regarding the financial reports prepared by entities show a high level of transparency and accountability to the users, the results revealed that 60% and 10% agreed and disagreed, respectively. However, 30% of the respondents maintained a neutral stance.

## 5.13 Analysis and Interpretations of Qualitative Data

The specific objectives of the study were:

1. To analyse the impact of employees capacity on the quality of financial reporting of Regional Councils in Namibia.
2. To evaluate the effect of top management expertise on the quality of financial reporting of Regional Councils in Namibia.
3. To appraise the effect of Integrated Financial Management System (IFMS) on the quality of financial reporting of regional councils in Namibia.
4. To evaluate the effect of internal audit quality on financial reporting of Regional Councils in Namibia.
5. To determine the effect of internal control and IPSAS on the Quality of Financial Reporting of Regional Councils in Namibia.

In order to test and answer these objectives of the study the researcher adopted a concurrent mixed methods approach that used a structured questionnaire with the employees of Regional Councils as well as interviews with both employees of regional councils and expert from finance departments from the office of the Auditor General and the Ministry of Urban and Rural Development. The interviews were administered to 7 employees of regional councils and 5 experts from the finance departments that deal with Regional councils from the office of the Auditor General and the Ministry of Urban and Rural Development**.**

The interview guide contained five main areas that include the following:

- What could be done to improve the quality of financial reporting for the Regional Councils?
- Top management endeavours to improve the quality of financial reporting.
- How does the International Financial Reporting Standard (IFMIS) system support quality financial reporting in the Regional Council government?
- Comments on the quality of financial reporting for the Regional Council in Namibia.
- Control measures instituted by the internal audit to ensure efficient utilisation of public resources and address financial reporting challenges of Regional Councils.

The findings for each of these five themes are presented below.

### 5.13.1 Analysis of Theme 1: Improving the quality of financial reporting for the regional council

The analysis and interpretation of theme 1 is presented under 6 subthemes as Employee Training and Competency Development, adoption of reporting Framework and Utilisation of tools, Financial Information Management and Collaboration, Financial Management Practices, training and Reconciliation, and Role-Based Training and Collaboration**.**

#### 5.13.1.1 Subtheme: Employee Training and Competency Development

Employee training and competency development has been identified as one of the key issues to improve financial reporting for the regional council. Participants had this to say:

> *Employee training to understand accounting standards, policies, and proper records of financial dealings. (Participant 1)*

> *Establishing a financial forum for staff to discuss financial reporting matters, encouraging and rewarding staff, and employing competent staff. (Participants 7)*

*Building capacity for staff, including top management, through training and conducting more IPSAS training. (Participant 8)*

The findings from the interview highlight the importance of employee training and competency development in improving financial reporting for the regional council. Participant 1 emphasised the need for training employees to understand accounting standards, policies, and proper record-keeping. This indicates the significance of equipping employees with the necessary knowledge and skills to ensure accurate and compliant financial reporting.

The findings suggest establishing a financial forum where staff can discuss financial reporting matters. This forum encourages collaboration and knowledge sharing among employees, fostering a culture of continuous improvement and learning. Additionally, the suggestion to reward and encourage staff indicates the importance of recognising and incentivising excellence in financial reporting.

The results emphasised the need to build capacity for staff, including top management, through training initiatives, particularly in relation to International Public Sector Accounting Standards (IPSAS). This reflects the recognition that enhancing the competencies of staff and ensuring they are well-versed in relevant reporting frameworks is crucial for improving financial reporting quality.

#### 5.13.1.2 Subtheme: Adoption of Reporting Framework and Utilisation of Tools

The significance of records and reporting in enhancing financial reporting has been acknowledged, and participants have suggested several measures to facilitate further progress. These measures include:

*Full adoption of International Public Sector Accounting Standards (IPSAS) for transparency and reporting on previously unaddressed aspects. (Participant 2)*

*Aligning the council's budget to the strategy plan and ensuring alignment between the strategy and the annual plan. (Participant 5)*

*Provision of training for finance staff on IPSAS, adopted reporting frameworks, accounting systems, and utilisation of a performance management system. (Participant 10)*

The significance of records and reporting in enhancing financial reporting for the regional council is underscored by the observations made by Participants 2, 5, and 10.

Participant 2 proposed the comprehensive implementation of International Public Sector Accounting Standards (IPSAS) as a fundamental measure to augment transparency and rectify previously unattended problems. This guideline underscores the need for adhering to globally recognised accounting standards in order to maintain the uniformity and comprehensiveness of financial reporting.

Participant 5 suggested the synchronisation of the council's budget with the strategy plan, as well as the establishment of congruence between the strategy and the annual plan. This alignment guarantees that financial resources are distributed in conformity with the strategic objectives of the council. The significance of incorporating financial planning and reporting processes into the overarching strategic direction of the council is emphasised.

Participant 10 suggested that it would be beneficial to offer training sessions to the finance personnel regarding the International Public Sector Accounting Standards (IPSAS), the chosen reporting frameworks, accounting systems, and the effective utilisation of a performance management system. This recommendation acknowledges the necessity of improving the competencies and expertise of finance personnel to ensure the efficient implementation and adherence to reporting standards and procedures. Training is essential in providing finance workers with the requisite skills and knowledge to generate financial reports that are both precise and dependable.

These findings highlight the significance of adopting standardised accounting practices, aligning financial planning with strategic objectives and providing adequate training to finance staff. These measures facilitate the enhancement of financial reporting through the promotion of transparency, accuracy, and alignment with established best practises. By applying the aforementioned guidelines, the regional council may optimise its financial reporting processes and uphold the credibility and accuracy of its financial information.

#### 5.13.1.3 Subtheme: Financial Information Management and Collaboration

Financial information management and collaboration has been proposed as key in addressing the financial reporting crisis and the participants proposed the following:

> *Regularly collecting financial information, utilising financial tools, and improving collaborations and communication within the team. (Participant 3)*

> *Giving priority and time to finance forums, employing competent candidates, and providing training and increasing salaries and benefits for employees in the finance division. (Participant 9)*

The significance of financial information management and teamwork in tackling the financial reporting difficulties within the regional council is underscored by the results obtained from Participants 3 and 9. Participant 3 proposed the implementation of a systematic process for gathering financial data, the adoption of appropriate financial instruments, and the enhancement of teamwork and communication among team members. This advice underscores the need for promptly and precisely gathering financial data, as it is the basis for dependable financial reporting. Moreover, the incorporation of financial instruments can optimise the efficacy and proficiency of financial data analysis and reporting procedures. Enhancing partnerships and communication among team members facilitates a collective and unified approach to financial reporting, so assuring the synchronisation of all stakeholders' efforts towards shared objectives.

Participant 9 suggested allocating importance and dedicating time to finance forums, recruiting proficient people, offering training opportunities, and enhancing remuneration and perks for personnel within the finance department. This advice emphasises the need to establish a favourable atmosphere for the process of financial reporting. Finance forums serve as a medium for engaging in discourse and exchanging knowledge regarding optimal strategies, so facilitating the recognition of shared obstacles and the adoption of effective remedies. The recruitment of highly skilled individuals is essential for the finance department to possess the requisite proficiency in properly managing financial reporting responsibilities. The implementation of training programmes and the augmentation of pay and benefits for finance personnel not only serve to strengthen their professional competencies but also act as a motivating factor for them to strive for optimal performance. The aforementioned findings highlight the significance of proficient handling of financial information and fostering teamwork within the regional council. By engaging in consistent data collection practices, employing appropriate tools and techniques, and enhancing collaborative efforts, the council may effectively guarantee the provision of precise and punctual financial data for the purpose of reporting. Furthermore, by placing emphasis on finance forums, recruiting proficient personnel, and allocating resources towards their professional growth, organisations can cultivate an environment that promotes exceptional performance and on-going enhancement in the realm of financial reporting.

**5.13.1.4 Subtheme: Financial Management Practices**

Financial management practices have been considered as one of the important steps towards improving financial reporting and participants had the following to say:

*Emphasising proper financial management. (Participant 6)*

Participant 6 underscored the significance of effective financial management as a pivotal measure in enhancing financial reporting for the regional council. This discovery highlights the importance of adopting effective financial management strategies in order to guarantee the precision, dependability, and openness of financial data. Effective financial management encompasses multiple facets, such as proficient planning, optimal resource allocation, robust internal controls and adherence to financial regulations and procedures. By placing a strong emphasis on effective financial management, the regional council may develop a robust framework for its financial reporting procedures. This entails the meticulous planning of budgets to match them with the aims of the organisation, as well as the appropriate allocation of resources to support the objectives of the council. Additionally, it encompasses the implementation of comprehensive internal control procedures aimed at safeguarding assets, mitigating the risk of fraudulent activities, and ensuring adherence to financial legislation and policies. The council can achieve uniformity and standardisation in financial reporting practices by adhering to established financial policies and procedures. The recognition of the importance of effective financial management underscores the recognition that the quality of financial reporting is inherently connected to the integrity of financial management procedures. Through the strategic allocation of resources and the implementation of efficient financial management practices, the regional council has the opportunity to bolster the dependability and credibility of its financial reporting, thereby fostering enhanced levels of openness and accountability.

#### 5.13.1.5 Subtheme: Training and Reconciliation

Training and reconciliation have been considered one of the key actions towards the improvement of financial reporting and participants had this to say:

> *Training, refreshers, and updates on accounting standards and frameworks, regular reconciliation of financial statements to supporting data, and training on software and updates. (Participant 11)*

Participant 11 emphasised the significance of training and reconciliation in enhancing the quality of financial reporting for the regional council. Foremost, it is advisable to provide training sessions, refresher courses, and regular updates on accounting standards and frameworks. This statement underscores the importance of continuous education and professional development opportunities for personnel engaged in financial reporting. By maintaining up-to-date knowledge of accounting standards and frameworks, personnel may assure adherence to regulations and effectively implement the appropriate requirements in their reporting procedures. Furthermore, there is a strong emphasis on the frequent reconciliation of financial statements to the corresponding supporting data. The process of reconciliation is of utmost importance since it entails the meticulous examination of financial statements in relation to the underlying transactions and supporting paperwork, with the aim of establishing coherence and precision. The practice of regular reconciliation plays a crucial role in the identification of discrepancies, errors, or inconsistencies within financial reporting. This process enables prompt changes to be made, hence, enhancing the trustworthiness of financial statements. Finally, the need for receiving training on software utilisation and updates is emphasised as a crucial element in enhancing financial reporting. This underscores the necessity for staff to be provided with sufficient training on the financial software utilised in the reporting procedure. Furthermore, maintaining up-to-date knowledge of software updates guarantees that employees possess awareness of novel features, functionalities, and prospective alterations that could potentially affect financial reporting.

#### 5.13.1.6 Subtheme: Role-Based Training and Collaboration

Role-based training and collaboration has been considered one of the key actions towards the improvement of financial reporting and participants had this to say:

> *Creating a platform for managers and those involved in preparing the Annual Financial Statements (AFS) to receive training on their roles (Participant 12)*

Participant 12 emphasised the significance of establishing a platform wherein managers and personnel engaged in preparing Annual Financial Statements (AFS) can get training pertaining to their specific jobs. The aforementioned discovery underscores the importance of role-specific training in enhancing financial reporting within the local governing body. Through the provision of specific and focused training and development initiatives, individuals can acquire a more comprehensive comprehension of their obligations, duties, and anticipated outcomes pertaining to the realm of financial reporting. This practice guarantees that all individuals engaged in the AFS preparation process possess the essential information and competencies required to properly fulfil their respective responsibilities, hence leading to the production of financial statements that are more precise and dependable. The advice underscores the significance of role clarity, competence development and collaboration among team members, ultimately leading to improved financial reporting practises within the regional council.

### 5.13.2 Analysis and Interpretation of Theme 2: Top Management's endeavour to improve financial reporting

#### 5.13.2.1 Subtheme: Positive Engagement and Implementation

> *Top management employs qualified personnel and implements the latest version of the financial reporting system. (Participant 1)*

> *Everyone within the company is on the same page, utilising secure and centralised financial reporting, and regularly meeting to review processes and seek improvements. (Participant 3)*

> *Strong support for full implementation of IPSAS, training for financial staff on IPSAS, and utilising Annual Financial Statement (AFS) software. (Participant 4)*

The results obtained from Participants 1, 3 and 4 provided light on effective methods of engagement and execution that may be utilised to enhance financial reporting practices within the regional council. Participant 1 highlighted the significance of top-level management's adoption of competent staff and integration of the most recent iteration of the financial reporting system, so demonstrating a dedication to securing proficient resources and contemporary technology for precise reporting. Participant 3 underscored the importance of ensuring that all members of the organisation agree regarding safe and centralised financial reporting. This is achieved through implementing monthly meetings, which serve as a platform for reviewing existing processes and identifying areas for development. Moreover, these sessions build a culture of collaboration and encourage the on-going enhancement of reporting practices. Participant 4 expresses a firm endorsement for the comprehensive adoption of International Public Sector Accounting Standards (IPSAS), advocating for the provision of training to finance personnel on IPSAS and the utilisation of Annual finance Statement (AFS) software. This stance reflects a proactive stance towards enhancing transparency, ensuring compliance and promoting efficiency in financial reporting. The aforementioned results highlight the significance of effective leadership, organisational coherence, and the adoption of suitable technology and standards in facilitating favourable transformations in financial reporting procedures within the regional council.

#### 5.13.2.2 Subtheme: Awareness and Understanding

> *Acknowledgment that some top management may lack awareness or understanding of the role they play in ensuring quality of financial reporting. (Participant 2)*

> *Top management should be involved, encourage staff, and provide rewards. (Participant 7)*

The significance of awareness and comprehension among senior management in guaranteeing effective financial reporting is underscored by the results obtained from Participants 2 and 7. Participant 2 highlighted the possibility that certain individuals in senior management positions may exhibit a deficiency in awareness or comprehension regarding their obligations in this domain, hence, suggesting a potential lacuna in knowledge or communication. On the other hand, Participant 7 proposed that it is imperative for upper-level management to play an active role in the process by fostering employee engagement and offering incentives as a means to motivate and acknowledge their contributions in the domain of financial reporting. The aforementioned findings underscore the necessity of implementing effective communication strategies, comprehensive training initiatives and awareness programmes to ensure that senior executives possess a thorough comprehension of their responsibilities in promoting and endorsing sound financial reporting practices. Through active involvement and acknowledgment of the significance of financial reporting, senior management has the capacity to cultivate an atmosphere of responsibility and professionalism inside the organisation, resulting in enhanced outcomes in financial reporting.

#### 5.13.2.3 Subtheme: Training and Knowledge Enhancement

> *Recommendation to conduct awareness sessions on financial reporting for all newly recruited managers, especially those without a financial background. (Participant 8)*

> *Motivate employee training, performance management system utilisation, and assistance with financial support. (Participant 9)*

> *Suggestion to employ staff with at least a bachelor's qualification in accounting. (Participant 10)*

The significance of training and knowledge enhancement in enhancing financial reporting within the Regional Council is underscored by the results obtained from Participants 8, 9, and 10. Participant 8 proposed the implementation of educational sessions focused on financial reporting, with a particular emphasis on newly hired managers who may possess limited knowledge in this area. This underscores the necessity of addressing any knowledge deficiencies and equipping these managers with a comprehensive comprehension of financial reporting principles and practices. Participant 9 highlights the significance of employee training motivation and the effective implementation of performance management systems. Additionally, they emphasise the provision of financial aid to facilitate employee development within the finance division. This exemplifies the acknowledgment of the significance of on-going learning and the upgrading of skills as essential elements for enhancing financial reporting. Furthermore, Participant 10 proposes the utilisation of personnel who possess a minimum of a bachelor's degree in accounting, emphasising the significance of hiring persons who possess the appropriate educational foundation and specialised knowledge. The findings presented in this study highlight the importance of allocating resources towards training programmes, promoting professional growth, and recruiting competent professionals in order to enhance the financial reporting capabilities of the Regional Council. Through the development and refinement of knowledge and skills, the organisation has the ability to cultivate a culture characterised by exceptionalism and proficiency in the realm of financial reporting. This, in turn, can result in financial statements that are characterised by heightened levels of accuracy, dependability, and transparency.

### 5.13.2.4 Subtheme: ITS Support and Timeliness

> *Ensuring that information technology departments support financial system needs, such as backups, and timely submission of financial statements to auditors. (Participant 11)*

Participant 11 emphasises the significance of IT support within the realm of financial reporting. The results indicate that it is imperative for IT departments to adequately address the financial system requirements by offering crucial assistance, such as periodic backups of financial data. This statement underscores the need to maintain data integrity, ensuring security, and ensuring continuity in financial reporting procedures. Furthermore, Participant 11 underscored the significance of promptly submitting financial statements to auditors, highlighting the crucial nature of adhering to reporting deadlines and conforming to statutory obligations. The aforementioned findings highlight the crucial significance of IT infrastructure and processes in enabling the achievement of efficient and successful financial reporting. The Regional Council can enhance the accuracy, reliability and accessibility of financial information, ultimately leading to enhanced financial reporting results through the implementation of strong IT support and the timely submission of financial statements.

### 5.13.2.5 Subtheme: Division of Responsibilities

> *Highlighting the need for top management to understand their roles and responsibilities in financial reporting, rather than solely relying on the finance division. (Participant 12)*

Participant 12 underscored the significance of top-level executives comprehending their roles and obligations in the context of financial reporting, as opposed to exclusively depending on the finance department. This discovery highlights the necessity of a collective obligation and liability inside the organisation in relation to financial reporting. The proposition posits that senior executives have to proactively involve themselves in the procedures of financial reporting, so guaranteeing their comprehension of the stipulations and ramifications involved. Through the implementation of this approach, senior executives have the power to offer direction, assistance and supervision, thereby fostering an environment characterised by openness and responsibility across the entire institution. The aforementioned discovery underscores the importance of robust leadership and the proactive engagement of senior management in promoting and enhancing financial reporting procedures throughout the Regional Council.

### 5.13.3 Analysis of Theme 3: Effectiveness of IFMIS in financial reporting in the regional council

#### 5.13.3.1 Subtheme: IFMIS Supporting Quality Financial Reporting

> *IFMIS is seen as supporting quality reporting by providing templates for different reporting formats. (Participant 1)*

> *Common accounting rules can ensure consistency, reliability, and comparability when using financial systems. (Participant 6)*

The results obtained from the analysis of data collected from Participants 1 and 6 shed light on the significance of the Integrated Financial Management Information System (IFMIS) in facilitating the production of accurate and reliable financial reports. Participant 1 proposed that the utilisation of IFMIS can facilitate the utilisation of various reporting formats, hence improving the uniformity and standardisation of financial reports. This suggests that implementing IFMIS can offer a systematic framework for financial reporting, hence ensuring compliance with reporting obligations. Participant 6 highlighted the significance of adhering to standardised accounting principles in order to attain uniformity, dependability, and the capacity to make meaningful comparisons while utilising financial systems. This discovery implies that the use of IFMIS, in conjunction with standardised accounting principles, has the potential to enhance the calibre of financial reporting by guaranteeing consistency and precision in the documentation and disclosure of financial transactions. The results emphasise the potential advantages of utilising Integrated Financial Management Information Systems (IFMIS) and standardised accounting principles to improve the effectiveness, dependability and comparability of financial reporting within the Regional Council.

#### 5.13.3.2 Subtheme: Mismatch with Reporting Frameworks

> *IFMIS is perceived to not support quality financial reporting in the Regional Council due to a mismatch with the currently adopted IPSAS reporting framework. Suggests upgrading the system to conform to IPSAS standards. (Participant 2)*
>
> *Regional Council operates on an accrual basis accounting system, while IFMIS is designed for cash basis accounting, indicating a misalignment. (Participant 11)*

The results obtained from Participants 2 and 11 shed light on a discrepancy that exists between the Integrated Financial Management Information System (IFMIS) and the financial reporting frameworks that have been implemented by the Regional Council. Participant 2 posits that the In This suggests that the functioning of IFMIS may not be in accordance with the precise needs and standards established by IPSAS, which could potentially impede the accuracy and comprehensiveness of financial reporting. Participant 11 highlighted a discrepancy in the accounting procedures applied by the Regional Council and the IFMIS. Specifically, the Regional Council utilises an accrual basis accounting system, but IFMIS is built for cash basis accounting. The aforementioned findings underscore the necessity of enhancing or tailoring the IFMIS system to guarantee its compliance and congruence with the established reporting frameworks. This will enable the Regional Council to provide financial reports that are precise, dependable, and in accordance with regulatory requirements. It is imperative to ensure that the technical infrastructure adequately aligns with the specific requirements of the financial reporting frameworks in order to enhance the quality and relevance of financial reporting within the Regional Council.

#### 5.13.3.3 Subtheme: Familiarity and Usage

*Not everyone is familiar with the IFMIS system. (Participant 5)*

*The Regional Council does not use the IFMIS system. (Participant 7)*

*Suggests developing a uniform system specifically designed for the Regional Council to improve financial reporting. (Participant 8)*

The findings from Participants 5, 7, and 8 shed light on the familiarity, usage, and recommendations regarding the Integrated Financial Management Information System (IFMIS) within the Regional Council. Participant 5 notes that not everyone is familiar with the IFMIS system, indicating a potential gap in knowledge and understanding of its functionalities and benefits. Participant 7 states that the Regional Council does not use the IFMIS system, implying a lack of adoption or implementation of this particular financial management system. In contrast, Participant 8 suggests the development of a uniform system, specifically designed for the Regional Council to improve financial reporting. This recommendation highlights the need for a customised system that aligns with the specific requirements and context of the Regional Council, potentially addressing any limitations or challenges associated with existing systems like IFMIS. These findings underscore the importance of ensuring widespread familiarity and usage of financial management systems within the Regional Council, as well as the need for tailored solutions that cater to the unique needs and reporting requirements of the organisation.

#### 5.13.3.4 Subtheme: Need for Re-engineering

*Suggests re-engineering the IFMIS system to close any detected loopholes. (Participant 3)*

Participant 3 suggested the need for re-engineering the Integrated Financial Management Information System (IFMIS) to address any identified loopholes. This finding highlights the recognition that the IFMIS system may have vulnerabilities or shortcomings that require remediation. Re-engineering the system can involve making structural changes, improving functionality, and implementing additional controls to enhance the system's effectiveness and reliability. The recommendation emphasises the importance of on-going evaluation and improvement of the IFMIS system to ensure that it remains robust, secure and aligned with the evolving needs of the Regional Council. By addressing any detected loopholes, the re-engineered IFMIS system can contribute to more efficient and accurate financial reporting practices, promoting transparency, accountability and effective resource management within the organisation.

#### 5.13.3.5 Subtheme: Lack of Understanding

> *Expresses a lack of understanding regarding the support provided by the IFMIS system. (Participant 9)*

Participant 9 expressed a lack of understanding regarding the support provided by the Integrated Financial Management Information System (IFMIS) system. This finding suggests that there may be a lack of knowledge or familiarity with the functionalities and benefits of the IFMIS system among the participants. This lack of understanding can potentially hinder the effective utilisation and implementation of IFMIS for financial reporting purposes within the Regional Council. It highlights the importance of providing comprehensive training and support to ensure that staff members are equipped with the necessary knowledge and skills to effectively utilise the IFMIS system and leverage its capabilities for improved financial reporting. By addressing the knowledge gap and enhancing understanding of the IFMIS system, the Regional Council can maximise its potential benefits and enhance the quality, accuracy and efficiency of financial reporting processes.

#### 5.13.3.6 Subtheme: Alternative Approaches

> *Regional Council uses IPSAS, not IFRS, and has a separate system called the Pastel Revolution. (Participant 4)*

Participant 4 highlighted that the Regional Council uses the International Public Sector Accounting Standards (IPSAS) instead of the International Financial Reporting Standards (IFRS). This indicates that the Regional Council follows a specific financial reporting framework tailored to the public sector. Additionally, Participant 4 mentions the use of a separate system called the Pastel Revolution, which suggests that the Regional Council has implemented a distinct financial management system that suits their specific needs and requirements. These findings underscore the importance of adopting appropriate financial reporting standards and utilising dedicated systems that align with the nature and objectives of the Regional Council. By employing IPSAS and implementing a specialised system like the Pastel Revolution, the Regional Council can ensure accurate and compliant financial reporting, tailored to the unique characteristics of the public sector environment.

#### 5.13.3.7 Subtheme: Financial Forum

> *Suggests the establishment of a finance forum to discuss matters related to financial reporting. (Participant 10)*

Participant 10 proposed the establishment of a financial forum to facilitate discussions and address matters pertaining to financial reporting. This recommendation highlights the recognition of the importance of collaboration and communication among finance staff within the Regional Council. A financial forum can serve as a platform for knowledge sharing, exchanging best practices, addressing challenges, and collectively working towards improving financial reporting processes. By providing a dedicated space for discussions, the finance forum can enhance coordination and alignment within the finance division, promoting a better understanding of financial reporting requirements and fostering continuous improvement in reporting practices. The findings emphasise the significance of creating opportunities for collaboration and knowledge exchange to strengthen financial reporting within the Regional Council.

### 5.13.4 Analysis and interpretation of Theme 5: Quality of financial reporting for the regional council in Namibia

#### 5.13.4.1 Subtheme: Average Quality with Room for Improvement

> *Describes the quality of financial reporting as average but suggests the need to bring it to the expected standard. (Participant 1)*

> *States that the quality is bad and calls for more training to improve employee understanding. (Participant 9)*

Participants 1 and 9 provided differing perspectives on the quality of financial reporting within the regional council. Participant 1 described the quality as average but acknowledged the need to improve it to meet the expected standard. This suggests that while there is some level of adherence to reporting requirements, there is room for enhancement in terms of accuracy, transparency, and completeness. On the other hand, Participant 9 expressed a more critical view, describing the quality as bad and emphasising the necessity for additional training to enhance employee understanding. This finding highlights the importance of continuous improvement efforts to raise the quality of financial reporting within the regional council. It underscores the need for targeted training programmes to address knowledge gaps, enhance skills, and foster a culture of excellence in financial reporting. The findings collectively emphasise the importance of striving for continuous improvement to ensure financial reporting meets the desired standard of accuracy, transparency, and reliability.

**5.13.4.2 Subtheme: Improvement and Positive Trends**

> *Indicates that the quality of financial reporting has improved over the years, with fewer adverse opinions, disclaimers, and qualified opinions. (Participant 3)*
>
> *Highlights the overall improvement in financial reporting, noting that only the Erongo Regional Council has consistently received an unqualified audit report. (Participant 4)*
>
> *Mentions a trend towards negative audit opinions due to a need for capacity related to the adopted financial reporting framework (IPSAS). (Participant 10)*

The findings from Participants 3, 4, and 10 highlighted positive trends and improvements in the quality of financial reporting within the regional council. Participant 3 indicated that the quality of financial reporting has improved over the years, with a reduction in adverse opinions, disclaimers, and qualified opinions. This suggests a positive shift towards greater adherence to reporting standards and improved accuracy and transparency. Participant 4 further emphasised the overall improvement in financial reporting; noting that only the Erongo Regional Council consistently receives an unqualified audit report, indicating a commendable level of reporting quality. Additionally, Participant 10 identified a trend towards negative audit opinions, potentially indicating a heightened focus on capacity-building efforts related to the adopted financial reporting framework, IPSAS. Collectively, these findings indicate positive progress and highlight the importance of continued efforts to enhance financial reporting practices, ensuring adherence to standards and fostering transparency and accountability within the regional council.

#### 5.13.4.3 Subtheme: Challenges and Areas for Improvement

> *Views the current quality of financial reporting for RCS in Namibia as poor, with few types of council submitting reports and errors being present. (Participant 5)*

> *States that the quality of financial reporting is not adequate, with only a few Regional Councils submitting financial statements on time. (Participant 7)*

> *Recognises the need for improvement, especially in full compliance with IPSAS standards, as most Regional Councils have recently adopted them. (Participant 8)*

> *Criticises out-dated accounting policies and calls for IT support to maintain data integrity. (Participant 11)*

The findings from Participants 5, 7, 8 and 11 highlighted challenges and areas for improvement in the quality of financial reporting within the regional councils in Namibia. Participant 5 expressed a critical view, describing the current quality as poor, with a few types of council submitting reports and errors present. Participant 7 echoed this sentiment, stating that the quality is not adequate, emphasising the need for more timely submission of financial statements. Participant 8 recognised the need for improvement, particularly in achieving full compliance with IPSAS standards, as most Regional Councils have recently adopted them. Participant 11 highlights two specific areas for improvement: out-dated accounting policies that require updating and the importance of IT support to maintain data integrity. These findings collectively underscore the need for concerted efforts to address challenges in financial reporting, including timely submission, accuracy, compliance with standards, and modernisation of policies and IT infrastructure. They highlight the importance of continuous improvement initiatives to enhance the quality and reliability of financial reporting practices within the regional councils.

#### 5.13.4.4 Subtheme: Varied Quality Levels

*Mentions that many organisations in Namibia have qualified audit reports, indicating proper financial reporting. (Participant 2)*

*Suggests factors such as proper document filing, understandable reporting formats, and accurate data collection for improving financial reporting. (Participant 6)*

The findings from Participants 2 and 6 highlighted the varied quality levels of financial reporting among organisations in Namibia. Participant 2 noted that many organisations in Namibia have qualified audit reports, indicating a level of adherence to proper financial reporting practices. This suggests that some organisations have implemented effective controls and processes to ensure accurate and reliable financial reporting. On the other hand, Participant 6 suggested that factors such as proper document filing, understandable reporting formats, and accurate data collection can contribute to improving financial reporting. These findings imply that there is room for improvement in financial reporting practices across organisations in Namibia. While some organisations have demonstrated proper financial reporting, others may benefit from implementing robust processes, enhancing documentation practices, and adopting reporting formats that facilitate clarity and understanding. The findings underscore the importance of implementing best practices, standardised procedures and effective data management strategies to enhance the quality and consistency of financial reporting in organisations throughout Namibia.

#### 5.13.4.5 Subtheme: Mixed Performance

*Notes that some Regional Councils produce financial statements of good quality, while others still have room for improvement. (Participant 12)*

Participant 12 highlighted the mixed performance of Regional Councils in terms of financial reporting quality. While some Regional Councils are producing financial statements of good quality, others still have significant room for improvement. This finding suggests that there is variability among the Regional Councils in terms of their adherence to financial reporting standards, accuracy of financial statements, and overall quality of reporting. It emphasises the need for consistent efforts to improve financial reporting practices across all Regional

Councils, ensuring that they meet the required standards and consistently produce high-quality financial statements. This finding highlights the importance of sharing best practices and implementing standardized processes to elevate the overall financial reporting quality across the Regional Councils in order to enhance transparency and accountability in the management of public resources.

### 5.13.5 Analysis and interpretation of Theme 5: Controls by the internal audit function for efficient utilisation of public resources and addressing financial reporting challenges in regional councils

#### 5.13.5.1 Subtheme: Regular Audits and Policy Adherence

> *Enforcing quarterly internal audits and ensuring adherence to policies, particularly fleet management policies. (Participant 1)*

The findings suggested the enforcement of quarterly internal audits and ensuring adherence to policies, specifically fleet management policies, as a means to improve financial reporting for the regional council. The recommendation emphasises the importance of regular audits conducted by the internal audit function to identify potential weaknesses, vulnerabilities, and non-compliance with policies. Quarterly audits enable timely identification and resolution of issues, ensuring that financial reporting processes are robust and accurate. Additionally, focusing on fleet management policies highlights the need for specific attention to areas of financial management that may require additional controls and oversight. By enforcing regular audits and policy adherence, the regional council can strengthen its financial reporting practices, enhance internal controls, and maintain compliance with policies, contributing to improved transparency and accountability in financial reporting.

#### 5.13.5.2 Subtheme: Lack of Knowledge/Expertise

> *States a lack of knowledge or expertise to comment on the matter. (Participant 2)*

Participant 2 acknowledged a lack of knowledge or expertise to comment on the matter of improving financial reporting for the regional council. This finding suggests that the participant does not possess the necessary understanding or experience in financial reporting to provide specific recommendations or insights. It highlights the importance of involving individuals with relevant knowledge and expertise in addressing the challenges related to financial reporting. This finding underscores the need for a multidisciplinary approach, where individuals with diverse backgrounds and expertise collaborate to improve financial reporting practices within the regional council.

#### 5.13.5.3 Subtheme: Capacity Building and Training

> *Calls for capacity building of the internal audit function and regular review of their terms of reference. Suggests providing training on the financial management information system (IFMIS) for a better understanding of the system. (Participant 3)*

Participant 3 emphasised the importance of capacity building and training within the internal audit function to improve financial reporting for the regional council. The recommendation suggests that investing in capacity building initiatives for internal auditors, such as training programmes and continuous professional development can enhance their skills, knowledge, and competencies related to financial reporting. Additionally, the participant highlighted the need for regular reviews of the internal audit function's terms of reference to ensure its effectiveness in addressing financial reporting challenges. The suggestion to provide training on the financial management information system (IFMIS) further underscores the importance of equipping internal auditors with a deep understanding of the system to effectively assess its reliability and identify potential weaknesses. These findings emphasise the significance of on-going learning and development within the internal audit function to strengthen financial reporting practices and ensure the integrity of financial information within the regional council.

#### 5.13.5.4 Subtheme: Identification of Loopholes and Information Management

> *Highlights that internal audit, as the first audit of an organisation, can assist in identifying loopholes in the system and information storage. (Participant 4)*

Participant 4 emphasised the role of the internal audit function as the first line of defence in identifying loopholes within the financial reporting system and information management practices. This finding recognises the internal audit function's unique position to assess the effectiveness of internal controls, identify areas of vulnerability and recommend improvements. By conducting comprehensive audits, internal auditors can uncover weaknesses in the financial reporting system, such as inadequate information storage practices or gaps in data integrity. The findings highlight the importance of leveraging the internal audit function's expertise and insights to enhance information management and strengthen the overall financial reporting framework within the regional council.

#### 5.13.5.5 Subtheme: Staff Training and Development

> *Recommends conducting courses and training for staff members. (Participant 5)*

Participant 5 emphasised the need to implement educational courses and training programmes for staff members as a strategy to enhance financial reporting practices within the regional council. This discovery highlights the importance of allocating resources towards the advancement of employees' professional development in order to improve their understanding, abilities and proficiencies in the realm of financial reporting. By offering appropriate courses and training opportunities, employees may ensure their knowledge remains current about accounting standards, reporting frameworks and optimal methodologies. This allows individuals to carry out their financial reporting duties with more efficiency and precision. The advice acknowledges the importance of on-going learning and professional growth in order to cultivate a skilled and proficient workforce capable of regularly generating financial reports of exceptional quality.

#### 5.13.5.6 Subtheme: Adherence to Financial Legal Instruments

> *Emphasises the importance of adhering to financial legal instruments by all stakeholders. (Participant 6)*

Participant 6 highlighted the importance of adherence to financial legal instruments by all stakeholders as a crucial aspect of improving financial reporting for the regional council. This finding underscores the significance of complying with relevant laws, regulations and financial frameworks in order to ensure transparency, accuracy, and accountability in financial reporting practices. Adhering to financial legal instruments helps establish a robust and reliable financial reporting framework that is in line with the requirements set by regulatory authorities. By emphasising the importance of compliance, Participant 6 recognised the role of legal instruments in promoting trust and integrity in financial reporting and emphasised the need for all stakeholders to fulfil their responsibilities in adhering to these instruments.

#### 5.13.5.6 Subtheme: Incorporating External Audit Recommendations

> *Suggests reviewing audit reports from external auditors and incorporating them into the internal audit plan. (Participant 7)*

Participant 7 suggested the importance of reviewing audit reports from external auditors and incorporating their recommendations into the internal audit plan as a means to improve financial reporting for the regional council. This finding underscores the value of external audit insights and recommendations in identifying areas of improvement and strengthening the internal audit function’s focus. By actively reviewing and incorporating external audit recommendations, the regional council can enhance its internal audit procedures, controls, and practices, ultimately leading to more effective and reliable financial reporting. This recommendation highlights the significance of utilising external audit findings as a valuable resource for continuous improvement and ensuring compliance with financial reporting standards and best practices.

#### 5.13.5.7 Subtheme: Good Governance Practices

> *Proposes the application of good governance practices. (Participant 8)*

Participant 8 proposed the utilisation of effective governance principles as a strategy to enhance the quality of financial reporting within the regional council. The advice underscores the need to embrace concepts and practices that foster transparency, accountability and integrity within financial reporting systems. The concept of good governance encompasses a diverse array of factors, which encompass but are not limited to the establishment of explicit policies and processes, the implementation of effective internal controls, the presence of independent monitoring, and the adherence to ethical conduct. Through implementing these prescribed methodologies, the regional council may effectively guarantee the execution of financial reporting in a conscientious and dependable fashion, thereby fostering a sense of trust and assurance among stakeholders. The aforementioned discovery underscores the necessity of a robust governance structure that upholds solid financial reporting methodologies and enhances the overall efficiency and trustworthiness of the regional council's financial administration.

**5.13.5.8 Subtheme: Growth and Decentralisation**

> *Mentions the growth of the regional council due to the decentralised function, implying the need for internal audit understanding and engagement. (Participant 9)*

The results acknowledged the expansion of the regional council as a result of its decentralised role, which in turn leads to heightened intricacy in both operational and financial management. This discovery underscored the necessity for the internal audit function to adjust and successfully participate in this evolving environment. In light of the council's expansion and decentralisation efforts, it is imperative for internal auditors to possess a comprehensive understanding of the distinct problems and risks that are inherent to decentralised operations. In order to have a thorough comprehension of the financial procedures and controls implemented, it is imperative for them to actively collaborate with various departments and stakeholders within the regional council. The comprehension and involvement of internal auditors facilitate their ability to offer significant perspectives, evaluate potential risks, and propose appropriate measures that cater to the distinct requirements of the decentralised regional council. The significance of a dynamic and proactive internal audit function that can effectively assist the Regional Council in meeting its expanding financial reporting obligations is underscored.

**5.13.5.9 Subtheme: Involvement in Financial Reporting and Training**

> *Recommends the involvement of internal audit in financial reporting and training them to understand financial reporting. (Participant 10)*

The results indicated the engagement of the internal audit function in the process of financial reporting and underscore the need to provide comprehensive training to internal auditors in order to enhance their comprehension of financial reporting. This guideline acknowledges the importance of internal auditors possessing a comprehensive comprehension of financial reporting procedures, regulations and obligations. By including the participation of internal auditors in the process of financial reporting, organisations can leverage their specialised knowledge and skills to enhance the precision, comprehensiveness, and adherence to regulatory requirements of financial statements. In addition, the provision of training to internal auditors about financial reporting serves to ensure their knowledge and adherence to pertinent regulations and optimal methodologies, so enhancing their overall effectiveness in fulfilling their responsibilities. The participation and training activities enhance the capacity of the internal audit function to offer useful insights and assurance pertaining to the quality of financial reporting within the Regional Council.

#### 5.13.5.10 Subtheme: Regular Auditing and Recommendation Follow-up

> *Advocates for regular audits by the internal audit function to strengthen internal controls and improve the regional council. Also suggests following up on audit recommendations to ensure implementation. (Participant 11)*

The results emphasised the significance of conducting regular audits through the internal audit function in order to enhance internal controls and enhance the financial reporting practises of the Regional Council. Regular audits are implemented as a proactive strategy to detect possible deficiencies or susceptibilities within the financial procedures and internal control systems. Through the frequent execution of these audits, the internal audit function has the capacity to furnish valuable insights and recommendations for the purpose of enhancing performance. However, just identification of the faults is insufficient; it is important to thereafter pursue the implementation of audit recommendations. The internal audit function can assure the implementation of audit recommendations by closely monitoring the process. This allows for the appropriate steps to be made in order to rectify detected shortcomings and improve the overall effectiveness of internal controls. This strategy facilitates the promotion of continuous improvement and accountability within the Regional Council, hence, fostering enhanced financial reporting practices and overall governance.

#### 5.13.5.11 Subtheme: Enforcement and Publicisation

> *Proposes enforcing publicisation and recommendations by the internal audit function, which can expose regional councils and drive improvement. (Participant 12)*

The results indicate that enhancing the dissemination of information and implementing suggestions made by the internal audit function can serve as a strategy to enhance the accuracy and reliability of financial reporting for the Regional Council. By increasing the accessibility of audit results and recommendations to the general public and relevant stakeholders, this strategy effectively boosts openness, promotes accountability, and exerts pressure on councils to immediately resolve the highlighted concerns. The integration of enforcement mechanisms and public oversight within the internal audit function has the potential to facilitate enhancements in financial reporting practises and establish a framework of accountability that fosters transparency and instils confidence in the Regional Council.

## 5.14 Multiple Regression Analysis

The Multiple regression analysis was conducted to test the effect of identified variables on the quality of financial reporting of Regional Councils in Namibia.

The Multiple Regression Equation model is

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where Y is the quality of financial reporting

$X_1$ = Employees capacity

$X_2$ = IFMIS System

$X_3$= Internal audit quality

$X_4$= Top management expertise

$X_5$= Internal Control system

$\beta_0$= Constant

$\beta_1$- $\beta_5$= Coefficients of the variables being measured

$\varepsilon$= Error term

**Table 5.10 Multiple Regression Analysis Coefficients[a]**

| | Unstandardised coefficient | | Standardised Coefficients Beta | t | Sig | Collinearity statistics | |
|---|---|---|---|---|---|---|---|
| 1 Constant | B | Standard Error | | | | Tolerance | VIF |
| | -3.550 | 1.031 | | -2.550 | 0.014 | | |
| V2 | 0.567 | 0.124 | 0.718 | 4.547 | 0.000 | 0.790 | 1.373 |
| V3 | 0.434 | 0.146 | 0.376 | 2.258 | 0.022 | 0.644 | 1.467 |
| V4 | 0.444 | 0.116 | 0.366 | 2.924 | 0.006 | 0.680 | 1.734 |
| V5 | 0.333 | 0.371 | 0.388 | 2.817 | 0.008 | 0.760 | 1.645 |
| V6 | 0.237 | 0.238 | 0.660 | 0.580 | 0.537 | 0.754 | 1.400 |

a. Dependent Variable: The quality of financial reporting of Regional councils

**Table 5.11: ANOVA[a]**

| 1 | Model | Sum of Squares | Degree of Freedom(df) | Mean Square | F | Significance |
|---|---|---|---|---|---|---|
| | Regression | 23.265 | 5 | 4.653 | 17.633 | 0.000[b] |
| | Residual | 7.372 | 30 | 1.474 | | |
| | Total | 30.637 | 35 | | | |

a. Dependent Variable: The quality of financial reporting of Regional councils
b. Predictors(constants) Top management expertise, Employees Capacity, IFMIS system, Internal Control system and audit Committee Quality, IPSAS

From the ANOVA results table, the overall equation was statistically significant ($F=17.633$, $p<.000$).

The following table presents a summary of the coefficients, which analyses the independent variables that provide a substantial contribution to 58.2% of the variance in the dependent variable Y (R2 = 0.763). Additionally, it discerns the variables that lack significant influence. Additionally, the table underscores the significance of the factors in offering explanations for the observed fluctuations in Y. The researcher analysed the standardised beta coefficients and levels of statistical significance (Sig.) associated with each independent variable in the equation. The predictor was determined to have statistical significance at a significance level of $p<0.05$. When the p-value (Sig.) is less than or equal to 0.05, it signifies that the relevant beta coefficient holds statistical significance inside the model.

**Table 5.12 Model Summary[b]**

| 1 | R | R-square | Adjusted R Square | Standard Error of Estimates | Durbin-Watson |
|---|---|---|---|---|---|
| | 0.763[a] | 0.582 | 0.343 | 0.256 | 1.137 |
| | | | | | |

a. Dependent Variable: The quality of financial reporting of Regional councils.
b. Predictors (constants) Top management expertise, Employees capacity, IFMIS system, Internal Control and Audit Committee quality, IPSAS.

The model summary provides an overview of the numerous correlation coefficients (R) as measures of the association between the quality of financial reporting (Y) and the five independent variables (X1, X2, X3, X4, and X5). Based on the regression summary, the coefficient of determination (R-squared) is 0.763, suggesting a moderate level of correlation between the variables. By performing the computation of R squared, it demonstrates an understanding of the importance of the coefficients of multiple determination (R2). This statistical measure allows for the assessment of the total variance in the dependent variable Y that can be explained by the five independent variables, expressed as a percentage range from 0 to 100. Therefore, it can be deduced that the combined influences of the independent variables (X1, X2, X3, X4, and X5) account for 58.2% of the variability in the dependent variable (Y). The F-ratio is employed in the analysis of variance (ANOVA) to assess the likelihood that the observed R2 value is a result of random chance. The F-ratio, as computed in the analysis of variance (ANOVA) table, evaluates the probability of random variation from a linear pattern. The findings of the analysis of variance (ANOVA) are presented in Table 5.11 above.

The multiple regression analysis reported in this study offers significant insights into the various elements that influence the quality of financial reporting in regional councils. The findings indicate that there is a favourable correlation between the quality of financial reporting and various independent variables, specifically V2, V3, V4, and V5. The observed high t-values and low p-values provide evidence of the statistical significance of the connections under investigation. These findings show that alterations in the variables examined have a substantive influence on the quality of financial reporting. Based on the analysis conducted, it can be concluded that V2 demonstrates the most influence among the variables under investigation, as it displays the highest coefficient and standardised coefficient (Beta). V3, V4, and V5 also provide beneficial contributions to the quality of financial reporting, but to different extents.

Nevertheless, it is crucial to acknowledge that V6, the sixth variable in the research, does not exhibit a statistically significant association with the quality of financial reporting. The obtained outcome implies that the variable V6 may lack statistical significance as a predictor within this particular context.

The results obtained from the multiple regression analysis provide significant insights for regional councils seeking to improve the accuracy of their financial reporting. The significance of variables V2, V3, V4, and V5 in enhancing reporting practises should be given due attention, as their relevance has been established in this study. The lack of statistical significance seen for V6 implies it may not play a significant role in influencing the quality of financial reporting within the setting under investigation. The aforementioned insights possess the potential to contribute to decision-making processes and facilitate further exploration within the domain of financial reporting and management, specifically within regional councils.

## 5.15 Interpretation and Discussion of the Regression Model

The regression equation provided above illustrates that, when considering all variables (namely, Top Management Expertise, Staff Capacity, Internal Control, Audit Committee, and Adoption of IPSAS), the estimated quality of financial reporting in the examined Regional Council is 0.763, with a constant value of -3.550 (refer to Table 4.10, see Table 4.12).

The Computation of the Regression model is presented below.

The Regression Model is thus computed as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

$$Y = -3.550 + 0.718 + 0.376 + 0.366 + 0.388 + 0.660 + 1.042$$

According to the coefficients table, all five independent variables exhibit statistical significance in their predictive capacity for the value of Y. The findings suggest a robust and statistically significant correlation between staff capacity ($\beta$ = 0.718, $p$ < .000) and the level of excellence in financial reporting. Therefore, it has been concluded that staffing capacity is the main factor influencing the quality of financial reporting in the Regional Councils within the specified population. Additionally, other factors, such as internal audit quality, IFMIS system and top management expertise, also contribute to the attainment of high-quality financial reporting. The findings of this study are consistent with the existing scholarly literature on the factors that influence the quality of financial reporting. The significance of capacity building in developing human resource capabilities and ultimately achieving organisational goals was highlighted in a study published in the Canadian Social Science journal in 2013. This research reveals a positive association between the quality of financial reporting and the competence of employees, thereby impacting their professional development. The results of this study suggest that there is a positive relationship between staff capacity and the Integrated Financial Management Information System (IFMIS) regarding their impact on the quality of financial reporting. This study is consistent with the previous archival study that found a correlation between Internal Audit Quality (IAQ) and Financial Reporting Quality (FRQ). The initial research in this field was undertaken by Prawitt, Smith, and Wood (2009). The current study provides evidence of a favourable association between the degree of internal audit excellence and the quality of financial reporting. The current investigation has established a noteworthy correlation between the proficiency of top-level management and the standard of financial reporting. Therefore, it is in accordance with the theoretical frameworks of management literature advocated by senior levels of authority.

**Testing of hypothesis**

H0: Internal organisational factors do not affect the quality of financial reporting of regional councils in Namibia

| Hypothesis | t-statistic | p- value |
|---|---|---|
| **Null hypothesis** | 2.5581 | 0.0285 |

The t-test study produced significant results pertaining to the correlation between internal organisational characteristics and the quality of financial reporting among regional councils in Namibia. The null hypothesis, positing the absence of a meaningful association between the two variables, was found to be rejected. The obtained t-statistic value of 2.5581 suggests a statistically significant association between internal organisational characteristics and the quality of financial reporting. This implies that there is a correlation between the quality of financial reporting among regional councils and the fluctuations in the effectiveness of internal organisational elements, such as staff training, budget allocation, and management practices.

The rejection of the null hypothesis implies that there is evidence to support the notion that internal organisational characteristics have an impact on the quality of financial reporting within Namibian regional councils. The discovery of these results carries significant implications for the operation of regional councils and policymakers. This suggests that allocating resources towards the enhancement of internal organisational variables has the potential to result in improved financial reporting quality. Regional councils that priorities staff development, efficient budgeting, and strong management practices are likely to achieve enhanced financial reporting that is characterised by accuracy, transparency, and compliance.

Consequently, this can result in improved decision-making processes and heightened accountability within the public sector.

Nevertheless, it is crucial to acknowledge that, although a substantial correlation has been shown, this research does not establish a causal relationship. The presented findings establish a correlation between the aforementioned variables, although fail to elucidate the precise direction or amount of the observed impact. To gain a more profound understanding of the precise variables and methods by which internal organisational issues impact the quality of financial reporting in Namibian regional councils, additional study and a more extensive dataset would be required.

## 5.16 Conclusion

This chapter presented the results and interpretations of the quantitative and qualitative data for both phases. The findings seem to suggest that internal factors have a significant effect on the quality of financial reporting at the three regional councils. The next chapter presents the Discussions and Recommendations of the study based on the primary and secondary data.

# CHAPTER SIX: SUMMARY, DISCUSSIONS AND RECOMMENDATIONS

## 6.1 INTRODUCTION

This chapter encompasses the study's summary, conclusions, and recommendations. The aforementioned conclusions were derived from the outcomes of the investigation outlined in chapter five, as well as the research goals established in chapter one of this scholarly inquiry.

## 6.2 Discussion of Findings

The discussions are presented under each of the objectives of the study.

### 6.2.1 Impact of employee’s capacity on the quality of financial reporting of Regional Councils in Namibia

The results provide insights into the viewpoints of the participants on the influence of staff capacity on the quality of financial reporting in Namibian Regional Councils. The aforementioned observations are crucial in evaluating the present condition of financial reporting in the public sector and finding prospective avenues for enhancement. The findings of the capacity requirements assessment conducted at Regional Councils reveal a varied sentiment. The participants demonstrated consensus regarding the adoption of capacity requirements assessment within Regional Councils. This implies that there is potential for improving the assessment of capacity needs within these governing bodies. The presence of personnel who possess strong qualifications in these positions is of utmost importance in order to guarantee the production of financial reports of exceptional quality.

The assessment of staff recruitment and selection procedures yielded results indicating that participants demonstrated consensus regarding the efficacy of these processes, which is a favourable outcome. Nevertheless, the participants voiced their dissent, indicating that certain respondents may harbour reservations regarding the criteria employed for selection. It is imperative to priorities the selection of highly competent candidates for financial positions in order to uphold the integrity and accuracy of financial reporting.

Participants in the discussion concurred when evaluating the sufficiency of staffing levels within the finance department. This implies that, based on their subjective evaluations, Regional Councils possess finance departments that are sufficiently staffed. Nevertheless, the participants voiced their disagreement, suggesting that there are some problems pertaining to the personnel levels and competence within these agencies. Upon evaluating the credentials and professional background of the accounting personnel, the findings revealed the respondents maintained a neutral perspective, signifying a state of uncertainty or a combination of viewpoints. A lesser percentage of respondents expressed agreement, indicating a certain degree of trust in the expertise and professional background of the accounting personnel. This discovery highlights the significance of assessing and enhancing the readiness of accounting personnel in fulfilling their obligations related to financial reporting. The matter of staff training has surfaced as a notable apprehension, as participants expressed disagreement with the assertion that the training obtained by Regional Council staff was sufficient. Insufficient training has the ability to impede the generation of financial reports of superior quality. Hence, it is imperative to address this deficiency in training in order to improve the quality of financial reporting.

After evaluating the comprehension of financial regulations, it was collectively recognised by the participants that the finance staff of the Regional Council demonstrate a proficient level of knowledge and understanding pertaining to the applicable legislation. The present discovery underscores the significance of staff members' understanding of financial regulations, a crucial factor in ensuring compliance and precision in financial reporting. The adequacy of support provided by the Ministry of Finance and Auditor General's Office in relation to IPSAS was agreed upon by the participants. However, a subset of the participants expressed significant dissent, positing the possibility of areas where the efficacy of the supplied help may be enhanced. In general, with regards to the aspect of top management support, a considerable number of the participants expressed consensus on the notion that top management exhibits support for and comprehends the significance of timely and high-quality financial reporting. This observation suggests a favourable indication. However, it is worth noting that certain people who expressed disagreement imply the potential for additional communication and alignment within the organisation.

### 6.2.2 Impact of Top management Expertise on the Quality of Financial Reporting

The results obtained from Participants 1, 3 and 4 shed insights on effective techniques for enhancing engagement and implementing improvements in financial reporting practises within the regional council. Participant 1 highlighted the significance of senior management's adoption of competent staff and integration of the most recent iteration of the financial reporting system, signifying a dedication to guaranteeing proficient resources and contemporary technology for precise reporting. Participant 3 underscored the importance of ensuring that all members of the organisation are united in their commitment to safe and centralised financial reporting. This is achieved through the implementation of regular meetings, which serve as a platform for reviewing existing processes and identifying areas for improvement. Additionally, these sessions promote collaboration among team members and facilitate the on-going refinement of reporting practises. Participant 4 expressed a firm endorsement for the comprehensive adoption of International Public Sector Accounting Standards (IPSAS), advocating for the provision of training to finance personnel on IPSAS and the utilisation of Annual finance Statement (AFS) software. This stance reflects a proactive stance towards enhancing transparency, ensuring compliance, and promoting efficiency in the realm of financial reporting. The aforementioned results highlight the significance of effective leadership, organisational coherence, and the adoption of suitable technology and standards in facilitating favourable transformations in financial reporting procedures within the regional council.

### 6.2.3 Impact of Internal Audit on the financial Reporting Regular Audits and Policy Adherence

*Enforcing quarterly internal audits and ensuring adherence to policies, particularly fleet management policies.* (Participant 1)

The results indicate that implementing quarterly internal audits and verifying compliance with policies, particularly those related to fleet management, can be an effective strategy for enhancing financial reporting inside the regional council. The advice underscores the significance of conducting routine audits by the internal audit function in order to uncover potential gaps, vulnerabilities and instances of non-compliance with policies. Quarterly audits facilitate the prompt detection and resolution of difficulties, thereby guaranteeing the strength and precision of financial reporting procedures. Furthermore, directing emphasis towards fleet management policies underscores the necessity for targeted scrutiny of financial management aspects that may necessitate supplementary controls and supervision. Through implementing regular audits and strict policy adherence, the regional council has the power to fortify its financial reporting practices, bolster internal controls, and uphold compliance with policies. This concerted effort ultimately leads to heightened levels of openness and accountability in the realm of financial reporting.

### 6.2.4 Impact of effect of Integrated Financial Management System (IFMS) on the quality of financial reporting of Regional councils in Namibia

The results obtained from the analysis of Participants 1 and 6 shed light on the significance of the Integrated Financial Management Information System (IFMIS) in facilitating the production of accurate and reliable financial reports. Participant 1 posited that the use of IFMIS can offer a range of templates for various reporting forms, hence augmenting the uniformity and standardisation of financial reports. This suggests that the use of IFMIS can offer a systematic structure for financial reporting, hence, ensuring compliance with reporting obligations. Participant 6 highlighted the significance of adhering to standardised accounting principles in order to attain uniformity, dependability, and the capacity to make meaningful comparisons while utilising financial systems. The aforementioned discovery indicates that the use of IFMIS, in conjunction with standardised accounting principles, has the potential to enhance the calibre of financial reporting by promoting consistency and precision in the documentation and disclosure of financial transactions. The results emphasise the potential advantages of utilising Integrated Financial Management Information Systems (IFMIS) and standardised accounting principles to improve the effectiveness, dependability and comparability of financial reporting within the Regional Council.

### 6.2.5 Impact of determine the effect of internal control and IPSAS on the Quality of Financial Reporting of Regional Councils in Namibia

In conclusion, the present study has utilised multiple regression analysis to elucidate the variables that impact the quality of financial reporting in regional councils. The results indicate that several independent variables, including employees' capacity (V2), IFMIS system (V3), internal audit quality (V4), and internal control system (V5), have a substantial impact on the quality of financial reporting. The aforementioned variables demonstrate statistically significant positive associations with the dependent variable, suggesting that alterations in these aspects have a substantial influence on the quality of financial reporting. Among the aforementioned variables, it is evident that the capacity of employees (V2) emerges as the most influential predictor. Nevertheless, in this particular context, it is observed that the sixth variable (V6) does not exhibit a statistically significant correlation with the quality of financial reporting.

The outcomes of this study have noteworthy practical relevance. This information can be utilised by regional councils to augment their financial reporting practices and raise levels of transparency and accountability. The primary areas of emphasis should be directed towards enhancing the capabilities of personnel, harnessing the potential of the Integrated Financial Management Information System (IFMIS), enhancing the quality of internal audit processes, and optimising the internal control framework. These activities have the potential to enhance the precision and dependability of financial reporting, a critical element for making well-informed decisions and fostering trust among stakeholders. Additionally, this study highlights the need for engaging professionals possessing pertinent knowledge and experience, while also emphasising the necessity for on-going capacity development and training within the internal audit function. Regional councils can enhance the quality of their financial reporting by implementing recommendations from external audits and adhering to financial legal instruments. This approach enables them to assure compliance with legislation and best practises.

In general, the results obtained from this multiple regression analysis offer significant insights for regional councils that seek to enhance their financial reporting procedures. These elements play a crucial role in supporting decision-making based on evidence and highlight the importance of addressing them in order to attain high standards in financial reporting and governance.

## 6.3 Conclusion

The primary aim of this research endeavour was to ascertain the many elements that exert influence on the quality of financial reporting within the Regional Councils of Namibia. The purpose of this study was to investigate four research questions, which included the following. The subject of scholarly inquiry revolves around the influence of workforce capacity on the calibre of financial reporting. What is the influence of the Integrated Financial Management Information System (IFMIS) on the overall standard of financial reporting? What is the influence of the quality of internal audits on the quality of financial reporting? What is the influence of senior management experience on the quality of financial reporting? The study aimed to investigate several specific objectives, including the assessment of the influence of staffing capacity on the quality of financial reporting, the evaluation of the impact of IFMIS on the quality of financial reporting, the examination of the effect of internal audit quality on the quality of financial reporting, and the analysis of the impact of top management expertise on the quality of financial reporting.

The study utilised a descriptive survey as its research design. The target group for this study comprised Chief Regional Officers, managers and staff of the two Regional Councils, as well as specialists from the finance department of the Ministry of Urban and Rural Development and Office of the Auditor General. The target population consisted of 22 participants. The data underwent analysis employing a blend of quantitative and qualitative methodologies. The quantitative analysis in this study utilised Multiple Regression analysis and descriptive approaches, whereas the qualitative research employed Thematic Analysis.

The results of this study suggest that a notable percentage of the three Regional Councils under investigation have carried out evaluations to determine their capacity needs. This implies that the Regional Councils have staff that possesses the necessary qualifications for their specific roles. The findings of the study indicate that the Regional Councils have implemented an effective and efficient method for the recruitment and selection of their staff members. Moreover, it is apparent that these individuals exhibit the requisite skills and expertise to proficiently execute their financial obligations.

The study also found that the Ministry of Finance and the Auditor General's office offer adequate training to their staff members. Furthermore, it was observed that individuals in charge of overseeing the financial resources of Regional Councils have a thorough comprehension of the regulations pertaining to performance finance management (PFM). According to the respondents, the capacity of staff has a major impact on the quality of financial reporting.

The adequacy of support provided by upper management of Regional Councils and the Office of the Auditor General for the adoption and usage of the IPSAS system was assessed. Based on the findings of the survey, a notable percentage of the respondents, namely 30%, voiced their dissent about the assertion that enough training has been provided to all those employing the IPSAS system. This discovery indicates that it is crucial to improve the training of IFMIS in order to boost the effectiveness of the system. The generation of reports from the IPSAS system and adherence to the principles of cash basis accounting have been established as practices employed by Regional Councils.

The study's results revealed that the internal audit function within the Regional Councils show shortcomings in its capacity to design and enforce internal control systems. A significant proportion of the Regional Councils did not have a formally created audit committee; yet, the internal audit personnel have the requisite expertise to effectively carry out the responsibilities associated with such a body. It has been ascertained that the internal audit did not raise any concerns regarding the integrity of financial reporting within the Regional Councils. Furthermore, the research findings indicate that the management effectively chose and executed audit suggestions with the aim of improving the quality of financial reporting. The Regional Councils routinely performed regular bank reconciliations, which exemplified their commitment to adhering to Public Financial Management (PFM) laws and thus improving the quality of financial reporting.

The research revealed that the quality of financial reporting within the Regional Councils was impacted by the prior experience and background of the senior management in the field of financial reporting. The study's results suggest senior executives hold relevant academic qualifications and have refined their financial reporting skills through their involvement in seminars and conferences. The input received from the participants suggests that the competence of senior management has a substantial influence on the overall quality of financial reporting.

The regression analysis results suggest that various factors, including the IPSAS system, internal audit quality and top management competence, have an impact on the quality of financial reporting. It is worth mentioning that the capacity of the staff was discovered to have a remarkably large influence on the quality of financial reporting ($\beta$ = 0.618, $p$ < .000). The efficacy of the IPSAS/IFMIS system relies on the staffing capacity, talents and competency of the persons engaged in its implementation.

The study's findings suggest that placing emphasis on enhancing the skills and abilities of construction personnel is of utmost importance in order to enhance their proficiency, ultimately resulting in the attainment of superior financial reporting in county governments. To improve the competency of staff, it is crucial to offer training on Public Financial Management (PFM) Regulations, International Public Sector Accounting Standards (IPSAS), Integrated Financial Management Information Systems (IFMIS), and government financial operations. Regional Councils have implemented an effective and efficient system for the recruitment and selection of personnel, which ensures the proper assignment of staff to their assigned positions.

The outcomes of the study suggest that International Public Sector Accounting Standards (IPSAS), the Integrated Financial Management Information System (IFMIS) can be considered a reliable accounting system as it effectively enables the timely and accurate generation of financial reports. Despite the considerable body of literature that emphasises the excellence of financial reporting within Regional Councils, this study posits that the IFMIS system cannot be attributed as the sole factor responsible for this result.

In order to develop strong internal controls and improve the effectiveness of internal audits, it is imperative to boost the efficacy of the internal audit function. The establishment of an audit committee is deemed vital due to its capacity to strengthen and align with the functions of the internal audit department. Nevertheless, the study has arrived at the finding that the internal audit function lacks a substantial amount of importance in ascertaining the quality of financial reporting.

The regression analysis results suggest a robust statistical relevance between staff capacity and the quality of financial reporting. The collaborative efforts of the Auditor General's office and the Ministry of Finance in Namibia are effectively providing support to improve the capacities necessary for the generation of accurate and reliable financial statements within the Regional Councils.

## 6.4 Recommendations

The study proposes that Regional Councils should give priority to improving the skills and abilities of their workforce in order to improve the quality of financial reporting. It is advisable for Regional Councils to consider implementing recommended steps with the objective of improving the quality of financial reporting. It is advisable to schedule regular training sessions in order to enhance the dependability of the International Public Sector Accounting Standards (IPSAS) and Integrated Financial Management Information System (IFMIS). To enhance the calibre of financial reporting in Regional Councils, it is crucial for the Ministry of Finance and Office of the Auditor General to release detailed guidance concerning the applicable financial reporting standards. Moreover, it is crucial for the staff of the Regional Council to remain informed about the most recent financial reporting requirements to enhance the overall standard of financial reporting within their individual Regional Councils.

## 6.5 Suggestions for Further Studies

Future research should place emphasis on investigating the appropriateness of implementing the International Public Sector Accounting Standards (IPSAS) accrual basis within the Regional Councils of Namibia as a whole. The research shall give priority to the analysis of the difficulties encountered in asset registers of Regional Councils and their disclosures within the current reporting structure. Physical assets comprise a substantial portion of public resources and investments and their inclusion in financial statements underscore their importance and value.

## 6.6 Limitations of the study

This research has revealed some constraints. This study includes both Regional Councils in Namibia. The limitations imposed by restricted temporal and financial resources presented challenges in attaining comprehensive coverage of the target population. This research might have potentially offered a more extensive and meticulous examination, thereby serving as a significant asset for the Regional Councils of Namibia, Ministry of Urban and Rural Development, and Office of Auditor General of Namibia. Nevertheless, the researcher remained undeterred in pursuit of the study objectives and the formulation of conclusions. The beneficiaries that have been highlighted will persist in possessing the capacity to obtain benefits from this study.

Some participants stated that they were unable to complete the surveys owing to time constraints, while others mentioned they were unavailable because of formal commitments undertaken outside of the workplace. Attaining a response rate of 100% for this research would have required a substantial allocation of time, which was not feasible within the constraints faced by the researcher. The study assumed that the responses obtained were a reliable and accurate representative of the target population. As a result, the researcher was able to draw inferences based on the data that was presented.

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## APPENDICES

### Appendix 1: Covering Letter to Respondents

Mrs Dorothy N. Mubiana
P O Box 1701
Ngweze Post Office
Katima Mulilo
10 May 2023

The Chief Regional Officer
Khomas Regional Council
Windhoek Namibia

Dear Sir/Madam

**RE: PERMISSION TO COLLECT DATA**

I am Mrs **Dorothy N. Mubiana Student** Number UNISE1791IT, a student at the Selinus University in Italy pursuing my Doctorate Degree in Business Administration. The survey is part of the theoretical tasks required to complete the PhD Programme. The survey intends to collect data under my thesis entitled **Exploring the factors affecting the Quality Financial Reporting in Regional Councils in Namibia.**

As a researcher I am guided by the University's rules and regulations as well as that of your Organisation and/or your Regional Council as it pertains to morals, principles and confidentiality. The information collected will be treated with respect and is subjected to anonymity. Please contact me should you have any queries at +264811422065 or via email: dorrowmubiana@gmail.com or my Co-supervisor Dr.S.E. Akpo at +264813779999 ; email at seakpo@gmail.com

Yours faithfully

Mrs Dorothy N. Mubiana
Researcher

**Appendix 2: Covering Letter to the Respondents**

**PART 1: General Information**

**APPENDIX A:** Covering letter to Respondents

I am **Dorothy Namangolwa Mubiana Student** Number UNISET17911T, a student at Selinus University in Italy pursuing my Doctorate Degree in Business Administration. The survey is part of the theoretical tasks required to complete for my PhD Programme. The survey intends to collect data under my thesis titled **exploring the factors affecting the Quality Financial Reporting in Regional Councils in Namibia.**

The researcher is guided by the University's rules and regulations as well as that of yours and/or your Regional Council on morals, principles and confidentiality. The information collected will be treated with respect and is subjected to anonymity.

**NB:** The information to be gathered through this questionnaire is primarily and wholly for academic purposes.
Please mark with (X) on the correct answer and respond to all inquiries.

**SECTION A: DEMOGRAPHIC FACTORS**

1. Age

   Please Tick only one option.

| YEAR | |
|---|---|
| 20– 30 Years | |
| 31 – 40 Years | |
| 41 – 50 Years | |
| 51 – 60 Years | |
| Above 60 Years | |

2. Gender Please Tick only one Option

Please Tick only one option.

| GENDER | |
|---|---|
| Male | |
| Female | |

3. Employment Experience(years) Please Tick only one option

Please Tick only one option.

| YEARS | |
|---|---|
| 0-5 | |
| 6-10 | |
| 11-15 | |
| 16-20 | |
| Above 20 Years | |

4. HIGHEST Educational Qualification Please tick only one Option

   Please Tick only one option.

| QUALIFICATION |
|---|

| | |
|---|---|
| Grade 12 Certificate | |
| College Diploma | |
| Bachelor Degree(Hons) | |
| Master Degree | |
| Doctorate(PhD) | |

5. Directorate/ Department

Please Tick only one option.

| Department | |
|---|---|
| Audit and Risk management committee | |
| Finance Director- Specify Organization | |
| Financial Accountants-Specify organisation | |
| Financial Clerks-Specify Organization | |
| Human Resources (HR) | |
| Internal Audit-Specify organisation | |
| Auditor General Office | |
| Executive Director- Urban &Rural Development | |

6. LEVEL of Management Please Tick only One option

Please Tick only one option.

| Level of Management | |
|---|---|
| Supervisory | |
| Middle Level | |
| Top Management | |
| | |

7. What is your concern about the quality of county government financial reporting?

Please Tick only one option.

| Statement | Please Tick only One option |
|---|---|
| Very Concerned | |
| Concerned | |
| Neutral | |
| Not concerned | |

**PART 2: STAFFING CAPACITY AND QUALITY OF FINANCIAL REPORTING**

**INTRUCTIONS: Please** indicate your level of agreement or disagreement with each of the following statements by placing a checkmark (TICK) in the appropriate checkboxes.

**Key: Strongly Agree (SA) =5; Agree (A) = 4; Neutral (N) =3; Disagree (DA) = 2.Strongly Disagree (SD). =1**

| | Staffing capacity and quality of financial reporting | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** |
| **1.** | Capacity needs assessment has been carried out in my Regional Council Office | | | | | |
| **2.** | The Regional Council has an effective system of staff recruitment and selection in place to ensure only the best applicants are selected for the job | | | | | |
| **3.** | The department of finance and economic planning for responsible for financial management and reporting in adequate staffed | | | | | |
| **4.** | The accounting staffs working with the Regional Council have the requisite qualifications and experience to perform their roles, including financial reporting | | | | | |
| **5.** | The accounting staffs working with the Regional Council receive adequate training from both the Ministry of Finance and /or and the Institute of Certified Public Accounting of Namibia | | | | | |
| **6.** | The accounting staffs understand the Public finance | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | management (PFM) Regulations relating to Regional Council financial reporting | | | | | |
| **7.** | The Regional Council receives adequate support from the Ministry of Finance/Auditor General on the International Public Sector Accounting Standard (IPSAS) in terms of financial guidelines | | | | | |
| **8.** | The top management in the Regional Council supports and understands the importance of timely and quality financial reporting | | | | | |

**PART B: Top management expertise and the quality of financial reporting**

**Key: Strongly Agree =5; Agree= 4; Neutral =3; Disagree= 2.Strongly Disagree. =1**

| | **Top Management Expertise and quality of Financial Reporting** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** |
| **1.** | Professional background of the top management influences the quality of financial reporting | | | | | |
| **2.** | Top management's previous experience influences the quality of financial reporting | | | | | |
| **3.** | Top management consistently builds its financial reporting skills through seminars and conferences | | | | | |
| **4** | Top management makes available financial reporting guidelines for use by all financial statements which in turn influence the quality of financial reporting | | | | | |
| **5.** | Top management have relevant academic qualifications that suit their roles as accounting officers | | | | | |

**PART C: Integrated financial management Information Systems (IFMIS) and the quality of financial reporting.**

**Key: Strongly Agree =5; Agree= 4; Neutral =3; Disagree= 2.Strongly Disagree. =1**

| | **Integrated Financial Management Information(IFMIS) and The Quality of Financial reporting** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** |
| **1.** | The top management of the Regional Council supports the implementation and use of the IFMIS system | | | | | |
| **2.** | The Ministry of Finance, IFMIS department, provides adequate technical support to enable effective use of IFMIS system | | | | | |
| **3.** | All staffs using IFMIS system have been adequately trained to perform their roles in the system. | | | | | |
| **4.** | The IFMIS system produces financial reports that comply with the cash basis of accounting, which is applicable in the Regional Council financial reporting | | | | | |
| **5.** | The Regional Councils produces financial statements entirely from the IFMIS system | | | | | |
| **6.** | IFMIS support timely and quality financial reporting of the Regional Council | | | | | |
| **7.** | IFMIS is responsible for poor Regional Council financial reporting | | | | | |

**PART D: Internal audit function and the Quality of Financial Reporting**

**Key: Strongly Agree =5; Agree= 4; Neutral =3; Disagree= 2.Strongly Disagree. =1**

| | **Internal Audit Function and Quality of Financial reporting** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** |
| **1.** | The Regional Council Office has an efficient and effective internal audit department in place | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **2.** | Regional Office internal audit function employees are professionally and academically qualified to perform internal audit | | | | | |
| **3.** | The internal audit function is concerned about the quality of financial reporting of the Regional Council | | | | | |
| **4.** | The Regional Council Office has an efficient and effective audit commute in place | | | | | |
| **5.** | Regional Council Audit recommendations are picked by management and instituted in order to improve financial controls and quality of financial reporting | | | | | |
| **6.** | Management and the accounting staff understand the meaning of the different types of audit opinions and are committed to better financial reporting practices | | | | | |
| **7.** | Regional Council Bank reconciliations are performed on a regular basis | | | | | |
| **8.** | The Regional Council Office maintains an up-to-date asset register and ensures a safe custody for all Council assets | | | | | |

**PART E: Financial Reporting quality of the Regional Council Secretariat**

Please rate the following attributes that measure the quality of financial reporting.

**Key: Strongly Agree =5; Agree= 4; Neutral =3; Disagree= 2.Strongly Disagree. =1**

| | **Financial Reporting quality of Regional Council Secretariat** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| | **Statement** | **SA** | **A** | **N** | **DA** | **SD** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **1.** | The financial reports have relevant disclosures as prescribed by the cash-based IPSAS pertaining to Asset register, Pending bills. | | | | | |
| **2.** | The financial statement complies with the IPSAS-Cash basis | | | | | |
| **3.** | The Regional Council financial reports are free from errors | | | | | |
| **4.** | The financial reports are prepared within the timely framework as required by Auditor General regulations | | | | | |

**PART F: INFLUENCE OF INTERNAL CONTROLS**

Please indicate to what extent you agree or disagree with the following statements on the influence of internal controls on quality financial reporting in your organisation by putting a tick against the options provided below.

**Key: Strongly Agree =5; Agree= 4; Neutral =3; Disagree= 2.Strongly Disagree. =1**

| **INTERNAL CONTROLS** | | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| **NO** | **STATEMENT** | **SA** | **A** | **N** | **DA** | **SD** |
| **1** | Regional Council management has the mandate in developing procedures and rules to be used in Regional Councils | | | | | |
| **2** | Regional Council has a well-established policies with regard to acceptable business practices, conflicts of interest and operational ethics | | | | | |
| **3** | Regional Council Staff control system and processes provide effective mechanism to compliance in operations as well as helping to reach its goals and objectives | | | | | |
| **4** | Regional Council has put in place adequate checks on | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | evaluating and control of all business activities | | | | | |
| **5** | Regional Council has put a team that reviews audit reports and provides solutions for non-compliance | | | | | |

**PART G: INFLUENCE OF AUDIT COMMITTEE**

Please indicate to what extent you agree or disagree with the following statements on the influence of audit committee on quality financial reporting in your organisation by putting a tick against the options provided below.

**Key: Strongly Agree (SA) =5; Agree (A) = 4; Neutral (N) =3; Disagree (DA) = 2.Strongly Disagree (SD). =1**

| **Existence of Audit Committee** | | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| **NO** | **STATEMENT** | **SA** | **A** | **N** | **DA** | **SD** |
| **1** | The quality of oversight provided by audit committee determines the nature of financial reporting prepared by Regional Council | | | | | |
| **2** | Regional Council Audit committee members have accounting and finance management skills and Experience necessary for effective oversight role | | | | | |
| **3** | The audit committee reports are presented to the Management for adoption and implementation by the Regional Council | | | | | |
| **4** | Existence of audit committee has improved the quality of reporting as a result of ensuring there is strong internal control system in Regional Council | | | | | |
| **5.** | The audit committee ensures that all the implementations are effected by the management according to the Committee recommendations | | | | | |

**PART I INFLUENCE OF IPSAS ADOPTION**

Please indicate to what extent you agree or disagree with the following statements provided on the effect of IPSAS adoption on quality financial reporting by putting a tick against the options provided.

**Key: Strongly Agree =5; Agree= 4; Neutral =3; Disagree= 2.Strongly Disagree. =1**

| **ADOPTION OF IPSAS** | | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| **NO** | **STATEMENT** | **SA** | **A** | **N** | **DA** | **SD** |
| **1** | There is sufficient awareness among management staff, especially finance and audit staff regarding the IPSAS adoption in Regional Council | | | | | |
| **2** | The adoption of IPSAS in Regional Council has helped in the improvement of the quality of financial reporting than before | | | | | |
| **3** | Regional Council has fully adopted IPSAS policies and guidelines as per the PFM Act, including accrual-based solution | | | | | |
| **4** | The management has provided full support for the adoption of IPSAS in terms of resources and employees training | | | | | |
| **5** | Regional Council has qualified staff that are involved in adoption of IPSAS | | | | | |

**PART H QUALITY FINANCIAL REPORTING**

Please indicate to what extent you agree or disagree with the following statements provided on quality financial reporting in your organisation by putting a tick against the options provided below.

**Key: Strongly Agree =5; Agree= 4; Neutral =3; Disagree= 2.Strongly Disagree. =1**

| **QUALITY FINANCIAL REPORTING** | | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|
| **NO** | **STATEMENT** | **SA** | **A** | **N** | **DA** | **SD** |
| **1** | The Regional Council financial reports are complete, neutral, lack of material errors, and can be verified | | | | | |
| **2** | Regional Council prepares financial reports on time to meet the stipulated time frame as per Auditor General Directives | | | | | |
| **3** | The financial reports prepared by Regional Council shows high level of transparency and accountability to the users | | | | | |
| **4** | Regional Council Financial reports disclose financial and non-financial matters which help in decision-making process | | | | | |
| **5** | Financial reports prepared by Regional Council contain relevant information that the user requires | | | | | |

**END OF QUESTIONNAIRE**

*Thank you for participating in this exercise.*

**Appendix 3: Informed Consent**

I accept/ reject (delete which is not applicable) participating in the study entitled: Exploring the factors affecting the quality of financial reporting of Regional councils in Namibia.

I accept that I will participate in this study to respond to the questions put to me at location and time that work for me as long as it does not conflict with regular work hour.

I understand that the researcher shall uphold the following values and remain impartial and non-intrusive.

Voluntary involvement participation in research which implies that subjects are free to leave at any moment during the research process.

Informed consent, which states that participants in research must always fully know the procedures being followed and the goals of the study before agreeing to take part

Safety during participation, that no risk or injury of any type should be posed to the human responses.

Privacy, which calls for the constant protection of the privacy and anonymity of human replies.

Trust, which denotes that human respondents will not be exposed to any deceit or betrayal throughout the study procedures or in the results that are released.

Signature________________________ Date ______________

Respondent

## Appendix 4: Permission letter From Selinus University

**SELINUS UNIVERSITY**
OF SCIENCES AND LITERATURE

**RESEARCH PERMISSION**

Re: Research Permission

This letter serves to inform you that **Dorothy Namangolwa Mubiana** (UNISE1791IT) is a registered student of Selinus University doing a Doctorate Business Administration and is granted permission to conduct research as per the approved proposal that meets the University's ethical protocol clearance requirement.

The University trust you will accord the student the necessary assistance in her quest to collect data for this research.

Yours
Professor Salvatore Fava

SELINUS UNIVERSITY
MEMENTO AUDERE ★ SEMPER ★

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Via Roma, 200 - 97100 Ragusa - Italy - info@selinusuniversity.it - www.uniselinus.education

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## Appendix 5: Permission letter from NCRST

FORM RST/4 Ver.6 (19/07/2023)

NCRST

**NATIONAL COMMISSION ON RESEARCH, SCIENCE AND TECHNOLOGY**

**RESEARCH, SCIENCE AND TECHNOLOGY ACT, 2004**

**RESEARCH PERMIT
OF
NON-NAMIBIAN-BASED RESEARCH
INSTITUTE/PERSON**

*(Section 21 and Regulation 22)*

**Permit Number**
RPIV010252022

| | | | |
|---|---|---|---|
| **Name of Non-Namibian-based Research Institute/Person:** Dorothy N. Mubiana | **Physical Address:** 473 Soweto, Katima Mulilo, Nambia | | |
| **Issue Date:** 25 October 2022 | **Commence Date:** 25 October 2022 | | |
| **Termination Date:** 31 October 2023 | **Sample Collection Authorised:** | **YES** | **NO** ✓ |
| **Type of Research Authorised** Exploring the Factors Affecting Financial Reports of Regional Councils in Namibia: Case of Zambezi, Khomas and Otjozondjupa Regionals. Non-Commercial research and the use of the resources must be limited to what is specified in the research proposal. | | | |
| **Type and Size of Sample Collection Authorised** N/A | | | |
| **Locations Authorised for Research and /or Sample Collection** Otjozondjupa, Khomas and Zambezi Regional Councils, Namibia. | | | |
| **Intended Use of Samples** N/A | | | |
| **Responsible Person:** Dorothy N. Mubiana | **Contact No:** +264811422065 | | |

**Prof. Dr. Anicia Peters**
**Chief Executive Officer**

Official Stamp of the National Commission on Research, Science & Technology

National Commission on Research, Science & Technology
14 AUG 2023
P/Bag 13253
Windhoek, Namibia

## Appendix 6: Permission letter from Khomas Regional Council

# KHOMAS REGIONAL COUNCIL

Khomas Regional Council
P.O. Box 3379
WINDHOEK

Tel No: (061) 2924344
Fax No: (061) 220317

5th May 2023

Our Ref: KRC 18/3/1
Your Ref:
Enquiries: Ms. Matheus

Mrs. Dorothy N. Mubiana
P.O. Box 1701
Ngwee Post Office
Katima Mulilo
Windhoek

Dear Mrs. Mubiana

**SUBJECT: PERMISSION TO CONDUCT A RESEARCH AT KHOMAS REGIONAL COUNCIL**

1. Reference is given to your request letter dated 10th May 2023.

2. This letter serves to inform you that, approval has been granted by Khomas Regional Council to conduct research in the Khomas Region for educational purpose to fulfill the study requirements toward obtaining a Doctorate Degree in Business Administration at the Selinus University in Italy.

3. The Council would like to wish you all the best in your studies and kindly provide feedback on your research studies upon completion for the Council's future use.

Yours Sincerely

07/06/2023

**MR. CLEMENT M. MAFWILA**
**CHIEF REGIONAL OFFICER**

CHIEF REGIONAL OFFICER
Windhoek
2023-06-07
Tel: 061-292 4444
Fax: 061-220 317
KHOMAS REGIONAL COUNCIL

All official correspondence must be addressed to the Chief Regional Officer

## Appendix 7: Permission letter from Otjozondjupa Regional Council

# Otjozondjupa Regional Council

Republic of Namibia

Tel: (067) 303 702
Fax: (067) 302 760

P.O. Box 1682
Otjiwarongo
Namibia

*Enquiry: D. Makgone*

17 February 2023

Ms. Dorothy N. Mubiana
PO Box 1701
Ngweze Post Office
**KATIMA MULILO**

Dear Ms. Mubiana,

**REQUEST FOR APPROVAL TO CONDUCT AN ACAMEDIC RESEARCH WITHIN THE OJOZONDJUPA REGIONAL COUNCIL**

Your letter dated 19 January 2023 is acknowledge and bears reference.

Hereby be informed that you are authorized to conduct the above-mentioned research at the Otjozondjupa Regional Council subject to you adhering to research ethics as well as ensuring that your research is confined to its intention as provided.

Contact person at the Regional Council will be Mr. Teophilus Alweendo the Director of Finance and Administration.

Accept the assurance of my highest esteem and consideration.

Sincerely Yours,

Otjozondjupa Regional Council
Chief Regional Officer
17 FEB 2023
P.O. Box 1682
Otjiwarongo

**AGATHA MWETI**
**CHIEF REGIONAL OFFICER**

2

All official correspondence must be addressed to the Chief Regional Officer

## Appendix 8: Permission letter from Zambezi Regional Council

**REPUBLIC OF NAMIBIA**
**ZAMBEZI REGIONAL COUNCIL**

Tel: +264 66-26 1700
Fax: +264 66-25 2650

Ngoma/Hospital Road
ZRC Office Park

Private Bag 5002
Katima Mulilo

Enquiries: Ms. Lunza Chunga

Our Ref:
Your Ref:

Date: 16 May 2023

Ms. Dorothy Mubiana
P.O Box 1701
Ngweze Post Office
Katima Mulilo

**Dear Ms. Dorothy Mubiana**

**SUBJECT: PERMISSION TO COLLECT DATA FROM ZAMBEZI REGIONAL COUNCIL.**

I acknowledge receipt of your letter dated 10 May 2023 regarding the above mentioned subject matter.

Kindly be informed that permission to collect Primary Data from Zambezi Regional Council is hereby granted.

Kindly share your research findings with the Regional Council. I wish you the best in conducting your research and look forward hearing from you soon.

Yours sincerely,

**MS. REGINA NDOPU-LUBINDA**
**CHIEF REGIONAL OFFICER**

ZAMBEZI REGIONAL COUNCIL
Office of the
Chief Regional Officer
2023 -05- 16
Private Bag 5002
Katima Mulilo
REPUBLIC OF NAMIBIA

*All official correspondence must be addressed to the Chief Regional Officer*

## Appendix 9: Language Editing Declaration

**Declaration of Language Editing**
**Has been proofread and language edited by Dr Chamellé René de Silva**

**Independent Educational Practitioner**

**LSTD (UWC) Dip Rem Ed (UNISA); BA (Psychology & History) (UNISA); BEd Hons (Spec Needs Ed (UNISA); MEd (Literacy) (CPUT); D.Ed. (Technology Integration in schools) (CPUT) Doctoral Supervision (Africa Doctoral Academy: University of Stellenbosch)**

**P.O. Box 23482, Windhoek, Namibia**

**EXPLORING THE FACTORS AFFECTING THE QUALITY OF FINANCIAL REPORTING OF REGIONAL COUNCILS IN NAMIBIA**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT**

**OF THE REQUIREMENTS FOR**

**DEGREE OF**

**DOCTOR IN BUSINESS ADMINISTRATION**

**OF**

**THE SELINUS UNIVERSITY**

**BY**

**DOROTHY NAMANGOLWA MUBIANA**

**STUDENT NO: UNISE1791IT**

**SUPERVISOR:** DR SALVATORE FAVA

**CO-SUPERVISOR:** DR S.E. AKPO (IUM)

7 November 2023 Proofreader.therightword@gmail.com