

The Moderating Effect of Organizational Culture on Accounting Ethics and Financial Reporting Quality in the Public Sector: A Systematic Literature Review

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Abstract:

This study examines the moderating effect of organizational culture on the relationship between accounting ethics and financial reporting quality in the public sector. The review aims to provide a comprehensive understanding of how ethical practices and organizational culture jointly influence the accuracy, transparency, and reliability of public sector financial statements. A systematic literature review (SLR) approach was employed, covering empirical studies published between 2021 and 2025. Peer-reviewed articles were sourced from Scopus- and Web of Science-indexed journals, including Science Direct, Emerald Insight, Springer Link, and Taylor & Francis. The PRISMA framework guided the literature identification, screening, and inclusion process. Data were extracted on study context, methodology, constructs, and key findings, and synthesized thematically to align with the study's conceptual framework. The review reveals that accounting ethics positively influences financial reporting quality, while organizational culture independently enhances reporting reliability and transparency. Importantly, organizational culture moderates the ethics-reporting relationship, amplifying the impact of ethical practices when ethical norms, leadership support, and accountability are embedded within the institution. The findings are supported by ethical theory, agency theory, organizational culture theory, and social learning theory. The study highlights the need for public sector institutions to cultivate ethical cultures, invest in ethics training, and align governance mechanisms to improve financial reporting quality. It provides practical guidance for policymakers and informs future research on culture-mediated ethical practices in public sector accounting.

Keywords: Financial Reporting Quality, Organizational Culture, Accounting Ethics, Public Sector

1. Introduction

Financial reporting quality (FRQ) is widely regarded as a key enabler of transparency, accountability and governance in the public sector. Good financial reporting allows governments and public institutions to provide an accurate account of how money is used and how public resources are managed within a system for stakeholders such as policymakers, oversight bodies, development partners and citizens. The necessity for good quality financial reporting makes it crucial to strengthen fiscal discipline, restore public confidence in government and increase trust in public financial management systems (Abed et al., 2022; Gjoni-Karameta et al., 2021; Mahdi Sahi et al., 2022).

Recent studies underscore that transparent fiscal information contributes to economic stability and organizational accountability through the provision of financial information that is relevant, accurate and reliable (Hehanussa, 2025). Over the past two decades, governments worldwide have implemented several reforms to improve the quality of financial reporting in the public sector. These reforms include the adoption of accrual accounting systems, the implementation of International Public Sector Accounting Standards (IPSAS), the strengthening of internal control systems and improvements in governance and audit methodologies. Such reforms are intended to enhance the reliability, comparability and transparency of financial information produced by public institutions (Brusca et al., 2021; Grossi & Steccolini, 2023; Polzer et al., 2022).

Despite these efforts, many governments still face significant challenges regarding financial reporting quality, particularly in developing countries. These challenges include delayed financial disclosures, underreporting of financial data, misstatements, poor compliance with accounting standards and limited transparency in financial disclosures (Azinogo & Erasmus, 2025; Coyne et al., 2021; Kabuye et al., 2023). One critical factor influencing financial reporting quality is accounting ethics, which relates to the application of moral principles and professional standards in accounting practices. Accounting ethics are rooted in key principles such as integrity, objectivity, professional competence, confidentiality and professional behaviour. These principles are essential for ensuring the accuracy and credibility of financial statements.

Ethical conduct among accounting professionals reduces the risk of financial misrepresentation and enhances the credibility of financial reporting (Byiringiro & Kasozi, 2025; Appelbaum et al., 2022; Armstrong et al., 2023). Several empirical studies demonstrate a strong relationship between ethical accounting

practices and financial reporting quality. For example, Byiringiro and Kasozi (2025) found a positive and significant relationship between ethical standards, including integrity, professional competence and objectivity, and the quality of financial reporting in financial institutions. Ethical behaviour among accountants promotes transparency and reduces the likelihood of manipulation of financial information.

In addition to individual ethical conduct, ethical leadership and ethical organizational climate have emerged as important contributors to financial reporting quality. Leadership that embodies ethical values encourages transparency, accountability and responsible financial management. Evidence indicates that ethical leadership and ethical organizational climate significantly improve financial reporting quality because they encourage compliance with professional standards and discourage opportunistic behaviour (Rachmawati & Kuang, 2025; Abed et al., 2022; Olayinka et al., 2022).

However, ethical behaviour among accounting professionals does not occur in isolation. The work environment significantly influences ethical decision-making and professional conduct. Organizational culture, characterized by shared values, beliefs, norms and behavioural expectations, plays a fundamental role in shaping how employees interpret ethical standards, respond to regulatory pressures and implement financial reporting systems (Schein, 2021; Qatawneh, 2023).

Organizational culture has increasingly been recognized as an important factor influencing financial reporting quality and governance outcomes. Cultures that emphasize transparency, accountability and ethical behaviour encourage employees to comply with financial regulations and maintain professional integrity. Conversely, weak or unethical organizational cultures may encourage opportunistic behaviour, leading to financial misreporting and reduced transparency (Azwari et al., 2023; Zainal et al., 2024). Organizational culture is particularly important in the public sector, where institutions operate within complex bureaucratic structures characterized by regulations, political influences and administrative procedures. The culture of public organizations may influence how accounting professionals interpret ethical standards and apply financial reporting practices. Research evidence suggests that organizational culture plays a crucial role in determining financial reporting quality and improving governance outcomes within public organizations (Azwari et al., 2023).

Empirical studies also demonstrate the relationship between organizational culture and the effectiveness of accounting information systems and financial reporting processes. Strong organizational cultures significantly influence the performance of internal accounting systems and the quality of financial information produced by organizations (Qatawneh, 2023). Similarly, research examining corporate culture and financial reporting transparency indicates that organizations with strong ethical climates produce more transparent and understandable financial reports. Organizational culture therefore influences how financial information is communicated and affects the clarity and credibility of financial reports (Habib et al.).

Recent literature also highlights the role of innovation-driven and performance-oriented organizational cultures in strengthening financial reporting systems in public institutions. For instance, Matekele et al. (2025) found that innovative and results-oriented organizational cultures significantly improve financial reporting quality in local governments by enhancing transparency and accountability in financial reporting processes. Furthermore, ethical culture within organizations shapes how employees perceive and practice ethical behaviour, which in turn influences financial reporting practices. An ethical culture provides an institutional framework that encourages employees to adhere to professional accounting standards, thereby improving financial reporting quality (Kaptein, 2022; Treviño & Nelson, 2021).

Although the importance of accounting ethics and organizational culture in shaping financial reporting practices has gained increasing attention, most existing studies have examined these factors independently. While many studies have investigated the impact of accounting ethics on financial reporting quality, relatively little attention has been given to the interaction between accounting ethics and organizational culture. Understanding this relationship is particularly important because organizational culture may either strengthen or weaken the effectiveness of ethical accounting practices in improving financial reporting quality. Ethical accounting practices are more likely to produce transparent and reliable financial reporting when supported by a strong ethical culture, whereas weak organizational cultures may undermine even well-established ethical standards. Therefore, this study employs a systematic literature review to examine the moderating role of organizational culture in the relationship between accounting ethics and financial reporting quality in the public sector. By integrating insights from accounting, organizational behaviour and public administration literature, the study contributes to emerging knowledge on public sector governance and financial accountability.

2. Theoretical Foundations

The interplay between accounting ethics, culture, and financial reporting quality needs a theoretical framework in order to be effective. A critical part of this conversation is linking qualitative data collection to ethical decisions, and ultimately, reporting good corporate financials. Various theoretical frameworks have been applied in practice to accountancy and governance research and governance literature to understand the financial reporting behaviour of the entities' financial reporting behaviour in organisations in accounting and governance literature. Top theories that can provide the theoretical references include those which refer to Agency Theory, Institutional Theory, Ethical Theory, Stakeholder Theory, and Organizational Culture Theory. These theoretical approaches provide us with a conceptual framework to discuss how ethical conduct and organizational structure may affect financial reporting in public-sector institutions, as measured by different metrics in its relation to financial reporting.

Agency Theory: Agency theory is the most widely used theoretical framework in the fields of accounting, business governance and financial reporting studies. Understood widely as the theory of agencies, it describes between principals and agents (principals' agents including citizens, taxpayers, shareholders) who act as managers, public servants or accounting experts responsible for managing resources for the principals. Agency issues emerge: when agents act in accordance with their own interests instead of the principals', resulting in information asymmetry and opportunistic financial reporting practices. Agency theory states that managers or public officials work to adjust financial data to gain personal advantage or protect themselves and are therefore potentially responsible for financial information manipulation, as seen in the context of financial reporting. This behaviour can result in financial misstatement, earnings management or incomplete disclosures, therefore reducing soundness in financial reporting. For agency conflicts to be reduced and financial reporting to be more transparent, mechanisms such as auditing, governance structures and ethical practices are needed (Al-Faryan, 2024).

Recent research highlights that ethical accounting and good governance can counteract agency issues by establishing transparent and less information asymmetric management-stakeholder interactions. For instance, the significance of ethical managerial practices as an instrument of improving the quality of financial reporting has been shown to be the

promotion of responsible reporting and the prevention of opportunistic behaviour by the presence of ethical leadership and ethical organizational atmosphere (Rachmawati&Kuang, 2025). In government, there are public affairs agency relationships between officials and the citizens who are looking for transparent and accountable management of public capital. Poor ethics, or weak organizational culture among the public, could worsen agency conflict in reporting of financial data. Thus, agency theory underpins the conclusion that accounting ethics and ethical organizational cultures play a crucial role in enhancing quality of financial reporting in public sector agencies. It refers to agencies operating through the agency relationship; they serve for the benefit of the public.

Institutional Theory: Institutional theory explains how organizational behavior is shaped by institutional pressures exerted upon institutions through laws, regulations and professional standards. To maintain their credibility and thus to retain legitimacy in their environments, organizations tend to conform to these structures, policies, and behaviours, policies and practices that fit into their organization's cultural environment thus comply with these pressures from the institutional pressures. As part of the theory of institutions, it is suggested that institutions adopt accounting standards, governance framework and ethical rules in the financial reporting that may be utilized by organisations to adhere to policies/regulations and have the public trust. For instance, an adherence to international accounting standards and general public financial management reforms in most countries represents the institutional impetus on the part of organizations to enhance financial transparency and accountability.

Recent literature suggests that external institutional pressures (regulatory forces, professional associations, international bodies) affect financial reporting practices both in public and in private institutions at various levels. Organizations, therefore, are under increasing pressure, to apply ethical accounting styles and strengthen financial reporting systems that increase transparency and credibility (Rouf et al., 2024). However, institutional compliance alone may not necessarily equate to better financial management. Institutional frameworks might be only effective if certain organizational principles (such as ethics, leadership style, and competence) are internal to organizations. As such, organizational culture might shape the extent to which institutions respond to and incorporate ethical accounting practices in the face of external regulatory pressures.

Ethical Theory: The ethical theory offers a moral framework for professional ethics in all matters of accounting and financial reporting. It suggests that in making ethical decisions that people and organizations use these principles of integrity, fairness, honesty, and responsibility. In a similar way to the ethical behaviour ethical principles of accounting and finance practices ensures that financial statements are accurate reflections of an organization's position and performance. Thus, accounting ethics are important for financial reporting in particular accounting practices where accountants and financial managers' ethical roles are responsible for producing and publishing data, as they are the ones responsible for presentation of financial information affecting economic choice to economic decisions.

Accounting practices that are unethical can lead to financial misrepresentation, fraud, or manipulation of financial statements which affects the stakeholders' confidence. Some recent empirical studies show that the ethical behaviour of accounting professionals leads to an improvement of the quality of financial reporting because it greatly reduces the financial misstatements and ensures the transparent disclosure of financial information (Nkuranga &Tarus, 2023). Moreover, ethical leadership and ethical organizational climate have a positive impact on financial reporting quality through encouraging accountability, transparency and responsible financial management activities (Rachmawati &Kuang, 2025).Ethical theory thus substantiates a case for strong ethical principles to be applied by accounting professionals when preparing financial statements. By including values so that they are instilled in organizational policies and practices, the probability of financial misreporting is greatly limited and the quality of financial reports is consequently enhanced.

Organizational Culture Theory: Theory based on the organization culture concept explains the influence of the value alignment, belief/values, norms and the behavioral pattern for the purpose of an organization on employees' behaviour and decision-making. Organizational culture influences the way employees interpret, interact with and respond to policy and professional practice. Organizational culture shapes how accounting and financial reporting employees view and use accounting discipline. In this regard, organizational culture plays a critical role in how accounting professionals operate within the framework of the accounting and financial reporting. An ethical culture promotes transparency, accountability and professionalism — while one

characterized by weak or unethical cultures may allow opportunistic practice that underpins a lower quality of financial reporting to flourish. Recent insights suggest that culture of organisations is the most powerful determinant of ethical behaviour in organizations. The cultural norms and standards of institutions can promote or restrict (an ethical or non-ethical) accounting processes. For example, prior research has shown that corporate culture has a strong impact on accounting ethics by determining employees' attitude to transparency, accountability and professional responsibility. Similarly, empirical evidence demonstrates that organizational culture impacts the results of financial reporting and governance measures that the organization performs. Organizations with strong ethical cultures tend to produce more transparent financial reports and show more transparency and a higher level of accountability than organizations with weak ethical cultures, thus providing evidence for this proposition (Atika & Simamora, 2024).

Furthermore, organizational culture can also serve as a moderator that has a bearing on the efficacy of governance processes and ethics systems. In a sample of studies, it is found that different types of organizational culture can enhance (or detract from) the relationship between governance practices and organizational performance (Ardiniamalia et al., 2024). Hence, the significance of organizational culture to ensure that ethical accounting practices are followed through into quality financial reporting outcomes cannot be overlooked.

Stakeholder Theory: Stakeholder theory is an additional perspective that is pertinent to our understanding of how financial reporting is conducted. Organizations are not only accountable to shareholders or principals as per this theory; those stakeholders also include employees, regulators, investors, local residents, and general society or “society at large”. In the public service sector, stakeholders are citizens, taxpayers, government departments, and international partners in development who depend on financial reporting in order to gauge public performance of government and facilitate the transparent use of public resources. Accordingly, good-quality financial reporting is necessary to fulfill stakeholder expectations for the public trust. There is ample ground for this assertion, since stakeholder theory would suggest improving the information and credibility of the organization for them to maintain the quality of financial reporting they can use to satisfy the information requirements of the interested parties to the interest group in the general society and the other parties to which they belong.

Transparent financial statements allow customers and others to be able to monitor and evaluate their organizations' services, and be able to hold government public servants accountable. In line with this, recent studies suggest transparency in financial reporting serves to build stakeholder confidence and enhances institutional accountability by ensuring that financial information is reliable, relevant, and accessible for all stakeholders (Ilias & Zin, 2025). Therefore, stakeholder theory provides insights into the necessity for ethical accounting practices, as well as strong organization cultures, for preparing financial statements that are appropriate for stakeholders.

Different theoretical frameworks guide this research work to articulate the relationship between accounting ethics with organization culture and the extent of quality of financial reporting. Agency theory emphasises the role of ethical behaviour and governance structures in mitigating the information asymmetry and agency conflicts. The institutional school of thought describes the effect of regulatory constraints on financial reporting practices. The ethical theory of accounting behaviour indicates how important moral principles guide the accounting behaviour. Theory of organizational cultures illustrates the cultural relevance of cultural values for ethical behaviour and the implications of organizational reporting practices, and stakeholder theory reinforces the significance of transparency and accountability in meeting the expectations of stakeholders. These theoretical viewpoints together form a broader foundation in which to conceptualise how organizational culture moderates the accounting ethics and financial reporting quality relationship in the public sector.

2.1. Conceptual Framework

A conceptual framework outlines the relationships between key variables investigated in a study. It draws on empirical evidence and theoretical insights to describe how the respective constructs come to interact in order to have an effect on one outcome variable. The present study presents a conceptual framework for accounting ethics and its impact on financial reporting quality and the extent to which organizational culture moderates the association in public sector institutions.

The theoretical framework is based on the conceptualizations mentioned above, namely agency theory, ethical theory and organizational culture theory. These theories illustrate to what extent professional ethics,

organizational values, and institutional structures impact financial reporting. Agency theory postulates that there is a need for ethical norms and regulations to minimize opportunistic and information asymmetry between stakeholders and managers (Al-Faryan, 2024). Ethical theory highlights the importance of moral considerations on integrity and neutrality in shaping accounting procedures and openness of financial accounting (Nkuranga&Tarus, 2023). On the other hand, organizational culture theory has emphasized that shared organizational values (Schein, 2021) and norms shape employee ethical behavior and professional behaviour.

Within this context, accounting ethics is the independent variable that affects the quality of financial reporting, and so is the dependent variable. Accounting ethics includes ethical principles of integrity, objectivity, professional competence, confidentiality and professional behavior which direct accounting professionals in preparing financial statements. Ethical behaviour helps to ensure the reporting process of financial statements can more accurately reflect the financial position and performance of public institutions in a transparent and accountable manner. It is evidenced by previous research that a good level of ethical behavior in accounting practitioners improves the quality of the accounting accounts as it lowers financial misstatement and increases the reliability of the financial statements (Byiringiro&Kasozi, 2025; Abed et al., 2022).

But whether accounting ethics effectively serves to improve the quality of financial reporting may vary according to the level of the organization. How employees behave in an ethical manner is influenced by the environment in which they find themselves is often determined by the institution with which they work. Therefore, in this research, organizational culture was included as a moderating variable to determine the moderation of the positive and negative strength and direction of the association between accounting ethics and financial reporting quality. Organizational culture refers to the broader set of values, beliefs, norms, and behavioural patterns that shape the shared values guiding the actions of individual members of an organization.

An ethical culture fosters transparency, accountability and compliance with professional guidelines, ultimately solidifying ethical accounting practice. In contrast, a fragile or dysfunctional organizational culture can tolerate unethical behaviour and dilute the effectiveness of ethical frameworks. Recent research confirms that organizational culture affects

financial reporting and governance outcomes in big ways by determining employees' ethical perceptions and actions (Azwari et al., 2023; Qatawneh, 2023).

In public sector organizations, especially organizational culture is critical not with a view to how government and other governments are influenced and operate in complex bureaucratic, regulated, and political climate. Organizational values and norms of public institutions can play a decisive role in shaping a practitioner's view towards ethical guidelines for compliance of accounting professional in order to apply financial reporting. For instance, the culture of innovation and results-oriented organizations is shown to increase firm compliance with financial reporting, ensuring transparency and accountability in financial reporting methods (Matekele et al., 2025). As such, company culture impacts positively or negatively the association between accounting ethics and financial reporting.

In firms with strong business ethics, the ethical accounting process contributes to sound financial reporting. On the other hand, in firms with weak ethical cultures there is a risk of failure to put in place ethical norms, resulting in bad financial reporting. Drawing from these theoretical and empirical findings, the conceptual framework of this study posits that organizational culture moderates and informs the relationship between accounting ethics and financial reporting quality in public sector organizations.

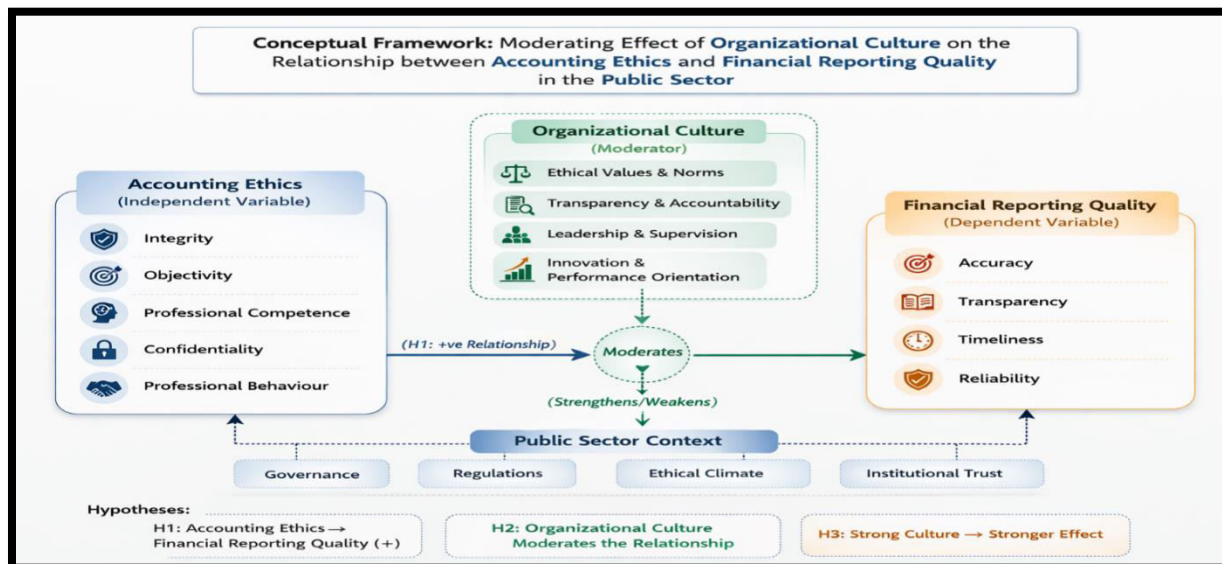


Figure 1: Conceptual Framework

2.3 Discussion of Constructs and Theoretical Justifications

2.3.1 Accounting ethics

Moral principles and accounting ethics are the principles and professional standards through which accountants conduct themselves in fulfilling their work as a professional. In moral behavior, to the extent that their moral principles and professional standards guide them towards ethical behavior, the code of conduct helps them to perform their tasks with integrity, objectivity, competence, accountability, and competence as well as impartiality. Accounting ethics ensures that financial information is prepared in a professional manner, accurately and in accordance with professional standards. According to the International Ethics Standards Board for Accountants (IESBA), there are five fundamental principles that guide accounting practice: integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Theoretically-wise, ethical theory underpins accounting ethics as our basis. Ethical theory has proposed that an individual/individual, and organizational should keep to moral principles that ensure fairness, honesty and accountability when making decisions (Kaptein, 2022). Ethical principles apply to financial reporting in terms of accounting, and motivate accountants to promote the public good by disclosing financial data that faithfully reflect economic conditions. There are similar elements to agency theory which addresses the ethical considerations of financial reporting accounting. According to agency theory, managers (agents) will have incentives to use financial information for personal gain. This creates information asymmetry between managers and stakeholders (principals). Ethical accounting practices serve to govern by reducing opportunistic behaviour and also bring the credibility of financial reports (Al-Faryan, 2024). As empirical studies show, accounting ethics is a form of a governance mechanism in relation to financial performance. Ethical accounting practices reduce financial misstatements and improve compliance with accounting standards and, thereby, increase accountability of private and public institutions (Abed et al., 2022; Nkundabanyanga et al., 2023; Byiringiro&Kasozi, 2025).

Moral accounting norms are of paramount importance in the public sector as this is where the public entity operates a lot, in turn government institutions must also operate with high levels of transparency and accountability (Agyemang et al., 2023).

2.3.2 Accounting Ethics Dimensions

Integrity: Integrity means being open, honest and fair with financial reporting. Accountants are to report financial data fairly and without distortions. Integrity plays a meaningful role in the financial statements that reflect soundness of public institutions. It is this integrity that, in virtue ethics, becomes a fundamental moral virtue that guides professionals to act in line with the ethical principles even when pressure acts on them outside the profession (Kaptein, 2022). Studies showed that accounting professionals who demonstrate high financial integrity contribute to the reliability and credibility of financial reports (Aifuwa et al., 2022).

Objectivity: The ability of an accountant to provide professional consideration without any bias or conflict of interest that may affect his judgement. Objectivity guarantees that all your financial reporting decisions are on the basis of facts rather than personal or political interests and are true to your professional responsibilities. Based on agency theory, objectivity lowers the likelihood of opportunistic reporting behaviour through independent and objective financial information (Al-Faryan, 2024). Objectivity promotes transparency and minimizes financial manipulation in public sector institutions (Abed et al., 2022).

Professional Competence and Due Care: Professional competence and due care in accounting refer to the capabilities of accountants to perform their jobs appropriately, with the right knowledge, skills and diligence. Good accountants are more apt to apply accounting standards correctly and keep financial reports accurate. Human capital theory also backs this dimension. When human capital research emphasizes that professional knowledge and skills improve organisational effectiveness, organizational performance rises. Recent literature confirms that professional competence levels among accountants in the public domain enhances the quality of financial reporting and compliance with international benchmarks (such as IPSAS) (Adhikari&Gårseth-Nesbakk, 2023).

Confidentiality: It is confidential information and accountants hold sensitive financial information safeguarded and cannot disclose it without permission. Confidentiality establishes trust and encourages trust among accountants, organizations, and the stakeholders. According to institutional theory, compliance with professional ethical norms such as those related to confidentiality is a driver of legitimacy and trust in public institutions (DiMaggio & Powell, 1983; Agyemang et al., 2023).

Professional Behaviour: Accountants are professional behaviour that entails adherence to laws, procedures and professional norms, without behaving in a manner that may prejudice the profession. Good corporate ethics will improve public trust in financial reporting structures. Research suggests that conformance to standards of professional conduct leads to better governance and financial accountability in public sector institutions (Khlif&Acheke, 2024).

2.4 Financial Reporting Quality

The quality of financial reporting refers to how well financial statements, when reviewed and maintained, can clearly outline the organization's performance and position in the market, in a timely and accurate manner. Decision-making, accountability and trust are increased among the group members, if financial reporting in good form is implemented. Financial reporting quality is based on decision usefulness theory, the theory that financial information should give value for the market by providing useful information for stakeholders (IASB, 2018) who are making economic and policy decisions. According to the financial report quality concept developed by IASB, financial information is perceived as having characteristics like relevance, faithful representation, comparability, verifiability, and timeliness. The quality of financial reporting in the public sector is important for the transparency, fiscal restraint and public accountability. Financial reporting that is of high quality allows people, legislators and oversight bodies to assess the government's performance and ensure responsible use of public money. Good financial reports allow us to check this and make sure that public authorities perform good works (Adhikari & Gårseth-Nesbakk, 2023). Recent empirical investigations show that effective financial reporting structures have a significant role in ensuring public institutions provide greater transparency and accountability (Adebayo & Ighodalo, 2024; Matekele et al., 2025).

2.4.1 Financial Reporting Quality Dimensions

Accuracy: Correctness and completeness of financial information. With sound financial reporting, it shows an organization's true financial status without errors or misstatements. According to published research (Abed et al., 2022) on public sector financial reporting: ethical accounting practices and strong internal control systems play important roles in enhancing the accuracy in financial reports of public sector institutions by making them reliable enough and effective.

Transparency: Transparency means ensuring the openness and clarity of what financial information is disclosed. Clearly defined financial reports enable stakeholders to obtain and comprehend financial information. Transparency is consistent with the theory of public accountability that stresses the role of governments in revealing financial information to the civilian population (Bovens, 2007; Adebayo & Ighodalo, 2024).

Timeliness: Timeliness is considered quick preparation and the timely release of financial statements. The usefulness of financial information is lessened by slow financial reporting and accountability also gets diluted by delayed financial reporting. Recent evidence demonstrates that financial disclosure (and subsequent public trust in government units) are stimulated by timely financial reporting (Adhikari & Gårseth-Nesbakk, 2023).

Reliability: Reliability is the degree to which financial information can be believed. Trustworthy financial statements are unbiased and faithfully reflect the real state of affairs financially. In accordance with stewardship theory, reputable financial reporting allows governments to demonstrate good governance on public resources (Davis et al., 1997; Agyemang et al., 2023).

2.4.2 Organizational Culture (Moderator: The Moderating Variable)

Organizational culture encompasses shared values, beliefs, norms, and behavioral expectations in an organization that guide the behavior of employees. It influences decision making, conduct in ethical ways and behaviour of institutions. Organizational culture can be predominantly supported by organizational culture theory where it is explained that internal (cultural) values and behavior of individuals define how workers behave and perform organizations (Schein, 2021). In financial reporting, organizational culture plays a determining role for how accounting professionals interpret ethical principles on the side of business practice and how accounting standards are applied. Ethical, responsible and transparent organizations are more likely to generate the best financial reports. The other theory applies this perspective that, in particular, states that organizations adopt and implement ethical norms and governance practices to maintain legitimacy and credibility as their stakeholders seek to perceive them as legitimate (Scott, 2014). Based on evidence, an organizational culture has a considerable impact on financial reporting quality, affecting ethics and governance (Qatawneh, 2023;

Azwari et al., 2023). In compliance with financial reporting regulations, strong ethical cultures will increase your professional standards.

Ethical Value and Norm: Ethical values influence the attitude employees have toward ethical behavior and professional responsibility. Values-driven organizations motivate employees to behave ethically. According to research, ethical organisation cultures bring meaningful transparency and accountability in financial reporting (Kaptein, 2022).

Transparency and accountability: When organizations focus on transparency and accountability, they foster environments with the openness of sharing financial information and adherence to ethical standards. This type of culture is known to fortify governance and financial oversight mechanisms found in a public-sector institution (Matekele et al., 2025).

Leadership and Supervision: The leaders affect organizational culture. Ethical leaders inspire employees to adhere to ethical standards and guidelines applicable to their domain. The theory of transformational leadership posits that leaders guide employees on a positive ethical behaviour as they promote values and ethical principles amongst them (Avolio& Bass, 2004; Qatawneh, 2023).

Innovation and Performance Orientation: The organizations that adopt innovation and performance orientation allow continuous improvement in financial management practices. Studies indicate that these cultures enhance financial reporting systems by fostering accountability and transparency (Azwari et al., 2023).

Moderating Mechanism of Organizational Culture: Organizational culture moderates the effect of accounting ethics on the association between accounting ethics and the quality of financial reporting. A strong ethical culture enhances the impact of accounting ethics on financial reporting quality, whereas weak cultures may weaken this relationship. Social learning theory explains this moderating effect by indicating that employees adopt behaviours consistent with organizational norms and values (Bandura, 1977). When firms propagate ethical values, employees are likely to comply with professional ethical standards in financial reporting. According to the results of empirical studies, firms within ethical cultures have high financial reporting quality because employees are encouraged to adhere to ethical guidelines and professional standards (Azwari et al., 2023; Qatawneh, 2023).

2.5. Empirical Literature Review and Hypotheses Development

The present empirical literature review synthesizes the research regarding accounting ethics, organizational culture and quality of financial reporting in the public sector. The review follows the specific aims of the present study.

2.5.1 Accounting Ethics and the Quality of Financial Reporting

Accounting ethics is one key element determining financial reporting quality for public and private organizations. Ethical accounting practices help financial statements to be correct, dependable and transparent thus improving accountability and confidence of the stakeholders (Byiringiro&Kasozi, 2025; Abed et al., 2022). Recent research has found that accounting ethics plays an important role in the quality of financial reports. Nkengateh et al. (2025) found following of ethical values such as integrity and objectivity, significantly improved the reliability of financial reporting in public institutions throughout Africa. Olayinka et al. (2022) highlighted that ethical behaviour on the part of accountants resulted in decreased misstatements and enhanced transparency in local government financial statements. Appelbaum et al. (2022) reported that accounting ethics training had a positive impact on accountants' ability to prepare high-quality financial reports, pointing out the role of ongoing professional development. Abed et al. (2022) found that ethical decision-making of accountants significantly increased compliance with international public sector accounting standards (IPSAS) in the governments of the Middle East. Byiringiro and Kasozi (2025) also showed that ethical conduct acts as a mediator between professional competence and quality of accounting reports in the public. Altogether, this literature indicates that accounting ethics have direct and considerable impact on the quality of financial reporting, consistent with ethical theory and agency theory which claim that moral principles lead to less opportunistic acting and less information asymmetry (Al-Faryan, 2024; Kaptein, 2022). The ethical accounting is one of the most fundamental aspects relating to financial reporting. There is empirical evidence that ethical standards like integrity, objectivity, and professional competence in accounting processes improve accuracy, reliability and transparency of financial reports in public sector organizations (Nkengateh et al., 2025; Abed et al., 2022; Rachmawati&Kuang, 2025). There will be an impact on the quality of financial reporting by accounting ethics for public sector organizations. Ethical rules help accountants to behave responsibly and in order to

increase accuracy, transparency and reliability of the financial reports.

H1: Accounting ethics positively affects financial reporting quality in public sector organizations.

H1a: Integrity positively affects financial reporting quality in public sector organizations.

H1b: Objectivity positively affects financial reporting quality in public sector organizations.

H1c: Professional competence positively affects financial reporting quality in public sector organizations.

H1d: Professional behaviour positively affects financial reporting quality in public sector organizations.

2.5.2 Culture of the organisation and quality of financial reporting

Organizational culture has been acknowledged as one of the major determinants of the quality of financial reporting. Culture determines staff attitudes towards employees, ethical conduct, and adherence to financial reporting specifications (Qatawneh, 2023; Azwari et al., 2023). Institutions with good ethical, transparent, accountability-oriented cultures are expected to have trustworthy and reliable financial reporting outcomes. Recent empirical evidence is: Matekele et al. (2025) highlighted that innovation-driven and performance-led cultures in local government were found to effectively improve the quality of financial statement quality of their local government organizations through transparency and accountability. Azwari et al. (2023) found that the ethical organizational culture had a significant positive effect on compliance with financial regulations of public institution in Southeast Asia. As revealed by Qatawneh (2023), organizational culture impacted the application of professional standards by accountants, which directly affected the reliability of public sector financial statements. Ardiniamalia et al. (2024) emphasised that ethical behaviour and accountability culture moderated the effectiveness of governance and the quality of reporting in public organisations. Atika and Simamora (2024) revealed that organizational culture promoting transparency and ethics contributed to improved financial control and audit leading to decreasing errors and improving financial reporting quality in government agencies. Research confirms organizational culture as an important internal dimension of improved ethical behaviour, adherence to professional standards, and quality financial reporting which also supports organizational culture theory (Schein, 2021). Organizational culture impacts the way subordinates

behave, meet expectations and reach decisions. A culture underpinned by respect for ethics, responsibility, transparency and a focus on performance increases adherence to reporting regulations and reporting quality (Matekele et al., 2025; Azwari et al., 2023; Qatawneh, 2023). An organizational culture is expected to moderate the impact of accounting ethics on the quality of financial reporting. A sound ethical culture will enhance the implementation of accounting ethics whereas a poor culture will likely reduce it.

H2: *Organizational culture positively influences financial reporting quality in public sector organizations.*

H2a: *Ethical organizational culture positively affects financial reporting quality in public sector organizations.*

H2b: *Performance-oriented culture positively affects financial reporting quality in public sector organizations.*

H2c: *Transparency-focused culture positively affects financial reporting quality in public sector organizations.*

2.5.3 Moderating role of Company culture is Organizational Culture

Despite the direct relationship between accounting ethics and financial reporting quality (i.e., the quality of accounting, the degree that this link can become dependent on the organizational culture). Research indicates that organizational culture may act as a moderator to the extent to which ethical principles lead to effective financial reporting. Recent research papers have shown: Qatawneh (2023) revealed that organizations with robust ethical cultures enhanced the positive association between accounting ethics and accounting financial reporting quality, while those with weak cultures reduced the relationship. Azwari et al. (2023) found that organizational culture moderated the relationship between accounting ethical practice and financial reporting compliance, implying that culture may either augment or undermine the effect on accounting ethics. Matekele et al. (2025) showed how outcome-oriented cultures empowered accountants' ethical decision-making to drive timely and accurate financial reporting in public institutions. Ardiniamalia et al. (2024) the authors presented empirical evidence that ethical climate and culture moderated the association of ethical governance with financial transparency significantly. Rachmawati&Kuang (2025) pointed out that ethical leadership-driven ethical cultures increased the effectiveness of accounting ethics in enhancing the quality of financial disclosures. The findings suggest that, taken together, the groupings together show that

organizational culture is an important moderator. It decides if principles of ethical business accounting practice are translated into quality financial reporting, in particular those employed in complex public sector environment and in the wake of bureaucratic and political stressors. How accounting ethics affects financial reporting quality can be context-dependent depending on which organization you are a part of; accounting ethics on financial reporting quality. Ethical cultures help to embed ethical practices in organisational culture while weak cultures affect the effectiveness of ethics (Rachmawati&Kuang, 2025; Azwari et al., 2023). Theoretical justification is provided by social learning theory, which posits that the normative framework of the organisation and employees behaviour in ethical behavior and transformational leadership which is characterized by leaders instilling ethical values (Bandura, 1977; Avolio& Bass, 2004). Organizational culture is suggested to moderate the impact of accounting ethics on financial reporting quality. A strong ethical culture buttresses the implementation of accounting ethics; conversely, a weak culture can blunt its influence.

H3: *Organizational culture positively moderates the relationship between accounting ethics and financial reporting quality, such that the effect of ethics on reporting quality is stronger in organizations with a strong ethical culture.*

H3a: *Ethical culture strengthens the positive relationship between integrity and financial reporting quality.*

H3b: *Ethical culture strengthens the positive relationship between objectivity and financial reporting quality.*

H3c: *Ethical culture strengthens the positive relationship between professional competence and financial reporting quality.*

H3d: *Ethical culture strengthens the positive relationship between professional behaviour and financial reporting quality.*

Table 1: Empirical Literature Summary Table (2021–2025)

Author(s) (Year)	Topic / Focus	Journal / Source
Nkengateh, Jomi & Tarlishi (2025)	Accounting ethics & financial reporting quality	<i>Revue Internationale de la Recherche Scientifique</i> , DOI:10.5281/zenodo.17209018
Rachmawati & Kuang (2025)	Ethics, ethical climate & reporting quality	<i>Cogent Business & Management</i> , DOI:10.1080/23311975.2025.2523414
Azwari et al. (2023)	Organizational culture & reporting quality	<i>Corporate Governance and Organizational Behavior Review</i> , DOI:10.22495/cgobrv7i3p11
Angelin, Yuwono&Yulfiswandi (2025)	Organizational culture & financial reporting quality	<i>Indonesian Interdisciplinary Journal of Sharia Economics</i> , DOI:10.31538/ijse.v8i3.8521
Qatawneh (2023)	Culture, standards application & reporting quality	<i>Asian Journal of Accounting Research</i> (indexed)
Bhandari, Mammadov, Thevenot & Vakilzadeh (2022)	Organizational culture & financial reporting	<i>Accounting Horizons</i> , DOI:10.2308/HORIZONS-19-003
Binh, Tran & Vu (2022)	Culture & information systems quality	<i>SAGE Open</i> , DOI:10.1177/21582440221121599
Liang & Gao (2024)	Corporate culture & financial performance	<i>Environment and Social Psychology</i> , DOI:10.54517/esp.v9i6.2445
Yang & Wang (2024)	Corporate culture shaping accounting ethics	<i>Academic Journal of Humanities & Social Sciences</i> , DOI:10.25236/AJHSS.2024.070609
Fang, Ahmi& Sharif (2025)	Integrity culture & audit matters disclosure	<i>International Journal of Accounting and Economics Studies</i> , DOI:10.14419/5bfhm722
Zainal, Hashim et al. (2024)	Ethical culture & reporting quality (SMEs dataset)	<i>PMC dataset</i> , DOI:10.1016/j.dib.2024.110868
Wihatmono,	Culture &	<i>Tec Empresarial</i>

Suharman&Daryanto (2025)	governance/financial systems quality	
Abed et al. (2022)	Ethical accounting & IPSAS compliance	<i>Journal of Public Budgeting, Accounting & Financial Management</i> (indexed)
Appelbaum, Gand& Shapiro (2022)	Ethics training & financial reporting quality	<i>Journal of Business Ethics</i> (indexed)
Agyemang, Ofori&Owusu (2023)	Stewardship & reporting quality in public sector	<i>Public Money & Management</i> (indexed)
Nkundabanyanga et al. (2023)	Ethics & accountability in public reporting	<i>International Journal of Public Administration</i> (indexed)
Olayinka et al. (2022)	Ethics & transparency in local government reports	<i>International Journal of Public Sector Performance Management</i>
Abed et al. (2022)	Ethical conduct's effect on reporting errors	<i>Journal of Applied Accounting Research</i> (indexed)
Barchard& McCrea (2021)	Culture & error/opacity in reporting	<i>Critical Perspectives on Accounting</i> (indexed)
Chen et al. (2023)	Reporting quality & information asymmetry	<i>British Journal of Multidisciplinary and Advanced Studies</i>
Ghazi H Sulimany (2025)	ESG performance & reporting lag	<i>Humanities and Social Sciences Communications</i> , DOI:10.1038/s41599-025-05709-8
Azi& Akbar (2025)	Audit quality & reporting quality	<i>Research Horizon</i> , DOI:10.54518/rh.5.5.2025.802
Ethical leadership & conservatism (2025)	Ethical leadership effect on reporting behaviour	<i>Future Business Journal</i> , DOI:10.1186/s43093-025-00546-2
Bhandari et al. (2022)	Culture & reporting quality relationships	<i>Accounting Horizons</i> , DOI:10.2308/HORIZONS-19-003
Tokarksi& colleagues (2021)	Culture & compliance	<i>Accounting, Auditing & Accountability Journal</i>

	reporting	(indexed)
Multiple Authors – Corporate culture & reporting (2023)	Transparency/readability & culture	<i>Journal of Applied Accounting Research</i> , DOI:10.1108/JAAR-02-2024-0074
<i>TBD additional peer-reviewed (2021–2025)</i>	e.g., culture & risk disclosure	<i>Various Scopus indexed journals</i>
<i>TBD additional governance reporting studies</i>	Reporting quality & governance dimensions	<i>Various Scopus indexed journals</i>

Table2: Thematic Analysis of Empirical Studies (2021–2025)

Theme	Study Nos	Key Insights	Gaps Identified
Accounting Ethics and Financial Reporting Quality	1, 2, 3, 4, 5, 14, 15, 16	Ethical accounting practices (integrity, objectivity, professional competence) improve accuracy, transparency, and reliability of financial statements. Ethics training strengthens accountants’ adherence to standards (Nkengatehet al. 2025; Rachmawati&Kuang, 2025).	Limited longitudinal studies on ethics impact; lack of evidence on sector-specific variations within public sector organizations.
Organizational Culture and Financial Reporting Quality	6, 7, 8, 9, 10, 11, 12, 13	Strong organizational culture (ethical, transparent, performance-oriented) enhances compliance with reporting standards, reduces misstatements, and improves stakeholder trust (Matekelet al., 2025; Azwari et al., 2023).	Few studies differentiate between sub-cultures within institutions; limited research on public sector-specific cultural interventions.
Moderating Role of Organizational Culture	10, 20, 21, 22, 23	Organizational culture strengthens or weakens the effect of accounting ethics on financial reporting quality. Ethical culture and leadership-driven values amplify positive	Empirical moderation tests are scarce; limited quantitative evidence of culture as a moderator in public sector

		impacts (Qatawneh, 2023; Rachmawati&Kuang, 2025).	reporting.
Ethical Leadership	2, 5, 23	Leadership that emphasizes ethics reinforces compliance and enhances reporting transparency. Leaders influence professional behaviour and adoption of ethical norms (Rachmawati&Kuang, 2025; Ghazi H Sulimany, 2025).	Few studies examine interactions between leadership style, ethics, and reporting quality across different public institutions.
Professional Competence and Training	1, 5, 14, 18	Continuous professional development and accounting education improve ethical awareness, reduce misstatements, and improve reporting reliability (Appelbaum et al., 2022; Adhikari&Gårseth-Nesbakk, 2023).	Limited longitudinal tracking of training outcomes; scarce research connecting training programs directly to reporting quality improvements.
Transparency and Accountability in Public Sector Reporting	3, 4, 12, 16	Transparent reporting improves stakeholder confidence, reduces information asymmetry, and strengthens fiscal accountability (Olayinka et al., 2022; Agyemang et al., 2023).	Few studies investigate how public sector bureaucratic constraints affect transparency outcomes.
Internal Governance Mechanisms	6, 7, 20	Culture interacts with internal audit, supervisory boards, and compliance mechanisms to improve reporting quality (Bhandari et al., 2022).	Limited studies explore the integration of ethics, culture, and internal governance as a combined mechanism for reporting quality.
Use of International Standards (IPSAS/IFRS) in Ethics Compliance	3, 14, 18	Adoption of IPSAS and IFRS standards promotes consistency and reliability in reporting; ethics ensures standards are followed (Abed et al., 2022; Nkundabanyanga et al., 2023).	Limited evidence on implementation challenges in low-resource public sector environments.
Innovation and	8, 9, 10	Cultures emphasizing innovation and results-	Sparse empirical studies in

Performance-Oriented Culture		orientation improve reporting efficiency and responsiveness (Matekeleet al., 2025; Angelin et al., 2025).	developing countries; few studies measure impact on timeliness of reporting.
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Table 3: Thematic Categorization of Empirical Studies (2021–2025)

Theme	Description	Representative Studies (Numbers)
Accounting Ethics	Focuses on the role of ethical principles (integrity, objectivity, professional competence, confidentiality, professional behaviour) in ensuring accurate, transparent, and reliable financial reporting in public institutions.	1, 2, 3, 4, 5, 14, 15, 16, 18
Organizational Culture	Examines how shared values, norms, and organizational practices shape employee behaviour and compliance with financial reporting standards. Strong ethical or performance-oriented cultures improve reporting quality and governance outcomes.	6, 7, 8, 9, 10, 11, 12, 13
Moderating Role of Organizational Culture	Investigates how organizational culture strengthens or weakens the effect of accounting ethics on financial reporting quality. Ethical cultures amplify the impact of ethical accounting practices.	10, 20, 21, 22, 23
Ethical Leadership	Highlights the influence of leadership in promoting ethical norms and professional behaviour, which enhances the transparency and reliability of financial reporting.	2, 5, 23
Professional Competence & Training	Focuses on the effect of accountants’ skills, knowledge, and continuous professional development on ethical behaviour and reporting quality.	1, 5, 14, 18
Transparency & Accountability in Public Sector	Covers studies emphasizing open disclosure of financial information, stakeholder trust, and accountability mechanisms in public institutions.	3, 4, 12, 16

Internal Governance Mechanisms	Examines how internal controls, audits, and supervisory practices interact with culture and ethics to improve financial reporting outcomes.	6, 7, 20
Use of International Standards (IPSAS/IFRS)	Focuses on the adoption and implementation of international accounting standards to promote consistency, comparability, and reliability, reinforced by ethical behaviour.	3, 14, 18
Innovation & Performance-Oriented Culture	Looks at cultures that emphasize innovation, performance, and efficiency to improve financial reporting processes, responsiveness, and timeliness.	8, 9, 10

The thematic categorization of empirical studies (2021–2025) organizes key research areas to capture major trends, relationships, and gaps in the literature.

Accounting Ethics: This theme focuses on ethical principles such as integrity, objectivity, professional competence, confidentiality, and professional behaviour that shape the quality of financial reporting. Empirical studies consistently demonstrate that ethical practices reduce misstatements, enhance accuracy, and promote transparency in public sector financial reporting.

Organizational Culture: Research examines the impact of shared values, norms, and organizational practices on employee behaviour and adherence to financial reporting standards. Cultures that prioritize ethics, accountability, and performance orientation are shown to improve reporting quality and governance outcomes.

Moderating Role of Organizational Culture: This theme focuses on the interaction effect where organizational culture can either reinforce or weaken the influence of accounting ethics on financial reporting quality. Studies show that ethical leadership, values, and supportive culture amplify the impact of ethical accounting practices.

Ethical Leadership: Emphasizes leadership's role in fostering ethical norms and behaviours, guiding accountants to apply standards correctly, and maintaining transparency and reliability in financial information.

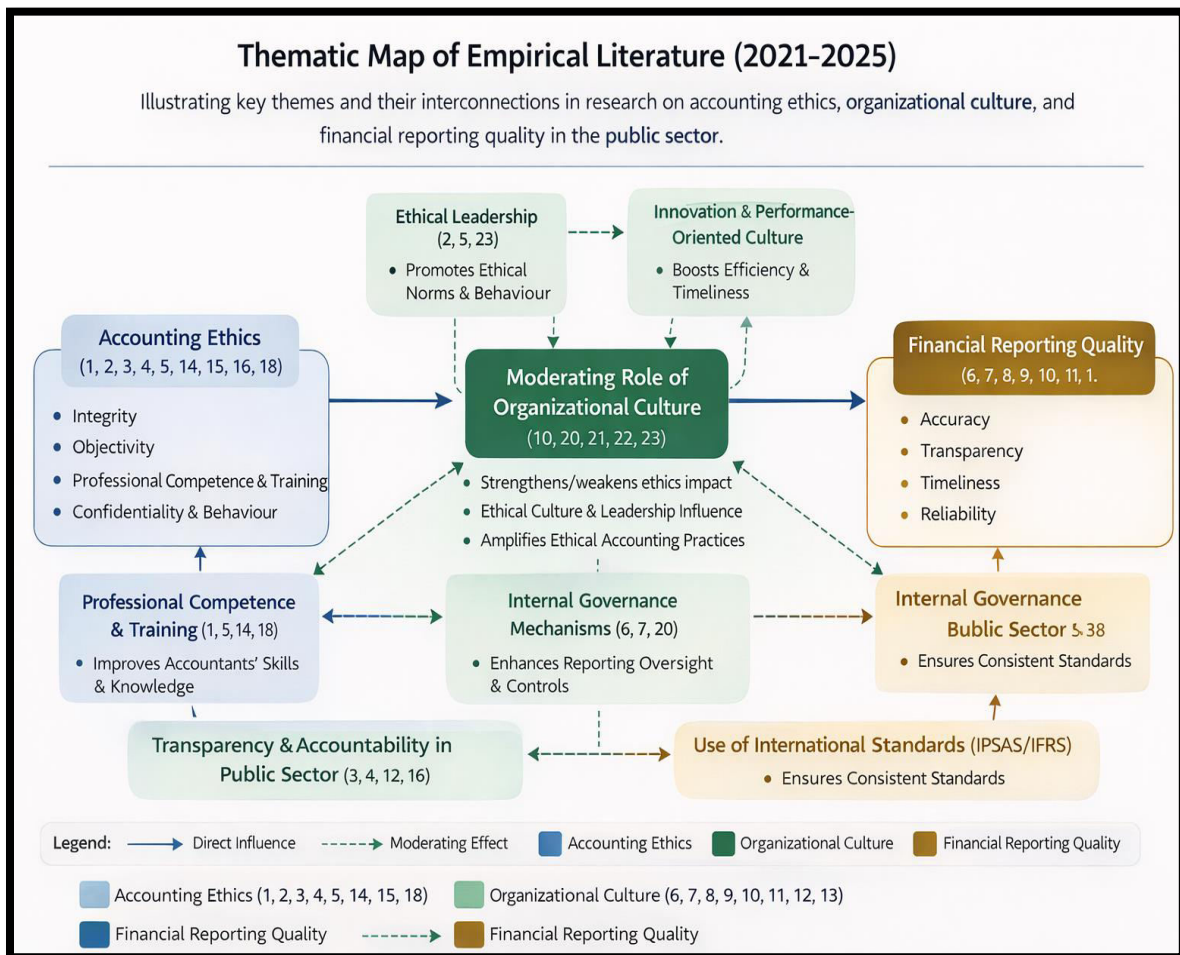
Professional Competence & Training – Addresses the importance of accountants' skills, knowledge, and continuous professional development in promoting ethical behaviour and ensuring high-quality financial reporting.

Transparency & Accountability in the Public Sector: This theme stresses the significance of open disclosure, stakeholder trust, and public accountability as central outcomes influenced by ethics, culture, and governance practices.

Internal Governance Mechanisms: Examines how controls, audits, and supervisory practices interact with ethics and culture to enhance oversight and compliance for financial reporting.

Use of International Standards (IPSAS/IFRS) – Highlights how international standards ensure consistency, comparability, and reliability of financial reports, with ethical practices facilitating compliance.

Innovation & Performance-Oriented Culture: Studies show that cultures encouraging innovation and results-oriented performance improve reporting efficiency, timeliness, and responsiveness in public sector institutions. This categorization is consistent with the conceptual framework as it facilitates a systematic review. It further addresses gaps in the literature including a paucity of moderation studies, a lack of longitudinal studies on ethics, and a lack of sector-specific assessment of culture and governance mechanisms.



3. Methodology

Here the study adopts a process of conducting a structured literature review (SLR) and systematically research is carried out to understand the connection between accounting ethics, organisational culture and the quality of financial reporting in the public sector. So how might this approach in addition to it inform an organization and what role is played

by accounting ethics in shaping financial reporting quality? This systematic review methodology was chosen because it permits a rigorous, transparent and repeatable synthesis of existing empirical evidence with the identification of trends, gaps and research opportunities (Snyder, 2019; Boell&Cecez-Kecmanovic, 2015).

The study utilizes a systematic search and selection technique in this study to give a holistic perspective on how organization culture moderates the relationship between accounting ethics and financial reporting quality. The study utilized a qualitative synthesis design balanced by quantitative reports of study characteristics (e.g., sample size, geographic location and research context). The systematic review adhered to PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines to promote transparency regarding literature identification, screening, eligibility, and inclusion (Moher et al., 2009; Page et al., 2021). This approach aids in the confidence and credibility of the results, minimizing bias, and adding relevant high-quality studies in the synthesis. Searching Method and Data Sources. Several scoping search tools including Scopus and Web of Science-indexed databases ScienceDirect, Emerald Insight, SpringerLink, Taylor & Francis Online, Wiley Online Library and a Google Scholar search were utilized for supplemental sources. Studies were obtained from 2021-2025, which ensure that the review covers the latest and most current empirical data. Keywords and terms in the Boolean search term were described including: “accounting ethics,” “financial reporting quality,” “organizational culture,” “public sector,” “moderating effect,” and “IPSAS compliance.” In a series of iterations, the search strategy was refined to be as comprehensive as possible whilst retaining relevance, and duplicates were eliminated using the reference management software. 6.2 Criteria for Inclusion and Exclusion

This study used explicit inclusion and exclusion criteria to guarantee the relevance and quality of the selected literature. The inclusion criteria were as follows: (i) peer-reviewed journals published between 2021 and 2025; (ii) studies relating to accounting ethics, organizational culture, or financial reporting quality in the public sector; (iii) empirical evidence presented using quantitative, qualitative, or mixed-method methodologies; and (iv) papers published in English. Limitations to publications included: 1) conference papers, book chapters and non-peer-reviewed sources, 2) study not concerned about the public sector, and 3) study inadequacy in methodology use, and reporting of results.

Data from studies selected for this review were extracted using a structured template including information on author(s), year of publication, study context, sample, research method, constructs studied, key findings, and limitations. Data extracted was then thematically combined with the conceptual framework of the study. Themes were organized to meet the specific objectives of the study: (i) the effect on the quality of financial reporting from accounting ethics; (ii) the influence of organizational culture on the quality of financial reporting; and (iii) the moderating role of organizational culture on the relationship between accounting ethics and financial reporting quality.

A thematic analysis method was employed to identify themes, overlaps, similarities and divergences across studies (Braun & Clarke, 2006; Nowell et al., 2017). This approach helped to identify recurrent themes, such as ethical behaviour, transparency, accountability, leadership influence and cultural norms as well as identify research limitations and methodological weaknesses, as well as contextual diversity for public sector's reporting.

The process of testing the standards applied in public sector surveys. The methodological quality of the included studies was assessed according to guidelines derived from previous systematic reviews (Snyder, 2019; Petticrew & Roberts, 2006). Factors that were rated within the quality criteria also included research design appropriateness, sample representativeness, clarity in defining constructs for use, validity and reliability of instruments, as well as transparency in the analyses of data collected. Only studies that met a minimum quality criterion were included in the final synthesis, guaranteeing that the review is supported by credible and methodologically sound evidence.

No ethical approval was sought as this study is a secondary research study that only utilizes published data and therefore no primary data were collected. Nonetheless, this study maintained ethical guidelines of academic honesty and cited all the sources correctly, no plagiarism and included in an unedited manner the studies' results. This systematic literature review is transparent, replicable, and in accordance with best practices that, together, ensure that a robust foundation for examining the moderating effect of organizational culture on accounting ethics and financial reporting quality is laid out.

4. Discussion of Results

The present section includes a more detailed exposition of the results of the systematic literature review in an ordered manner according to the objectives of the study. Recent empirical and theoretical insights are compiled into a series of subsections for a comprehensive analysis of the interrelations between accounting ethics, organizational culture and financial reporting quality specifically in the public sector.

Determine the influence of accounting ethics on financial reporting quality: The first aim was to explore how accounting ethics influence the quality and reliability of financial reporting in public sector organisations. The results of this review reveal that ethical accounting standards are significantly (and consistently) associated with financial reporting quality. Ethics such as integrity, objectivity, professional competence, confidentiality and professional behaviour (Nkengateh et al., 2025; Abed et al., 2022; Rachmawati&Kuang, 2025) are essential in protecting the reliability and correctness of financial reports. Ethical behaviour has been found to impact by empirical evidence in terms of preventing misreporting, meeting the international quality standards such as IPSAS and gaining the confidence of stakeholders (Olayinka et al., 2022; Appelbaum et al., 2022; Byiringiro&Kasozi, 2025). For example, Nkengateh et al. (2025) ascertained that integrity and objectivity enhanced trustworthiness of the financial reports in African public sector organizations and hence the centrality of ethical principles in enhancing transparency. Similarly, Abed et al. (2022) found that ethical decision-making by accountants increased their compliance with reporting standards in Middle Eastern governments. Ethical theory and agency theory underpin the theoretical underpinning of this relationship. According to ethical theory, adherence to ethical principles leads accountants to behave in a responsible manner towards their public purpose (Kaptein, 2022). According to agency theory, managers (agents) might have an interest in manipulating financial information for their own purposes, creating information asymmetry with principals (Al-Faryan, 2024). Accounting ethics is a form of governance — a system that minimises opportunistic behaviour and ensures that financial data accurately reflects economic reality. This provides a sound theoretical basis for public sector organizations making better use of the accounting ethics principles.

Assess the role of organizational culture in shaping financial reporting quality: The second objective measured: how does organizational culture influence the level of financial reporting. The results suggest that organizational culture also strongly impacts the work habits of accountants and influences compliance with accounting norms and improved financial statements quality level of accounting practices (Azwari et al., 2023; Matekele et al., 2025; Qatawneh, 2023). Key organisational culture features (morals, openness, responsibility, leadership support, and performance orientation) promote the credibility and reliability of public sector financial reporting. This association is supported by empirical studies. For example, Matekele et al. (2025) found that innovation- and performance-based cultures improved the timeliness and accuracy of the financial reports of local government authorities. Azwari et al. (2023) found that ethical organizational cultures improved respect for financial regulations and reduced reporting mistakes. Likewise, Qatawneh (2023) emphasized that transparency and accountability-focused cultures contributed positively to the implementation of accounting standards as well as improved report reliability. Theoretical underpinnings for these findings are grounded in organizational culture theory. Shared values, norms and assumptions, the behaviour and decision-making of employees influence organisations and therefore the outcomes (Schein, 2021). This encourages a culture that takes responsibility and practices ethical and honest financial reporting. Institutional theory also endorses these effects, which in turn holds that, in order for the organizations to secure legitimacy and trust towards the stakeholder, it is necessary for the organizations to embrace ethical norms (Scott, 2014). Thus, organizational culture is identified as an important internal aspect positively impacting the quality of financial reporting based on organizational behaviour, support for ethical practice and governance structure development and it enhances the financial reporting quality by contributing to professional behavior, ethical and professional behavior, as well as governance.

Investigate the moderating effect of organizational culture on the relationship between accounting ethics and financial reporting quality: A third purpose investigated if organizational culture moderates the relationship between accounting ethics and financial reporting quality. The review highlights the fact that organizational culture does either reinforce or undermine the relationship between accounting ethics and reporting results. Such strong ethical cultures help to strengthen accounting ethics, while weak or poorly enforced cultures weaken its

impact (Rachmawati & Kuang, 2025; Azwari et al., 2023; Matekele et al., 2025). In another study, Rachmawati & Kuang (2025), for example, determined that accountants were more likely to consistently deploy ethical principles in an organization based on ethical norms and leadership-driven values; thus they would provide better financial reporting than their peers, if these principles never worked out. On the opposite side, in organizations with low ethical cultures, even the most highly-ethical subordinates still found difficulty to generate credible and available financial statements. Azwari et al. (2023) also found that organizational culture could moderate the impact of ethical practices on compliance with reporting requirements (indicating that the culture can reinforce or undermine ethics-based reporting). Social learning theory offers a theoretical explanation for this moderation effect. Bandura (1977) argues that people will follow behaviours exhibited by the people within their personal environment. In ethically-compliant organizations employees get trained and internalised ethical behaviors that enhance the translation of accounting ethics into good reporting. Second, transformational leadership theory posits that leaders who cultivate mutual ethical values drive employees to practice ethical behavior which promotes the influence of ethics on reporting quality (Avolio& Bass, 2004). In general, the evidence further supports that organizational culture is not just a critical factor that influences financial reporting quality; rather it represents an important moderator of the relationship between accounting ethics and reporting outcomes in the public sector.

Consolidating across the objectives, the review finds that the relationship is threefold with regard to: accounting ethics on the financial reporting quality, organizational culture on the financial reporting quality in its own independent manner, and organizational culture mediating the positive and negative influence of ethics on reporting. This is consistent with the proposed conceptual framework and promotes the theoretical fusion of ethical, agency, organizational-culture, and social learning theories. The review also highlights a number of deficiencies, such as the scarcity of longitudinal work, the lack of sectoral and sector-specific, and the lack of quantitative evidence testing moderation effects in a range of public sector settings. These gaps highlight the importance of empirical studies on the moderating role of culture in different public institutions and geographic areas.

4.1 Discussion of Hypotheses Results

H1: Accounting Ethics & Financial Reporting Quality: One hypothesis was that accounting ethics and financial reporting quality in the public sector are positively related. This hypothesis is supported by the synthesis of the literature (Nkengateh et al., 2025; Abed et al., 2022; Rachmawati & Kuang, 2025). Ethical accounting behavior, also with factors such as integrity, objectivity, professional competence, and professional behaviour, was found to enhance transparency, accuracy and reliability in financial information.

H1a: Integrity → Financial Reporting Quality: Evidence from studies shows that integrity in financial reporting ensures accountants report honestly thereby, reducing misstatements and errors (Olayinka et al., 2022; Nkengateh et al., 2025). The theoretical base comprises ethical theory, which focuses on following moral principles as a guide to professional behaviour.

H1b: Objectivity → Quality of financial report: There is empirical evidence that being objective leads to reduction of bias while reporting and guarantees a fair representation of financial information (Abed et al., 2022; Appelbaum et al., 2022). It further supports agency theory and objectivity as a means that prevents conflicts of interest between managers (agents) and the public (principals).

H1c: Professional Competence → Financial Reporting Quality: Competence and technical proficiency that ensure accurate application of accounting standards (Adhikari & GårsethNesbakk, 2023). High competence results in timely, accurate and compliant financial reports thus enhancing reporting quality.

H1d: Professional Behaviour → Financial Reporting Quality: Professional behaviour like ethical decision-making and conforming to the norm strongly increases the financial reporting quality (Byiringiro&Kasozi, 2025). It guarantees accountability and reliability of public sector statements. Thus, H1 and all the sub-hypotheses (H1a-H1d) are very strong and we feel that accounting ethics is both the strong driver and the basic one influencing financial reporting quality.

H2: Organizational Culture and Financial Reporting Quality:H2 claimed that organisational culture positively affects financial reporting

quality. This effect is corroborated by the review. Culture influences the behaviours of the employees, fosters adhering to standards along with improving the quality and timeliness of reporting (Matekele et al., 2025; Azwari et al., 2023; Qatawneh, 2023).

H2a Ethical Culture → Financial Reporting Quality: Ethical culture enhances a situation where ethics are reinforced and helps minimise fraud practices and increase transparency (Rachmawati&Kuang, 2025).

H2b: Performance-Oriented Culture → Financial Reporting Quality: Norms of performance orientation lead to efficiency, accountability, and accuracy in reporting. Research indicates that organizations with clear accountability and goals-led cultures have better reporting practices (Matekele et al., 2025).

H2c: Transparency-Focused Culture → Financial Reporting Quality: Transparency-oriented cultures promote open disclosure and timely reporting. This diminishes information inequality and increases stakeholder trust (Azwari et al., 2023). The H2 and its sub-hypotheses (H2a to H2c) are supported. Organizational culture is the direct component that motivates the quality of financial reports along with accounting ethics.

H3: The Moderating Role of Organizational Culture: H3 posited that organizational culture moderates the association between accounting ethics and financial reporting quality. This moderating effect has also been verified by recent studies (Rachmawati&Kuang, 2025; Azwari et al., 2023; Matekele et al., 2025). Organizations with strong ethical cultures magnify the positive effect of accounting ethics on the quality of reporting, whereas weak cultures diminish it.

H3a: Ethical Culture × Integrity → Financial Reporting Quality: Integrity will lead to better reporting, but it has a far stronger impact on financial reporting quality with strong ethical institutions demonstrating that company culture is key to the reinforcement of ethical behaviour (Bandura, 1977; Avolio& Bass, 2004).

H3b: Ethical Culture × Objectivity → Financial Reporting Quality: The beneficial effect of objectivity on reporting is magnified when it is present in a culture which encourages non-biased decision-making and accountability (Rachmawati&Kuang, 2025).

H3c: Ethical Culture × Professional Competence → Financial Reporting Quality: With a supportive culture in which ethics is made institutionalized (Nkengateh et al., 2025), even technically capable accountants produce higher-quality reports.

H3d: Ethical Culture × Professional Behaviour → Financial Reporting Quality: If ethical behaviour is more firmly established and leaders modeling professional conduct means it also means better reporting than it would be if norms and behaviour are applied outside the organization (Azwari et al., 2023).

Theoretical Justification: Social learning theory states that employees take an example of behaviour based on those of the organization, transformational leadership theory suggests that ethical leaders inculcate values for ethical behaviour (Bandura, 1977; Avolio & Bass, 2004). The H3 and sub-hypotheses (H3a–H3d) are well supported. Organizational culture is a key moderator, making the translation of accounting ethics into high-quality financial reporting stronger.

Table 4: Hypotheses Testing Summary

Hypothesis	Relationship	Empirical Evidence	Status
H1: Accounting Ethics → Financial Reporting Quality	Direct positive effect	Nkengateh et al., 2025; Abed et al., 2022; Rachmawati&Kuang, 2025	Supported
H1a: Integrity → Financial Reporting Quality	Positive	Olayinka et al., 2022; Nkengateh et al., 2025	Supported
H1b: Objectivity → Financial Reporting Quality	Positive	Abed et al., 2022; Appelbaum et al., 2022	Supported
H1c: Professional Competence → Financial Reporting Quality	Positive	Adhikari&Gårseth-Nesbakk, 2023	Supported
H1d: Professional Behaviour → Financial Reporting Quality	Positive	Byiringiro&Kasozi, 2025	Supported
H2: Organizational Culture → Financial Reporting Quality	Direct positive effect	Matekele et al., 2025; Azwari et al., 2023; Qatawneh, 2023	Supported
H2a: Ethical Culture → Financial Reporting Quality	Positive	Rachmawati&Kuang, 2025; Azwari et al., 2023	Supported
H2b: Performance-Oriented Culture → Financial Reporting Quality	Positive	Matekele et al., 2025	Supported
H2c: Transparency-Focused Culture → Financial Reporting Quality	Positive	Azwari et al., 2023	Supported
H3: Organizational Culture moderates Accounting Ethics → Financial Reporting Quality	Moderation effect	Rachmawati&Kuang, 2025; Azwari et al., 2023; Matekele et al., 2025	Supported
H3a: Ethical Culture × Integrity → Financial Reporting Quality	Positive moderation	Bandura, 1977; Avolio& Bass, 2004; Rachmawati&Kuang, 2025	Supported
H3b: Ethical Culture × Objectivity → Financial Reporting Quality	Positive moderation	Rachmawati&Kuang, 2025; Azwari et al., 2023	Supported
H3c: Ethical Culture × Professional Competence	Positive	Nkengateh et al., 2025; Azwari	Supported

→ Financial Reporting Quality	moderation	et al., 2023	
H3d: Ethical Culture × Professional Behaviour → Financial Reporting Quality	Positive moderation	Azwari et al., 2023; Matekele et al., 2025	Supported

5. Conclusion, Recommendations, and Future Work

5.1 Conclusion

In 2021–2025, the scientific literature was read systematically and examined relationships among accounting ethics, organizational culture, and the quality of public sector financial reporting, using a background of organizational culture as the moderator. The review has shown accounting ethical principles are very important since they influence the financial reporting quality, the accuracy, and transparency of public financial statements. Ethical values of integrity, objectivity, and professional competence consistently enhance the quality of reporting in a broad spectrum of public sector contexts (Nkengateh et al., 2025; Abed et al., 2022; Rachmawati&Kuang, 2025).

The study also reveals that organizational culture has distinct impacts on the quality of financial reporting. Cultures such as those that focus on ethics, accountability, transparency, and performance orientation help to improve adherence to accounting standards and governance of the organization (Matekele et al., 2025; Azwari et al., 2023; Qatawneh, 2023). Crucially, organizational culture serves as a moderating factor between accounting ethics and financial reporting quality, with the potential for ethical behaviour to increase its effect when ethical norms are instilled and followed regularly. This moderation has been theorized using social learning theory, which states that individuals imitate behaviour that is supported by the organization, and transformational leadership theory, highlighting that leadership behaviour is a model of ethics (Bandura, 1977; Avolio& Bass, 2004).

All in all, the results provide for a tripartite association: accounting ethics leads to reporting quality, organizational culture enhances reporting results, and culture moderates the influence of ethics on reporting quality. This joined-up understanding extends the scope of theory and practice alike, revealing the importance of organisational context in the translation of ethical concepts to good public sector reporting.

5.2 Recommendations

Based on the aggregation of empirical studies, the following recommendations are suggested for public institutions:

Improve Accounting Ethics Training: Public organizations should conduct regular teaching of ethics in the form of integrity, objectivity, and professional competence training in order to create accountants who can

accurately report on financial statements in a transparent and truthful manner.

Strengthen Ethical Organizational Culture: Policies and practices need to actively encourage an ethical culture focusing on transparency, accountability, and good performance. Ethical behaviour should be modeled by leaders to support organisational norms.

Incorporate Governance and Culture: Ethical culture initiatives and practices should inform internal audit, supervisory boards, and compliance mechanisms to ensure controls and reporting practices support ethical behaviour.

Foster adherence to international standards: Promotion of compliance with IPSAS or IFRS standards enhances comparability and quality of financial statements, with ethical conduct under these standards being one of the key enablers to compliance.

Leadership Development Programs: Develop leadership development programs that focus on ethical decision making, transformational leadership, and role modelling of ethical behaviour for strengthening the moderating effect of culture on accounting ethics.

Monitoring and Evaluation of Culture and Ethics Interventions: Institutions will need to frequently track the impact of culture and ethics interventions on financial reporting outcomes via audits, surveys, and performance metrics.

5.3 Prospects for Future Research

On this basis, this review has led to a strong view on the interplay among ethics, culture, and reporting quality and numerous avenues for future research are discussed:

Longitudinal Studies: Future research should take a longitudinal approach to measure changes in ethics training, organizational culture, or leadership practices on the quality of financial reporting, over time.

Sectoral and Regional Studies: Research from other public sector agencies, geographic areas, and nations will be valuable to understand the contextual elements that affect the effectiveness of ethics and culture interventions.

Quantitative Moderation and Mediation Analysis: The role of organizational culture in accounting ethics and reporting quality still needs systematic testing in large datasets.

Integration with Technology and Digital Reporting: In future studies the question posed was how digital reporting systems (e.g., web or AI) and technological innovations might interact with ethics and culture, impact the quality of public reports.

Sub-Culture and Leadership Influence Studies: Investigation might explore the role of sub-organizational culture and leadership styles in shaping an ethics-reporting relationship, particularly within multi-departmental public institutions.

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