Effect of Financial Reporting Quality and Automation of Accounting Processes on Sustainable Accountability in Nigerian Local Government Areas

RESEARCH ARTICLE

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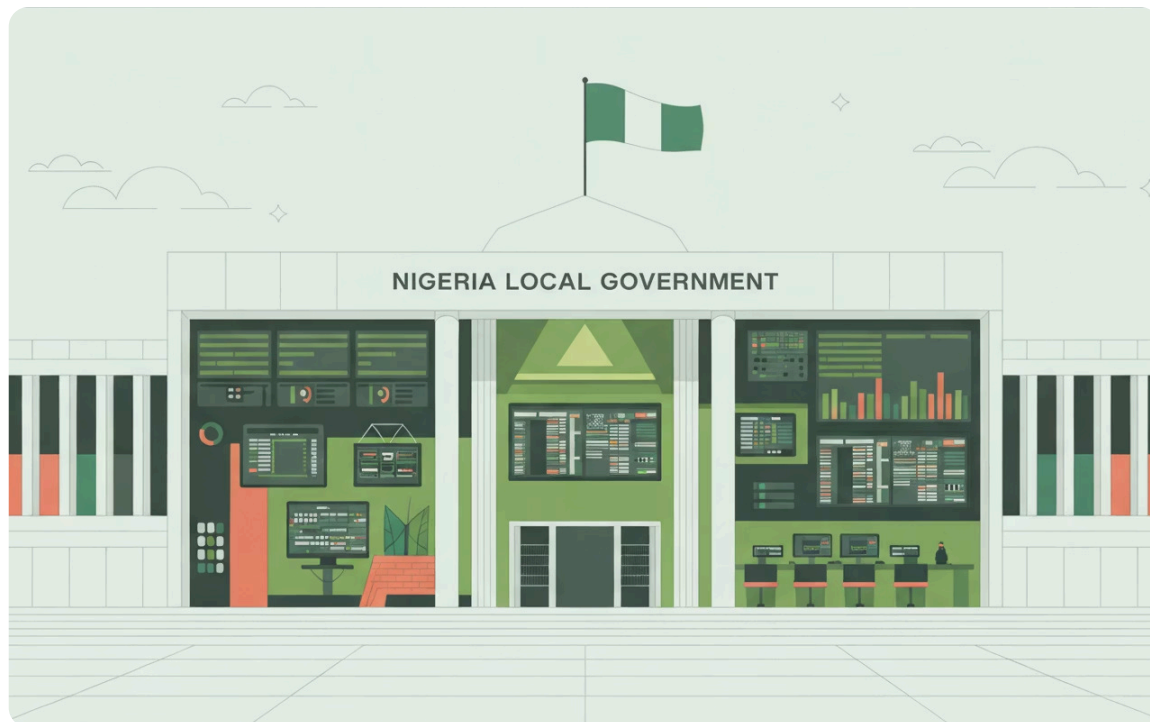Department of Accounting, College of Social and Management Sciences, Wesley University Ondo, Nigeria.
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ABSTRACT

This study investigates the effect of financial reporting quality and automation of accounting processes on sustainable accountability in Nigeria's local government areas. It addresses a gap in understanding how technological integration mediates the relationship between reporting quality and accountability in sub-national governments, contributing to digital governance literature in developing economies. Based on agency theory, the research emphasises transparency and technology incorporation as core drivers of efficient public governance. The study population included all 774 local governments in Nigeria, with a sample from Ondo State. Primary data were collected via structured questionnaires administered to accountants, treasurers, internal auditors, and administrative officers. The data were analysed using correlation and multiple regression with SPSS version 20. Findings show that automation of accounting processes significantly improves accountability ($\beta = 0.679$, $p < 0.001$) by reducing human errors and facilitating real-time reporting. However, financial reporting quality alone had no significant direct effect ($\beta = 0.018$, $p = 0.771$) on accountability without technological integration. The complete model yielded an adjusted R^2 of 0.421, explaining 42.1% of sustainable accountability variation. The research concludes that high-quality financial reporting and automated accounting systems are crucial for sustainable accountability. Recommendations include continuous professional development, IPSAS adoption, and full digitisation of financial processes in local governments to promote transparency and good governance.

Key Findings

Automation of accounting processes ($\beta = 0.679$, $p < 0.001$) significantly influences sustainable accountability. Financial reporting quality ($\beta = 0.018$, $p = 0.771$) showed no significant direct effect without technological integration.

Research Design

Survey utilising structured questionnaires administered to accountants, treasurers, internal auditors, and administrative officers in sampled Ondo State local governments. Grounded in agency theory. Data analysed using SPSS version 20.

Model Performance

The complete model achieved an adjusted R^2 of 0.421, indicating both variables jointly explain 42.1% of sustainable accountability variation among Nigerian local governments.

Keywords: Financial reporting quality, automation, sustainable accountability, IPSAS, local government, Nigeria

INTRODUCTION
Background to the Study

Accountability is a cornerstone of good governance, especially in local government, the administrative tier closest to citizens. Nigeria's 774 Local Government Areas (LGAs) are constitutionally mandated to deliver essential public services, from primary healthcare to local infrastructure. This role requires the effective, transparent use of public funds from federal allocations and internal revenues. However, systemic poor administration, lack of transparency, and inadequate financial reporting have eroded public confidence and undermined grassroots development. This necessitates robust financial reporting quality and accounting automation to foster sustainable accountability (Abubakar, Jugu, & Otubor, 2023).

Nigeria's persistent struggle with corruption underscores these challenges. The 2023 Corruption Perceptions Index (CPI) score of 25, ranking Nigeria 145th out of 180 globally, highlights endemic public sector corruption and ineffective anti-corruption mechanisms (Transparency International, 2023). Recent assessments reveal persistent transparency and fiscal accountability challenges across Nigeria's 774 LGAs (Oti & Otalor, 2024). This issue manifests as financial misconduct, misapplication of funds, and fiscal indiscipline, directly impacting LGAs' ability to fulfill mandates and improve constituents' lives.

Globally, citizens, international development partners, and regulatory bodies demand greater public sector accountability. Enhanced transparency and efficient resource management are universal benchmarks for responsible governance. Many nations adopt public financial management reforms, including accrual-based accounting via International Public Sector Accounting Standards (IPSAS), for comprehensive financial pictures. However, most developing economies, including Nigeria, lack full IPSAS disclosure compliance, despite its potential to enhance transparency and accountability (Abubakar, Jugu, & Otubor, 2023). These global trends pressure developing economies to modernize financial systems and reporting frameworks, aligning with international best practices and fostering trust.

Financial reporting quality (FRQ) is paramount, ensuring financial statements accurately depict an entity's financial performance and position. It encompasses adherence to standards like IPSAS, promoting relevance, faithful representation, comparability, verifiability, timeliness, and understandability. High-quality financial reports provide credible information for decision-making, performance evaluation, and resource allocation. For example, timely reports prevent budget overruns, highlight inefficient spending, and attract donor funding. Without robust FRQ, financial information integrity is compromised, hindering accountability for public resource stewardship (Abubakar, Jugu, & Otubor, 2023).

Automation of accounting processes (AAP) complements FRQ by leveraging technology to streamline accounting functions like data capture, processing, analysis, and reporting. This includes Integrated Financial Management Information Systems (IFMIS), e-procurement, and electronic payment systems. AAP's multifaceted benefits include improved efficiency, reduced manual intervention and errors, enhanced data integrity, and accelerated reporting cycles. Real-time data access allows proactive management and quicker fiscal responses. Automation also strengthens internal controls, improves audit trails, and prevents fraudulent activities, leading to substantial cost savings and improved resource management (Adamu & Kawugana, 2025).

Effective integration of FRQ and AAP promotes sustainable accountability (SA). SA extends beyond compliance, encompassing continuous, transparent public resource management that serves long-term public interest and intergenerational equity. It involves reporting financial transactions and demonstrating accountability for the economic, social, and environmental impacts of government activities. This holistic view necessitates robust frameworks for scrutiny, feedback, and corrective actions, ensuring public funds contribute effectively to societal welfare and sustainable development (Oti & Otalor, 2024).

The relationship's theoretical underpinnings are rooted in Agency Theory and Stakeholder Theory. Agency Theory posits a relationship between principals (citizens, taxpayers) and agents (government officials). Information asymmetry creates potential agency problems like moral hazard and adverse selection. High-quality financial reporting and automated processes mitigate this asymmetry by providing principals with necessary information to monitor agents' performance, reducing agency costs and fostering trust. Stakeholder Theory emphasizes organizational responsibilities to a broader range of stakeholders, including citizens, civil society, governments, employees, and donor agencies. Comprehensive, transparent financial information, facilitated by FRQ and AAP, enables local governments to meet diverse stakeholder needs, demonstrating commitment to good governance and responsiveness (Abubakar, Jugu, & Otubor, 2023).

Institutional frameworks are crucial for financial accountability. In Nigeria, State Houses of Assembly, through their Public Accounts Committees, constitutionally oversee local government financial activities. The Office of the Auditor-General for Local Governments conducts external audits and reports on financial compliance and performance. Civil society organizations, media, and citizen groups also act as informal accountability mechanisms, advocating for transparency. However, capacity constraints, political interference, and limited access to reliable financial information often hamper the effectiveness of these frameworks (Oti & Otalor, 2024).

Despite the clear advantages, the current state of technology adoption in Nigerian LGAs remains nascent. Many local governments still rely on manual accounting systems, which are prone to errors, delays, and manipulation. Challenges include inadequate funding for technology infrastructure, a lack of skilled personnel to operate and maintain automated systems, resistance to change from entrenched interests, and a general absence of political will to prioritise digital transformation. Recent research emphasises that automation of revenue processes and capacity building are essential for sustainable reforms in transparent local governance (Emmanuel, 2025). While some LGAs may have rudimentary computerised systems, fully integrated and robust automated accounting processes are largely uncommon, hindering efforts to achieve real-time reporting and comprehensive financial oversight.

This study addresses a significant research gap by investigating the interplay between financial reporting quality and the automation of accounting processes in influencing sustainable accountability within Nigeria's local government areas. While studies have individually examined FRQ or AAP, few have explored their synergistic effect, especially within the unique context of sub-national governments in a developing economy plagued by governance challenges. This research contributes to the emerging literature on digital governance and public financial management by elucidating how technological integration mediates and enhances the relationship between reporting quality and accountability, providing empirical evidence crucial for policy formulation and institutional reforms aimed at fostering transparent and efficient public sector operations.

Figure 1: A State House of Assembly – institutional framework for democratic governance and accountability in Nigeria's public sector

Statement of the Problem

In spite of reforms for enhanced local government fiscal administration in Nigeria, issues of manipulation of accounting records, tardy financial reporting, and inadequate automation persist. Most local governments are yet to abandon manual, error-prone accounting systems for more efficient and transparent ones. Consequently, accountability remains poor, and service delivery is impacted. This research addresses this gap by empirically exploring the impact of financial reporting quality and automation on sustainable accountability in Nigerian LGAs.

Research Questions

The study aims to answer the following questions:

1. To what extent does financial reporting quality affect sustainable accountability in Nigerian Local Government Areas?
2. What is the impact of automation of accounting processes on sustainable accountability in Nigerian Local Government Areas?
3. How does the combination of financial reporting quality and automation of accounting processes affect sustainable accountability?

Objectives of the Study

The general objective of this research study is to investigate the effect of financial reporting quality on sustainable accountability in Nigerian Local Government Areas. Specifically, it aims to:

1. Examine the effect of financial reporting quality on sustainable accountability in Nigerian Local Government Areas.
2. Assess the impact of automation of accounting processes on sustainable accountability in Nigerian Local Government Areas.
3. Determine the combined effect of financial reporting quality and automation of accounting processes on sustainable accountability.

Research Hypotheses

The following hypotheses are written in their null form:

H_{01}: Financial reporting quality has no significant effect on sustainable accountability in Nigerian Local Government Areas.
H_{02}: Automation of accounting processes has no significant effect on sustainable accountability in Nigerian Local Government Areas.
H_{03}: Financial reporting quality and automation of accounting processes jointly have no significant effect on sustainable accountability.

Significance of the Study

This study contributes to public sector accountability literature by integrating financial reporting quality and automation as joint predictors of sustainable accountability. Applying Agency and Stakeholder Theories to Nigerian LGAs, it highlights how accurate financial information and technology reduce information asymmetry and promote responsible governance. For administrators, accountants, and auditors, it offers insights into improving accountability, reducing fraud, and ensuring prudent use of public funds through quality financial reporting and digitalised accounting systems.

Theoretical Contributions: This research deepens the understanding of public administration accountability. It extends Agency Theory by exploring how improved financial reporting quality and accounting automation reduce information asymmetry between citizens and local government officials. It also enriches Stakeholder Theory by identifying how these practices meet diverse stakeholder expectations (citizens, civil society, other government tiers), fostering inclusive governance. Furthermore, it proposes a robust conceptualisation of "sustainable accountability" that includes financial prudence and long-term socio-economic impact.

Practical Implications for Stakeholders: For policymakers, the findings provide empirical evidence to formulate targeted policies and regulatory frameworks encouraging robust financial reporting standards and automation in LGAs. Practitioners, including local government accountants and financial managers, gain actionable insights into best practices for enhancing financial reporting processes and implementing digital accounting solutions. Citizens, as primary beneficiaries, will experience improved service delivery and greater confidence in local governance due to enhanced transparency and reduced corruption. The study offers a roadmap for improving resource allocation efficiency, directly impacting public welfare.

Methodological Contributions: The study employs a rigorous empirical methodology, potentially utilising advanced statistical techniques, to investigate complex relationships in a context where such studies are limited. By collecting and analysing primary data from Nigerian LGAs, it provides a nuanced understanding often lacking in quantitative studies. This approach can serve as a model for future research in public financial management in developing economies, offering a replicable framework for assessing accountability interventions.

Economic and Social Impact: Economically, improved financial reporting quality and automation are expected to lead to more efficient public resource utilisation, better budget management, and reduced financial wastages. This can free up funds for critical public services, stimulating local economic development. Socially, enhanced accountability fosters greater public trust, reduces perceptions of corruption, and strengthens social cohesion, contributing to a more stable and equitable society. The study highlights how better financial governance directly translates into tangible benefits for local communities.

Policy Implications: At the local government level, this study will inform decisions regarding investment in accounting software and training for personnel. For state governments, it offers guidance on oversight mechanisms and the design of capacity-building programmes. Federally, the research can influence national fiscal policies, inter-governmental fiscal relations, and the standardisation of financial management practices across all tiers of government, aligning with broader national development goals.

International Relevance: The challenges faced by Nigerian LGAs in financial administration are common in many developing countries. Therefore, the findings of this study have significant international relevance, offering valuable comparative insights for governments and international development organisations working to improve public sector accountability and financial governance in similar contexts across Africa and beyond. It contributes to the global discourse on good governance and sustainable development.

Future Research Directions: This study serves as a foundational work, opening several avenues for future research. It can stimulate further investigations into the specific types of automation technologies most effective in different contexts, the role of leadership in driving accountability reforms, the impact of citizen engagement on financial transparency, or a comparative analysis with other African countries. It also lays the groundwork for longitudinal studies to track the long-term effects of accountability interventions.

Specific Benefits for Professional Groups: Accountants will benefit from a clearer understanding of the competencies and tools required to uphold financial integrity and ethical practice within local government. Auditors will find enhanced frameworks for evaluating the effectiveness of financial controls and reporting systems, thereby improving audit quality. Administrators will gain insights into strategic decision-making based on reliable financial data, enabling more effective resource management and policy implementation. This study empowers these professionals with the knowledge to drive impactful change.

Contribution to Digital Governance Literature in Developing Countries: By focusing on accounting automation, this study specifically contributes to the burgeoning field of digital governance literature, particularly in the context of developing nations. It elucidates the challenges and opportunities associated with digital transformation in public financial management, providing empirical evidence on how technology adoption can bridge governance gaps, improve efficiency, and foster greater accountability in resource-constrained environments.

Impact on Public Trust and Democratic Governance: Ultimately, by demonstrating how financial reporting quality and automation bolster sustainable accountability, the study contributes significantly to strengthening public trust in government institutions. When citizens perceive that their public funds are managed transparently and responsibly, it enhances their willingness to participate in democratic processes, comply with civic duties, and support local initiatives, thereby reinforcing the legitimacy and effectiveness of democratic governance at the grassroots level.

LITERATURE REVIEW
Conceptual Review

Financial Reporting Quality (FRQ): FRQ refers to the degree to which financial statements accurately depict an organisation's financial status and operational outcomes. Key attributes include relevance, reliability, comparability, and timeliness (Dechow & Dichev, 2002). In the public sector, FRQ fosters transparency, enhances public trust, and facilitates informed decision-making (IFAC, 2021).

Automation of Accounting Processes (AAP): AAP involves electronic tools and software (e.g., SAP, QuickBooks, IPSAS-based systems) to quickly process accounting information. According to Oduware and Okey (2020), automation reduces human involvement, mitigates fraud, and provides real-time access to financial data.

Sustainable Accountability (SA): SA is the dynamic, transparent management of monetary resources that secures long-term fiscal sustainability, ethical leadership, and citizens' confidence (Olaoye & Adewumi, 2019). It necessitates continuous improvement in financial reporting and internal controls.

Financial Reporting Quality

The degree to which financial statements accurately depict financial status and operational outcomes, encompassing relevance, reliability, comparability, and timeliness principles.
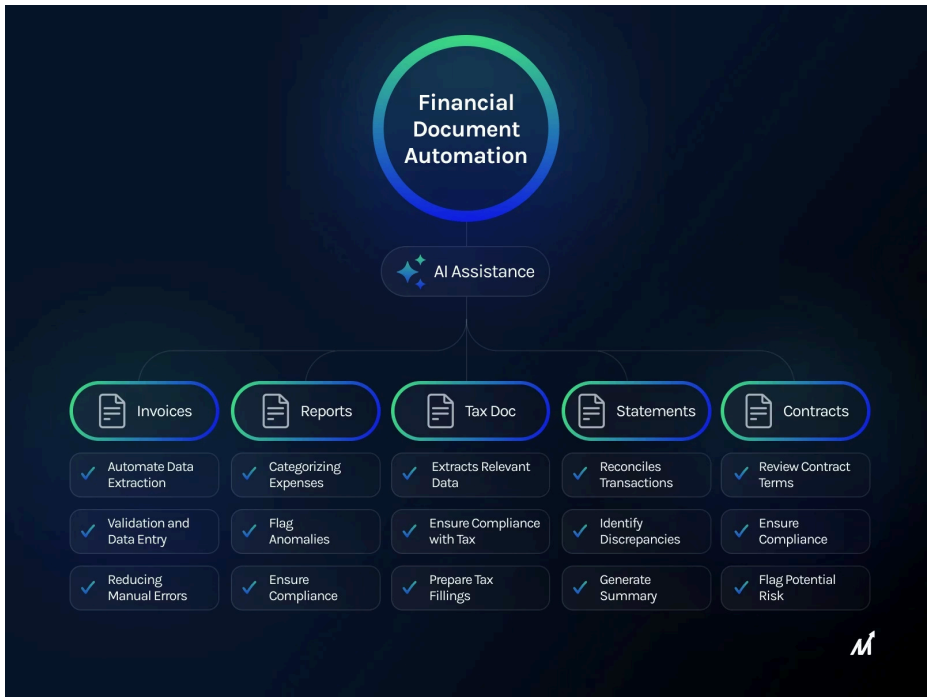
Automation of Accounting Processes

Electronic tools and software applications like computerised accounting programmes that process accounting information quickly while reducing human involvement and fraud risk.

Sustainable Accountability

Dynamic and transparent management of monetary resources securing long-term fiscal sustainability, ethical leadership, and citizens' confidence through continuous improvement.

Theoretical Review

Agency Theory in Digital Governance Context: Agency theory in digital governance emphasizes reducing information asymmetry between principals (citizens) and agents (government officials) through technology. Ugbudu and Vihiyor (2025) note low public accountability in Nigerian local governments, advocating for ethical standards and credible electoral processes. Automated systems create immutable audit trails, mitigating manipulation and enhancing monitoring, as modern AI-powered systems (Figure 2) demonstrate. **Sustainable Accountability Framework:** This framework extends beyond compliance, integrating environmental, social, and governance (ESG) principles with public sector accountability to foster long-term institutional capacity and citizen engagement, crucial for sustainable development.

Figure 2: AI-powered financial document automation in modern accounting processes

This research is grounded in the Agency Theory (Jensen & Meckling, 1976), which posits that public officials (agents) are accountable to citizens (principals) for their governance. In Nigerian local governments, information asymmetry arises from delayed financial reporting, manipulation-prone manual records, and limited citizen access to financial data. Agency costs include monitoring, compliance bonding, and residual losses from suboptimal resource allocation. High-quality financial reporting provides timely, accurate information to reduce these costs, while automation creates immutable audit trails and real-time transparency, directly addressing the principal-agent problem. Additionally, Stakeholder Theory is incorporated, highlighting public institutions' obligation to meet stakeholder expectations through transparent reporting and enhanced accountability.

Empirical Examination

A number of studies have explored the determinants of accountability in the government sector. Okoye & Akenbor (2019) discovered that trustworthy financial reporting diminishes corruption and enhances the transparency of Nigerian LGAs. Arowoshegbe & Uniamikogbo (2016) confirmed that automation of accounting procedures improves the efficiency of reporting and financial control. Egbunike and Odum (2018) revealed that technological innovation in accountancy facilitates sustainable governance since it enables timely and accurate reporting. More recently, studies like Adebayo and Okoro (2021) have underscored the critical role of timely financial reporting in fostering public trust and curbing financial irregularities in local government administration, while Olaniyan and Musa (2022) found a significant positive correlation between the adoption of modern accounting software and improved accountability indicators across several Nigerian local government councils. However, no research work with comprehensive scrutiny of the combined effect of FRQ and automation in sustainable accountability drives has been conducted until now.

Recent empirical studies have provided insights into accountability mechanisms in Nigerian governance. Ugbudu and Vihiyor (2025) examined public accountability in the Nigerian local government system, finding that accountability is at its lowest ebb and recommending the entrenchment of ethical standards and credible electoral processes. Their study, anchored on agency theory, highlighted the institutional mechanisms needed to enhance public accountability and the challenges thereof. Ezekiel (2025) examined ethics and accountability in Nigeria's civil service, finding that institutions mandated to mitigate unethical practices remain largely ineffective due to deep-seated systemic weaknesses, persistent political interference, and inadequate enforcement mechanisms.

RESEARCH METHODOLOGY
Research Design

This study adopted a descriptive survey research design. This design was considered appropriate because it allows the researcher to gather data from a large population through structured questionnaires and analyze relationships between variables statistically. The design was also suitable since the study aimed to determine the effect of financial reporting quality and automation of accounting processes on sustainable accountability in Nigeria's local government system. The descriptive approach helped in understanding the perceptions, practices, and challenges of accounting and finance personnel within local government administrations, particularly as they relate to financial reporting and accountability mechanisms.

Population of the Study

The population of this study comprises all 774 Local Government Areas (LGAs) in Nigeria, as recognized by the 1999 Constitution of the Federal Republic of Nigeria (as amended). These LGAs are distributed across the 36 states and the Federal Capital Territory (FCT). The choice of this population is based on the fact that local governments constitute the grassroots level of public administration responsible for community development, financial reporting, and accountability in the use of public funds. Each LGA operates an accounting and finance department responsible for budgeting, financial reporting, and record management, making them the ideal population for this study.

Theoretical Framework: This study is anchored on Agency Theory, which provides a robust framework for understanding the principal-agent relationship between citizens (principals) and local government officials (agents). The theory posits that information asymmetry and conflicting interests between principals and agents necessitate monitoring mechanisms to ensure accountability. In the context of Nigerian local governments, agency costs manifest through monitoring expenses, bonding costs for compliance systems, and residual losses from suboptimal resource allocation.

Justification for Ondo State Selection: Ondo State was purposively selected based on several criteria: (1) it represents the South-West geopolitical zone with relatively advanced technological infrastructure compared to other regions; (2) the state has initiated several digital governance reforms, making it suitable for studying automation effects; (3) accessibility and cooperation from local government officials; and (4) the state's 18 LGAs provide sufficient variation for robust statistical analysis while maintaining a manageable research scope.

Sample Size and Sampling Technique

Given the vastness of the population, the study adopted a multistage sampling technique, focusing on Ondo State as the sampling frame. Ondo State was selected purposively due to its representative characteristics in terms of administrative structure, financial reporting practices, and varying levels of technological adoption among local governments. Ondo State has 18 Local Government Areas, which formed the sample for this study. These LGAs include:

- Akoko North-East
- Akoko North-West
- Akoko South-East
- Akoko South-West
- Akure North
- Akure South
- Ese Odo
- Idanre
- Ifedore
- Ilaje
- Ile-Oluji/Oke-Igbo
- Irele
- Odigbo
- Okitipupa
- Ondo East
- Ondo West
- Ose
- Owo

From each of the 18 selected LGAs, 15 respondents (accountants, internal auditors, treasurers, administrative officers, and finance clerks) were selected, totalling 270. This sample size, obtained using a stratified random sampling technique, ensures fair representation across finance and administration departments and is deemed adequate for studying the local government system.

Sources of Data

Primary data was collected via a structured questionnaire to assess respondents' views on financial reporting quality, accounting process automation, and sustainable accountability.

Method of Data Collection

Questionnaires were administered in person and through Google Forms to maximise response rates and coverage. Trained research assistants distributed and retrieved them across all sampled LGAs in Ondo State. Respondent confidentiality and anonymity were guaranteed to encourage honest replies.

Validity and Reliability of Instrument

Validity was ensured through expert review by accounting, research methodology, and public administration specialists, establishing both content and face validity. Instrument reliability was assessed via a pilot study in three LGAs outside the sample (Ekiti State). Analysis of these responses using Cronbach's Alpha yielded a score of 0.86, indicating high internal consistency and reliability.

Model Specification

The study employs the following multiple regression model:
$$SA = \beta_0 + \beta_1 FRQ + \beta_2 AAP + \mu_t$$

Where:

- SA = Sustainable Accountability
- FRQ = Financial Reporting Quality
- AAP = Automation of Accounting Processes
- β_0 = Constant
- β_1, β_2 = Coefficients of independent variables
- μ = Error term

Data Analysis Method

Data collected were coded and analyzed using Statistical Package for Social Sciences (SPSS, version 20). The analysis involved both correlation and multiple regression analysis to test the hypotheses and measure the effect of financial reporting quality and automation of accounting processes on sustainable accountability.

Study Limitations

This study acknowledges several limitations. First, the sample is limited to Ondo State, which may not fully represent the diversity of all 774 Nigerian LGAs across different geopolitical zones with varying technological infrastructure and governance practices. Second, the study does not control for potential confounding variables such as political interference, leadership quality, resource availability, or existing governance structures that may influence accountability outcomes. Third, the cross-sectional design captures perceptions at a single point in time and cannot establish causality. Fourth, the reliability coefficient from the Ekiti State pilot study may not fully apply to Ondo State due to different administrative contexts. Future research should employ longitudinal designs and include multiple states to enhance generalizability.

DATA PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

Introduction

This section presents the analysis of data collected through the structured questionnaire administered to respondents across selected Local Government Areas (LGAs) in Ondo State, Nigeria, which represents a sample from the 774 LGAs in the country. The analysis focuses on examining the effect of Financial Reporting Quality (FRQ) and Automation of Accounting Processes (AAP) on Sustainable Accountability (SA) in Nigerian local government administrations. The data were analyzed using the Statistical Package for Social Sciences (SPSS, version 20), and results are presented in tables showing correlation, regression, and analysis of variance (ANOVA).

Correlation Analysis

Table 1: Correlation Matrix of Study Variables

Variables	SA	FRQ	AAP
SA	1	.386	.652
FRQ	.386	1	.575
AAP	.652	.575	1

Source: SPSS Output, 2025 (Correlation is significant at 0.01 level)

Table 1 shows that Financial Reporting Quality (FRQ) and Automation of Accounting Processes (AAP) are both positively and significantly related to Sustainable Accountability (SA). The correlation coefficient between FRQ and SA ($r = 0.386$, $p < 0.01$) indicates a moderate positive relationship, suggesting that improvements in reporting quality tend to enhance accountability. The correlation between AAP and SA ($r = 0.652$, $p < 0.01$) shows a strong positive relationship, implying that automation significantly enhances transparency and accountability in local government operations. The positive association between FRQ and AAP ($r = 0.575$, $p < 0.01$) suggests that quality reporting and automation are complementary mechanisms that jointly promote accountability.

Model Summary

Table 2: Regression Model Summary Showing Combined Relationship Between FRQ, AAP, and SA

Model	R	R²	Adjusted R²	Std. Error of Estimate
1	.652	.426	.421	.35469

Source: SPSS Output, 2025

Table 2 reveals a strong combined relationship ($R = 0.652$) between FRQ, AAP, and SA. The coefficient of determination ($R^2 = 0.426$) implies that 42.6% of the variation in Sustainable Accountability can be explained by Financial Reporting Quality and Automation of Accounting Processes. The Adjusted R^2 (0.421) shows the model remains consistent after accounting for predictor variables. The remaining 57.4% of the variance may be attributed to other factors such as leadership ethics, internal control, political interference, and stakeholder participation.

ANOVA (Model Significance Test)

Table 3: ANOVA Results for Model Significance Test

Source	Sum of Squares	Df	Mean Square	F	Sig.
Regression	24.331	2	12.165	96.699	.000
Residual	32.835	261	.126		
Total	57.166	263			

Source: SPSS Output, 2025

Table 3 shows that the overall model is statistically significant, with an F-statistic of 96.699 and a p-value of 0.000 ($p < 0.05$). This indicates that the combination of Financial Reporting Quality and Automation of Accounting Processes significantly predicts Sustainable Accountability in Nigerian Local Governments. Therefore, the null hypothesis that FRQ and AAP have no significant effect on SA is rejected.

Coefficients of the Regression Model

Table 4: Regression Coefficients

Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	1.163	.246	–	4.731	.000
FRQ	.018	.062	.017	.291	.771
AAP	.679	.061	.643	11.205	.000

Source: SPSS Output, 2025

Regression Equation: SA = 1.163 + 0.018(FRQ) + 0.679(AAP)

Table 4 presents the regression coefficients. The constant (1.163) indicates that when both FRQ and AAP are held constant, the baseline level of sustainable accountability is 1.163. The coefficient for FRQ (B = 0.018, p = 0.771) indicates a positive but statistically insignificant relationship with SA.

This implies that improvements in financial reporting quality alone may not significantly enhance accountability without effective automation. The coefficient of AAP (B = 0.679, p = 0.000) shows a strong and significant effect on SA. A one-unit increase in automation leads to a 0.679-unit increase in sustainable accountability, holding other variables constant. Thus, the regression result suggests that automation of accounting processes exerts a stronger and statistically significant impact on accountability compared to financial reporting quality. The observed discrepancy between the correlation (r = 0.386) and regression (p = 0.771) results for Financial Reporting Quality (FRQ) warrants further interpretation. While a positive correlation indicates that FRQ and Sustainable Accountability (SA) tend to move in the same direction, the regression analysis, by controlling for the influence of Automation of Accounting Processes (AAP), reveals that the direct, independent effect of FRQ on SA becomes statistically insignificant. This suggests that FRQ, while foundational, acts more as a prerequisite or a necessary but insufficient condition for robust accountability. Its potential impact on SA is largely either mediated through or overshadowed by the presence and effectiveness of AAP. Without the structural and operational support provided by automation, even high-quality financial reports may not translate into tangible accountability gains due to issues of accessibility, transparency, and timely dissemination to relevant stakeholders.

Discussion of Findings

The empirical findings reveal a nuanced relationship between financial reporting quality and accountability in Nigerian local governments. While correlation analysis shows FRQ positively correlates with accountability (r = 0.386), the regression results indicate this relationship becomes statistically insignificant (p = 0.771) when controlling for automation effects. This suggests that FRQ operates as a necessary but insufficient condition for accountability–quality reports provide the foundation, but without technological infrastructure to ensure their integrity and accessibility, they fail to drive meaningful accountability improvements. This finding aligns with recent evidence that digitalised practices significantly outperform traditional reporting mechanisms in enhancing accountability (Rakibuzzaman et al., 2025). The strong significance of automation (β = 0.679, p < 0.001) confirms that technology serves as the critical enabler that transforms quality reporting into actual accountability outcomes through real-time monitoring, reduced manipulation opportunities, and enhanced citizen access to financial information (Rakibuzzaman et al., 2025). From an Agency Theory perspective, these findings underscore the role of information asymmetry and monitoring costs in public-sector accountability. FRQ aims to reduce information asymmetry between principals (citizens, higher government tiers) and agents (local government administrators). However, without automation, the cost and effort required for principals to access, interpret, and verify this information remain high, limiting effective monitoring and increasing agency costs (Sulaiman & Odunlade, 2025). AAP, by providing real-time data, standardised processes, and reduced opportunities for human intervention, significantly lowers monitoring costs and enhances the verifiability of financial information, thereby strengthening the principal-agent relationship and fostering greater accountability. Automation acts as a robust monitoring mechanism, compelling agents to adhere to prescribed standards and mitigating opportunistic behaviour (Sulaiman & Odunlade, 2025).

Practically, these results carry significant implications for local government administrators in Nigeria. While efforts to improve FRQ, such as adherence to accounting standards and enhanced internal controls, are valuable, they must be synergistically complemented by substantial investments in and effective implementation of accounting-process automation. Prioritising automation can lead to more immediate and impactful improvements in sustainable accountability by facilitating timely and accurate financial reporting, enhancing transparency, and reducing operational inefficiencies (Rakibuzzaman et al., 2025; Sulaiman & Odunlade, 2025). It suggests a strategic shift from merely generating quality reports to ensuring these reports are actively leveraged through technological infrastructure to inform decision-making and foster public trust. Comparing these findings with international best practices further highlights the importance of automation. Developed economies and highly accountable public sectors frequently rely on integrated financial management information systems (IFMIS) that automate vast portions of their accounting and reporting processes. Studies show that digital transformation is a cornerstone of robust financial accountability and transparency, particularly when quality reporting frameworks are in place (Rakibuzzaman et al., 2025; Sulaiman & Odunlade, 2025). While direct comparisons must account for contextual differences, the fundamental principle–that technology mediates the translation of reporting quality into accountability– remains universally applicable and is strongly supported by this study's outcomes. The mechanisms through which automation enhances accountability are multifaceted. First, it ensures data integrity by minimising manual-entry errors and providing audit trails for all transactions, making it harder to manipulate financial records (Rakibuzzaman et al., 2025). Second, real-time data processing allows for timely generation of financial statements, enabling stakeholders to monitor financial performance and resource utilisation without significant delays (Rakibuzzaman et al., 2025). Third, automation can standardise reporting formats, making financial information more comparable and easier to understand for diverse audiences (Rakibuzzaman et al., 2025). Finally, by facilitating easier public access to financial data through online portals, automation empowers citizens and oversight bodies to hold governments accountable more effectively, moving beyond passive reporting to active public engagement (Sulaiman & Odunlade, 2025).

However, it is crucial to acknowledge potential limitations and conditions that might influence these findings. The effectiveness of automation is contingent upon factors such as adequate technological infrastructure, digital literacy among staff and stakeholders, strong political will, and resistance to change (Sulaiman & Odunlade, 2025). From a policy standpoint, these findings advocate for a comprehensive national strategy for digital transformation within Nigerian local governments. This strategy should include targeted funding for the acquisition and maintenance of automated accounting systems, capacity-building programmes for staff to ensure proficient use of these technologies, and the development of robust data-governance frameworks to ensure the security and reliability of automated financial information (Rakibuzzaman et al., 2025; Sulaiman & Odunlade, 2025). Policy interventions should also focus on creating open-data initiatives where automated financial reports are made easily accessible to the public, fostering citizen engagement and external oversight. Finally, continuous evaluation mechanisms must be institutionalised to assess the impact of these digital initiatives on accountability and allow for adaptive policy adjustments.
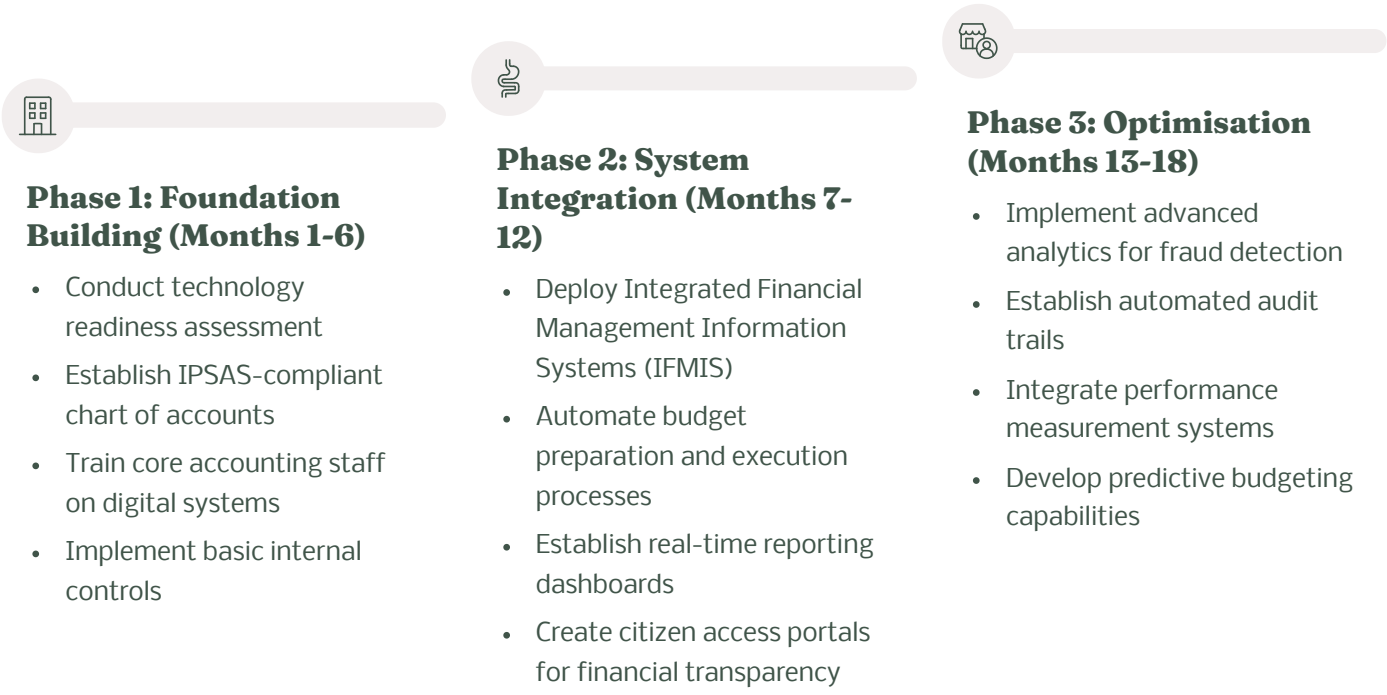
CONCLUSION

Based on the empirical findings, the study concludes that automation of accounting processes has a greater and more significant influence on sustainable accountability in Nigeria's local government system than financial reporting quality. Although accurate and transparent financial reporting remains essential, automation strengthens these efforts by ensuring data integrity, minimising human errors, and enhancing audit trails. In essence, the integration of automated financial management systems enables local governments to maintain real-time, reliable, and verifiable accounting records, which fosters transparency, combats corruption, and builds public trust. Therefore, to achieve sustainable accountability, Nigerian local governments must combine high-quality financial reporting with robust automation mechanisms aligned with International Public Sector Accounting Standards (IPSAS).

IMPLEMENTATION FRAMEWORK FOR ENHANCED ACCOUNTABILITY

Based on successful case studies and research findings, this framework provides a phased approach for Nigerian local governments:

Phase 1: Foundation Building (Months 1-6)

- Conduct technology readiness assessment
- Establish IPSAS-compliant chart of accounts
- Train core accounting staff on digital systems
- Implement basic internal controls

Phase 2: System Integration (Months 7-12)

- Deploy Integrated Financial Management Information Systems (IFMIS)
- Automate budget preparation and execution processes
- Establish real-time reporting dashboards
- Create citizen access portals for financial transparency

Phase 3: Optimisation (Months 13-18)

- Implement advanced analytics for fraud detection
- Establish automated audit trails
- Integrate performance measurement systems
- Develop predictive budgeting capabilities

Critical Success Factors:

- Political will and leadership commitment
- Adequate funding for technology infrastructure
- Continuous staff training and capacity building
- Stakeholder engagement and change management
- Regular system updates and maintenance

This framework addresses the study's finding that automation serves as the critical enabler for accountability, while ensuring quality reporting standards are maintained throughout the implementation process.

RECOMMENDATIONS

Based on the results of the current work, the following recommendations can be given:

1 Implement Comprehensive Digital Systems

Local governments across Nigeria should implement comprehensive Integrated Financial Management Information Systems (IFMIS) or similar digital accounting tools that automate budgeting, expenditure tracking, and reporting processes.

2 Continuous Professional Development

Continuous training should be provided for accounting officers, auditors, and finance personnel on modern accounting software, data management, and IPSAS compliance to enhance their technical competence.

3 Strengthen Internal Controls

Automated systems should be complemented with robust internal control frameworks to prevent data manipulation, fraud, and unauthorized access to financial information.

4 IPSAS Compliance

Local governments should ensure that their financial reports are prepared in accordance with International Public Sector Accounting Standards (IPSAS) to enhance comparability, transparency, and credibility.

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CONFLICTS OF INTEREST

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