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Summary and Conclusion

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Summary and Conclusion

Summary

The research shows that almost half of the government taxes are contributions from individual income tax (The Tax Policy Briefing Book, 2020). The remaining portion of taxes originating from other sources such as customs. This means that the citizens contribute a larger fraction of the government taxes. As a result, various governments always strive to release high-quality financial statements to alert the public on how their contributions are spent. Unfortunately, most citizens and oversight bodies always express doubts in different financial reports. For instance, the oversight body, Governmental Accountability Office (GOA), detected several mishaps in the United States' financial report in the fiscal year 2019 because the government could not account for some of its expenditures (Governmental Accountability Office, 2020). Undoubtedly, such defects in the financial reports raise several questions regarding the governmental financial reports' integrity, creating much public mistrust in the reports.

Importantly, financial reports have critical roles in the general well-being of a country. Abdulshakour (2020) explains that financial statements are critical tools for decision making because they give the investors crucial information regarding their investments. Additionally, the financial reports guide investigators such as oversight bodies in detecting areas where there are inappropriate financial expenditures. Moreover, the financial statements help the government examine its financial position, thus detecting any financial crisis and guiding the government on imposing taxes and interest rates. Most importantly, financial statements can act as a tool used to win citizen's trust in their governments because it provides comprehensive information about how the governments spend taxpayers money. However, trust is only achievable when the financial reports are of high quality. Typically, citizens' strong trust in how the government

spends its finances can motivate them to comply with the laws and regulations, such as paying taxes. Surprisingly, the research shows much financial misappropriation among different governments, eroding public trust in the governmental financial reports (United States Department of State, 2020).

Undisputedly, determining whether the government has effectively used the taxpayer's money can be one of the challenging tasks. Therefore, citizens, oversight bodies, and other organizations involved in investigating government expenditures must have the ability to detect defaults depicted by different governmental financial reports. According to the research, information from internal and external auditors' investigations can act as the basis for questioning the financial reports' credibility (Furqan et al., 2020). The audit information can help determine whether governments implement changes recommended by different audit findings or not. For instance, in the United States, one of the most reliable audit agency is the Government Accountability Office. The agency examines how the United States government utilizes public funds and provides recommendations that help congress make different financial decisions.

Several factors affect the integrity of financial institutions that, when detected and solved, financial statements in every country will be of the highest quality. Studies reveal that corruption, nepotism, and conflict of interest in various governmental institutions are the root causes of low-quality financial statements (Furqan et al., 2020). Indeed, these factors lead to poor public services; thus, the financial statements might be manipulated to have a good reputation when it does not reflect the quality of services achieved. As a result, well-defined strategies should be designed to help eliminate such problems.

Many countries have oversight bodies and non-governmental organizations that are concerned with ensuring governments produce high-quality financial reports. Regrettably,

governments still face the problems of ensuring the financial statements achieve the best quality (Pekdemir, Zigindere, & Suer, 2020). To ensure high quality in the financial statements, Funkhouser & Pu (2019) elaborates that involving auditors at every stage of financial statement preparation can help improve financial statements' integrity, transparency, and accountability. Typically, auditors ensure that firms comply with the relevant laws and regulations to ensure governments' activities are carried out using honest and transparent methods. They can provide an opinion regarding the government's operations and provide recommendations to help guide the operations; thus, the integrity in the financial statements is guarded.

Additionally, high human resource competency can significantly ensure high accuracy and integrity in the financial reports. Handayani (2020) explains that human resource competence, and attitudes towards their work can realize credibility in the financial statements because highly competent human resource ensures efficiency, honesty, and transparency in the financial information. Therefore, it is crucial for human resources such as accountants and auditors to be highly competent in their duties and have the right attitude required in their work.

Conclusion

In conclusion, the public contributes a larger fraction of taxes collected by the governments; thus, the financial statements' integrity needs to be high to ensure that public trusts in the financial reports are restored. High-quality financial statements help the governments make decisions such as imposing tax rates and interest rates; thus, financial statements can be used to frame the laws and regulations for different businesses. Additionally, high-quality financial statements can help establish public trust, making citizens comply with tax laws. Unfortunately, despite the efforts of many oversight bodies to ensure high-quality financial reports, many governments still produce questionable financial statements; thus, destroying

public trust in the statements. Importantly, many citizens can detect the financial statements' shortcomings through the auditor's information. Auditors and auditing bodies can reveal any defect detected in the financial statements and provide recommendations to mitigate the issues. They also investigate areas the government experienced fund misappropriation and gives the public comprehensive information regarding any scandal.

Corruption, nepotism, and conflict of interests are factors that negatively affect the quality of financial statements. These problems promote unethical behaviors, such as lying in numbers in the financial reports. However, establishing strong human competencies in the financial departments can significantly help different governments produce high-quality financial statements. The competency among those who make financial statements ensure that any unethical issues are not experienced in the governments. Additionally, involving auditors at every stage of financial statement preparation can help eliminate doubts in the financial statements. Auditors ensure that the governments carry out their operations using appropriate methods and evaluate the governments' quality of services using the available financial statements. In case a defect is detected in the financial reports, the auditors and auditing bodies give appropriate recommendations and enlighten the public on any suspicious activity in the financial statements.

However, governments have huge roles to play to ensure that the financial statements' integrity meets the maximum requirements for transparency, accuracy, and accountability to gain public trust in the reports. Notably, strengthening education sectors to produce highly competent accountants and auditors can positively impact various governmental financial institutions with highly competent human resources. Competency among human resources eliminates corruption, nepotism, bribery, and all other factors that lead to low-quality financial statements.

Additionally, the public should be educated on recognizing defects in the financial statements to ensure that they determine and question any shortcomings in the financial statements. Lastly, adverse measures should be taken against those governmental organizations, human resource management, and companies associated with preparing low-quality financial reports. These recommendations can significantly ensure that the governments produce high-quality financial statements to ensure the public trust is restored in financial statements.

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