

Interaction between Accounting and Trust in the Tanzanian Local Governments

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Abstract This paper presents the empirical findings of the interaction between accounting and trust in the Tanzanian Local Government Authorities (LGAs). The empirical data was gathered through in-depth interviews with Councillors, Parliamentary Committee members, Councils' internal auditors, external auditors from the National Audit Office of Tanzania (NAOT) and executives from the LGAs and Central Government. In order to obtain a thorough understanding of the interplay between accounting and trust, analysis of the relevant documents and attendance at important meetings were also sought. The collected data was analysed using the grounded theory procedures advocated by Strauss and Corbin (1998) and Corbin and Strauss (2008). The findings of this study show that actors within the LGAs used various strategies deliberately to manage trust perceptions emerging in the course of exchange of accounting information. Also, the study observed that accounting is influencing, and being influenced by, trust. For instance, as a result of distrust amongst actors in the studied LGAs, new accounting practices, such as physical inspection emerged, which also affected trust relations. In the light of Relational Signalling Theory (RST), the findings indicate that the relational signals are important in the interactions between accounting and trust. However, further studies examining the interplay between accounting and trust are needed in order to develop further theory of the relationship between the two.

Keywords: *accounting, local governments, relational signalling theory, Tanzania, trust*

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1. Introduction

There has been an increasing research interest in studying trust within the accounting literature (Busco, Riccaboni, & Scapens, 2006; Free, 2008; Tomkins, 2001). This is mainly motivated by the established empirical link between accounting practices and trust. Accounting practices can increase trust in the system (Van der Meer-Kooistra & Vosselman, 2000) and at the same time trust has the potential of ensuring proper functioning of the accounting systems and controls (Colwyn Jones & Dugdale, 2001). These suggest that the very nature of accounting, as social and economic practices, requires trust (Baldvinsdottir, Hagberg, Johansson, Jonäll, & Marton, 2011). In fact, as Baldvinsdottir et al. (2011) pointed out, trust plays a very crucial role in the accounting processes. As a result of this link, there have been consistent calls on the accounting literature regarding the need to undertake research on the same (see for example, Baldvinsdottir et al., 2011; Jönsson & Macintosh, 1997; O'Connor, 1995). In response to these calls, nowadays, there are more studies of accounting and trust but these tend to focus mainly on management accounting followed by financial accounting and reporting (Baldvinsdottir et al., 2011). There is also sizeable interest in other areas, including auditing and regulations, critical

perspectives and public sector accounting (Baldvinsdottir et al., 2011). It is also of interest to note that, currently, there are more journals which publish articles related to accounting and trust than ever before. For example, Baldvinsdottir et al. (2011) have shown that articles on accounting and trust have now been published in leading accounting journals, such as Management Accounting Research (MAR), Critical Perspectives on Accounting (CPA), Contemporary Accounting Research (CAR), Accounting Review (AR), British Accounting Review (BAR), and European Accounting Review (EAR). Overall, the studies have shown that the interactions between accounting and trust have an impact on each other. In fact, the studies have established that accounting practices affect, and are affected by, trust relationships existing in the organizational settings (Langfield-Smith, 2008; Langfield-Smith & Smith, 2003; Llewellyn, 1998). The current literature review of accounting and trust has established that most studies have focused on the inter-firm relationships (Baldvinsdottir et al., 2011). Very few studies have concentrated on understanding how accounting and trust interact in public sector organisations. Therefore, the current paper aims to examine the interaction between accounting and trust. The study of accounting and trust is paramount in the Tanzanian LGAs. Anecdotal evidence shows that accounting information provided by the LGAs' officials was not sufficiently trusted (believed) by many stakeholders, including the

Government, donors, Councillors, Parliamentary Committee members, external auditors, and even common citizens (see for example, Gasper, 2006; Mzenzi, 2013). For example, there were many incidences where members of the Parliamentary Committee refused to accept LGAs' financial reports because of lack of confidence in them (Gasper, 2006). Similarly, there are major concerns amongst common citizens that LGAs' officials are not honest and trustworthy enough in their financial dealings. This is partly evidenced through the poor quality of essential public services, such as education and health. These incidences indicate the decline of trust in the Tanzanian LGAs and, as Baldvinsdottir et al. (2011) pointed out, "the significance of trust becomes especially obvious when there is a strong decline in trust" (p. 383). It is therefore paramount to study the interaction between trust and accounting in the Tanzanian LGAs.

2. Prior Empirical Studies

To date, there is no single universal definition in the accounting literature of what constitutes trust (Baldvinsdottir et al., 2011). Most accounting studies have tended to avoid providing a clear definition of trust; instead they operationalise its meaning in the studied context. Despite the non-existence of a universal definition of trust, there are common properties and/or themes which are frequently referred to when the subject of trust is discussed. These revolve around issues such as commitment, willingness to use incomplete information because of a high level of trust, as well as dependence and cooperation (Baldvinsdottir et al., 2011). In line with the existing literature, the current paper is not intended to define trust, but rather to examine its interactions with accounting and their corresponding impact on each other. Empirically, trust and accounting has been studied from various perspectives. Two perspectives are worthy of note here, namely, '*trust in whom*', and '*direction of relation between trust and accounting*' (Baldvinsdottir et al., 2011). Regarding the '*trust in whom*' category, it has been established empirically by Baldvinsdottir et al. (2011) that there are two types, namely, trust in a particular type of actor (such as managers, employees, partners, etc.) and trust in institutions or systems. Empirical studies in this category have generally established that efficient undertaking of accounting practices increases when there is trust in specific actors or institutions/systems (see for example, Hood, 1995; Sholihin & Pike, 2009). For instance, Sholihin and Pike (2009) established that job satisfaction increases when trust in managers increases. Similarly, trust in partners plays a significant role in setting inter-firm relationships (Van der Meer-Kooistra & Vosselman, 2000). This paper reports the relationship between accounting and trust amongst in internal auditors, external auditors, councillors, and officials in the Tanzanian LGAs. These individuals were highly involved in issuing and receiving various LGAs' financial information and it seems to them that trust is important in the course of interaction.

Also, the direction of the relationship between trust and accounting has been highly reported within the extant literature. One group of such studies tends to focus on the impact of trust on accounting (see for example, Broadbent,

Dietrich, & Laughlin, 1996; Power, 1996; Willie Seal, Berry, & Cullen, 2004; Subramaniam & Mia, 2003). For example, using the case of the UK public sector, Broadbent et al. (1996) established that fewer accounting controls are needed when there is a high level of trust. Trust has been also regarded as an important tool for the smooth running of organisations (Subramaniam & Mia, 2003), to reduce auditing processes and its corresponding costs (Power, 1996), and to provide an appropriate benchmark for firms' contractual relationships (Seal et al., 2004). On the other hand, there are studies which have established the impact of accounting on trust (see for example, Langfield-Smith, 2008; Langfield-Smith & Smith, 2003; Lau & Eggleton, 2003; Sue Llewellyn, 1998; McPhail, 2009). Langfield-Smith and Smith (2003), for instance, have shown how trust (as opposed to market based) was used to achieve control in an electricity company and its outsourced IT operations. In this regard, the "control was achieved through outcome controls and social controls developing over time, and through the development of trust, particularly goodwill trust" (Langfield-Smith & Smith, 2003, p. 281). Also, using the case of UK social services, Llewellyn (1998) argues that accounting systems can potentially destroy trust in professionals. Similarly, Langfield-Smith (2008) argues that a need for detailed accounting information decreases with the increase of trust.

There are also cases where accounting influences trust either positively (McPhail, 2009), or negatively (Lau & Eggleton, 2003). There are also a number of studies which have empirically established the multi-direction of the relationship between trust and accounting and how they affect each other. Thus, depending on the level of trust and the actual undertaking of accounting practices, these studies suggest that the interaction between accounting and trust has produced positive and negative consequences for both accounting and trust. Whilst these findings are commonly reported in the extant literature, representation of the emerging economies is lacking (Rahaman, 2010). Since accounting and trust can be regarded as socially constructed phenomena (Baldvinsdottir et al., 2011; Busco et al., 2006), arguably they are context-specific issues which need to be understood from within, by using qualitative approaches (Ahrens & Dent, 1998; Ahrens & Mollona, 2007). Therefore, by examining the interaction between accounting and trust in the context of the Tanzanian LGAs, the current paper addresses these lacunae.

3. Theoretical Framework

Studies of accounting and trust have been mainly informed by two theoretical orientations: economic and sociological theories. Economic theories normally assume trust to be a scarce resource which needs to be optimized (Baldvinsdottir et al., 2011; Tomkins, 2001). Papers which adopt this orientation are mainly influenced by economic literature and use theories such as principal-agent theories (Mitchell, Reid, & Terry, 1995), transaction cost models (Luft, 1997), and other more or less economic analytical models (Gietzmann, 1996; Luft, 1997; Seal & Vincent-Jones, 1997). For instance, using a principal-agent theory, Mitchell et al. (1995) conclude that trust reduces the

information asymmetry between investor and investee. Also, Luft (1997) regards trust as an important aspect that improves the predictive ability of transaction cost models. Coming from the economic perspective, others regard trust as an intangible asset which is difficult to measure (Roslender & Fincham, 2004; Jeltje Van der Meer-Kooistra & Zijlstra, 2001). There are also other authors, such as Coletti, Sedatole, and Towry (2005) who have attempted to develop economic thinking and concluded that effective and working control systems can increase trust amongst organizational members (see also, Otley & Pierce, 1995).

Despite the increase in economic theory related studies in recent times, more papers tend to use sociological theories in explaining the interaction between trust and accounting (see for example, Chua, 1995; Covaleski, Dirsmith, & Samuel, 1996; Johansson & Baldvinsdottir, 2003). From the sociological point of view, the relationship between trust and accounting seems to be mediated by other factors, such as expectations of individuals and systems (Giddens, 1990) and actors' habits and accounting routines (Johansson & Baldvinsdottir, 2003). In general, most sociologically informed studies conclude that it is the context which determines the nature of trust relations (Baldvinsdottir et al., 2011). On the one hand, there are cases where context affects trust-relations negatively (Jacobs & Kemp, 2002,) while in other cases, there are positive trust relations (see for example, Lau & Buckland, 2001). The sociological studies which investigate the relationship between trust and accounting tend to be informed by a variety of theories, such as actor network theory (Chua, 1995), structuration theory (Giddens, 1990), and relational signalling theory (Vosselman & Meer-Kooistra, 2009). Thus, this study employs relational signalling theory (RST) in exploring further the emergent findings. Relational signalling theory (RST) was initially proposed by Lindenberg (1988, 1998, 2000) and was later tested empirically in several studies, such as Mühlau and Lindenberg (2003), Wittek, van Duijn, and Snijders (2003), Six (2007), and Six, Nooteboom, and Hoogendoorn (2010). The theory asserts that human action and behaviour is largely guided by the social context in which the individual operates and the main goals which an individual seeks to achieve (Mühlau & Lindenberg, 2003; Six, 2007). In accordance with the theory, for interpersonal trust to be established and maintained, the behaviours and actions of the two parties need to indicate that they have the ability and intention to act appropriately for the sake of maintaining a mutually beneficial relationship (Lindenberg, 2003; Vosselman & Van der Meer-Kooistra, 2006). Thus, RST proposes that relational signals play an important role in interpersonal interactions and trust relationships (Bottom, Gibson, Daniels, & Murnighan, 2002; Weber, Malhotra, & Murnighan, 2004). Relational signals are behavioural clues that allow individuals to make inferences about the other party's interest in acting appropriately for the sake of maintaining a mutually beneficial relationship (Lindenberg, 2003; Wittek et al., 2003). Hence a 'trustor' explores whether the behaviour of trustees shows the competence to perform according to expectations (a trustworthiness dimension), as well as the intention of maintaining the relationship in the future (an intention dimension) (Six & Sorge, 2008).

In general, relational signals can either be positive or negative, whereby a consistently perceived positive relational signal is presumed to enhance trust between parties in interpersonal interactions and in the exchange of information (Six et al., 2010). A positive relational signal involves any behaviour perceived by one party in an interaction that the other party can be trusted or relied upon (Lindenberg, 2003). RST also suggests that relational signals have a dual function. This implies that, for instance, a positive relational signal involves the trustor's message to the other party (trustee) that he/she wishes to act appropriately and in the interests of the trustee, and that he/she expects a corresponding mind-set from the trustee (Six & Sorge, 2008). This theory is adopted in this paper for two main reasons. Firstly, the emerging core phenomenon, 'managing trust perceptions' is closely related to the concept of 'relational signals', which is central in RST. In the light of RST, the emergent core phenomenon can also be termed as 'managing relational signals'. Secondly, the rational choice theories on trust, such as agency theory and transaction cost theory, have shown very limited ability to explain the phenomenon of interpersonal trust in practice, such as the role of perceptions and contextual conditions (Six et al., 2010). On the other hand, the emergent empirical findings, as is the case with RST, emphasize the significance of trust perceptions and contextual conditions in the interaction between trust and accounting. Therefore, the application of relational signalling theory in interpreting the empirical findings presented in this paper is more appropriate.

4. Context of the Study

The research reported in this paper has been conducted in two Local Government Authorities (LGAs) in Tanzania. For confidential reasons, these LGAs are termed as IMC and BDC. IMC is a municipal Council located in a business city, while the BDC is one of the district Councils located in the outskirts of the city centre. The use of two cases allowed cross comparison of the interactions between trust and accounting in different settings. All the LGAs fall under the same internal administrative structures, with functional departments such as finance and administration, economic affairs, health and education, urban planning and development, trade and investment, as well as internal audit. Daily administration of the Council is under the supervision of the Council Executive Director, who is appointed by the minister responsible for local government (Prime Ministers' Office, Regional Administration and Local Government (PMO-RALG) in consultation with the Local Government Service Commission. All the LGAs are accountable to the PMO-RALG. It is the ministry which is the custodian of all reports prepared by the all LGAs in the country. These normally include budgets, internal audit reports, financial progress reports, and reports related to the implementation of social and development projects.

Politically, all the LGAs are under Full Council, which is made up of Councillors obtained in a particular jurisdiction. The Councillors, through the Full Council, oversee the operational affairs of the LGAs' officials. In order to ensure efficient undertaking of the oversight role,

Full Council has three permanent standing committees responsible for finance, economics, education and health, as well as community development. These committees review the progress reports prepared by the LGAs' officials on a monthly basis and submit the same to the Full Council for resolution on a quarterly basis. Despite the fact that there were so many reports prepared by the LGAs' officials and submitted to the Councillors, this paper is more concerned with accounting related reports (financial reports). These included reports such as financial progress reports, internal audit reports, external audit reports, budgets, bank reconciliation statements, and financial statements. Trust comes into play here, as all reports to be submitted to the higher level of Government, including Councils' contracts and tender documents, need to be approved by the Council chairperson (on behalf of the Councillors). Before approval, these reports are normally discussed by the Council Management Team (CMT), which is made up of Councils' heads of departments and units, before channelling them to the Full Council for resolution.

In order to strengthen LGAs' financial oversight, a Parliamentary Committee (Local Authority Accounts Committee (LAAC)) is charged with examination of the Councils' accounts and reports to the National Assembly for parliamentary resolution. In the course of exercising its mandate, the committee inspects books of accounts and makes follow-ups on the recommendations provided by the external auditors. The committee has the power to take disciplinary actions, such as surcharge of negligent LGAs' officials. Recently, as the result of what appears to be distrust of the LGAs' executives and the accounting information provided by them, the committee has been involved in the physical examination of development and social projects implemented by the LGAs.

5. Research Methods

This study seeks to contribute to theoretical explanations of the interaction between accounting and trust. However, the aim of the research is not to test any extant theory of the relationship between accounting and trust but, rather, to generate theoretical explanations from empirical data. Hence, the study adopts an interpretive research methodology and grounded theory procedures for data collection and analysis (Corbin & Strauss, 2008; Strauss & Corbin, 1998). Prior research indicates that trust is a complex phenomenon and that the relationship between accounting and trust is dependent upon specific socio-economic contexts (Baldvinsdottir et al., 2011). The interpretive research methodology provides appropriate strategies for exploring such complex phenomenon in a real life setting (Locke, 2001). This study has been further motivated by the need for qualitative research on the relationship between trust and accounting (Baldvinsdottir et al., 2011).

The main source of the data for this study was unstructured and semi-structured interviews with five groups of local government stakeholders, namely heads of departments and sections within the studied LGAs, councillors, central government executives (from the PMO-RALG), the Regional Administrative Secretary (RAS) and the Ministry of Education and Vocational

Training (MoEVT), external auditors (from the National Audit Office of Tanzania (NAOT), and Members of Parliamentary Committee. These individuals and institutions were crucial in understanding the interplay between accounting and trust in the context of the studied LGAs. Open ended questions were used initially, but as significant themes on the phenomena under investigation started to emerge, the interviews became more focused. The interview duration ranged from twenty five to eighty seven minutes. The majority of the interviews were fully transcribed. A total of sixty three (63) interviews were conducted, as indicated in Table 1.

Table 1. List of Interviewees

Interviewees	BDC	IMC	Total
Councillors	12	11	23
LGAs' Executives (Head of Departments/Sections)	7	8	15
Central Government's Executives (from Ministries)	N/A	N/A	7
LGAs' Internal Auditors	1	2	3
External Auditors (from NAOT)	N/A	N/A	5
Parliamentary Committee Members	N/A	N/A	10
Total			63

Documentary and observational data was also used in order to enhance the reliability of the research findings. All relevant documents were collected, analysed and coded. The documents included Minutes of Council and Committee meetings, financial statements, audit reports, reports submitted to the Parliamentary Committee by the LGAs, the Parliamentary Committee's reports, and quarterly and annual progress reports. The researcher attended four (4) Council meetings and ten (10) sessions of the Parliamentary Committee as a participant observer. Table 2 provides a summary of the meetings attended.

Table 2. Meetings Attended

Nature of Meetings	BDC	IMC	Total
Full Council Meeting	2	2	4
Parliamentary Committee Meetings (LAAC Sessions)	N/A	N/A	10
Total			14

The discussions during the meetings provided useful insights into the interaction between accounting and trust and these were also analysed and coded. The field study was conducted over a period of four months and, at the LGAs, much time was spent at the office of the Clerk for Council and Committee meetings. Hence the researcher managed to get ample time to interact casually with both the Councillors and local government executives.

The data was analysed by using coding procedures advocated by Strauss and Corbin (1998) and Corbin and Strauss (2008). These procedures are open, axial and selective coding. Open coding is the analytical process which involves identifying, labelling and categorizing significant phenomena in the data (Glaser & Strauss, 1967). It involves the analysis of interview, documentary and observational data, and conceptualization of the data into concepts and categories (Strauss and Corbin, 1998). Concepts and categories represent important phenomena related to the subject under study, generated from the data through the application of the constant comparison method (Glaser, 2002). Axial coding involves examining and establishing the connections between the various

categories developed at the stage of open coding (Strauss and Corbin, 1998). The list of axial and the related initial codes generated from the raw data is shown in Appendix I. Selective coding is the final stage of grounded theory analytic processes, and focuses on further development of categories and selection of the core category and description of the emergent substantive grounded theory (Strauss and Corbin, 1998). The coding paradigm model (Corbin & Strauss, 1990; Strauss & Corbin, 1998) was employed in integrating the main categories to develop a grounded theory from the empirical data. Finally, the study employs insights from relational signalling theory to further interpret the emergent substantive grounded theory.

6. Findings

This section presents the findings which were obtained from the empirical analysis of the interactions between accounting and trust in the Tanzanian LGAs. In general, the findings show that actors within the LGAs were involved in managing trust perceptions in the course of the exchange of accounting information. This influences the

way in which accounting interacts with trust. In particular, the study indicates that accounting is influencing, and being influenced by, trust. These findings are presented using the paradigm model advocated by Corbin and Strauss (2008) and Strauss and Corbin (1998). The model has been used to establish the theoretical relationships of the emergent categories. It contains three basic components, namely, conditions, strategies, and related consequences. The conditions are situations which contribute to the occurrence of central phenomenon, by either causing (causal conditions) or creating conditions or circumstances which forced actors to act in a certain way (contextual conditions). In this study, seven causal conditions emerged, namely, concerns over reliability of accounting information, past experience of the reliability of accounting information, the perceived strengths or weaknesses of the existing systems and control mechanisms, the perceived integrity of the providers of the accounting information, stakeholders' perceptions of the adequacy of the accounting information, knowledge of the stakeholders about accounting, and the perceived extent of involvement in activities. These conditions caused different trust perceptions as contextual conditions.

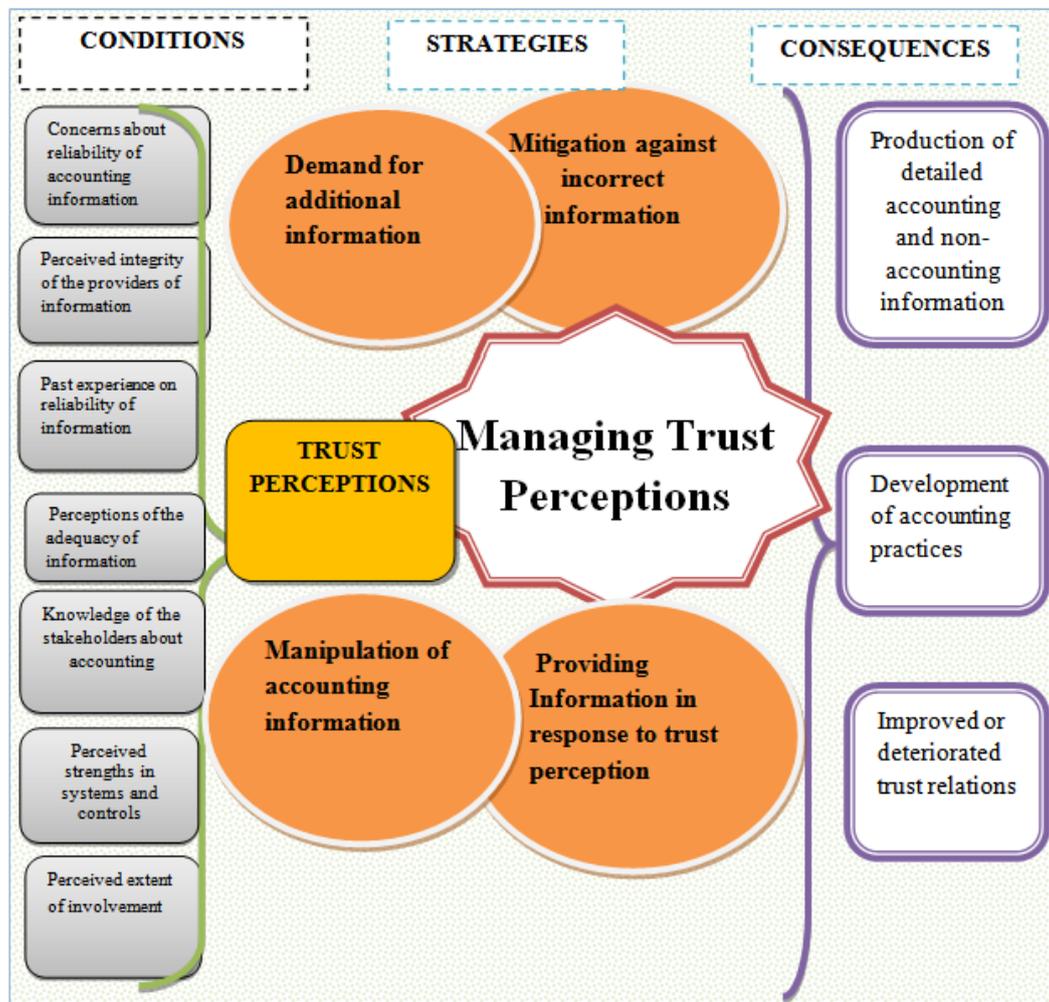


Figure 1. Managing Trust Perceptions: A Paradigm Model

Another component, strategies, refers to the actions of actors when addressing the circumstances created by conditions (Strauss and Corbin, 1998). Four main strategies were noted in this study, two for each part. Those who provided accounting information (the relied on

party) used two strategies to manage trust perceptions, namely, manipulation of accounting information and providing information in response to trust perceptions. The relying party, on the other hand, used two strategies to address trust in the individuals and in the provided

information, namely, demand for additional information, and mitigation against perceived incorrect information. These strategies produce intended and unintended consequences (the third component of the paradigm model). In this study, three major consequences emerged, namely, production of detailed accounting and non-accounting information, development of accounting practices, and improved or deteriorated trust relations in the organizations. At the centre of the model is the phenomenon of managing trust perceptions, a central category, to which all other main categories relate as conditions, strategies, or consequences. In general, these findings are presented in Figure 1.

Each of the above components of the paradigm model are discussed here under.

6.1. Managing Trust Perceptions: The Central Phenomenon

Managing trust perceptions emerged as the core phenomenon in the interactions between trust and accounting in the studied LGAs. It is a process which involves measures taken by the relying and relied on parties in the LGAs to address their own and the other parties' perspectives and attitudes as regards to trust in them and in the accounting information. Managing trust perceptions is a response to the trust perceptions emerged in the course of exchange of accounting between the actors in the LGAs. In the process of managing trust perceptions, the relied on parties focused on ensuring that the content of the information met the trust expectations of the relying parties. They also manipulated the accounting information in order to influence positively the trust perceptions of the relying parties. On the other hand, the relying parties were mainly engaged in taking measures to mitigate against perceived incorrect or misleading accounting information, while influencing the type and amount of information that should be provided. The relying parties in this study included the Councillors, members of LAAC, and central government officials who were concerned with the reliability of both the accounting information provided by the relied on parties and the specific individuals, namely local government executives, as well as the internal and external auditors. As a result, Councillors were forced to use common sense, physical inspection of projects, comparison of accounting and non-accounting related information, and special audit, to re-examine the reliability of accounting information, as well as that of the local governments' executives.

"Sometimes executives use their professionalism to bulldoze us. One may come with his data: for example, this year 300 people have been infected with cholera and we spent 3 million shillings. We don't want such information. We need to know the locations, which villages, how much has been spent on medication and so on. We know, this has been used by them [executives] as a loophole. We have three years now; we got experience of dealing with their improper use of professionalism. We use eyes, common sense to inspect. If it's school construction we compare the buildings and expenditures. When we are doubtful, we call for inspection by an outside professional" (Chair, Finance Committee, District Council).

The extent of managing trust perceptions differed between the studied LGAs. It was higher in the district (BDC) than in the Municipal (IMC) Council. This is partly attributed to the existence of relatively better educated Councillors in the Municipal Council. Since knowledge of the relied on party was observed as being one of the causes of trust perceptions, relatively better educated individuals were less involved in managing trust perceptions as most of the provided accounting details were known to them. In fact, at the time of the fieldwork, the Council chairperson of IMC was a Certified Public Accountant (CPA), which is a high professional level of accountancy in the country. Also, the high level of managing trust perceptions observed in BDC is associated with its past history. At the time of fieldwork, top officials of the Council including the internal auditor and the Council Executive Director were suspended following an investigation related to the financial mismanagement of public funds. Similarly, the extent of the managing trust perception was found to be very high in the relying party, such as Councillors and members of LAAC. As these were the recipients of the information provided by the executives, they applied a number of techniques, such as physical inspection, common sense, and special audit, to examine the reliability of the provided accounting information. On the other hand, LGAs' officials were highly involved in managing trust perceptions when they appeared before the Parliamentary Committee. This was an attempt to build legitimacy and avoid negative consequences such as surcharges. Regarding the accounting related information, much effort was directed to managing trust perceptions in audit reports. Thus, the emergent central phenomenon describes in its entirety "what was going on" in the studied LGAs.

Another important dimension of the phenomenon of managing trust perceptions which emerged in the study was the influence of the different participants in the process, and its implication for the interaction between trust and accounting practices in the LGAs. For instance, as explained in detail later, the most powerful stakeholders, such as members of LAAC, had been demanding additional accounting and non-accounting information in the audited reports, even from the LGAs with clean audit reports, mainly in order to enhance their trust in the accounting figures reported in the financial statements. As a result, they were able to influence the development of accounting practices in the LGAs. In a way, accounting has been influencing, and being influenced by, measures taken by the local government stakeholders to influence trust perceptions.

6.2. The Causal Conditions

Several causal conditions created the core phenomenon of managing trust perceptions. These included concerns over reliability of the accounting information, past experience of the reliability of accounting information, the perceived strengths or weaknesses of the existing systems and control mechanisms, the perceived integrity of the providers of accounting information, stakeholders' perceptions of the adequacy of accounting information, the knowledge of the stakeholders about accounting, and the perceived extent of involvement in the activities. A detailed description of each of these is provided below.

6.2.1. Concerns about the Reliability of Accounting Information

There were general concerns that accounting information provided by the LGAs' executives was not reliable. Concerns about the reliability of accounting information provided by LGAs' executives were expressed and particularly emphasized by members of LAAC, central government officials and Councillors. Members of LAAC and Councillors felt that LGAs' executives were generally either manipulating financial statements and other financial reports or withholding some accounting information. This perceived misrepresentation of accounting information was deemed to be done by some local government executives in order to hide certain realities which, if disclosed, could result in negative consequences for them. For instance, members of LAAC and Councillors were of the view that audit reports did not always provide accurate and or full information as regards financial transactions undertaken by the LGAs. In particular, the Councillors expressed serious concerns about the reliability of internal audit reports, especially on issues that were contested by them, as they felt the internal auditors were not adequately independent of the Council Directors and other local government executives. Interestingly, apart from Councillors and members of LAAC, even some of the local government executives showed doubt about the accuracy of accounting information provided by the Council treasurers.

6.2.2. Perceived Integrity of the Providers of Accounting Information

The personal characteristics of individuals providing accounting information influenced the way the Councillors and members of LAAC perceived their integrity. Local government executives were deemed trustworthy by Councillors when they were perceived to act in ways that showed their concern for the public interest, appeared to disclose full information, and did not appear to be dishonest. In particular, Councillors at the District Council associated perceived integrity of the local government executives with the knowledge they had of their personal life style. Lack of detail of some expenditure items provided in reports submitted to LAAC contributed to the members of the Committee questioning of the integrity of the respective local government executives. On the other hand, both members of LAAC and Councillors also associated the integrity of auditors with perceptions of their competence in auditing and their ability to discover tricks that may have been adopted by the local government executives to manipulate financial reports or cover up mismanagement of funds.

6.2.3. Past Experience on the Reliability of Information

Members of LAAC and Councillors generally associated lack of trust in the accounting information with past experience of inaccurate and or misleading information provided by local government executives, as well as internal and external auditors. They constantly pointed to past experiences to substantiate their level of trust, particularly in the local government executives. Councillors in both councils cited several cases whereby reports on certain expenditures presented by local government executives were later proved by internal and

or external auditors to be inflated. Similarly, members of LAAC and some Councillors identified several financial irregularities not reported by auditors, which were uncovered during special audit investigations demanded by them, or in the course of periodic physical visits undertaken by them to inspect the implementation of various projects. Experiences of the misuse of public funds by local government executives in the country had contributed to perceived poor trust in such groups of participants by other stakeholders.

6.2.4. Stakeholders' Perceptions of the Adequacy of the Accounting Information

Weaknesses in accounting information reduced the trust of some of the stakeholders in the information. Both members of LAAC and Councillors talked of cases they had encountered whereby the accounting numbers did not seem to tally with the purported transactions, as they did not make sense or did not provide the expected information. As a result, they demanded explanations of the various expenditure items in order to obtain more details of their justification. Rather than being motivated to verify the reliability of the accounting information, these attempts were intended to obtain more details to address the problem of the clarity of the information. This represents one of the instances where trust in the systems which produced the accounting information was doubted.

6.2.5. Knowledge of the Stakeholders about Accounting

Knowledge of accounting influenced the trust perceptions held by the different groups of local government stakeholders. Generally poor trust in local government executives and moderate trust in external auditors was partly associated with lack of knowledge of accounting, or the manner in which accounting information was understood, by the Councillors and members of the Parliamentary Committee. For instance, most of the Councillors and members of the Parliamentary Committee had an understanding that the repetitive audit queries and qualified or adverse audit opinions were mainly due to dishonesty or acts of theft committed by local government executives. Some members of LAAC expressed limited trust in external audit reports, as they felt that the scope of audit was not adequate or that the local government executives had managed to outsmart the auditors. Similarly, most of the Councillors and members of LAAC thought that the audit reports were supposed to provide information about all significant financial irregularities committed by the local government executives. The Councillors and members of LAAC pointed out examples of financial irregularities revealed through special audit, which were not reported initially, to justify their poor and limited levels of trust in internal and external audit reports respectively.

On the other hand, the Councillors were of the view that local government executives employed various 'tricks' in the preparation and presentation of budgets to hide certain types of expenditure which were beneficial to them, such as allowances, in order to limit Councillors' scrutiny. Such 'tricks' included the application of professional arguments to justify certain budgetary allocations, aggregation of expenditure items, and complex budget presentation, which made it difficult for some councillors to comprehend. Thus, budget information contributed to

poor trust relations between the Councillors and local government executives in both the Councils.

6.2.6. Perceived Strengths or Weaknesses in Systems and Control Mechanisms

The way the stakeholders perceived strengths and or weaknesses in the systems and control mechanisms in existence for accounting information contributed in influencing the trust perceptions of the participants. In terms of systems, the participants, particularly the Councillors, external auditors, and members of LAAC, were concerned with systems and procedures related to revenue collection and procurement. Members of LAAC expressed lack of trust in budgeted targets, particularly in relation to local revenue targets, which were perceived to be understated for the purpose of displaying good performance based on comparison between the targets and actual collections. They were of the view that Councillors in both Councils had doubt over the manner in which various contracts were awarded to different service providers, such as revenue collectors, partly because they were not involved in the tendering processes and the inadequacies in the level of service provision. On the other hand, the external auditors had limited trust in internal auditors' reports, mainly because they were of the view that internal auditors lacked sufficient independence, as well as adequate financial and human resources which were necessary for them to execute effectively their responsibilities. For instance, at the time of fieldwork, BDC and IMC had one (1) and three (3) members of staff in their internal audit unit respectively. The units had no independent transport facilities and, hence, were unable to audit even a few schools. The Councillors in both Councils generally expressed distrust in internal audit reports, mainly because they felt that the internal auditors were part the local government executives and, hence, were likely to produce reports in favour of their colleagues (i.e. local government executives), particularly over contentious issues.

“Some matters are obvious. We see, we can discover by looking. Once, we rejected a report on expenditures. External auditors were called. They agreed with us on two items that were not accurate. But sometimes we have to rely on internal auditors, who are in fact part of the same administrators. We believe some administrators are not honest they collude with the contractors. In our council, we have decided to inspect the projects periodically. We compare expenditures and the progress of work.... The administrators are now careful they know we can discover...” (Councillor, City Planning and Environment Committee, Municipal Council).

6.2.7. Perceived Extent of Involvement

All the interviewed councillors associated the extent to which they were involved in making decisions or activities undertaken by the LGAs with the trust perceptions they held of the local government executives. For instance, they generally expressed distrust in contracts entered into by the LGAs with private entities for the provision of various services, mainly because they were not involved in the process leading to the award of the tenders. Recently, a regulation had been introduced by central government to prevent Councillors from being included in

Tender Boards processing contracts with private entities. This had partly contributed to poor trust relations between Councillors on the one hand, and contractors and local government executives on the other. The Councillors at both LGAs talked of how the perceived extent of involvement in the activities helped to build trust relations between local government executives and Councillors. The Councillors cited their involvement in decisions to spend public funds as an important dimension of participation.

“Many decisions are not made by individuals; they are made in committee and council meetings... When it comes to the issue of spending money, it's not a matter for an individual. The item will be in the budget or approved in meetings. When you work closely, you have no reason to distrust others...” (Councillor, Social Services Committee, District Council).

6.3. Trust Perceptions-Conditioning Context

This conditioning context refers to the perspectives of different participants and their attitudes towards others in relation to their perceived level of trust in them. This phenomenon was created by a combination of the seven causal conditions, namely, concerns about the reliability of accounting information, the perceived integrity of the providers of accounting information, past experience of the reliability of information, stakeholders' perceptions of the adequacy of the accounting information, knowledge of the stakeholders about accounting, the perceived strengths or weaknesses in systems and control mechanisms, and the perceived extent of involvement. These causes created several trust perceptions. These included trust perceptions between: local government executives and Councillors; local and central government executives; local government executives and members of the Parliamentary Committee; external auditors and other local government stakeholders; amongst Councillors; and Councillors and private contractors. Many of the Councillors in the Municipal Council expressed a limited level of trust in local government executives. Many of the Councillors in the district council displayed a low level of trust in local government executives. A strong conflict observed between Councillors and executives in the district council was mainly associated with poor trust relations between the groups. Many of the interviewed Councillors in the Municipal Council expressed a limited level of trust in the Mayor. On the other hand, a considerable number of Councillors in the district council displayed a low level of trust in the Chairperson. A substantial number of Councillors in the district council held the view that the Chairperson was 'unnecessarily close to the executives'. The interviewed central government executives displayed a low level of trust in local government executives, mainly due to past and current experiences of fund mismanagement in LGAs. Due to the perceived low degree of trust in local government executives, some central government executives felt that conditional grants to LGAs were necessary to ensure that funds were utilized appropriately.

“Conditional grants to local governments for educational activities are essential; we have experience of transfer of funds by local governments to unintended activities...” (Director of Policy and Planning, Ministry of Education and Vocational Training).

All interviewed members of the Parliamentary Committee showed a low level of trust in local government executives. In addition, all interviewed Councillors and members of the Parliamentary Committee showed a limited level of trust in external auditors and, hence, external audit reports. The Councillors generally expressed a poor level of trust in contractors hired by local government to undertake various projects.

"We believe that there are some dishonest executives who collude with contractors to misuse funds. That is why we have decided to inspect the projects we see ourselves, the construction, relate the work with the expenditures. If we have suspicion, we demand more information from professionals" (Chair, Finance Committee, Municipal Council).

6.4. Consequences of Managing Trust Perceptions

The outcomes of the process of managing trust perceptions included the production of detailed accounting and non-accounting information by the local government executives, development of accounting practices, and improved or deteriorated trust relations between the stakeholders. In order to meet the trust expectations of the other local government stakeholders, particularly members of the Parliamentary Committee, the local government executives were forced to provide detailed accounting and non-accounting information in the annual reports far beyond the information prescribed in the relevant reporting framework.

"We know the auditors have examined the accounts...we respect their work. Lots of funds are now going into local government and we have experiences of theft and misuse of funds in many councils. Adequate details allow us to satisfy ourselves on how public funds have been used" (Member of the Parliamentary Committee).

Accounting practices such as physical inspection of LGAs' projects undertaken by the Councillors and members of LAAC emerged partly as a result of lack of trust in the financial and audit reports. Such improvements in accounting practices enhanced positively, and or negatively, trust perceptions between the local government executives and auditors on the one hand, and the Councillors and members of LAAC on the other. The Councillors felt that participation and transparency in budgeting influenced positively their trust perceptions of local government executives. However, an improved budgetary presentation, which involved disclosures of budgetary allocations to different localities in the Municipal Council, in one of the budget sessions caused mistrust amongst Councillors. The Councillors from the more developed urban areas were concerned that more resources were allocated to the less developed semi-urban localities, due to lobbying by their colleagues. Similarly, the additional accounting and non-accounting details in financial reports submitted to the Parliamentary Committee influenced the members' trust perceptions of local government executives as well as the external auditors. The level of trust in external auditors by the members of LAAC deteriorated when the additional details in the financial reports were perceived by the latter to indicate potential financial irregularity not reported by auditors.

7. Discussion and Conclusion

This paper has revealed the manner in which trust perceptions influence the interaction between trust and accounting. The trust perceptions have mainly been caused by a number of factors, namely, concerns over reliability of the accounting information, past experience of the reliability of the accounting information, the perceived strengths or weaknesses of the existing systems and control mechanisms, and the perceived integrity of the providers of the accounting information. Trust perceptions have been further caused by stakeholders' perceptions of the adequacy of the accounting information, knowledge of the stakeholders about accounting, and the perceived extent of involvement in activities. Given the emergent trust perceptions, both users (relying party) and providers (relied on party) of the accounting information had to adopt various strategies to manage trust perceptions in the course of the exchange of the accounting information. Those who provided accounting information (the relied on party) tended to provide additional accounting and non-accounting information in order to influence the trust perceptions of the relying party. In some cases, they were involved in accounting manipulation in order to influence trust positively. On the other hand, those to whom accounting information is provided demanded additional accounting and non-accounting information and undertook a number of mitigation measures against information that was perceived to be incorrect. Management of trust perceptions amongst the actors has resulted in the development of accounting practices in the studied LGAs which, in turn, have influenced trust relations. The overall emergent findings indicate that accounting is influencing, and being influenced by, trust.

In terms of grounded theory, the paper proposes an empirically grounded theoretical explanation of the relationship between accounting and trust in the context of the LGAs. The emergent grounded theory suggests that the relationship between the two involves essentially the interplay between managing trust perceptions and accounting. It indicates that accounting influences, and is influenced by, trust, as established in some of the prior empirical studies (see for example, Baldvinsdottir et al., 2011). However, unlike the prior empirical studies, this study has introduced the phenomenon of 'managing trust perceptions' as the factor that mediates the interaction between accounting and trust. This phenomenon implies that in the process of exchange of accounting information, both the trustor/relying party and trustee/relied on party take certain measures to manage their own, as well as the other party's, trust perceptions of them and the accounting information. In the process of managing trust perceptions, the relied on parties attempt to ensure that the information provided meets the trust expectations of the relying parties, even if this requires manipulation of the accounting information. On the other hand, the relying parties take measures to mitigate against perceived incorrect or misleading accounting information, such as the use of common sense and comparison of the accounting figures with the related non-accounting information. They also demand detailed accounting and non-accounting information.

The emergent grounded theory also identifies some contextual factors that create the phenomenon of

managing trust perceptions, which, in turn, influences the way accounting interacts with trust. Specifically, the identified situational factors influencing the relationship between accounting and trust include concerns about reliability of accounting information, the perceived integrity of the providers of accounting information, past experience of the reliability of information, and stakeholders' perceptions of the adequacy of the accounting information. Other identified factors were knowledge of the stakeholders about accounting, the perceived strengths or weaknesses in the systems and control mechanisms, and the perceived extent of involvement. This study has contributed to knowledge of the interaction between accounting and trust by proposing a substantive grounded theory from an unexplored social and organizational context, the Tanzanian Local Government Authorities. Unlike prior empirical studies, the study suggests the phenomenon of managing trust perceptions as a crucial factor in the interplay between accounting and trust. The emergent grounded theory may be applicable to other organizational settings and contexts. However, the theoretical model emerging from this study needs to be tested and expanded in other organizational settings and contexts. Hence, more research is required in order to develop further the emerging theorization on the interaction between accounting and trust.

The findings from this study support and extend the relational signalling theory, particularly the significance of the concept of relational signals in interpersonal trust relations and in the exchange of information between different parties. Specifically, the study implies that relational signals play an important role in the interaction between accounting and trust. It emerged from the data that several conditions, such as past experience of the reliability of accounting information, created prevailing trust perceptions or 'relational signals' amongst the different groups of stakeholders, which, in turn, influenced their trust in the other parties as well as in the accounting information. Thus, such trust perceptions were central to the trust relations between the different stakeholders in the LGAs and, hence, influenced the interaction between accounting and trust. Each of the parties seemed to attempt to manage trust perceptions in the course of the exchange of accounting information. The strategies employed included the use of common sense, comparison of accounting and non-accounting data, manipulation of accounting information and provision of detailed accounting and non-accounting information. Thus, accounting was not only used as a relational signalling device, but also was affected by the other relational signals (Vosselman & Meer-Kooistra, 2009). The study also extends the RST by describing the underlying social processes resulting in managing trust perceptions or relational signals. It identifies the factors or conditions which created the trust perceptions and the process through which such perceptions were managed and how this affected the interaction between accounting and trust in the LGAs.

On a practical level, the findings indicate that providers of accounting information have to adopt accounting practices which provide adequate accounting and non-accounting information in order to enhance trust in the information. The findings further indicate that there is potential for enhancing trust in accounting information

amongst stakeholders. This is consistent with prior studies which have established that adequate accounting details contribute to enhancing trust in the information (Langfield-Smith and Smith, 2008). Since this paper reports generic accounting information, future studies need to explore what kinds of accounting disclosures contribute highly to the enhancement of trust in accounting information.

This paper has presented the manner in which accounting and trust interact in the course of the exchange of accounting information. In particular, the paper studied and reported the findings related to the trust in systems as well as in individuals. However, unlike other studies such as Wennblom (2012), the current paper has not attempted to model the two. In fact, the relationship between the two is beyond the scope of this paper. Nevertheless, future studies in this area could thoroughly establish the interrelationship between trust in systems and in individuals, and their related consequences. Also, in this paper, trust has been examined from the respondents' points of view, who regarded it as having confidence in the provided accounting information. However, in a broader sense, trust involves complex individual and organizational behaviour reflected through cultural orientations (Lane & Bachmann, 1998; Mayer, Davis, & Schoorman, 1995; Schoorman, Mayer, & Davis, 2007). Therefore, future studies could explore the concept of trust in detail from the different socio-economic and organizational contexts in order to theorize further the interaction between accounting and trust.

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Appendix 1. Development of Themes

No	Main themes	Preliminary codes
1	Managing trust perceptions	Trust perceptions
		Trust relations between stakeholders
		Trust expectation of participants
		Influencing trust perceptions
		Mitigating against perceived incorrect information
		Use of common sense
		Comparison of accounting and non-accounting data
		Extent of managing trust perceptions
		Influence of different stakeholders
		Powerful stakeholders
2	Concerns about reliability of accounting information	Manipulation of accounting and non-accounting information
		Reliability of internal audit reports
		Auditor's independence
		Relying parties
3	Perceived integrity of providers of accounting information	Relied parties
		Integrity of individuals
		Showing concern about public interest
		Extent of disclosure of information
		Do not appear to be dishonest
		Personal life style of local government executives
		Lack of details on expenditures
Competence in auditing		
4	Past experience on reliability of information	Ability to discover tricks used by the local government executives
		Poor trust in accounting information
		Mismanagement of public funds
		Adverse audit opinion
		Uncovered financial irregularities not reported by auditors
5	Perceptions on adequacy of accounting information	Reliability of information
		Perceived weaknesses in accounting information
		Failure to provide expected information
		Matching accounting numbers and reality
6	Knowledge of stakeholders about accounting	Clarity of accounting and non-accounting information
		Knowledge gap between Councillors and executives
		Understanding of financial reporting
		Understanding of auditing
7	Perceived strengths or weaknesses in systems and control mechanisms	Tricks in budget preparation and presentation
		Strengths or weaknesses in systems such as revenue collection system
		Strengths or weaknesses in control mechanisms such as internal audit
		Trust in budget targets
		Trust in internal auditing
8	Perceived extent of involvement	Trust in external auditing
		Extent of involvement in decision making or activities
		Trust in contracts and contractors
9	Trust perceptions	Trust perceptions on local government executives
		Levels of trust between different stakeholders
		Trust relations
		Conflict between stakeholders
10	Consequences of managing trust perceptions	Councillors who are collaborate with executives
		Damaged trust relations
		Provision of detailed accounting and non-accounting information
		Development in accounting practices
		Improved trust relations