



International Journal of Research Publication and Reviews

Journal Homepage: www.ijrpr.com ISSN 2582-7421

Effectiveness of Compliance with Cash Flow Reporting Standards in Strengthening the Sustainability of Public Organisations: A Case of Ruwasa-Iringa Region

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ABSTRACT

This study examines the effectiveness of compliance with cash flow reporting standards in strengthening the sustainability of public organisations, focusing on the Rural Water Supply and Sanitation Agency (RUWASA) in Iringa Region, Tanzania. The study adopted a quantitative research approach and a descriptive research design, involving 73 respondents comprising employees of RUWASA and Community-Based Water Supply Organisations (CBWSOs). Data were collected using structured questionnaires and analysed using descriptive statistics and Pearson correlation analysis. The findings indicate that compliance with cash flow reporting standards was generally satisfactory, with 60.3% of respondents reporting compliance with government financial regulations and 76.7% confirming adherence to recognised accounting standards such as IPSAS and GAAP. However, weaknesses were observed in internal control adherence, with only 46.6% of respondents agreeing that internal control procedures were consistently followed. Similarly, 60.2% indicated that CBWSOs implemented audit recommendations related to financial reporting. Pearson correlation analysis revealed a statistically significant positive relationship between compliance with cash flow reporting standards and organisational sustainability ($r = 0.697$, $p < 0.001$). The findings suggest that stronger compliance with financial reporting standards is associated with improved organisational sustainability among CBWSOs under RUWASA. The study concludes that strengthening internal controls, improving implementation of audit recommendations, enhancing financial reporting capacity and enforcing compliance with relevant financial regulations are essential for translating reporting compliance into improved accountability, transparency and sustainable organisational performance.

Keywords: Cash flow reporting standards, compliance, organisational sustainability, public organisations, RUWASA, financial reporting, IPSAS, GAAP, internal controls

1. INTRODUCTION

Public organisational sustainability is reflected in an organisation's ability to maintain its operations and continue delivering services while remaining financially stable, accountable and resilient over time (Adams & Larrinaga, 2020). Financial reporting is an important part of this process because it provides managers, government authorities and other stakeholders with information needed to assess how public resources are managed and used (Nobes & Parker, 2020). In particular, cash flow reporting provides information about the movement and availability of cash, helping organisations assess their ability to finance daily operations, meet financial obligations and maintain service delivery (Weygandt, Kimmel, & Kieso, 2022). For public organisations, therefore, compliance with appropriate cash flow reporting standards is important for promoting transparency, accountability and sound financial management.

In Tanzania, the Rural Water Supply and Sanitation Agency (RUWASA) is responsible for overseeing the provision of rural water supply and sanitation services. The agency works with Community-Based Water Supply Organisations (CBWSOs), which manage water supply schemes at the community level. These organisations are expected to maintain proper financial records and prepare financial reports in accordance with applicable government financial regulations and recognised accounting standards (United Republic of Tanzania, 2019). Effective compliance with these requirements can help ensure that financial information is reliable and useful for decision-making, monitoring and accountability.

The importance of compliance with financial reporting standards has also been recognised internationally. The adoption of International Public Sector Accounting Standards (IPSAS) has been associated with improvements in the transparency, comparability and reliability of public-sector financial information (Christiaens & Van Cauwenberge, 2020). Similarly, studies in African public-sector institutions have shown that adherence to financial reporting requirements can strengthen accountability and transparency in the management of public resources (Iyoha & Oyerinde, 2020; Tawiah & Ker, 2020). These benefits are particularly relevant to organisations responsible for essential public services, where effective financial management is necessary to sustain operations and maintain public confidence.

In Tanzania, concerns about financial management and accountability in public institutions have continued to attract attention. The current study identifies weaknesses in the management and monitoring of RUWASA operations, including inadequate planning, unclear performance indicators and limited follow-up mechanisms. Such challenges raise concerns about the effectiveness of internal controls and compliance with financial management requirements. Weaknesses in these areas may affect the quality of financial information available to managers and stakeholders and, in turn, limit effective decision-making and accountability.

Despite the importance of financial reporting compliance, there is limited empirical evidence on how compliance with cash flow reporting standards relates to the sustainability of community-managed water supply organisations under RUWASA, particularly in Iringa Region. Existing studies have largely examined financial reporting and accountability in broader public-sector institutions, leaving less attention to community-based organisations responsible for managing rural water services. This study therefore examines the effectiveness of compliance with cash flow reporting standards in strengthening organisational sustainability among CBWSOs under RUWASA in Iringa Region.

2. Literature Review

2.1 Theoretical Framework

This study is guided by three theoretical perspectives: Accountability Theory, Stakeholder Theory and Institutional Theory. These theories provide complementary explanations of how compliance with financial reporting standards can contribute to organisational sustainability. Accountability Theory emphasises responsible management and reporting of public resources, Stakeholder Theory focuses on the information needs and confidence of stakeholders, while Institutional Theory explains the influence of laws, regulations and professional standards on organisational practices. Together, the theories provide a basis for understanding the relationship between compliance with cash flow reporting standards and organisational sustainability.

2.1.1 Accountability Theory

Accountability Theory, developed by Bovens (2007), emphasises the responsibility of organisations and public officials to explain and justify their actions and use of public resources. In this study, compliance with cash flow reporting standards promotes transparent and reliable financial information, enabling stakeholders to assess how resources are managed. The theory therefore supports the view that proper financial reporting strengthens accountability and contributes to organisational sustainability.

2.1.2 Stakeholder Theory

Stakeholder Theory, associated with Freeman (1984), holds that organisational success depends on responding to the interests and expectations of stakeholders. For CBWSOs under RUWASA, reliable financial information enables communities, government authorities, employees and other stakeholders to assess financial management and service performance. Compliance with cash flow reporting standards can therefore strengthen stakeholder confidence and support organisational sustainability.

2.1.3 Institutional Theory

Institutional Theory explains how organisations adopt practices that conform to laws, regulations, professional standards and societal expectations (Scott, 2014). For RUWASA and CBWSOs, compliance with financial reporting requirements reflects adherence to government regulations and recognised accounting standards. Such compliance can strengthen organisational legitimacy, credibility and stakeholder trust, thereby supporting the sustainability of community-based water services.

2.2 Empirical Literature Review

Empirical studies have examined the relationship between compliance with financial reporting standards, accountability, organisational performance and sustainability in different public-sector settings. These studies provide useful evidence for understanding how financial reporting compliance may contribute to the sustainability of public organisations.

Christiaens and Van Cauwenberge (2020) examined the effectiveness of IPSAS adoption in improving government financial reporting quality. The study found that the adoption of recognised accounting standards improved the transparency, comparability and reliability of financial information. These improvements were considered important for strengthening public accountability and the quality of financial management. The study is relevant to the present research because it demonstrates the importance of adherence to recognised reporting standards in improving the quality and usefulness of public-sector financial information.

Chan et al. (2020) examined financial reporting frameworks and public-sector performance in local government entities in Australia. Their findings indicated that stronger adherence to reporting requirements was associated with improved financial discipline, budget monitoring and stakeholder confidence. These findings suggest that compliance with financial reporting requirements can extend beyond the preparation of financial statements by supporting broader aspects of organisational performance and sustainability.

Ameh and Okpala (2021) examined compliance with public-sector accounting standards and accountability in Nigerian federal agencies. The study reported that organisations with stronger compliance with accounting standards demonstrated improved transparency, internal controls and resource utilisation. The findings are relevant to the present study because effective internal controls and efficient use of resources are important for maintaining sound financial management and sustaining public services.

In Ghana, Tawiah and Ker (2020) examined compliance with financial reporting standards and organisational performance among metropolitan assemblies. The study found that adherence to prescribed reporting requirements improved financial transparency and reduced incidences of financial misreporting. The findings indicate that compliance with reporting standards can contribute to improved organisational performance by strengthening the quality and credibility of financial information.

In Tanzania, Mando and Kihombo (2023) examined the effectiveness of compliance with financial reporting standards on the financial performance of local government authorities. The study found that adherence to national and international financial reporting standards was associated with improvements in accountability, budgeting accuracy and financial performance. These findings are particularly relevant to the Tanzanian context because they demonstrate the importance of financial reporting compliance within public institutions operating under national regulatory requirements.

The reviewed empirical studies demonstrate that compliance with financial reporting standards is associated with improved transparency, accountability, financial management and organisational performance. However, much of the existing evidence has focused on government agencies, local government authorities and other formal public-sector institutions. Comparatively less attention has been given to community-based organisations that manage essential public services at the local level.

Furthermore, the reviewed studies have generally considered financial reporting compliance broadly rather than focusing specifically on compliance with cash flow reporting standards within community-managed rural water supply organisations. Limited empirical evidence is therefore available on how compliance with cash flow reporting requirements relates to organisational sustainability among CBWSOs operating under RUWASA, particularly in Iringa Region. This study addresses this gap by examining the effectiveness of compliance with cash flow reporting standards in strengthening organisational sustainability among CBWSOs under RUWASA in Iringa Region.

3. Research Methodology

This study adopted a positivist research philosophy and a quantitative approach to examine the relationship between compliance with cash flow reporting standards and organisational sustainability among CBWSOs under RUWASA in Iringa Region. A descriptive research design was used. The study targeted 90 respondents, comprising 14 staff from RUWASA Headquarters and 76 staff from 19 CBWSOs in Iringa, Mufindi and Kilolo districts. A sample of 73 respondents was selected using the Krejcie and Morgan (1970) approach, with stratified random and purposive sampling techniques. Primary data were collected using structured Likert-scale questionnaires covering compliance with government financial regulations, recognised accounting standards such as IPSAS and GAAP, internal control procedures and implementation of audit recommendations. Secondary information from financial statements and audit reports was also considered. Data were analysed using descriptive statistics and Pearson correlation analysis to determine the relationship between compliance with cash flow reporting standards and organisational sustainability. Data analysis was conducted using SPSS version 26. The validity of the instrument was assessed using the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity, which produced values of 0.776 and $\chi^2 = 872.420$, respectively, while reliability was established using Cronbach's Alpha of 0.792, indicating acceptable internal consistency.

4. Findings and Discussion

4.1 Demographic Characteristics of Respondents

The study involved 73 respondents, of which 49 (67.1%) were male and 24 (32.9%) were female. The majority of respondents (52.1%) were aged between 31-40 years, indicating a young and middle-aged workforce. In terms of education, 35.6% of respondents had qualifications above degree level, suggesting a highly educated workforce. Regarding work experience, 39.7% had 1-5 years of experience, while 38.4% had 15-20 years of experience, creating a balanced mix of fresh ideas and institutional knowledge. The majority of respondents (39.7%) were from the Internal Audit Department, followed by Procurement (24.7%), Human Resource (19.2%) and Finance (16.4%).

4.2 Descriptive Analysis of Compliance with Cash Flow Reporting Standards

The findings on compliance with cash flow reporting standards in strengthening the sustainability of public organisations are presented in Table 1.

Table 1: Descriptive Statistics on Compliance with Cash Flow Reporting Standards

Item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
CBWSOs comply with government financial regulations when preparing financial reports.	21.9%	38.4%	6.8%	26.0%	6.8%
Financial reporting in CBWSOs follows recognised accounting standards such as IPSAS or GAAP.	15.1%	61.6%	5.5%	9.6%	8.2%
Internal control procedures are followed during financial reporting in CBWSOs.	11.0%	35.6%	8.2%	13.7%	31.5%
CBWSOs implement audit recommendations related to financial reporting.	43.8%	16.4%	11.0%	21.9%	6.8%

Source: Field Data (2026)

4.2.1 Compliance with Government Financial Regulations

The findings revealed that 60.3% of respondents (21.9% strongly agreed and 38.4% agreed) perceived that CBWSOs comply with government financial regulations when preparing financial reports. This indicates that a majority of CBWSOs adhere to established legal and regulatory frameworks governing financial management and reporting. Such compliance reflects a level of institutional discipline and awareness of public financial management requirements, which is essential for ensuring accountability, transparency and proper use of public and donor funds.

However, 32.8% of respondents (26.0% disagreed and 6.8% strongly disagreed) believed that CBWSOs do not fully comply with government financial regulations, while 6.8% remained neutral. This suggests that although compliance is relatively strong in some CBWSOs, there are still notable gaps and inconsistencies in adherence to financial regulations. These weaknesses may arise from inadequate knowledge of regulatory requirements, weak enforcement mechanisms, or limited capacity in financial management systems.

These findings are consistent with Mikesell (2020), who found that regulatory compliance plays a critical role in strengthening public financial management systems by ensuring that organisations operate within approved legal and procedural frameworks. The author emphasises that adherence to financial regulations enhances accountability, reduces financial mismanagement risks and improves the credibility of financial reporting.

4.2.2 Implementation of IPSAS/GAAP Principles

The findings showed that a majority of respondents (76.7%: 15.1% strongly agreed and 61.6% agreed) confirmed that financial reporting in CBWSOs follows recognised accounting standards such as IPSAS or GAAP. This indicates a strong level of adherence to standardised accounting frameworks in financial reporting practices among most CBWSOs. Such compliance suggests that these organisations are increasingly aligning their financial reporting systems with internationally accepted standards, which enhances consistency, clarity and reliability of financial information.

However, 17.8% of respondents (9.6% disagreed and 8.2% strongly disagreed) indicated that some CBWSOs may not fully apply IPSAS or GAAP in their financial reporting practices, while 5.5% remained neutral. These inconsistencies could be attributed to limited technical capacity, inadequate training on accounting standards, or partial implementation of reporting frameworks in some organisations.

These findings are consistent with Christiaens et al. (2020), who found that the adoption of IPSAS significantly improves transparency, comparability and accountability within public sector organisations. Ernst and Young (2021) emphasise that adherence to established accounting standards enhances the quality, reliability and credibility of financial reporting.

4.2.3 Internal Control Adherence

The findings revealed mixed perceptions regarding the adherence to internal control procedures during financial reporting in CBWSOs. Specifically, 46.6% of respondents (11.0% strongly agreed and 35.6% agreed) believed that internal control procedures are followed during financial reporting. This indicates that less than half of the respondents believe that proper internal control systems are consistently applied during financial reporting processes.

However, a significant proportion of respondents expressed negative perceptions, with 45.2% (13.7% disagreed and 31.5% strongly disagreed) indicating that internal control procedures are either weak, inconsistently applied, or not effectively followed in CBWSOs. Additionally, 8.2% of respondents were neutral. This suggests that nearly half of the respondents believe that internal control practices are not consistently implemented across all organisations.

These findings raise concerns about the strength of financial governance systems within CBWSOs. Weak internal controls may expose financial reporting processes to errors, misstatements, or inefficiencies. This is consistent with Mugenda (2020), who found that weak internal control systems significantly increase financial risks and contribute to reporting errors and inefficiencies in financial management.

4.2.4 Implementation of Audit Recommendations

The findings showed that a majority of respondents (60.2%: 43.8% strongly agreed and 16.4% agreed) believed that CBWSOs implement audit recommendations related to financial reporting. This suggests that a majority of CBWSOs make efforts to act on audit findings and recommendations issued by oversight bodies. Such implementation reflects a commitment to improving financial management practices, correcting identified weaknesses and strengthening accountability systems.

However, 28.7% of respondents (21.9% disagreed and 6.8% strongly disagreed) indicated that audit recommendations are not fully implemented in some CBWSOs, while 11.0% were neutral. This inconsistency may be due to limited enforcement mechanisms, resource constraints, or lack of commitment in following up audit findings.

These findings are consistent with Mugenda (2020), who argues that the implementation of audit recommendations plays a vital role in enhancing accountability and improving financial performance within organisations. Azzone (2020) found that organisations that effectively implement audit findings tend to experience stronger financial management systems, reduced errors and improved compliance with regulations.

4.3 Descriptive Analysis of Organisational Sustainability

The findings on organisational sustainability among CBWSOs under RUWASA in Iringa Region are presented in Table 2.

Table 2: Descriptive Analysis on Organisational Sustainability

Item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
CBWSOs maintain financial stability in managing water supply services.	42.5%	13.7%	11.0%	26.0%	6.8%
Water services provided by CBWSOs are continuous and reliable.	31.5%	28.8%	11.0%	20.5%	8.2%
Stakeholders have confidence in the management of CBWSOs.	56.2%	21.9%	4.1%	12.3%	5.5%
CBWSOs utilise available financial and physical resources efficiently.	16.4%	43.8%	11.0%	23.3%	5.5%

Source: Field Data (2026)

The findings revealed that 56.2% of respondents perceived CBWSOs as financially stable, 60.3% believed water services are continuous and reliable, 78.1% indicated stakeholder confidence in management and 60.2% agreed that resources are utilised efficiently. These results suggest that organisational sustainability is moderately achieved among CBWSOs, with stakeholder confidence being the strongest indicator.

4.4 Inferential Analysis

4.4.1 Pearson Correlation Analysis

Pearson correlation analysis was conducted to establish the relationship between compliance with cash flow reporting standards and organisational sustainability.

Table 3: Correlation between Compliance and Organisational Sustainability

Pearson Correlation Coefficient	COMP	OS
Compliance	1	.697**
Organisational Sustainability	.697**	1

Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data (2026)

The Pearson correlation coefficient ($r = 0.697$, $p < .001$) between Compliance with Financial Reporting Standards and Organisational Sustainability indicates a moderate and statistically significant positive relationship. Since the coefficient falls within the range of $0.50 \leq r \leq 0.79$, it demonstrates that higher levels of compliance with financial reporting requirements are associated with greater organisational sustainability. The significance value ($p < 0.01$) confirms that the observed relationship is statistically significant.

The results indicate that compliance with recognised financial reporting standards significantly contributes to organisational sustainability among CBWSOs under RUWASA in Iringa Region. Adherence to financial reporting regulations promotes transparency, accountability, consistency and reliability of financial information, thereby improving management decision-making and stakeholder trust.

4.5 Discussion of Findings

The findings show a significant positive relationship between compliance with cash flow reporting standards and organisational sustainability among CBWSOs under RUWASA in Iringa Region ($r = 0.697$, $p < 0.001$). Compliance was relatively high in government financial regulations (60.3%) and IPSAS/GAAP (76.7%), while internal control adherence was weaker (46.6%) and audit recommendation implementation stood at 60.2%. These findings are consistent with Christiaens and Van Cauwenberge (2020), Ameh and Okpala (2021), Tawiah and Ker (2020) and Mando and Kihombo (2023), who associate financial reporting compliance with improved accountability, transparency and financial management. The findings are also supported by Accountability Theory (Bovens, 2007), Stakeholder Theory (Freeman, 1984) and Institutional Theory (Scott, 2014), which explain how proper financial reporting can strengthen accountability, stakeholder confidence and organisational credibility, thereby supporting sustainability.

5. Conclusion and Recommendation

5.1 Conclusion

The study examined the effectiveness of compliance with cash flow reporting standards in strengthening organisational sustainability among CBWSOs under RUWASA in Iringa Region. The findings show that compliance was relatively strong, particularly in the use of recognised accounting standards such as IPSAS and GAAP (76.7%) and compliance with government financial regulations (60.3%). However, weaknesses were identified in internal control procedures, with only 46.6% of respondents confirming consistent adherence, while 60.2% reported implementation of audit recommendations. Pearson correlation results showed a significant positive relationship between compliance with cash flow reporting standards and organisational sustainability ($r = 0.697$, $p < 0.001$). The study therefore concludes that stronger compliance is associated with better organisational sustainability, although effective internal controls and follow-up of audit recommendations remain important for improving financial accountability and the continued provision of rural water services.

5.2 Recommendations

CBWSOs should strengthen internal control procedures, maintain proper financial records and ensure regular reconciliation of accounts. RUWASA should provide continuous training and technical support to CBWSO staff on government financial regulations and recognised accounting standards, while strengthening supervision of financial reporting practices. Audit recommendations should be followed up regularly to ensure that identified weaknesses are addressed within agreed timeframes. In addition, relevant authorities should strengthen monitoring of financial reporting compliance and encourage the use of appropriate digital financial management systems to improve the accuracy, transparency and reliability of financial information.

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