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Original article

Financial reporting and local revenue performance of Kagadi Town Council, Uganda. A cross-sectional study.

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Abstract

Background:

Local governments in Uganda continue to underperform in own-source revenue collection and depend heavily on central government transfers. Financial reporting is considered central to accountability and revenue mobilisation. This study examined the relationship between financial reporting and local revenue performance in Kagadi Town Council, Uganda.

Methodology:

A correlational design combined quantitative and qualitative approaches. From a population of 170 staff and leaders, 118 respondents were selected using purposive and stratified random sampling. Data came from structured questionnaires (98 of 115 returned; 85.2%), key informant interviews with the Town Clerk and the Mayor, and documentary review for FY2018/19 to FY2024/25. Data were analysed using descriptive statistics, Pearson correlation, and linear regression in SPSS, together with thematic analysis and computed revenue performance indicators.

Results:

Of the 98 questionnaire respondents, 57.1% were male, and 35.7% were aged 25-34 years. Financial reporting was rated low (mean=2.53), with the weakest aspects being computerised reporting (1.80) and accessibility of reports (2.08). Local revenue performance was also rated low (mean=1.96). Council records showed that collection efficiency fell from 68.0% to 49.0%, the collection cost ratio rose from 16.0% to 29.9%, and own-source revenue share declined from 7.4% to 3.5% of total revenue. Uncollected potential revenue totalled UGX 2,440 million over seven years. Financial reporting had a strong, positive, and significant relationship with local revenue performance ($r=0.739$, $p < 0.001$).

Conclusion:

Weak financial reporting, characterised by manual collection-point records, late and incomplete reports, and limited stakeholder access, contributes to unrealistic revenue targets, poor follow-up of defaulters, and low collection efficiency.

Recommendations:

The council should automate revenue collection and recording so that collection-point data feeds directly into the IFMS.

Keywords: *Financial reporting, local revenue performance, town council, collection efficiency, Uganda.*
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Background.

Globally, the historical evolution of local revenue collection in town councils is closely associated with fiscal decentralization reforms that gained momentum in the 1980s, aimed at enhancing local autonomy, accountability, and service delivery (Bird & Zolt, 2014). Despite these reforms, local governments have persistently exhibited weak revenue performance due to narrow tax bases, administrative inefficiencies, and limited enforcement capacity (OECD, 2019). Evidence suggests that improvements in revenue mobilization have largely depended on institutional reforms such as property tax modernization, fiscal cadastre development, and digital revenue systems rather than decentralization alone (UN-Habitat, 2020). Moreover, challenges such as tax evasion, political resistance, and vertical fiscal imbalances continue to constrain local revenue performance across both developed and developing countries. Thus, global experience underscores that effective revenue collection is primarily driven by governance quality, institutional capacity, and policy design (Bahl & Bird, 2008).

Across Africa, local revenue collection has historically been constrained by structural, institutional and political challenges (Moore, Prichard, & Fjeldstad, 2018). Despite decentralization reforms introduced in many African countries during the 1990s, local governments continue to demonstrate low and inconsistent revenue performance due to limited fiscal autonomy, weak administrative capacity, and large informal sectors (African Development Bank, 2018). Property taxation, considered a key local revenue source, remains underexploited due to poor valuation systems and weak enforcement mechanisms (Fjeldstad & Heggstad, 2012). Additionally, overreliance on intergovernmental transfers has reduced incentives for local revenue mobilization, further weakening fiscal independence. Political interference and lack of taxpayer trust have also contributed to low compliance levels,

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reinforcing a cycle of poor revenue performance across the continent (Jibao & Prichard, 2015).

In East Africa, the trajectory of local revenue collection reflects a mix of decentralization reforms and gradual modernization efforts. Countries such as Kenya, Tanzania, and Uganda have undertaken reforms aimed at strengthening local revenue systems, including the introduction of electronic revenue collection, fiscal registers, and improved taxpayer identification mechanisms (Ali, Fjeldstad, & Sjursen, 2014). However, revenue performance remains uneven due to persistent challenges such as political resistance to taxation, weak enforcement capacity, and the dominance of informal economic activities (Fjeldstad, Chambas, & Brun, 2014). Empirical evidence from the region shows that although digitalization has improved efficiency and transparency in some jurisdictions, its overall impact has been limited by institutional weaknesses and inadequate administrative capacity (Kelly, 2013). Consequently, local governments continue to face significant gaps between revenue potential and actual collections (World Bank, 2021).

In Uganda, local revenue collection performance has evolved significantly since the introduction of decentralization under the 1995 Constitution and the Local Governments Act of 1997 (Ssewakiryanga, 2018). Initially, local governments experienced modest growth in own-source revenue; however, the abolition of the Graduated Tax in 2005 significantly weakened their revenue base, leading to a decline in locally generated revenues (Kasozi-Mulindwa, 2013). Subsequent reforms have focused on diversifying revenue sources, including property tax, trading licences and user fees, alongside the introduction of digital revenue collection systems (Mugabi, 2015). Nevertheless, local governments remain heavily dependent on central government transfers, and challenges such as weak enforcement, limited administrative capacity and political interference continue to constrain revenue performance. As a result, own source revenues account for a relatively small proportion of local government budgets (Ministry of Finance, Planning and Economic Development, 2022).

At the municipal and town council level in Uganda, local revenue collection performance has historically been characterized by underperformance relative to targets due to administrative inefficiencies, weak revenue databases and limited technical capacity (Ssewakiryanga & Lukwago, 2009). Urban councils, despite having greater revenue potential, have struggled to effectively mobilize resources from key sources such as property taxes, market dues and business licences (Green, 2015). Challenges such as political interference, corruption and low taxpayer compliance have further undermined revenue performance (Steffensen et al., 2004). Although recent reforms, including the adoption of electronic revenue management systems and improved financial accountability mechanisms, have led to incremental improvements, these gains remain insufficient to meet the growing demands for urban service delivery. Consequently, municipalities and town councils continue to rely heavily on central government transfers (Office of the Auditor General, 2023).

At the local level, including Kagadi Town Council, the historical pattern of revenue collection reflects broader national and regional trends characterized by limited revenue bases, administrative inefficiencies, and high dependence on central government transfers (Ministry of Local Government, 2020). As a relatively new urban authority, Kagadi faces challenges related to taxpayer identification, especially within the informal sector, as well as inadequate staffing, weak enforcement mechanisms, and limited technological capacity (Inspectorate of Government, 2022). While national reforms such as fiscal decentralization and digital revenue systems have created opportunities for improving revenue performance, their impact at the town council level has been gradual and constrained by local institutional realities (Uganda Bureau of Statistics, 2021). Consequently, Kagadi continues to experience significant discrepancies between projected and actual revenue collections, reflecting persistent structural and administrative limitations common among emerging town councils in Uganda (World Bank, 2019).

Financial reporting is a fundamental component of financial accountability and plays a critical role in influencing local revenue performance in town councils. It involves the systematic recording, preparation, and presentation of financial information in a manner that is accurate, timely, and transparent. Effective financial reporting enables local governments to track revenue collections, monitor financial trends, and make informed decisions regarding resource allocation and revenue enhancement strategies (Zamzami & Rakhman, 2023). According to Namusonge, Muturi, and Otuya (2015), timely and accurate financial reporting significantly contributes to improved financial performance in public sector organizations by facilitating effective monitoring and control of financial resources. When financial reports are timely and accurate, oversight bodies such as internal audit units and finance committees can effectively monitor revenue performance and enforce compliance. However, weak financial reporting systems have been associated with poor revenue performance. This study examined the relationship between financial reporting and local revenue performance in Kagadi Town Council, Uganda.

Methodology.

Research Design

The study adopted a correlational research design. The study used both quantitative and qualitative approaches. The quantitative approach generated measurable data on the study variables from questionnaires and council records for descriptive, correlation, and regression analysis. The qualitative approach provided in-depth explanations of accountability practices and revenue challenges from key informant interviews and the documentary review.

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Combining the two allowed findings from each method to be triangulated.

Study Population

The study population comprised 170 staff and leaders of Kagadi Town Council who are directly or indirectly involved in financial accountability and local revenue management, as recorded by the Kagadi Town Council Finance Office (2025). The population was made up of seven categories.

Table 1: Study population, sample size and sampling techniques

Category of respondents	Population (N)	Sample size (n)	Sampling technique
Key informants (Town Clerk, Mayor, Head of Finance)	3	3	Purposive sampling
Revenue officers and collectors	45	31	Stratified random sampling
Administrative support staff	37	25	Stratified random sampling
Political leaders (councillors)	30	21	Stratified random sampling
Other technical staff (works, health, education, planning)	25	17	Stratified random sampling
Finance department staff	20	14	Stratified random sampling
Internal audit and oversight staff	10	7	Stratified random sampling
Total	**170**	**118**	

Source: Kagadi Town Council Finance Office (2025); Krejcie and Morgan (1970).

Sample Size

The sample size was determined using the Krejcie and Morgan (1970) table. For a population of 170, the table gives a sample of 118 respondents. All three key informants were included. The remaining 115 respondents were allocated to the other six categories in proportion to their share of the 167 staff and leaders in those categories, using the formula below. For example, for revenue officers and collectors, (45 ÷ 167) × 115 = 31.

$n_i = (N_i \div 167) \times 115$

Sampling Techniques

Purposive Sampling

Purposive sampling was used to select the Town Clerk, the Mayor, and the Head of Finance as key informants, because they hold senior leadership positions and are directly responsible for financial planning, revenue policy, and oversight of accountability systems.

Stratified Random Sampling

Stratified random sampling was used for the remaining six categories. Each category formed a stratum, and the sample for each stratum was drawn in proportion to its size. Within each stratum, respondents were selected by simple random sampling (ballot) from the updated staff and councillor lists provided by Kagadi Town Council, giving each person an equal chance of selection.

Methods of Data Collection

The study used primary data from questionnaires and interviews, and secondary data from documentary review.

Questionnaire Survey

Structured questionnaires were administered to the 115 respondents selected through stratified random sampling. The questionnaire used closed-ended items on a five-point Likert scale to capture data on financial reporting and local revenue performance. This method allowed standardised data to be collected from many respondents within a short time.

Key Informant Interviews

Semi-structured interviews were planned with the three key informants to obtain in-depth explanations of accountability practices and revenue challenges. Interviews were held with the Town Clerk (coded KI-01) and the mayor (coded KI-02). The Head of Finance declined to be interviewed, and this decision was respected.

Documentary Review

Documentary review was used to obtain secondary data from Kagadi Town Council and Kagadi District Local Government records for FY2018/19 to FY2024/25, including approved budgets, final accounts, budget and revenue performance reports, revenue registers, revenue assessments, bank reconciliation statements, internal and external audit reports, and minutes of finance committee and council meetings. These records were used to compute the revenue performance indicators and to verify data from questionnaires and interviews.

Data Collection Instruments

Questionnaire: The questionnaire had five sections: Section A on the background of respondents; Section B on financial reporting (12 items); and Section C on local revenue performance (12 items).

Interview guide: The interview guide contained ten open-ended questions covering the general level of accountability, each dimension of financial accountability, challenges, revenue trends, and recommendations, allowing for more probing for clarification.

Documentary review checklist: The checklist listed 15 categories of records to be reviewed so that the same information was extracted consistently for each financial year.

Data Collection Procedure

An introductory letter was obtained from the School of Graduate Studies and Research and presented to the Town Clerk of Kagadi Town Council to seek permission to conduct the study. After permission was granted, the researcher obtained staff and councillor lists and selected respondents. Questionnaires were delivered to the selected respondents and collected after completion; interviews were held with key informants at agreed times and places; and the documentary checklist was used to extract data from council records for each financial year.

Validity and Reliability of the Instruments

Validity of the Instruments

To enhance content validity, the instruments were submitted to selected experts in public financial management and research methodology, who assessed the relevance, clarity, and adequacy of each item in relation to the study variables. Their feedback was used to revise the instruments before data collection. The Content Validity Index (CVI) was computed as the number of items rated relevant divided by the total number of items:

CVI = Number of items rated relevant ÷ Total number of items

The instrument returned a CVI of **0.85**, which is above the 0.70 threshold. The questionnaire was therefore considered valid for data collection.

Reliability of the Instruments

Reliability was assessed using Cronbach's Alpha coefficient, which measures the internal consistency of the questionnaire items. The coefficient was computed for each construct from the 98 completed questionnaires using the formula below, where k is the number of items. A coefficient of 0.70 or higher was considered acceptable.

$$\alpha = [k \div (k - 1)] \times [1 - (\Sigma \text{ item variances} \div \text{variance of total score})]$$

Table 2: Reliability of the research instrument (Cronbach's Alpha)

Construct	No. of items	Cronbach's Alpha	Decision
Financial reporting	12	0.961	Reliable
Local revenue performance	12	0.934	Reliable

Source: Primary data (2026).

Both constructs returned alpha coefficients above 0.90, well above the 0.70 threshold. This shows that the items in each section consistently measured the same construct, and the instrument was therefore reliable.

Data Analysis

Quantitative Data Analysis

Quantitative data from questionnaires were edited, coded, and entered into the Statistical Package for the Social Sciences (SPSS). Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarise respondents' views on each item.

Table 3: Interpretation of mean scores

Mean range	Response mode	Interpretation
4.21 – 5.00	Strongly agree	Very high
3.41 – 4.20	Agree	High
2.61 – 3.40	Not sure	Moderate
1.81 – 2.60	Disagree	Low
1.00 – 1.80	Strongly disagree	Very low

Source: Adapted by the Researcher (2026).

The composite mean of each construct was computed for every respondent. Pearson's correlation coefficient (r) was used to establish the strength and direction of the relationship between each dimension of financial accountability and local revenue performance. Coefficients of 0.10–0.29 were interpreted as weak, 0.30–0.49 as moderate, and 0.50–1.00 as strong. For each objective, the null statement of no significant relationship was rejected where $p < 0.05$. Simple linear regression was used to estimate the effect of each dimension separately, and multiple linear regression was used to establish their joint and relative effects, using the model:

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$$LRP = \beta_0 + \beta_1 FR + \varepsilon$$

where LRP is local revenue performance, FR is financial reporting, β_0 is the constant, β_1 is the coefficient, and ε is the error term. Multicollinearity was checked using tolerance and the variance inflation factor (VIF). One-way ANOVA was used to test whether views differed across respondent categories.

Revenue performance indicators for FY2018/19 to FY2024/25 were computed from the documentary data: collection efficiency (actual ÷ collectible potential), target achievement (actual ÷ budget), annual revenue growth rate, collection cost ratio (cost ÷ actual), own source revenue share (actual ÷ total revenue), and tax base indicators.

Qualitative Data Analysis

Qualitative data from interviews and documentary review were analysed using thematic content analysis. Interview responses were transcribed, read repeatedly, coded, and grouped into themes related to financial reporting practices, the effectiveness of internal controls, oversight mechanisms, revenue trends, and recommendations. Themes were then linked to the study objectives, and direct quotations were used to support and explain the quantitative findings. Documentary evidence was summarised against each item in the checklist.

Data Presentation and Interpretation

The analysed data were presented using tables, figures and narrative descriptions. Quantitative findings were interpreted using means and statistical significance (p-values), while qualitative findings were used to explain the statistical results. Findings from the three methods were triangulated for each objective.

Ethical Considerations

The study was conducted in accordance with accepted ethical standards in social science research to protect respondents and ensure the integrity of the data and findings.

Informed consent: All selected respondents were informed about the purpose of the study, its objectives, and the nature of their participation. Participation was voluntary; respondents gave informed consent before taking part, and they were free to withdraw at any stage without penalty.

Confidentiality and anonymity: All information provided was treated with strict confidentiality. Personal identifiers were not included in the report; codes (R001–R098 for questionnaire respondents and KI-01 and KI-02 for key informants) were used instead.

Privacy and avoidance of harm: Interviews were conducted in private settings, and questions on sensitive issues of financial management were framed in a neutral and non-intrusive manner so that no respondent suffered physical, psychological, or professional harm.

Honesty and integrity: Honesty and integrity were maintained at all stages of the research, including data collection, analysis, and reporting, and no fabrication, falsification, or manipulation of data occurred. All sources were acknowledged.

Permission and approval: Official authorisation was obtained from Team University and the Kagadi Town Council administration before data collection.

Results

Response Rate.

The study targeted 118 respondents: 115 questionnaire respondents and three key informants.

Table 4: Response rate

Category of respondents	Instrument	Sample (n)	Responses	Non-response	Response rate (%)
Key informants (Town Clerk, Mayor, Head of Finance)	Interview	3	2	1	66.7
Revenue officers and collectors	Questionnaire	31	28	3	90.3
Administrative support staff	Questionnaire	25	21	4	84.0
Political leaders (councillors)	Questionnaire	21	16	5	76.2
Other technical staff	Questionnaire	17	14	3	82.4
Finance department staff	Questionnaire	14	12	2	85.7
Internal audit and oversight staff	Questionnaire	7	7	0	100.0
Questionnaires (sub-total)		115	98	17	85.2
Interviews (sub-total)		3	2	1	66.7
Overall		**118**	**100**	**18**	**84.7**

Source: Primary data (2026).

Table 4 shows that 98 of the 115 questionnaires were completed and returned, a questionnaire response rate of 85.2%. Two of the three planned key informant interviews were held (66.7%), with the Town Clerk and the Mayor; the Head of Finance declined to be interviewed. Overall, 100 of the 118 sampled respondents took part, an overall response rate of 84.7%. The highest response came from internal audit and oversight staff (100%) and revenue officers and collectors (90.3%), while the lowest was among councillors (76.2%), five of whom were engaged in other duties during

data collection. The other non-responses were due to staff being in the field, absent, or unavailable.

Mugenda and Mugenda (2003) consider a response rate of 50% adequate, 60% good, and 70% and above very good for analysis and reporting. The overall response rate of 84.7% was therefore very good, and the findings can be taken as representative of the views of the staff and leaders of Kagadi Town Council. The absence of the Head of Finance from the interviews was mitigated by the participation of 12 finance department staff in the questionnaire survey and by the documentary review of finance department records.

Background Characteristics of Respondents

Table 5: Background characteristics of respondents

Characteristic	Category	Frequency	Percentage (%)
Category in the council	Revenue officer/collector	28	28.6
	Administrative support staff	21	21.4
	Political leader (councillor)	16	16.3
	Other technical staff	14	14.3
	Finance department staff	12	12.2
	Internal audit/oversight staff	7	7.1
Gender	Male	56	57.1
	Female	40	40.8
	Prefer not to say	2	2.0
Age	Below 25 years	10	10.2
	25 – 34 years	35	35.7
	35 – 44 years	16	16.3
	45 – 54 years	32	32.7
	55 years and above	5	5.1
Highest level of education	Certificate	25	25.5
	Diploma	34	34.7
	Bachelor's degree	23	23.5
	Postgraduate diploma	13	13.3
	Master's degree and above	3	3.1
Experience in local government	Less than 1 year	8	8.2
	1 – 3 years	26	26.5
	4 – 6 years	30	30.6
	7 – 10 years	22	22.4
	Above 10 years	12	12.2
Employment status	Permanent	47	48.0
	Contract	23	23.5
	Casual/temporary	12	12.2
	Other (elected leader)	16	16.3

Source: Primary data (2026). n = 98 for each characteristic.

Category of respondents: Revenue officers and collectors formed the largest group (28.6%), followed by administrative support staff (21.4%), councillors (16.3%), other technical staff (14.3%), finance department staff (12.2%) and internal audit and oversight staff (7.1%). This distribution closely follows the sampling frame, which shows that all the technical, administrative, and political actors in revenue management were represented. The large share of revenue officers and collectors is important because they deal directly with taxpayers and the controls at the point of collection.

Gender: Males made up 57.1% of respondents and females 40.8%, while 2.0% preferred not to state their gender. Both genders were adequately represented, which reduces gender bias in the views captured.

Age: Most respondents were aged 25–34 years (35.7%) or 45–54 years (32.7%), and only 10.2% were below 25 years. The respondents were therefore mainly mature adults capable of giving informed opinions on accountability practices in the council.

Education: The largest group held diplomas (34.7%), followed by certificates (25.5%) and bachelor's degrees (23.5%), while 16.3% held postgraduate qualifications. All respondents had at least a certificate and could read and answer the questionnaire. However, 60.2% held a diploma or lower qualification, which may limit the technical capacity for financial reporting and internal control, a point also raised by the key informants.

Experience: About two-thirds of respondents (65.3%) had worked in local government for four years or more, and

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34.7% for more than six years. Most respondents had therefore worked through a large part of the FY2018/19–FY2024/25 study period and were able to comment on revenue trends over time.

Employment status: Less than half of the respondents (48.0%) were permanent staff, while 35.7% were on contract or casual terms and 16.3% were elected leaders. The high share of non-permanent staff has implications for continuity, training and accountability for collections, since temporary staff are less likely to be trained in financial control procedures.

Local Revenue Performance of Kagadi Town Council

Local revenue performance was the dependent variable. It was measured through 12 questionnaire items and indicators computed from council records for FY2018/19 to FY2024/25, and was further explained through key informant interviews.

Table 6: Respondents' views on local revenue performance

No.	Statement	SD f (%)	D f (%)	NS f (%)	A f (%)	SA f (%)	Mean	Std. dev.	Interp.
E1	The council achieves high revenue collection efficiency every financial year.	36 (36.7)	40 (40.8)	18 (18.4)	4 (4.1)	0 (0.0)	1.90	0.84	Low
E2	Local revenue collected meets the planned revenue targets.	39 (39.8)	31 (31.6)	25 (25.5)	3 (3.1)	0 (0.0)	1.92	0.88	Low
E3	Revenue growth in Kagadi Town Council has been consistent over time.	33 (33.7)	40 (40.8)	23 (23.5)	2 (2.0)	0 (0.0)	1.94	0.81	Low
E4	The tax base in Kagadi Town Council has been expanding.	32 (32.7)	40 (40.8)	22 (22.4)	4 (4.1)	0 (0.0)	1.98	0.85	Low
E5	Most eligible taxpayers in the council are effectively captured in the revenue system.	34 (34.7)	37 (37.8)	25 (25.5)	2 (2.0)	0 (0.0)	1.95	0.83	Low
E6	Revenue leakages have been significantly reduced in recent years.	43 (43.9)	33 (33.7)	19 (19.4)	3 (3.1)	0 (0.0)	1.82	0.85	Low
E7	The cost of collecting local revenue is efficient and manageable.	30 (30.6)	43 (43.9)	22 (22.4)	3 (3.1)	0 (0.0)	1.98	0.81	Low
E8	The council collects revenue from a diversified range of sources.	22 (22.4)	33 (33.7)	34 (34.7)	8 (8.2)	1 (1.0)	2.32	0.95	Low
E9	Own source revenue contributes significantly to the council budget.	43 (43.9)	37 (37.8)	16 (16.3)	2 (2.0)	0 (0.0)	1.77	0.80	Very low
E10	Dependence on central government transfers has reduced over time.	40 (40.8)	36 (36.7)	20 (20.4)	1 (1.0)	1 (1.0)	1.85	0.85	Low
E11	Revenue collection systems are effective in achieving planned targets.	31 (31.6)	39 (39.8)	22 (22.4)	6 (6.1)	0 (0.0)	2.03	0.89	Low
E12	There is improved compliance among taxpayers in the council.	29 (29.6)	37 (37.8)	25 (25.5)	7 (7.1)	0 (0.0)	2.10	0.91	Low
	Overall mean						**1.96**	**0.65**	**Low**

Source: Primary data (2026). n = 98. SD = strongly disagree; D = disagree; NS = not sure; A = agree; SA = strongly agree.

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Table 6 shows that local revenue performance was rated low, with an overall mean of 1.96 (SD = 0.65). This was the lowest mean of all four variables in the study. Eleven of the 12 items were rated low and one very low, and no more than 9.2% of respondents agreed with any statement. The low standard deviations (0.80–0.95) show that respondents largely shared this view.

On **collection efficiency and targets**, 77.6% of respondents disagreed that the council achieves high revenue collection efficiency every year (mean = 1.90), and only 4.1% agreed. Similarly, 71.4% disagreed that local revenue collected meets planned targets (mean = 1.92), and 71.4% disagreed that revenue collection systems are effective in achieving targets (mean = 2.03). These results show that the council consistently collects less than it plans.

On **revenue growth and the tax base**, 74.5% disagreed that revenue growth has been consistent over time (mean = 1.94) and 73.5% disagreed that the tax base has been expanding (mean = 1.98). In addition, 72.4% disagreed that most eligible taxpayers are captured in the revenue system (mean = 1.95), while 67.3% disagreed that taxpayer compliance has improved (mean = 2.10). The council therefore has a narrow and poorly registered tax base, which limits growth.

On **leakages and collection cost**, 77.6% disagreed that revenue leakages have reduced in recent years (mean = 1.82), the second-lowest item, and 74.5% disagreed that the cost of collecting revenue is efficient and manageable (mean = 1.98). On the **revenue structure**, own-source revenue's contribution to the council budget was the lowest-rated item (mean = 1.77, very low), with 81.6% disagreeing that it is significant, and 77.6% disagreeing that dependence on central government transfers has decreased (mean = 1.85). The relatively better item was the diversification of revenue sources (mean = 2.32), although even here only 9.2% agreed.

Documentary Findings on Local Revenue Performance

Revenue data for FY2018/19 to FY2024/25 were extracted from the approved budgets, final accounts, budget performance reports, Finance Department revenue assessments and the revenue register.

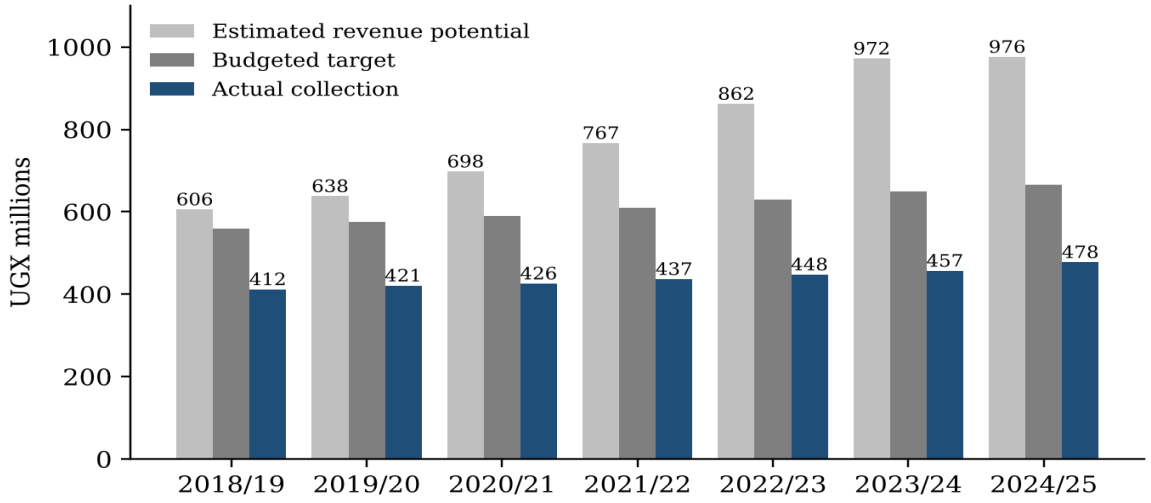
Table 7: Local revenue performance indicators, FY2018/19 – FY2024/25

Indicator	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
A. Extracted from records (UGX millions)							
Budgeted local revenue target	560	575	590	610	630	650	665
Actual local revenue collected	412	421	426	437	448	457	478
Estimated revenue potential	606	638	698	767	862	972	976
Cost of revenue collection	66	72	85	105	125	146	143
Total council revenue	5,568	6,014	6,984	8,093	9,739	11,718	13,657
Central government transfers	5,178	5,593	6,495	7,526	9,057	10,898	12,701
Revenue from new sources	0	0	9	12	14	16	22
Registered taxpayers (number)	1,985	2,010	2,042	2,068	2,095	2,118	2,146
B. Computed indicators (%)							
Collection efficiency	68.0	66.0	61.0	57.0	52.0	47.0	49.0
Target achievement	73.6	73.2	72.2	71.6	71.1	70.3	71.9
Annual revenue growth	–	2.2	1.2	2.6	2.5	2.0	4.6
Collection cost ratio	16.0	17.1	20.0	24.0	27.9	32.0	29.9
Own source revenue share	7.4	7.0	6.1	5.4	4.6	3.9	3.5
Central transfers share	93.0	93.0	93.0	93.0	93.0	93.0	93.0
New sources share of collections	0.0	0.0	2.1	2.7	3.1	3.5	4.6
Informal sector share of taxpayers	73.0	73.2	73.5	73.7	73.9	73.9	74.1
C. Derived (UGX millions)							
Uncollected potential revenue	194	217	272	330	414	515	498
Net revenue after collection cost	346	349	341	332	323	311	335

Source: Approved budgets, final accounts, budget performance reports, revenue assessments and revenue register of Kagadi Town Council, FY2018/19–FY2024/25; computed by the Researcher (2026).

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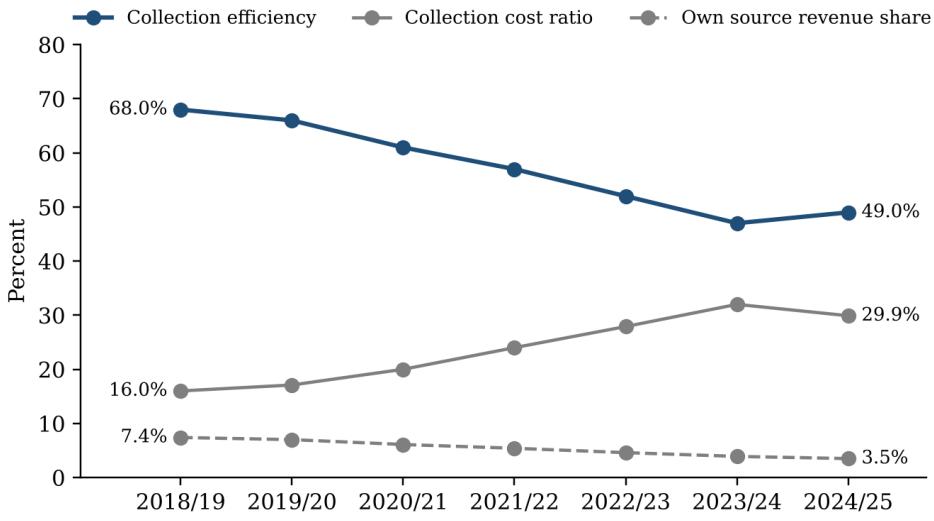
Figure 1: Revenue potential, budgeted target and actual collection, FY2018/19 – FY2024/25 (UGX millions)



Source: Documentary review (2026).

Table 7 and Figure 1 show that the gap between what the council could collect and what it actually collected widened every year. The assessed revenue potential grew by 61.1%, from UGX 606 million in FY2018/19 to UGX 976 million in FY2024/25, while actual collections grew by only 16.0%, from UGX 412 million to UGX 478 million. As a result, uncollected potential revenue rose from UGX 194 million to UGX 498 million per year, a cumulative UGX 2,440 million over the seven years. Budgeted targets were set above prior-year collections every year but were met only to the extent of 70.3%–73.6%.

Figure 2: Collection efficiency, collection cost ratio and own source revenue share, FY2018/19 – FY2024/25



Source: Documentary review (2026); computed by the Researcher.

Figure 2 shows the three central indicators of revenue performance. **Collection efficiency** fell steadily from 68.0% in FY2018/19 to 47.0% in FY2023/24 before a slight recovery to 49.0% in FY2024/25, a net fall of 19.0 percentage points. This means that by the end of the period, the council was collecting less than half of what it could collect. **Collection cost efficiency** worsened over the same period: the cost of collection more than doubled from UGX 66 million to UGX 143 million, rising from 16.0% of collections to a peak of 32.0% in FY2023/24 and 29.9% in FY2024/25. Because costs grew faster than collections, net revenue after collection costs fell from UGX 346 million to UGX 311 million in FY2023/24, and to UGX 335 million in FY2024/25, remaining below its FY2018/19 level.

On **revenue growth and the tax base**, collections grew by only 1.2%–4.6% a year, an average of 2.5%, which is below inflation and implies a decline in real terms. Registered taxpayers increased by only 8.1% over six years (from 1,985 to 2,146), while the share of taxpayers in the informal sector rose from 73.0% to 74.1%. Newly identified sources contributed nothing in the first two years and only 4.6% of collections by FY2024/25. On the **revenue structure**, own source revenue fell from 7.4% of total council revenue to 3.5%, while central government transfers made up 93.0% of total revenue in every year. Total council revenue grew by 145% over the period, almost entirely through transfers.

The documentary evidence therefore confirms the questionnaire findings: on every indicator in the conceptual framework, the local revenue performance of Kagadi Town Council was low and declined over the study period.

Interview Findings on Local Revenue Performance

The key informants were asked how local revenue performance had changed in recent years and what explained the change.

Table 8: Themes from key informant interviews on local revenue performance

Theme	Town Clerk (KI-01)	Mayor (KI-02)
Falling collection efficiency	Efficiency fell from the high sixties to below fifty percent	Revenue has not grown much while the town has grown
Dependence on transfers	OSR share is very small; council depends almost fully on central transfers	–
Rising collection costs	–	Costs have gone up, especially where collection was outsourced.
Low taxpayer compliance	Narrow informal tax base; people do not see services	Taxpayers say they do not see services, so compliance is low
Causes	Weak enforcement, leakages, narrow tax base	Low trust, political pressure not to enforce

Source: Key informant interviews (2026).

Both key informants confirmed the decline shown in the questionnaire and documentary findings. The Town Clerk explained:

"Collection efficiency has gone down from the high sixties to below fifty percent. Our share of own source revenue is now very small, and we depend almost fully on central government transfers. The main causes are weak enforcement, leakages and a narrow informal tax base." (KI-01, Town Clerk)

The Mayor linked the stagnation of revenue to low compliance and rising costs:

"Revenue has not grown much; it has almost stagnated while the town has grown. Taxpayers say they do not see services, so compliance is low. Collection costs have also gone up, especially where we outsourced collection." (KI-02, Mayor)

Asked to describe the general level of financial accountability, the Town Clerk said that accountability was *"fair on paper but weak in practice"*, especially for collectors in the markets and taxi parks, while the Mayor said that the information councillors receive from the technical side is *"sometimes late and not detailed enough for us to question how revenue was collected and used."* Both linked the decline in revenue to accountability weaknesses: few and poorly facilitated revenue staff, manual systems, the lack of an updated valuation roll, weak record keeping, political pressure not to enforce, and low public trust. These views set the context for the three objectives presented next.

Financial Reporting and Local Revenue Performance

Findings from the questionnaire, interviews, and documentary review are presented first, followed by the correlation and regression results.

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Table 9: Respondents' views on financial reporting

No.	Statement	SD f (%)	D f (%)	NS f (%)	A f (%)	SA f (%)	Mean	Std. dev.	Interp.
B1	Financial reports are prepared on a timely basis.	18 (18.4)	27 (27.6)	33 (33.7)	17 (17.3)	3 (3.1)	2.59	1.07	Low
B2	The financial reports accurately reflect the actual revenue collected.	16 (16.3)	33 (33.7)	32 (32.7)	13 (13.3)	4 (4.1)	2.55	1.05	Low
B3	Revenue records are properly updated regularly.	17 (17.3)	29 (29.6)	38 (38.8)	11 (11.2)	3 (3.1)	2.53	1.01	Low
B4	Financial reporting systems in the council are reliable.	14 (14.3)	34 (34.7)	27 (27.6)	19 (19.4)	4 (4.1)	2.64	1.08	Moderate
B5	There is transparency in the preparation of financial reports.	31 (31.6)	26 (26.5)	27 (27.6)	14 (14.3)	0 (0.0)	2.24	1.06	Low
B6	Financial reports are easily accessible to relevant stakeholders.	32 (32.7)	33 (33.7)	26 (26.5)	7 (7.1)	0 (0.0)	2.08	0.94	Low
B7	Revenue collected is properly recorded in financial reports without omissions.	18 (18.4)	32 (32.7)	34 (34.7)	11 (11.2)	3 (3.1)	2.48	1.02	Low
B8	Monthly and quarterly financial reports are regularly produced.	10 (10.2)	31 (31.6)	28 (28.6)	25 (25.5)	4 (4.1)	2.82	1.06	Moderate
B9	There are clear procedures for preparing financial reports in the council.	14 (14.3)	16 (16.3)	42 (42.9)	21 (21.4)	5 (5.1)	2.87	1.07	Moderate
B10	Financial reports are reviewed before final approval.	7 (7.1)	18 (18.4)	27 (27.6)	31 (31.6)	15 (15.3)	3.30	1.15	Moderate
B11	Errors in financial reporting are quickly identified and corrected.	20 (20.4)	28 (28.6)	37 (37.8)	10 (10.2)	3 (3.1)	2.47	1.03	Low
B12	The council uses computerized systems for financial reporting.	46 (46.9)	31 (31.6)	17 (17.3)	3 (3.1)	1 (1.0)	1.80	0.91	Very low
	Overall mean						**2.53**	**0.87**	**Low**

Source: Primary data (2026). n = 98. SD = strongly disagree; D = disagree; NS = not sure; A = agree; SA = strongly agree.

Table 9 shows that financial reporting in Kagadi Town Council was rated low, with an overall mean of 2.53 (SD = 0.87). Eight of the 12 items were rated low or very low, and the remaining four were rated moderate; no item reached the high range.

On **timeliness**, 45.9% of respondents disagreed that financial reports are prepared on time (mean = 2.59) and only 20.4% agreed. Although 29.6% agreed that monthly and quarterly reports are regularly produced (mean = 2.82, moderate), 41.8% disagreed, which shows that reports are produced but not consistently or on time.

On **accuracy**, half of the respondents (50.0%) disagreed that financial reports accurately reflect the revenue actually collected (mean = 2.55), 51.0% disagreed that revenue is recorded without omissions (mean = 2.48), 46.9% disagreed that revenue records are regularly updated (mean = 2.53), and 49.0% disagreed that errors are quickly identified and corrected (mean = 2.47). Only 23.5% agreed that the reporting systems are reliable (mean = 2.64). These results

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indicate that the revenue figures in council reports are not fully trusted by the staff who prepare and use them.

On **accessibility and transparency**, 66.3% disagreed that financial reports are easily accessible to stakeholders (mean = 2.08), and only 7.1% agreed; 58.2% disagreed that reports are prepared transparently (mean = 2.24). The weakest aspect of reporting was the use of **computerised systems** (mean = 1.80, very low), with 46.9% strongly disagreeing and a further 31.6% disagreeing that the council uses computerised systems for financial reporting.

The best-rated aspects were the review of reports before final approval (mean = 3.30; 46.9% agreed) and the existence of clear procedures for preparing reports (mean = 2.87). This pattern suggests that the council has formal reporting procedures and that reports are reviewed before approval, but the underlying revenue records are manual, incomplete, and late, and the reports are not shared with stakeholders.

Interview Findings on Financial Reporting

The key informants were asked about the financial reporting practices in the council and how reporting influences revenue performance.

Table 10: Themes from key informant interviews on financial reporting

Theme	Town Clerk (KI-01)	Mayor (KI-02)
Reporting practices	Monthly and quarterly revenue reports and annual final accounts are prepared on the IFMS	Reports presented to the Finance Committee and council.
Manual records at collection points	Revenue registers at collection points are largely manual and not always reconciled with the bank.	–
Late reports	–	Reports come just before council sits; no time to scrutinise
Reporting and target setting	Late or incomplete reports lead to planning with wrong figures	Good reports help set realistic targets; without them, unrealistic budgets are passed
Reporting and follow-up	Timely property rate reports in some wards enabled follow-up of defaulters and higher collections.	Reports show which sources are underperforming.

Source: Key informant interviews (2026).

The Town Clerk described a two-level reporting system in which council-level reports are produced on the IFMS while records at the point of collection remain manual:

"We prepare monthly and quarterly revenue reports and the annual final accounts on the IFMS. However, the revenue registers at the collection points are still largely manual and are not always reconciled with what reaches the bank on time." (KI-01, Town Clerk)

The Mayor pointed to the late submission of reports to council:

"Reports are presented to the Finance Committee and council, but at times they come late, just before council sits, so councillors do not have enough time to scrutinise them." (KI-02, Mayor)

On how reporting affects revenue, both informants linked report quality to target setting and follow-up. The Town Clerk noted:

"When reports are late or incomplete, we plan using wrong figures, and we cannot tell where money is getting lost. Where reports were timely, as with property rates in some wards, we were able to follow up defaulters and collections improved." (KI-01, Town Clerk)

The Mayor added that *"good reports help council to set realistic revenue targets and to know which sources are underperforming. Without them, we pass budgets with targets we know will not be met"* (KI-02). The interview findings explain the questionnaire results: the use of the IFMS for final accounts explains the moderate ratings for the production and review of reports, while manual collection-point registers explain the very low rating for computerised reporting and the low ratings for accuracy and completeness.

Documentary Findings on Financial Reporting

The documentary review examined the availability, completeness and timeliness of the council's financial reports.

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Table 11: Documentary evidence on financial reporting

Document reviewed	Observation	Implication for revenue performance
Annual financial statements	Available; FY2018/19 and FY2019/20 incomplete in council files	Incomplete baseline for tracking revenue trends
Monthly and quarterly performance reports	Quarterly reports available; several monthly reports missing; most submitted late	Revenue shortfalls not detected early.
Revenue collection registers	Manual; gaps and unreconciled entries for market dues and parking fees	Collections not fully captured in reports
Minutes of council sittings	Revenue reports often tabled late; limited debate recorded	Council cannot question revenue performance
Approved budgets	Targets set above prior-year actuals every year	Targets not based on realistic revenue information
PBS reports to MoFPED	Local revenue consistently below target	Reporting records the shortfall but does not explain it

Source: Documentary review (2026).

Table 11 shows that the documentary evidence supports the questionnaire and interview findings. Reports exist at council level, but they are incomplete for the early years, monthly reports are often missing or late, and collection-point registers are manual with unreconciled entries. Late tabling of reports limits council scrutiny, and targets are set without realistic revenue information. This explains why the council met only 70%–74% of its revenue targets every year.

Relationship between Financial Reporting and Local Revenue Performance

Pearson's correlation was used to establish the relationship between financial reporting and local revenue performance, and simple linear regression was used to estimate the effect of financial reporting on local revenue performance.

Table 12: Correlation between financial reporting and local revenue performance

Variables	Pearson r	r^2	t	Sig. (2-tailed)	n	Decision
Financial reporting and local revenue performance	0.739**	0.546	10.75	0.000	98	Significant

*Source: Primary data (2026). ** Correlation is significant at the 0.01 level (2-tailed).*

Table 12 shows a strong, positive, and significant relationship between financial reporting and local revenue performance ($r = 0.739$, $p < 0.001$). The positive sign means that respondents who rated financial reporting as more timely, accurate, and accessible also rated local revenue performance higher. Since $p < 0.05$, the null hypothesis that there is no significant relationship between financial reporting and local revenue performance was rejected.

Table 13: Simple regression of local revenue performance on financial reporting

Model	B	Std. error	Beta (β)	T	Sig.
(Constant)	0.555	0.138		4.015	0.000
Financial reporting	0.556	0.052	0.739	10.747	0.000

Source: Primary data (2026). Dependent variable: local revenue performance. $R^2 = 0.546$; adjusted $R^2 = 0.541$; $F(1, 96) = 115.50$; $p < 0.001$.

Table 13 shows that financial reporting alone explains 54.6% of the variation in local revenue performance ($R^2 = 0.546$), and the model is significant ($F = 115.50$, $p < 0.001$). The coefficient ($B = 0.556$) means that a one-unit improvement in financial reporting is associated with a 0.556-unit improvement in local revenue performance. Together with the interview and documentary findings, this answers the first research question: financial reporting has a strong, positive, and significant relationship with local revenue performance in Kagadi Town Council.

Discussion

Financial Reporting and Local Revenue Performance

Financial reporting was rated low (mean = 2.53). The weakest aspects were the use of computerised reporting systems (mean = 1.80), accessibility of reports to

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stakeholders (mean = 2.08), and transparency in report preparation (mean = 2.24), while the review of reports before approval was the best-rated aspect (mean = 3.30). Interviews revealed that final accounts are prepared on the IFMS, but collection-point registers are manual, and that reports reach council late. Records showed incomplete final accounts for two years, missing and late monthly reports, and late tabling of revenue reports. Financial reporting had a strong, positive, and significant relationship with local revenue performance ($r = 0.739$, $p < 0.001$), explaining 54.6% of its variation on its own.

The study found a strong, positive, and significant relationship between financial reporting and local revenue performance. This finding agrees with Zamzami and Rakhman (2023), who found that the quality of financial reporting has a significant positive effect on local government financial performance because reliable reports help councils identify revenue gaps and reduce leakages. In Kagadi, the Town Clerk's account of following up property rate defaulters in wards where reports were timely illustrates exactly this mechanism. The finding also agrees with Namusonge, Muturi and Otuya (2015), who found that timely and accurate reporting improves financial performance by enabling monitoring and control, and with Awor, Okuna and Mwesigwa (2024), who linked better reporting in Ugandan local governments to more efficient revenue mobilisation.

The weakness of reporting at the point of collection supports Oduro (2014), who found that inadequate reporting leads to incomplete revenue records and creates opportunities for leakage. The study adds an important nuance: in Kagadi, the reform of financial reporting through the IFMS has reached the council's final accounts but not its daily revenue records, which remain manual and unreconciled. As a result, the reports that are produced are formally reviewed (mean = 3.30) but are built on weak underlying data, and they reach councillors too late to be questioned. In terms of the Public Accountability Theory, the information stage of accountability is incomplete, so the forum cannot effectively question officials (Bovens, 2007; de Boer, 2021). This also explains why budgets were passed with targets that were met to only 70%–74% every year: as the mayor observed, without good reports councillors "pass budgets with targets we know will not be met."

Conclusion

Financial reporting has a strong, positive and significant relationship with local revenue performance in Kagadi Town Council. Reporting in the council is weak because collection-point records are manual, reports are late and incomplete, and they are not accessible to councillors and other stakeholders. The study concludes that weak financial reporting is a major cause of unrealistic revenue targets, poor follow-up of defaulters, and low collection efficiency in the council.

Limitation

First, the Head of Finance declined to be interviewed, so the technical finance perspective at the key informant level came only from the Town Clerk. This was mitigated by the participation of 12 finance department staff in the questionnaire survey and by the review of finance department records.

Second, some council records for FY2018/19 and FY2019/20 were incomplete, and the property valuation roll was not available; budget performance reports and district-level reports were used to fill these gaps.

Third, the questionnaire measured perceptions, which may be influenced by respondents' positions; this was addressed by triangulating questionnaire results with interviews and seven years of documentary data, and by confirming that views did not differ significantly across respondent categories.

Finally, the study was confined to one town council, so its findings should be generalised to other town councils with care.

Recommendation

Kagadi Town Council management, with support from the Ministry of Local Government and MoFPED, should automate revenue collection and recording, for example through IRAS or a similar electronic system, so that collection-point records feed directly into the IFMS.

The Finance Department should produce monthly revenue reports by source and collection point within set deadlines and submit them to the Finance and Planning Committee at least two weeks before council sittings.

The council should publish summaries of revenue collected and how it was spent on notice boards, at markets and through local radio, to improve accessibility and build taxpayer trust.

Revenue targets in the annual budget should be based on assessed revenue potential and recent actual collections rather than on increments above prior-year targets.

A comparative study of financial accountability and local revenue performance across several town councils in Uganda, to test whether the findings apply more widely.

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List of abbreviations

ANOVA-Analysis of Variance
CVI-Content Validity Index
FR-Financial Reporting
FY-Financial Year
IFMS-Integrated Financial Management System
IRAS-Integrated Revenue Administration System
KI-Key Informant
LRP-Local Revenue Performance
MoFPED-Ministry of Finance, Planning and Economic Development
OSR-Own Source Revenue
PBS-Programme Budgeting System
Sig.-Significance
SPSS-Statistical Package for the Social Sciences
UGX-Uganda Shillings
UN-Habitat-United Nations Human Settlements Programme
VIF-Variance Inflation Factor

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Availability of data.

Data used in this study are available upon request from the corresponding author.

Authors contribution.

FM conceptualized the study, developed the methodology, carried out the investigation, and wrote the original draft.
EB provided supervision, validation, writing, review, and editing.
SM provided supervision, validation, writing, review, and editing
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