

Beyond Formal Control: Intangible Ethical Capital as an Informal Governance Mechanism in Public Financial Reporting

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ABSTRACT: Reporting reliability is essential for public accountability and trust, yet formal governance mechanisms such as regulations, audits, and internal controls remain insufficient to fully prevent fraud, waste, and abuse. This study explores how Bugis local wisdom functions as Intangible Ethical Capital in shaping accountability practices and supporting reporting reliability. Using an interpretive phenomenological approach, the study draws on in-depth interviews with 27 informants involved in local government financial management and reporting.

The findings show that the Bugis values of *toddopuli temmalara*, *taro ada taro gau*, and *resopa temmangingi* are internalized as ethical resources that foster moral courage, ethical consistency, and professional diligence. These ethical resources contribute to reporting reliability by guiding accountability behavior and discouraging opportunistic practices. However, their influence is not automatic; the enactment of ethical values is continuously negotiated within organizational environments characterized by hierarchical authority, political pressures, and institutional constraints. The findings further indicate that Intangible Ethical Capital functions as an informal governance mechanism that complements formal governance mechanisms in supporting accountable reporting practices.

This study contributes to public financial governance literature by introducing Intangible Ethical Capital as a conceptual lens for understanding how culturally embedded ethical resources shape accountability practices

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and reporting reliability. The study suggests that reporting reliability emerges from the interaction between Intangible Ethical Capital and formal governance mechanisms rather than from procedural compliance alone.

KEYWORDS: public financial reporting; intangible ethical capital; accountability; reporting reliability; Bugis local wisdom.

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Introduction

Reporting reliability is widely recognized as a fundamental prerequisite for accountability, transparency, and the legitimacy of government institutions. Financial reports provide the informational basis through which citizens, oversight bodies, and other stakeholders evaluate the stewardship of public resources and assess governmental performance. Consequently, reporting reliability extends beyond technical accuracy and becomes an essential component of public accountability and institutional trust (Bovens, 2007; Lapsley, 2009; Roberts & Scapens, 1985). When financial reporting fails to provide accurate, complete, and trustworthy information, the consequences are not limited to informational deficiencies but may also undermine public confidence and weaken the legitimacy of government institutions (Roberts, 2009).

Despite the growing emphasis on accountability and transparency, public sector organizations continue to face persistent challenges associated with fraud, waste, and abuse (FWA). Research has shown that these practices distort financial information, reduce reporting credibility, and weaken public trust in governmental institutions (Bracci et al., 2015; Cooper et al., 2013; Everett et al., 2007, 2018). Fraud, waste, and abuse remain particularly problematic because they not only affect organizational performance but also compromise reporting reliability as a mechanism of accountability. Their persistence suggests that reporting failures cannot be fully explained by technical deficiencies alone.

To address these challenges, governments and public organizations have invested heavily in formal governance mechanisms, including accounting standards, internal control systems, auditing procedures, and regulatory oversight. Previous studies generally indicate that such mechanisms contribute positively to reporting quality and accountability (T. Ahrens & Khalifa, 2015; Khlif & Samaha, 2014; Krishnan, 2005; Lisic et al., 2019). However, critical accounting scholars argue that reliance on formal governance mechanisms alone is insufficient because accountability practices are shaped not only by rules and procedures but also by ethical judgments, organizational dynamics, and social relationships (Humphrey et al., 2009; M. Power, 1997; Spira & Slinn, 2013). The persistence of reporting irregularities under increasingly sophisticated control systems highlights the limitations of purely technocratic

approaches to public financial governance.

Growing attention has therefore been directed toward the role of ethics, informal controls, and organizational culture in shaping accountability behavior. Research suggests that ethical values, integrity, and moral responsibility influence how public officials exercise ethical agency in interpreting and enacting accountability obligations, particularly when confronted with competing organizational pressures and ethical dilemmas (Endenich & Trapp, 2020; Khelil et al., 2018; Trevino et al., 2014). Nevertheless, much of the existing literature remains grounded in universalistic assumptions derived largely from Western organizational settings. Cross-cultural studies increasingly demonstrate that accountability practices are embedded within specific social and cultural contexts, where local norms and value systems influence how responsibility, transparency, and integrity are understood and enacted (Jayasinghe & Wickramasinghe, 2011; Uddin & Tsamenyi, 2005; Wickramasinghe & Hopper, 2005).

Despite growing recognition of the importance of ethics and culture, three important gaps remain in the literature. First, reporting reliability continues to be explained predominantly through formal governance arrangements and technical control mechanisms. Second, limited attention has been given to culturally embedded ethical resources that operate beyond formal governance mechanisms and organizational ethical infrastructures in shaping accountability practices. Third, empirical evidence remains scarce regarding how local wisdom traditions are transformed into ethical resources that influence public financial reporting practices and contribute to preventing fraud, waste, and abuse. These limitations are particularly relevant in developing countries, where formal governance structures frequently coexist with strong informal institutions and culturally embedded value systems.

This study addresses these gaps by examining Bugis local wisdom as a source of Intangible Ethical Capital in public financial reporting. It explores how the values of *toddopuli temmalara* (moral courage), *taro ada taro gau* (ethical consistency), and *resopa temmangingi* (professional diligence) are interpreted and enacted by public sector actors. Unlike prior studies that emphasize formal governance mechanisms or organizational ethical infrastructures, this study conceptualizes Intangible Ethical Capital as a culturally embedded ethical resource that complements formal governance mechanisms. The study contributes by introducing Intangible Ethical Capital as a lens for understanding accountability practices, providing evidence from a developing-country context, and demonstrating that reporting reliability emerges from the interaction between Intangible Ethical Capital and formal governance mechanisms rather than from procedural compliance alone. In doing so, it advances the view of reporting reliability as an ethical-governance outcome shaped by both ethical agency and institutional structures.

Literature Review

Reliability of Financial Reporting as an Accountability Practice

The reliability of financial reporting occupies a central position in public sector governance because it provides the informational foundation upon which accountability, transparency, and public oversight are exercised. Although reliability is traditionally understood as a qualitative characteristic that enhances the credibility and usefulness of financial information, public sector accountability scholars argue that it should be viewed within broader accountability relationships linking public officials, institutions, and citizens (Bovens, 2007; Roberts, 1991; Roberts & Scapens, 1985). From this perspective, reliable reporting is not merely a technical attribute of information but a key element of meaningful accountability and responsible governance (Lapsley, 2009; Roberts, 2009).

A growing body of research shows that reliable financial reporting strengthens transparency, enhances accountability, and supports public confidence in government institutions (Agu et al., 2024; Caballero et al., 2023; Choi & Pae, 2011; Rashid et al., 2018). By enabling stakeholders to assess the stewardship of public resources and monitor governmental performance, reporting reliability has become an important indicator of public financial governance quality (Rogosi, 2020).

Despite its importance, mainstream research has largely explained reporting reliability through formal mechanisms such as accounting standards, internal controls, and auditing processes. Empirical studies generally find that stronger controls and more effective audits improve reporting quality (Mayasari, 2024; Oyedotun et al., 2025; Zazili et al., 2024). However, critical accounting scholars argue that an exclusive focus on formal controls risks overlooking the social, ethical, and interpretive dimensions of reporting practices (M. Power, 1997). Procedural compliance alone does not necessarily ensure reliable reporting, particularly when actors face competing interests, institutional pressures, or ethical dilemmas. This limitation highlights the need to explore how informal ethical resources complement formal governance mechanisms in shaping reliable public financial reporting.

Fraud, Waste, and Abuse as Challenges to Reporting Practices

Fraud, waste, and abuse (FWA) remain persistent challenges in public financial management and continue to undermine the reliability of public financial reporting. Fraud involves the intentional manipulation or misrepresentation of financial information, while waste and abuse reflect inefficient resource utilization and the misuse of authority for particular interests (Gogic, 2022).

By distorting the credibility of financial information, these practices weaken accountability, transparency, and informed decision-making in the public sector (Oyedotun et al., 2025).

Critical accounting research suggests that FWA cannot be explained solely by weaknesses in formal systems and procedures. Deviant practices are often sustained through organizational cultures, moral rationalizations, and power relations that normalize unethical behavior within public institutions (Everett et al., 2007, 2018; Neu et al., 2013). Although governments have strengthened regulations, auditing mechanisms, and internal controls, fraudulent and abusive practices continue to occur when ethical commitment and moral judgment are weak (Bracci et al., 2015; Chouhan & Naghshbandi, 2012; Cooper et al., 2013; Naghshbandi & Shukla, 2016; Rogosi, 2020). These findings challenge technocratic approaches that view FWA prevention primarily as a matter of system design and highlight the importance of examining ethical values and informal controls in shaping accountability outcomes.

Ethics, Ethical Agency, and Informal Control

Growing recognition of the limitations of formal control mechanisms has redirected scholarly attention toward the role of ethics and informal controls in shaping public sector accountability and reporting practices. Accountability scholars argue that accountability is enacted through multiple and often competing value systems that influence how public officials interpret and fulfill their responsibilities (Sinclair, 1995). Consequently, public officials are not merely rule followers but actors exercising ethical agency who continuously evaluate the ethical implications of their actions (Messner, 2009; Roberts, 2009). Consistent with this perspective, organizational ethics research highlights the importance of integrity, honesty, and moral responsibility in strengthening accountability and reducing manipulation in reporting practices (Trevino et al., 2014).

Research in accounting and governance further demonstrates that tensions between organizational demands and individual ethical commitments directly influence reporting quality and credibility (Gendron & Spira, 2010; Jack & Kholeif, 2008). In response, scholars increasingly emphasize informal control mechanisms such as organizational culture, social norms, and ethical infrastructure in shaping responsible conduct (Kaptein, 2011). Empirical studies suggest that strong ethical environments can constrain opportunistic behavior and reduce fraud and reporting irregularities (Free, 2015). These findings indicate that reliable reporting depends not only on formal governance arrangements but also on ethical resources embedded within organizational settings.

Despite these advances, existing studies have focused primarily on ethical culture, ethical climate, and ethical infrastructure as sources of informal control. Comparatively less attention has been given to culturally embedded ethical resources derived from local wisdom traditions and their role in

shaping accountability behavior and reporting reliability. This gap creates an opportunity to examine how locally rooted ethical values function as informal governance resources that complement formal controls in public financial reporting practices.

Culture, Context, and Intangible Ethical Capital

Growing attention to ethics and organizational culture has broadened understanding of the factors influencing accountability and financial reporting practices. However, much of the existing literature remains grounded in universalistic assumptions derived from modern Western organizational settings, often overlooking the diverse social and cultural contexts in which accountability is enacted (Uddin & Hopper, 2001; Uddin & Tsamenyi, 2005). Research conducted in developing countries increasingly demonstrates that local norms, cultural traditions, and social relationships shape organizational behavior and accountability practices, frequently complementing rather than contradicting formal governance arrangements (Wickramasinghe & Hopper, 2005).

This growing recognition of contextual influences has encouraged greater attention to ethical resources embedded within social and organizational environments. Existing studies have emphasized concepts such as ethical culture, ethical climate, moral capital, and ethical infrastructure as mechanisms shaping ethical behavior and accountability (Kaptein, 2011; Lourence & Branco, 2013; Moore, 2012). However, comparatively less attention has been given to culturally embedded ethical resources derived from local wisdom traditions and mobilized by actors when navigating accountability dilemmas and organizational pressures.

To address this gap, this study adopts the concept of Intangible Ethical Capital, defined as culturally embedded ethical resources that influence how individuals interpret accountability obligations, evaluate ethical dilemmas, and enact responsible conduct. Unlike ethical culture or ethical infrastructure, which focus primarily on organizational environments and control systems, Intangible Ethical Capital emphasizes ethical resources internalized by actors and activated through everyday accountability practices. As a reservoir of culturally embedded ethical resources, it guides judgment and conduct, particularly when formal governance mechanisms provide insufficient guidance.

Although previous studies suggest that ethical resources contribute positively to accountability, reporting quality, and the prevention of opportunistic behavior (Caballero et al., 2023; Rogosi, 2020), empirical research examining how local cultural values are transformed into Intangible Ethical Capital and influence public financial reporting remains limited. Most studies treat culture as a contextual or normative factor without examining how cultural values are interpreted, internalized, and enacted in everyday accountability practices

(Avi, 2022; Kayisi & Aksoy, 2024). This gap is particularly evident in public financial reporting research, where the relationship between local wisdom, ethical capital, and reporting reliability remains underexplored.

Accordingly, this study positions local cultural values not merely as contextual characteristics but as potential sources of Intangible Ethical Capital that complement formal governance mechanisms. By examining how culturally embedded ethical resources shape reporting practices and contribute to the prevention of fraud, waste, and abuse, the study extends existing discussions of accountability, ethics, and public financial governance.

Bugis Local Wisdom as Intangible Ethical Capital

Bugis local wisdom represents a system of values that shapes moral orientation, social responsibility, and ethical conduct within Bugis society. Embedded in cultural traditions and the Lontara manuscripts, these values function not only as markers of cultural identity but also as ethical resources that guide individual and collective behavior (Amin et al., 2015; Rahman et al., 2022). From the perspective of Intangible Ethical Capital, they constitute culturally embedded ethical resources that influence how individuals understand responsibility, integrity, and accountability in both social and organizational settings (Kurniawan, 2025).

The ethical foundation of Bugis society is reflected in the concepts of *pangaderreng and siri'*. Together, these concepts provide a normative framework that emphasizes honor, moral responsibility, and appropriate conduct, while discouraging opportunistic behavior and reinforcing social accountability (Das et al., 2022; Jamaluddin et al., 2022; Rusman et al., 2023).

Among the ethical values embedded within Bugis local wisdom, three are particularly relevant to public financial reporting practices. *Toddopuli temmalara* reflects moral courage and commitment to truth, supporting integrity when individuals confront organizational pressure or opportunities for manipulation. *Taro ada taro gau* emphasizes ethical consistency between words and actions, encouraging alignment between accountability commitments and actual practices. *Resopa temmangingi* represents professional diligence characterized by perseverance, discipline, and responsibility in carrying out assigned duties (Jannah et al., 2021; Prabowo et al., 2023). These values are interpreted in this study as key dimensions of Intangible Ethical Capital because they provide ethical resources that guide judgment, responsibility, and conduct in organizational settings.

In the context of public financial reporting, these values are relevant because they offer ethical resources that help actors navigate accountability dilemmas beyond the reach of formal rules and procedures. Accordingly, this study positions Bugis local wisdom as a source of Intangible Ethical Capital that complements formal governance mechanisms. From this perspective,

reporting reliability is understood as an outcome of the interaction between Intangible Ethical Capital and formal governance mechanisms rather than as a product of procedural compliance alone.

Thinking Framework

This study departs from the assumption that reporting reliability cannot be adequately explained through compliance with accounting standards, auditing systems, and internal controls alone. While formal governance mechanisms provide procedural guidance, monitoring arrangements, and accountability structures, their effectiveness ultimately depends on how public officials interpret and enact accountability obligations in practice (T. Ahrens et al., 2008; M. Power, 1997; Sinclair, 1995). Consistent with Institutional Theory, organizational practices are shaped not only by formal institutions but also by informal institutions embedded in norms, values, and shared beliefs (Parker & Northcott, 2016; Trevino et al., 2006). Reporting reliability is therefore understood as an outcome of the interaction between governance structures and ethical agency.

To explain this interaction, the study adopts Intangible Ethical Capital as its primary analytical lens. Intangible Ethical Capital refers to culturally embedded ethical resources that influence how actors interpret accountability obligations, evaluate ethical dilemmas, and respond to organizational pressures. Unlike ethical culture or ethical infrastructure, which primarily describe organizational conditions (Kaptein, 2008; Trevino et al., 1998), Intangible Ethical Capital emphasizes ethical resources internalized by actors and mobilized through everyday accountability practices. As a reservoir of culturally embedded ethical resources, it supports ethical agency by shaping how public officials exercise judgment and responsibility in situations where formal governance mechanisms provide limited guidance.

Within the context of Bugis local wisdom, Intangible Ethical Capital is expressed through three interconnected dimensions: *toddopuli temmalara* (moral courage), *taro ada taro gau* (ethical consistency), and *resopa temmangingi* (professional diligence). Moral courage supports truthful reporting despite organizational pressure (Messner, 2009; Roberts, 2009). Ethical consistency strengthens alignment between accountability commitments and reporting practices (Grossi et al., 2023; Haynes, 2023). Professional diligence reinforces accuracy, completeness, and responsibility in reporting activities (T. Ahrens & Khalifa, 2015). Together, these dimensions function as ethical resources that shape accountability behaviour and reporting practice.

The framework further assumes that the influence of Intangible Ethical Capital is contingent rather than deterministic. Ethical resources do not automatically generate ethical conduct; instead, their enactment depends on institutional conditions such as leadership practices, organizational support, reporting systems, power relations, and political pressures. Consequently,

reporting reliability emerges through the interaction between Intangible Ethical Capital, ethical agency, and formal governance mechanisms rather than through procedural compliance alone.

Based on this framework, reporting reliability is conceptualized as an ethical-governance outcome arising from the interaction between formal governance mechanisms and Intangible Ethical Capital. Formal governance mechanisms establish accountability structures and procedural expectations, while Intangible Ethical Capital provides the ethical resources that guide judgment and conduct when actors encounter competing demands, ethical dilemmas, and organizational pressures. Together, these mechanisms contribute to strengthening reporting reliability and reducing vulnerabilities to fraud, waste, and abuse.

Methods

Approach and Epistemological Position

This study adopts a qualitative approach using Interpretative Phenomenological Analysis (IPA), which is particularly suited to exploring how individuals make sense of significant experiences and construct meaning through reflection and interpretation (Pietkiewicz & Smith, 2014; Smith et al., 2021; Smith & Nizza, 2022). The approach aligns with the study's objective of understanding how public sector actors interpret, internalize, and enact culturally embedded ethical values in public financial reporting practices.

The study is grounded in an interpretivist paradigm, which views social reality as socially constructed through actors' meanings and experiences (Creswell & Poth, 2016). Consistent with interpretive accounting research, public financial reporting is understood not merely as a technical process but as a socially embedded practice shaped by values, organizational contexts, and ethical judgments (Parker, 2012; Parker & Northcott, 2016). Accordingly, the study seeks to generate contextually grounded and analytically transferable insights into how culturally embedded ethical values function as Intangible Ethical Capital in shaping accountability and reporting practices.

Analysis Unit and Informants

The unit of analysis in this study comprises public sector actors directly involved in local government financial management and reporting activities. Consistent with the interpretive phenomenological approach, the focus is placed on actors lived experiences, ethical reasoning, and meaning-making processes rather than on organizations as abstract entities (Smith & Nizza, 2022). Public officials are therefore understood as moral agents who continuously interpret,

negotiate, and respond to accountability demands and organizational pressures in carrying out reporting responsibilities.

Participants were selected using purposive sampling because they possessed direct experience and practical involvement relevant to the phenomenon under investigation. Purposive sampling is appropriate in qualitative inquiry when the objective is to obtain information-rich cases capable of providing deep insight into the phenomenon being studied (Creswell & Poth, 2016; Patton, 2002). Access to participants was obtained through formal institutional permission and professional networks within the local government environment. Participation was voluntary, and all participants provided informed consent prior to the interviews.

The study was conducted over a five-month period, from September 2025 to April 2026, and involved twenty-seven informants comprising primary and supporting participants. Twenty-one primary informants were directly engaged in local government financial management and reporting activities. These consisted of six Financial Management Officials (FMO1–FMO6) occupying leadership positions in regional work units, six Treasury Officials (TRO1–TRO6) responsible for budget execution, cash management, and financial administration, and nine Accounting and Reporting Staff (ARS1–ARS9) directly involved in the preparation, reconciliation, and presentation of local government financial reports.

To enrich contextual understanding and facilitate triangulation of perspectives, six supporting informants were included. These comprised two Government Observers (GOV1–GOV2) with expertise in public sector governance and accountability, two Community Leaders (COM1–COM2) familiar with local bureaucratic practices and social dynamics, and two Bugis Cultural Practitioners (BCP1–BCP2) with extensive knowledge of Bugis values, traditions, and cultural philosophy. The inclusion of supporting informants enabled a broader interpretation of the interaction between cultural values, organizational practices, and accountability processes.

To ensure participant confidentiality while maintaining analytical transparency, each informant was assigned an identification code. These codes are used throughout the findings and discussion sections when presenting interview excerpts and interpretations.

The number and composition of participants were not determined on the basis of statistical representativeness but were guided by the principles of information richness, experiential relevance, and conceptual sufficiency commonly employed in interpretive qualitative research (Patton, 2015; Creswell & Poth, 2018). Data collection continued until additional interviews generated limited new conceptual insights and no substantially new thematic patterns emerged, indicating sufficient depth for interpretive analysis.

A total of twenty-seven in-depth semi-structured interviews were conducted. Each interview lasted between 60 and 120 minutes, with an average duration of approximately 90 minutes. The interviews generated more than forty hours

of recorded conversations, providing rich empirical material for exploring how the Bugis values of *toddopuli temmalara*, *taro ada taro gau*, and *resopa temmangingi* are interpreted, internalized, and enacted in public financial reporting practices.

Data Collection

Data were collected through in-depth semi-structured interviews, which allowed participants to reflect on their experiences, ethical dilemmas, and accountability practices while enabling the researcher to explore issues relevant to the study objectives (Creswell & Poth, 2016; Parker, 2012; Parker & Northcott, 2016). Interviews were conducted in Indonesian between September 2025 and April 2026, lasted approximately 60–120 minutes, and were audio-recorded with participants' consent before being transcribed verbatim. The interview protocol focused on participants' experiences of financial reporting practices, ethical pressures, and the ways in which the Bugis values of *toddopuli temmalara*, *taro ada taro gau*, and *resopa temmangingi* were interpreted and enacted in responding to accountability demands and vulnerabilities to fraud, waste, and abuse.

Interviews were conducted in a dialogic and flexible manner, allowing participants to elaborate on issues they considered significant while enabling the emergence of unexpected yet conceptually relevant themes. This flexibility is consistent with interpretive research, which seeks to understand participants' subjective meanings rather than impose predetermined categories (Parker, 2012).

To strengthen contextual understanding and enrich interpretation, interview data were complemented by document analysis. Documents examined included external audit reports, local government financial reporting guidelines, internal policies, and other documents relevant to public financial reporting practices. Documentary evidence was used to provide contextual understanding, support interpretive analysis, and examine consistency between participants' narratives and the formal institutional environment in which reporting practices occurred.

Data Analysis and Trustworthiness

Data analysis was conducted iteratively using a phenomenological thematic approach that combined the principles of Interpretative Phenomenological Analysis (IPA) (Pietkiewicz & Smith, 2014; Smith & Nizza, 2022) with thematic analysis procedures proposed by Braun & Clarke, (2006). The process began with repeated reading of interview transcripts to achieve immersion in the data, followed by inductive coding to identify significant meanings related to ethical values, accountability practices, organizational pressures, and financial reporting reliability. Related codes were then grouped into emergent themes

and interpreted across cases to identify patterns, variations, and tensions in participants' experiences. Consistent with interpretive accounting research, variations in interpretation were viewed as reflections of the complexity of accountability practice rather than inconsistencies, while the researcher's role was acknowledged as an integral part of the interpretive process (Parker, 2012). NVivo software was used to support coding, theme development, and systematic data management.

To enhance trustworthiness, several strategies were employed throughout the research process. Credibility was strengthened through prolonged engagement with participants, iterative questioning, and comparison between interview accounts and documentary evidence. Dependability was supported through systematic documentation of data collection and analytical procedures, while confirmability was enhanced through reflexive interpretation and continuous review of emerging themes. The inclusion of multiple categories of informants further enabled triangulation of perspectives and contributed to a richer understanding of the phenomenon. Following Lincoln and Guba, (1985) and Creswell and Poth (2018), credibility, dependability, and confirmability were treated as key criteria for ensuring methodological rigor.

Findings

Intangible Ethical Capital in Public Financial Reporting

The findings indicate that Bugis local wisdom is not understood by participants merely as a marker of cultural identity or a symbolic inheritance from the past. Rather, the values of *toddopuli temmalara*, *taro ada taro gau*, and *resopa temmangingi* are interpreted as ethical resources that shape how public officials understand responsibility, evaluate reporting decisions, and respond to accountability challenges in their daily work. These values function as ethical reference points that guide behavior and influence how actors navigate the complex demands of public financial reporting. Participants consistently described these values as ethical standards that should be reflected in reporting practices rather than merely acknowledged as cultural ideals. A Financial Management Official emphasized the inseparable relationship between ethical commitment and reporting practice:

"Our report is our 'ada', and the realization is our 'gau'. If there is a discrepancy, it means we failed." (FMO3)

Similarly, an Accounting and Reporting Staff member explained that ethical responsibility in financial reporting cannot be separated from the obligation to align commitments with actions:

“Bugis people always say, if you talk, you have to act. That also applies to financial reports.” (ARS5)

These narratives suggest that Bugis values operate as forms of Intangible Ethical Capital embedded within the cultural experiences, professional identities, and ethical orientations of public officials. Rather than functioning through formal rules or organizational procedures, this ethical capital influences how actors interpret accountability obligations, evaluate ethical dilemmas, and make reporting decisions in everyday practice. Participants frequently associated these values with maintaining honesty, accuracy, consistency, and responsibility in the preparation and presentation of financial information.

However, the findings also reveal that the actualization of these values is neither automatic nor uniform. Their influence depends on how they are interpreted by individual actors and on the organizational environments in which reporting activities take place. Bureaucratic structures, power relations, political interests, and workplace expectations shape the extent to which ethical values can be translated into concrete action. As one Treasury Official noted:

“If we cling too much to toddopuli, we can be seen as disloyal. So sometimes Bugis values are just slogans, and in practice we just follow the situation.” (TRO2)

This statement illustrates that Intangible Ethical Capital does not operate as a deterministic force that automatically produces ethical behavior. Instead, it functions as a contextual moral resource that is continuously interpreted, negotiated, and enacted within the realities of public sector governance.

Taken together, the findings demonstrate that Intangible Ethical Capital constitutes an important yet often overlooked dimension of public financial reporting. The three Bugis values examined in this study provide moral resources that support accountability practices, although their effectiveness depends on the broader institutional conditions within which public officials operate. The following sections elaborate how Intangible Ethical Capital contributes to reporting reliability, how its enactment is negotiated in practice, and how institutional conditions shape its operation as an informal ethical control mechanism.

Ethical Capital as a Driver of Reporting Reliability

The findings indicate that Intangible Ethical Capital contributes to reporting reliability through three interrelated dimensions: moral courage, ethical consistency, and professional diligence. Participants consistently described these dimensions as ethical resources that influence reporting behavior and support the production of accurate, honest, and accountable financial information.

A prominent theme emerging from the interviews was the importance of moral courage, reflected in the Bugis value of *toddopuli temmalara*. Participants associated this value with steadfastness in upholding truth, particularly when reporting activities involve pressures that may compromise integrity. Reliable reporting was frequently described as requiring not only technical competence but also the courage to resist manipulation and maintain factual accuracy. A Treasury Official explained:

“Toddopuli temmalara is being steadfast in the truth, but if there are orders from superiors that must be adjusted to political interests, it is difficult for us to be truly steadfast.” (TRO4)

Similarly, a Financial Management Official stated:

“Toddopuli, we must be firm. If there is pressure to change the report, we must have the courage to refuse.” (FMO2)

Another participant highlighted the relationship between moral courage and reporting integrity:

“For me, toddopuli means steadfastness, not wavering even under pressure. That’s crucial for maintaining the integrity of the report.” (ARS4)

These accounts suggest that moral courage supports reporting reliability by encouraging resistance to manipulation and reinforcing commitment to truthful reporting.

Another recurring theme was ethical consistency, represented by the value of *taro ada taro gau*. Participants emphasized the importance of ensuring that accountability commitments are reflected in actual reporting practices. Reliability was therefore understood not merely as compliance with procedures but as the consistency between what is reported and what actually occurs within the organization. A Financial Management Official explained:

“Our report is our ‘ada’, and the realization is our ‘gau’. If there is a discrepancy, it means we failed.” (FMO3)

Likewise, an Accounting and Reporting Staff member noted:

“If you say it’s accurate, then the data must be accurate.” (ARS5)

Another participant emphasized:

“If we promise to complete the report according to the regulations, we have to keep it. It shouldn’t just be words.” (TRO1)

These narratives indicate that ethical consistency strengthens reporting reliability by reducing the gap between accountability commitments and actual reporting practices.

Participants also highlighted the importance of professional diligence, reflected in the value of *resopa temmangangi*. This value was associated with

perseverance, discipline, and responsibility in carrying out reporting tasks. Reliable reporting was frequently linked to careful verification, reconciliation, and sustained effort to ensure that financial information was complete and accurate. One Accounting and Reporting Staff member explained:

"The stress is very real. We often work overtime, working hard to get the report finished." (ARS6)

Another participant stated:

"Reso temmangingi is hard work. The calculations have to be precise, and it requires perseverance." (ARS2)

Similarly, a Financial Management Official observed:

"My staff often work late into the night, especially when deadlines are approaching. That's the true expression of reso temmangingi." (FMO5)

These findings suggest that professional diligence contributes to reporting reliability by supporting accuracy, timeliness, and completeness in financial reporting processes.

Taken together, the findings show that reporting reliability is supported by the combined influence of moral courage, ethical consistency, and professional diligence. These dimensions function as interconnected ethical resources that encourage truthful reporting, strengthen accountability commitments, and promote disciplined reporting practices. However, participants also indicated that the influence of these ethical resources depends on the organizational environments in which they are enacted, a theme explored in the following section.

The Negotiated Nature of Ethical Capital

While participants consistently described Bugis values as important ethical resources, the findings reveal that Intangible Ethical Capital is not translated into reporting practices in a straightforward or automatic manner. Instead, its enactment is characterized by continuous negotiation between personal ethical commitments and the structural realities of public sector organizations. Participants frequently described situations in which ethical values were challenged, constrained, or partially compromised by organizational pressures, hierarchical authority, and political interests.

The strongest evidence of this negotiation emerged in relation to moral courage. Although participants viewed *toddopuli temmalara* as a moral obligation to uphold truth and reject manipulation, many acknowledged that acting on this principle could create professional risks. In some situations, adherence to ethical principles was perceived as a challenge to organizational loyalty rather than a contribution to accountability. One Treasury Official explained:

“If we cling too much to toddopuli, we can be seen as disloyal. So sometimes Bugis values are just slogans, and in practice we just follow the situation.” (TRO2)

Similarly, another participant described the tension between personal ethical convictions and organizational expectations:

“Toddopuli temmalara is being steadfast in the truth, but if there are orders from superiors that must be adjusted to political interests, it is difficult for us to be truly steadfast. There have been activities that violate the rules, but they still have to be reported. My heart refuses, but refusing can be fatal.” (TRO4)

These narratives indicate that ethical values do not operate independently of organizational structures. Rather than functioning as fixed determinants of behavior, they are continuously interpreted and adapted within contexts characterized by unequal power relations and competing institutional demands.

A similar pattern emerged in relation to ethical consistency. Participants generally regarded *taro ada taro gau* as a principle requiring alignment between commitments and actions. However, several informants observed that accountability discourse and transparency rhetoric were not always accompanied by corresponding practices. As a result, ethical consistency was often experienced as an aspirational ideal rather than a fully realized organizational norm. A Government Observer commented:

“Many people talk cleverly about transparency, but in practice manipulation still occurs. That means taro ada taro gau doesn’t work.” (GOV1)

This statement highlights a recurring tension between formal accountability narratives and everyday organizational realities. Although transparency and integrity are widely endorsed, their practical implementation remains vulnerable to competing interests and institutional pressures.

The negotiated nature of ethical capital was also evident in relation to *resopa temmangngi*. Participants consistently associated this value with hard work, perseverance, and responsibility. Nevertheless, they emphasized that individual commitment alone could not overcome structural limitations. Hard work was perceived as necessary but insufficient when organizational systems failed to provide adequate support. One Accounting and Reporting Staff member explained:

“Reso is important, but if there is no clear system, reso is not enough.” (ARS3)

This observation suggests that ethical commitment can be weakened when organizational arrangements fail to support responsible practice. In such circumstances, ethical values may encourage individual effort but cannot fully compensate for institutional deficiencies.

Taken together, these findings demonstrate that Intangible Ethical Capital is best understood as a negotiated rather than deterministic resource. Ethical values

provide moral guidance and influence accountability behavior, but their practical impact depends on how actors navigate competing demands within organizational settings. Consequently, reporting reliability emerges not simply from the presence of ethical values but from the ongoing interaction between ethical commitments and the institutional realities within which public officials operate.

Institutional Conditions Shaping Ethical Capital

The findings indicate that the effectiveness of Intangible Ethical Capital is strongly influenced by the institutional conditions within which public officials perform their reporting responsibilities. While participants consistently viewed ethical values as important guides for behavior, they also emphasized that the realization of these values depends on the presence of supportive organizational environments, adequate systems, and leadership practices that enable ethical conduct. Consequently, ethical capital does not operate in isolation but interacts continuously with institutional arrangements that may either strengthen or constrain its influence on reporting practices.

Participants frequently highlighted the importance of organizational support in enabling the actualization of moral courage. Although *toddopuli temmalara* encourages officials to uphold truth and resist manipulation, its practical implementation often depends on whether the organizational environment provides sufficient protection for those who challenge inappropriate practices. In highly hierarchical settings, ethical resistance may expose individuals to professional risks and social isolation. One participant explained:

“If we cling too much to toddopuli, we can be seen as disloyal.” (TRO2)

Similarly, another informant described how organizational authority structures can limit the expression of ethical convictions:

“There have been activities that violate the rules, but they still have to be reported. My heart refuses, but refusing can be fatal.” (TRO4)

These accounts suggest that the realization of moral courage is shaped not only by personal conviction but also by the degree of institutional support available to actors who seek to uphold ethical standards.

The findings also indicate that organizational systems and procedures play a crucial role in determining the effectiveness of ethical capital. Participants repeatedly emphasized that ethical commitment alone cannot guarantee reliable reporting when reporting systems are unclear, fragmented, or inadequately supported. Ethical values may motivate responsible behavior, but institutional mechanisms remain necessary to translate such commitments into consistent reporting practices. An Accounting and Reporting Staff member noted:

“Reso is important, but if there is no clear system, reso is not enough.” (ARS3)

This statement highlights the complementary relationship between ethical resources and formal organizational arrangements. While ethical commitment encourages diligence and responsibility, reliable reporting requires systems, procedures, and resources that enable such commitments to be effectively enacted.

Participants also emphasized the role of leadership in shaping the organizational climate within which ethical values operate. Supportive leaders were perceived as creating environments that encourage openness, accountability, and ethical decision-making, whereas politically driven leadership practices were viewed as increasing pressure to compromise reporting integrity. Consequently, leadership emerged as an important mediating condition influencing whether Intangible Ethical Capital could be translated into ethical reporting behavior.

Taken together, these findings suggest that Intangible Ethical Capital is neither wholly individual nor entirely cultural in nature. Its effectiveness depends on the interaction between ethical values and institutional conditions, including organizational support, leadership practices, reporting systems, and power relations. Ethical capital therefore functions most effectively when embedded within institutional environments that reinforce rather than undermine ethical conduct. Conversely, when organizational structures discourage transparency, prioritize political interests, or fail to provide adequate procedural support, the influence of ethical capital becomes significantly constrained.

These findings indicate that reporting reliability is shaped not solely by the presence of ethical values or formal controls independently, but by the interaction between moral agency and institutional conditions. The relationship between ethical capital and reporting reliability is therefore contingent, context-dependent, and embedded within broader governance arrangements.

Intangible Ethical Capital as an Informal Governance Mechanism

The findings demonstrate that the three dimensions of Intangible Ethical Capital identified in this study moral courage, ethical consistency, and professional diligence do not operate independently. Rather, they interact and reinforce one another in shaping reporting behavior and influencing how public officials respond to accountability challenges. Collectively, these ethical resources function as an informal ethical control mechanism that complements formal governance arrangements in public financial reporting.

Participants consistently described the value of *toddopuli temmalara* as encouraging resistance to manipulation and fostering commitment to truth, particularly when confronted with pressures that could compromise reporting integrity. At the same time, *taro ada taro gau* was understood as reinforcing consistency between accountability commitments and actual reporting practices, thereby limiting opportunities for misrepresentation and abuse of authority. Meanwhile, *resopa temmangingi* encouraged diligence, perseverance,

and careful attention to detail, supporting accurate and timely reporting processes. A Financial Management Official explained:

“For me, toddopuli means steadfastness, not wavering even under pressure. That’s crucial for maintaining the integrity of the report.” (FMO2)

Similarly, an Accounting and Reporting Staff member emphasized:

“If you say it’s accurate, then the data must be accurate.” (ARS5)

Another participant highlighted the importance of diligence in reporting activities:

“We worked late into the night, even on weekends, to make sure this report was accurate.” (ARS7)

Taken together, these narratives suggest that Intangible Ethical Capital provides ethical boundaries that influence how public officials evaluate reporting decisions and respond to situations involving potential fraud, waste, and abuse. Rather than relying solely on external monitoring or formal sanctions, these ethical resources operate internally by shaping actors’ judgments, motivations, and sense of responsibility.

The findings further indicate that each dimension contributes differently to strengthening reporting reliability. Moral courage functions as a safeguard against fraud by encouraging officials to reject manipulation and uphold factual reporting. Ethical consistency constrains abuse by promoting alignment between commitments and actions. Professional diligence helps reduce waste by encouraging careful verification, disciplined work practices, and sustained efforts to ensure the accuracy and completeness of financial information. In this sense, Intangible Ethical Capital addresses not only technical aspects of reporting quality but also the ethical foundations of accountability practices.

However, the findings also show that the effectiveness of this informal ethical control mechanism is not absolute. Its influence depends on the institutional context within which public officials operate. Political pressures, hierarchical authority structures, organizational cultures, and the availability of supportive systems all affect the extent to which ethical values can be translated into practice. Consequently, Intangible Ethical Capital should not be understood as a substitute for formal control mechanisms. Rather, it functions as a complementary governance resource that enhances the effectiveness of formal controls by strengthening the ethical dispositions of reporting actors.

Overall, the findings suggest that reliable public financial reporting emerges from the interaction between formal governance arrangements and culturally embedded ethical resources. Intangible Ethical Capital contributes to this process by shaping how actors interpret accountability obligations, exercise judgment, and respond to ethical challenges. As an informal ethical control mechanism, it helps create conditions that support honesty, responsibility, and

integrity in financial reporting while simultaneously reducing vulnerabilities to fraud, waste, and abuse. These findings highlight the importance of integrating ethical and cultural dimensions into discussions of public financial governance and reporting reliability.

Discussion

Intangible Ethical Capital and Reporting Reliability

The public financial governance literature has traditionally explained reporting reliability through formal mechanisms such as accounting standards, auditing systems, and internal controls. These mechanisms are widely regarded as essential safeguards for transparency and accountability because they establish procedures for verifying information and constraining opportunistic behavior (Choi & Pae, 2011; Khlif & Samaha, 2014; Krishnan, 2005; Lisic et al., 2019). However, critical accounting scholars have increasingly questioned whether formal controls alone can adequately explain why similar regulatory arrangements often produce different accountability outcomes across organizations and institutional settings (Humphrey et al., 2009; M. Power, 1997). The present study supports this critique by suggesting that reporting reliability is shaped not only by formal controls but also by ethical resources that influence how accountability obligations are interpreted and enacted in practice.

This interpretation is consistent with the accountability-as-practice perspective (Ahrens et al., 2008; Roberts, 1991, 2009; Sinclair, 1995), which views accountability as a socially enacted process rather than a purely technical reporting exercise. Within this perspective, financial reporting is not simply the transmission of objective information but a practice through which actors construct, negotiate, and demonstrate responsibility. The significance of moral courage, ethical consistency, and professional diligence identified in this study suggests that reliable reporting emerges through everyday accountability practices rather than through procedural compliance alone. Reliability therefore reflects the quality of accountability enactment as much as the quality of information itself.

The findings also resonate with Messner's (2009) argument that accountability inevitably encounters limits because organizational life cannot be fully governed through rules, measurements, and formal procedures. Public officials frequently operate in situations characterized by competing obligations, political pressures, and organizational expectations that cannot be resolved through technical guidance alone. Under such conditions, accountability depends upon moral agency and ethical judgment. The importance of *toddopuli temmalara*, *taro ada taro gau*, and *resopa temmangingi* demonstrates how culturally embedded ethical resources provide actors with moral reference points when formal procedures offer insufficient guidance for determining responsible action.

The study further contributes to the growing literature on ethics and accountability. Previous research has shown that ethical culture, ethical infrastructure, and integrity-based governance arrangements play important roles in reducing misconduct and strengthening accountability (Free, 2015; Kaptein, 2011; Roy et al., 2024; Trevino et al., 2014). Similarly, studies of accounting practice have highlighted the influence of ethical commitments on reporting quality and organizational credibility (Endenich & Trapp, 2020; Gendron & Spira, 2010; Jack & Kholeif, 2008). However, much of this literature conceptualizes ethics primarily as an organizational attribute emerging from leadership practices, ethical programs, or organizational culture. As a result, relatively limited attention has been paid to ethical resources that originate from broader cultural traditions and continue to shape accountability behavior within contemporary public organizations.

The present study suggests that existing explanations of reporting reliability remain incomplete because they predominantly locate ethical influences within organizations, such as ethical culture, ethical leadership, or ethical infrastructure. While these perspectives have significantly advanced understanding of accountability behavior, they pay less attention to ethical resources that originate beyond organizational boundaries and continue to shape actors' conduct within contemporary public institutions. The findings indicate that local wisdom can function as Intangible Ethical Capital, providing moral resources that influence how accountability obligations are interpreted, how ethical dilemmas are evaluated, and how reporting decisions are enacted. This perspective shifts attention from organizational ethics alone toward the broader cultural foundations of accountability practice.

More fundamentally, the study challenges the assumption that reporting reliability can be adequately secured through stronger formal controls and organizational compliance mechanisms. Consistent with critical accounting scholarship, the findings suggest that reliable reporting ultimately depends on the ethical capacities of actors who interpret and implement governance arrangements in practice. Intangible Ethical Capital therefore provides a complementary explanation for reporting reliability by highlighting how culturally embedded ethical resources strengthen accountability behavior in situations where formal rules offer limited guidance. In doing so, the study reframes reporting reliability as an outcome of the interaction between governance structures and ethical agency rather than merely a technical consequence of compliance.

The Negotiated Nature of Ethical Capital: Beyond Cultural Determinism

Much of the literature on culture, ethics, and accountability implicitly assumes that deeply internalized cultural values promote ethical behavior and responsible organizational conduct (Avi, 2022; Das et al., 2022; Jamaluddin et

al., 2022; Kayisi & Aksoy, 2024). The present study challenges this assumption by showing that the relationship between cultural values and reporting behavior is neither direct nor deterministic. Rather than functioning as fixed behavioral prescriptions, the Bugis values of *toddopuli temmalara*, *taro ada taro gau*, and *resopa temmangingi* operate as ethical resources whose influence depends on how they are interpreted and enacted within particular organizational and institutional contexts.

This interpretation is consistent with accountability-as-practice and interpretive accounting perspectives, which view organizational behavior as socially situated and continuously constructed through interactions among actors, institutions, and social environments (Ahrens et al., 2008; Messner, 2009; Parker, 2012; Roberts, 2009; Sinclair, 1995). From this perspective, ethical values do not independently determine behavior; rather, they acquire meaning through the situations in which they are mobilized. Intangible Ethical Capital should therefore be understood as a dynamic and context-dependent resource rather than a fixed ethical attribute.

The findings also extend institutional perspectives emphasizing that organizational actors operate under multiple and often competing institutional pressures (Jayasinghe & Wickramasinghe, 2011; Uddin & Hopper, 2001; Uddin & Tsamenyi, 2005; Wickramasinghe & Hopper, 2005). Public officials must continuously navigate professional norms, bureaucratic routines, political interests, hierarchical authority, and regulatory expectations. In this environment, culturally embedded ethical resources are not simply applied but actively negotiated. Their practical influence depends on how actors reconcile ethical commitments with organizational realities and accountability demands.

A key contribution of this study is its challenge to both cultural determinism and structural determinism. Cultural determinism assumes that deeply embedded values naturally generate ethical conduct, whereas structural determinism assumes that behavior is primarily shaped by formal institutions and governance arrangements. Neither perspective adequately explains the experiences reported by participants. Instead, ethical conduct emerged through the interaction between moral agency and institutional structures. Public officials were neither passive recipients of cultural norms nor mere subjects of bureaucratic control; they actively interpreted, negotiated, and enacted ethical obligations within contexts characterized by competing expectations and power relations.

Accordingly, the study shifts attention from the existence of ethical values to the conditions under which those values become consequential for accountability behavior. Intangible Ethical Capital operates not as a direct cause of ethical conduct but as a socially embedded resource whose influence is continuously negotiated through interactions between moral agency and institutional structures. This perspective advances current discussions of ethics and accountability by emphasizing the contingent, relational, and context-dependent nature of ethical conduct within public financial governance.

Intangible Ethical Capital as an Informal Governance Mechanism

Public financial governance has traditionally been associated with formal accountability arrangements, including accounting standards, auditing systems, internal controls, regulatory oversight, and performance monitoring mechanisms (Humphrey et al., 2009; Khlif & Samaha, 2014; Krishnan, 2005). These mechanisms are intended to reduce opportunistic behavior and strengthen accountability by establishing rules, monitoring processes, and sanctions. However, critical accounting scholars have long questioned whether stronger controls necessarily produce more reliable reporting or more ethical organizational conduct (M. Power, 1997; Spira & Slinn, 2013). The findings reinforce this critique by suggesting that governance effectiveness depends not only on the strength of formal controls but also on the ethical capacities of actors responsible for implementing them.

This interpretation aligns with broader debates concerning the limitations of formal governance mechanisms in addressing fraud, waste, and abuse. Previous studies show that misconduct frequently persists despite increasingly sophisticated systems of regulation, auditing, and oversight because deviant practices can become normalized through organizational cultures, power relations, and moral rationalizations (Bracci et al., 2015; Cooper et al., 2013; Everett et al., 2007; Neu et al., 2013). These observations suggest that accountability failures cannot be explained solely by weaknesses in governance structures but must also be understood in relation to how actors interpret and respond to ethical responsibilities.

Organizational ethics research similarly argues that effective governance requires more than monitoring and compliance systems. Ethical infrastructures, ethical cultures, and integrity-based governance arrangements influence how organizational members recognize ethical issues, exercise judgment, and enact accountability obligations (Free, 2015; Kaptein, 2011; Trevino et al., 2014). Yet much of this literature locates ethical influences within organizations themselves, emphasizing leadership, organizational culture, or formal ethics programs as the primary sources of informal control.

The present findings broaden this perspective by demonstrating that governance resources may also originate beyond organizational boundaries. Local wisdom, when internalized as Intangible Ethical Capital, functions as a form of ethical self-regulation that guides behavior in situations where monitoring is limited and formal rules provide insufficient guidance. Rather than operating through sanctions or external enforcement, Intangible Ethical Capital influences conduct through moral commitment, ethical judgment, and internalized responsibility. Its governance role therefore lies in strengthening the ethical foundations upon which formal accountability systems depend.

This insight is particularly important for understanding fraud, waste, and abuse prevention. The findings suggest that moral courage, ethical consistency, and professional diligence contribute to governance not because they replace

formal controls but because they strengthen actors' willingness to uphold accountability obligations under conditions of pressure and uncertainty. Intangible Ethical Capital therefore functions as an informal governance mechanism that complements formal controls by reducing opportunities for manipulation, discouraging abuse of authority, and reinforcing responsible reporting behavior.

The principal contribution of this study lies in extending existing governance literature beyond a predominantly compliance-based understanding of accountability. Rather than conceptualizing governance solely as a system of rules, monitoring, and sanctions, the findings suggest that governance also depends on ethical self-regulation embedded within organizational actors. Intangible Ethical Capital thus provides a conceptual bridge between ethics and governance by explaining how culturally embedded ethical resources strengthen accountability and reporting reliability in ways that formal controls alone cannot fully achieve.

Toward a Conceptual Model of Intangible Ethical Capital and Reporting Reliability

The preceding discussion suggests that dominant explanations of reporting reliability remain incomplete because they primarily emphasize formal governance arrangements such as accounting standards, auditing systems, internal controls, and regulatory oversight (Humphrey et al., 2009; Khelif & Samaha, 2014; Krishnan, 2005; M. Power, 1997). While these mechanisms remain essential, the findings indicate that reliable reporting cannot be understood solely as a compliance outcome. Rather, reporting reliability emerges through the interaction between governance structures, ethical agency, and culturally embedded ethical resources.

Building on this insight, the study advances a conceptual model in which Bugis local wisdom functions as a source of Intangible Ethical Capital that shapes accountability practice. Through processes of socialization, professional experience, and moral reflection, culturally embedded values are transformed into ethical resources that influence how public officials interpret accountability obligations, evaluate ethical dilemmas, and respond to reporting pressures. Importantly, these ethical resources do not directly determine behavior. Their influence is mediated by actors' ethical agency and conditioned by institutional environments characterized by leadership practices, organizational support, power relations, and political pressures.

The model therefore departs from both compliance-based and culturally deterministic explanations of reporting reliability. Compliance-oriented perspectives assume that stronger controls generate better reporting outcomes, whereas culturally deterministic perspectives assume that deeply embedded values naturally produce ethical conduct. The findings suggest that neither

explanation is sufficient. Reporting reliability emerges when ethical resources are successfully mobilized within organizational contexts that enable their enactment. Reliability is therefore best understood as a relational outcome arising from the interaction between ethical agency and institutional structures.

This conceptualization extends existing discussions of ethical culture, ethical climate, ethical infrastructure, and informal controls (Free, 2015; Kaptein, 2011; Trevino et al., 2014) by introducing Intangible Ethical Capital as a distinct analytical lens. Unlike previous approaches that primarily locate ethical influences within organizations, the model highlights the governance significance of culturally embedded ethical resources originating from local wisdom traditions. In doing so, it broadens understanding of how ethics, culture, and governance interact to shape accountability outcomes in public sector organizations.

The principal contribution of the model lies in reframing public financial reporting reliability as an ethical-governance outcome rather than merely a technical outcome of compliance. By integrating culture, ethical agency, institutional conditions, and governance structures within a single explanatory framework, the model provides a richer understanding of how reliable reporting is achieved and sustained, particularly in contexts where formal controls alone are insufficient to address fraud, waste, and abuse.

Conclusion

This study shows that the reliability of public financial reporting is influenced not only by formal governance mechanisms but also by culturally embedded ethical resources. The findings indicate that the *Bugis* values of *toddopuli temmalara*, *taro ada taro gau*, and *resopa temmangingi* function as Intangible Ethical Capital that supports reporting reliability through moral courage, ethical consistency, and professional diligence.

The study further demonstrates that Intangible Ethical Capital operates as an informal governance mechanism that complements formal accountability arrangements. However, its influence is neither automatic nor deterministic. The enactment of ethical values is continuously negotiated within organizational environments characterized by hierarchical authority, political pressures, and institutional constraints.

Overall, reliable public financial reporting emerges from the interaction between ethical agency and governance structures. Reporting reliability should therefore be understood not merely as a technical consequence of procedural compliance but as an ethical-governance outcome shaped by both formal controls and culturally embedded ethical resources.

Implications

Theoretical Implications

This study contributes to public financial governance literature by demonstrating that reporting reliability is not solely a compliance outcome generated through accounting standards, audits, and internal controls. Instead, reporting reliability emerges from the interaction between formal governance arrangements and culturally embedded ethical resources. This finding extends accountability-as-practice research by showing that accountability is shaped not only by institutional requirements but also by ethical agency and moral judgment exercised by public officials in everyday reporting activities.

The study also advances existing discussions of ethics and governance by introducing Intangible Ethical Capital as a distinct analytical lens for understanding accountability behavior. The concept highlights how local wisdom can function as an informal governance resource that complements formal accountability mechanisms. In doing so, the study broadens existing explanations of reporting reliability and provides an alternative perspective for understanding why similar governance systems may produce different accountability outcomes across organizations and institutional contexts.

Practical Implications

The findings suggest that efforts to improve public financial reporting reliability should move beyond strengthening regulations, audits, and internal controls alone. Local governments should pay greater attention to developing ethical capacities among financial management personnel because reporting failures often arise not from the absence of rules but from the inability or unwillingness of actors to uphold accountability under organizational and political pressure.

More specifically, the findings indicate that moral courage is important for reducing manipulation and misrepresentation of financial information, ethical consistency is essential for preventing abuses of authority and ensuring alignment between accountability commitments and reporting practices, while professional diligence contributes to reducing errors, omissions, and inefficient reporting practices. Consequently, local governments may strengthen reporting reliability by incorporating these ethical dimensions into recruitment criteria, promotion systems, performance evaluations, integrity assessments, and leadership development programs.

The findings further suggest that local wisdom should be recognized as a governance resource rather than merely a cultural heritage asset. Public sector reform initiatives may benefit from integrating locally embedded ethical values into accountability programs, integrity-building initiatives, and organizational

culture development. Such an approach can help strengthen ethical self-regulation among public officials and complement formal control mechanisms in reducing vulnerabilities to fraud, waste, and abuse.

Limitations and Future Research

This study has several limitations. First, it was conducted within a single local government context characterized by a strong Bugis cultural background, limiting the transferability of the findings to other institutional and cultural settings. Second, the study relied primarily on participants' experiences and interpretations of ethical values in financial reporting practices. Although documentary evidence was used to enrich contextual understanding, the findings largely reflect subjective accounts and may not capture all dimensions of organizational behavior and governance processes.

Future research may extend this study by examining Intangible Ethical Capital across different cultural and institutional contexts to assess its relevance beyond the Bugis setting. Comparative, quantitative, or mixed-methods studies could further investigate the relationships among ethical capital, accountability practices, reporting reliability, and fraud, waste, and abuse prevention, while also exploring the roles of leadership, organizational culture, and governance arrangements in shaping ethical accountability practices.

Disclosure statement

No potential conflict of interest was reported by the author(s)

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The author used ChatGPT (OpenAI) solely to improve grammar and language clarity. All conceptual development, analysis, interpretation, and final decisions remain the sole responsibility of the author.

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