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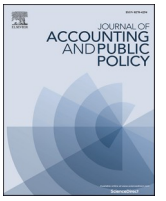

Full length article

Ethics of accounting information manipulation in local government: opportunism or selfishness?☆

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ABSTRACT

This paper addresses the ethics of accounting information manipulation (AIM) within the political domain, with a particular focus on local government—an area that remains under-researched. We developed a theoretical framework distinguishing two key contingencies influencing AIM: (1) the tension between pursuing organizational or personal interests and providing neutral accounting information, and (2) the extent of information asymmetry. These dimensions define four AIM archetypes. In addition, we draw on Information Manipulation Theory (IMT) to assess the ethical aspects of each archetype. To investigate these aspects, the study employs real-life constructs (RLCs)—short cases designed to present AIM dilemmas and stimulate ethical reflection during interviews. Consistent with prior research, our findings indicate that AIM motivated by personal gain generally attracts stronger disapproval than AIM aimed at advancing organizational goals. Furthermore, manipulation that compromises the integrity of financial representation is considered less acceptable than manipulation that merely limits the amount of disclosed information.

1. Introduction

Accounting information is ideally prepared and used in a neutral manner to support sound decision-making, control, and accountability. In practice, however, it is often framed to serve specific interests, thereby undermining neutrality. While terms such as earnings management (Schipper, 1989; Healy and Whalen, 1999; Cohen et al., 2019; Bisogno and Donatella, 2022), creative accounting (Lopes Cardoso and Fajardo, 2014), impression management (Brennan et al., 2009), and accounting information distortion (Birnberg et al., 1983) are commonly used, they primarily address the private sector and focus on financial reporting. This study adopts the broader term accounting information manipulation (AIM), defined as the biased preparation or use of accounting information to serve the preparer's interests, whether organizational (e.g., securing funding) or personal (e.g., consolidating power). AIM extends beyond financial reporting to include budgeting and various forms of agency relationships.[1]

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[1] While similar to Birnberg et al.'s (1983) concept of accounting information distortion, AIM emphasises a more proactive framing of accounting figures to advance specific organisational goals or personal interests. This broader perspective reflects the wide range of policy decisions and accountability relationships in the public sector that can be affected by such manipulation.

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Existing literature often explores the prevalence, techniques, and drivers of AIM but pays limited attention to its ethical dimensions, specifically whether these practices can be justified or understood from a moral perspective. While some studies consider ethical issues in the private sector (Merchant and Rockness, 1994; Elias, 2002; Gowthorpe and Amat, 2005), the public sector remains largely overlooked, with the notable exception of Jones and Euske (1991); see also van Helden et al. (2023b); Guarini (2016). This gap is confirmed by recent literature reviews on creative accounting in the public sector (Lopes Cardoso and Fajardo, 2014; see also Hodges, 2018) and earnings management in the public sector (Bisogno and Donatella, 2022), both of which ignore the ethical aspects of these practices. AIM can be regarded as a form of unethical behavior or an integrity violation, situated alongside corruption, fraud, improper use of authority, and misconduct in the private sphere (Lasthuizen et al., 2011; Lawton et al., 2013, chapter 1).

This study examines the moral aspects of AIM within local government, with particular attention to the political arena. This context is especially relevant because politicians, whether in executive or legislative roles, often face pressure from voters and other stakeholders to deliver politically sensitive projects or programs, which may challenge their ethical decision-making. The analysis also extends to top managers working closely with politicians—particularly those in executive roles—in policy preparation and execution. The focus is on how tensions between organizational or personal interests and the neutral provision of accounting information, along with information asymmetry, influence the ethical acceptability of AIM. Furthermore, the study considers cross-national differences, particularly between Italy and the Netherlands, which may reflect divergent institutional and governance regimes.

The study contributes to the literature in three ways. First, it explores AIM within a gray zone of ethical ambiguity, where actions may both benefit public policy objectives and serve private gain. In other words, the ethical concerns surrounding AIM range from opportunism to outright selfishness, encompassing various positions in between. Second, it introduces a framework that categorizes AIM into four archetypes based on motive and opportunity under different levels of information asymmetry. By mobilizing Information Manipulation Theory, this framework provides a basis for assessing the ethical underpinnings of different AIM practices. Third, the study develops real-life constructs (RLCs) to investigate AIM and capture practitioners' ethical reasoning during interviews with senior politicians and top managers in both countries. Unlike much of the earnings management and creative accounting literature, which predominantly addresses financial motives in corporate reporting, this research extends the analysis to the political and organizational dilemmas faced by public officials, highlighting how ethical reasoning shapes perceptions of acceptable or unacceptable manipulation.

The paper is structured as follows. Section 2 reviews relevant literature and introduces the theoretical framework. Section 3 outlines the research methods. Section 4 presents findings from the RLCs, followed by a cross-case analysis. Section 5 concludes with reflections on implications, limitations, and directions for future research.

2. Literature review and theoretical framework

This section examines the ethical dimensions of AIM in the context of political decision-making, control, and accountability within local government. It introduces the theoretical framework guiding the empirical investigation.

2.1. Framing the ethics of AIM as an agency problem

AIM can be conceptualized within an agency relationship, where a manipulating actor (agent) holds more information than one or more stakeholders (principal). Agency theory (Jensen and Meckling, 1976) posits that such relationships are characterized by information asymmetry and misaligned goals or interests. Agents may act in their own interests at the expense of principals, particularly when oversight is weak. Greater information asymmetry amplifies the agent's opportunity to engage in AIM (Fama and Jensen, 1983; Douma and Schreuder, 2008, chapter 8; see also Malkogianni and Cohen, 2022 for an application of AIM in the healthcare sector; Bergh et al., 2019, for a literature review).

The literature widely documents motivations for such behavior, often tied to the incentives of those preparing financial documents (Arcas and Martì, 2016). In private-sector accounting research, particularly under the narrow view of the firm (Jensen and Meckling, 1976), managers with delegated authority are often assumed to act in ways that maximize personal utility, potentially harming shareholders and financial stakeholders whose primary interest is return on investment. Consequently, financial reports serve as a tool for principals to mitigate information asymmetry.

Corporate managers may engage in AIM to present a more favorable performance. Common motives include: (i) boosting compensation or job security; (ii) influencing stock market perceptions (Dechow and Skinner, 2000); (iii) meeting financial targets or forecasts set by parent companies (Beattie, 2002); and (iv) avoiding penalties from breached loan covenants or regulatory actions tied to specific accounting figures (Healy and Whalen, 1999). Some research suggests that AIM may align with organizational interests, as managers might manipulate earnings to convey private information about future cash flows, thereby enhancing the informational value of reported financial performance (Demski, 1998; Arya et al., 2003).

In the public sector, both elected officials and public employees act as agents for the electorate, responsible for delivering services to the community and serving the public interest. Public managers play a central role in implementing policy objectives and managing resources. In preparing and using accounting data, these agents often face tensions between fulfilling organizational interests (opportunism) and addressing personal interests (selfishness). Organizational interests typically involve fulfilling policy goals set by elected officials, ensuring transparency, efficiency, and equity in service delivery, upholding the public good, and preserving financial viability.

However, personal interests may also motivate AIM. Public managers or elected politicians may manipulate information for private gain, such as enhancing their reputation, securing higher compensation, or advancing their careers. Political economy theories suggest that politicians may leverage public funds to secure re-election (Eslava, 2011) or propose programs benefiting specific interest groups

(Weingast et al., 1981). Such actions may conflict with, or occasionally align with, the public interest (Oppenheim, 1975; Lopes Cardoso and Fajardo, 2014). For example, elected politicians might manipulate information to support a political program that boosts their standing while also addressing public service demands. This overlap is particularly common in public budgeting, where, as Jones and Euske (1991) argue, budget preparation often involves intentional distortion or misrepresentation to meet organizational or political objectives, especially when resources are constrained (Pernsteiner et al., 2016). The budget serves a critical function in allocating limited resources among competing priorities, reflecting underlying political preferences and interests.

Budgeting typically involves fewer rules and standards than financial reporting, leading to greater information asymmetry in the budgeting process. Uncertainty regarding public goals or the means of achieving them further increases this asymmetry (Burchell et al., 1980; Hodges, 2018; van Helden et al., 2023a). Much of the accounting information in budget notes or extracts prepared for press releases is generally not subject to external audit, or is at best monitored only for consistency with budget statements. This lack of oversight facilitates the executive's ability to manipulate disclosed information.

AIM can thus be employed to pursue organizational objectives while formally adhering to accounting standards. However, ethical dilemmas emerge concerning the prioritization of personal versus organizational interests and the methods used to satisfy them. In the public sector, 'personal interest' in AIM differs from the 'private interest' typically discussed in accounting literature, reflecting the complex web of agency relationships that shape how 'interest' is interpreted and acted upon, as outlined below.

2.2. Accountability and dual roles in public management

In many advanced democracies, the relationship between elected politicians and public managers is defined by a clear separation of roles: administrative staff manage the means, while politicians set the goals. Legal frameworks typically delineate the extent of decision-making autonomy and financial responsibility for both parties, though some ambiguity may exist, depending on the model of executive power.

Public managers generally have less authority over financial decisions than corporate managers, as these decisions often rest with elected officials. A distinctive feature of this relationship is that public managers are directly accountable to the public, ensuring equity, impartiality, transparency, and alignment of services with the public interest. Citizens act as both principals to the government and recipients of public services, reinforcing the need for transparency and fairness, including rights of access to government documents—conditions rarely found in the private sector (Mulgan, 2000). In administrative systems influenced by Napoleonic traditions (Pollitt and Bouckaert, 2000), legal compliance tends to be a more sensitive issue for public managers than accountability for results.

This agency relationship between public managers and elected politicians introduces challenges in balancing external political aims with internal management roles, often reinforcing political control over administrative processes. Research shows that politicians may exert influence on public managers by: (i) appointing loyal top managers to implement political agendas; (ii) interpreting rules flexibly; (iii) applying direct pressure; and (iv) displacing public managers in decision-making (Bellò and Spano, 2015). In response, public managers may exploit their information advantage in operational matters to conceal or misrepresent budget execution details, avoiding detection by politicians, auditors, or oversight bodies. This discretion can be applied legitimately to address actual organizational challenges or, alternatively, to enhance professional reputation or conceal incompetence (Jones and Euske, 1991, p. 443).

2.3. Multi-level principal-agent relationships and interest for AIM

2.3.1. Agency relationships in the public sector

Both private and public sectors share a key feature: the delegation of authority between principal and agent. However, agency relationships in the public sector are significantly more complex and multi-layered (Eckersley et al., 2024) than the classic shareholder-board-management structure seen in private companies.

In the public sector, these relationships operate across multiple levels of government—central, regional, and local—and extend to interactions with private organizations providing outsourced public services. Politicians and public managers may simultaneously act as agents in one relationship and as principals in another, each relationship influencing and depending on the others in the implementation of public policies. In democratic systems, for example, voters act as principals to the legislature, which serves as their agent. The legislature, in turn, becomes principal to the executive, which functions as its agent. Further agency relationships can be identified, such as between public managers (agents) and the executive (principal), or among executives themselves, as when a finance executive exercises control over other government executives' expenditures. This layered structure creates diverse interests and needs for accounting information, shaping the ways in which AIM is understood and practiced.

2.3.2. Stakeholder interests in accounting information and AIM

In the public sector, accounting information plays a key role in mitigating agency problems. Budgets and financial reports, in particular, are critical for accountability. The type of accounting information required varies by stakeholder—such as citizens, taxpayers, elected officials, creditors, auditors, suppliers, and service recipients—and is partly specific to the level of government involved.

Citizens and taxpayers expect governments to deliver cost-effective services, with local and central governments presenting distinct priorities. In local government, citizens tend to focus on service costs and local taxes, whereas central governments face scrutiny over national deficits, debts, program costs, and general taxation, particularly from supranational governments, oversight bodies, and rating agencies (van Helden and Reichard, 2019). These expectations create pressure for a balanced budget, often prompting legislative or executive officials to adjust revenue or expenditure forecasts to secure program approval, especially for electoral promises

(see Flyvbjerg et al., 2002, on cost underestimation practices in public works in the US). Local governments, given their closer relationship with citizens, experience heightened expectations and pressures, impacting both politicians and financial managers. Year-end deficits may signal poor management to the public, while surpluses may suggest inefficiency or over-taxation. To address these pressures, public officials often employ an "around-zero" approach, using earnings management to stabilize the budget balance near zero over time (Vinnari and Näsi, 2008; Pina et al., 2012; Ferreira et al., 2013; Arcas and Martì, 2016; Hodges, 2018). This contrasts with AIM incentives in the corporate sector, which are typically driven by contractual obligations such as debt covenants or stock-based compensation. These pressures often lead managers to prioritize short-term stock prices, prompting earnings manipulation to boost valuations (Dechow and Skinner, 2000).

In many countries, financial targets and revenue allocations based on service-level transfers from higher government tiers (principal) are commonly used for local governments and public agencies. In these cases, local politicians and public managers (agents) may resort to AIM to avoid penalties for missing targets or risking funding, thereby safeguarding their organization's viability (e.g., Lagreid and Neby, 2016).

2.4. *Theoretical framework: a configuration of ethics-driven AIM*

The previous subsections have shown that the incentives and opportunities for AIM give rise to ethical dilemmas. The framework in Fig. 1 conceptualizes AIM based on variations in interests—either personal or organizational—and the extent of information asymmetry, either low or high. This conceptualization builds on existing literature in several ways. Various studies suggest that AIM intended to serve the personal interests of the manipulating actor is disapproved of to a greater extent than AIM aimed at serving organizational interests (Merchant and Rockness, 1994, p. 89; Jones and Euske, 1991, p. 438). In this research, these diverging types of interests are viewed as distinct motives for AIM. In addition to motives, there are also opportunities for AIM, primarily stemming from the fact that the manipulating actor possesses more or better information than other stakeholders, resulting in information asymmetry. In her essay on earnings management, Schipper (1989, pp. 92–93) posits that private information held by the manipulating actor is a *conditio sine qua non* for earnings management. Subsequent empirical research confirms that the greater the information asymmetry, the greater the opportunities for AIM (Richardson, 2000, p. 344; Bergh et al., 2019).

This motive-opportunity conceptualization implies that AIM driven by personal interests violates the norm of neutral accounting information provision more severely than AIM driven by organizational interests. Moreover, the extent of information asymmetry between the manipulating actor and relevant stakeholders intensifies this violation. These assumptions lead to four archetypes in Fig. 1. Political AIM and Abusive AIM represent the two extreme archetypes. The former is characterized by the pursuit of organizational interests and low information asymmetry, while the latter involves the pursuit of personal interests under conditions of high information asymmetry. Two intermediate archetypes—Strategic AIM and A-social AIM—are respectively characterized by organizational interests and high information asymmetry, and personal interests and low information asymmetry. It should be noted that these archetypes represent ideal types and may not always occur in pure form; organizational and personal interests often coexist, with one typically prevailing in practice.

In the public sector, examples of organizational interests include safeguarding funding for projects and programs, or achieving a more autonomous position in relation to oversight bodies. Personal interests, by contrast, may involve strengthening the manipulating actor's position or achieving personal gain through the successful completion of a project. Information asymmetry tends to be lower

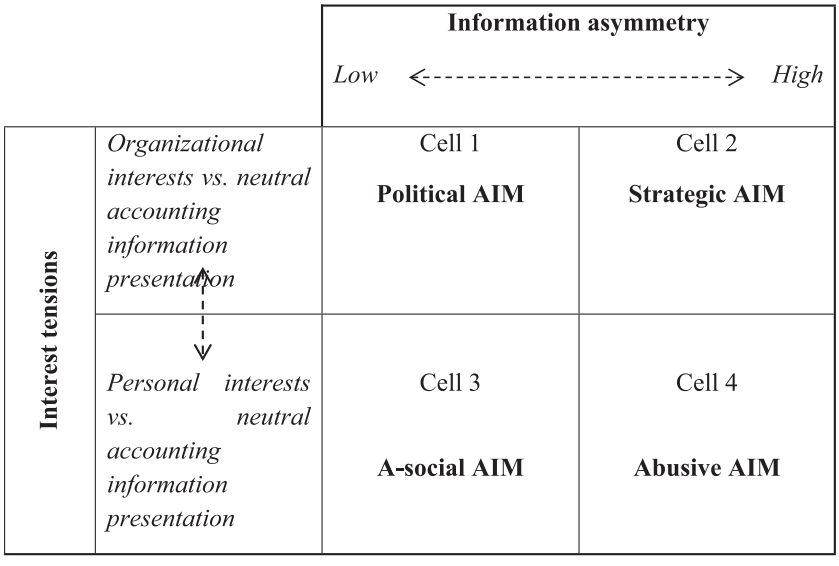

Fig. 1. Archetypes of AIM according to diverging types of actors' interests and the extent of information asymmetry. (Source: the authors)

when accounting rules are stricter—for example, in financial reporting compared to budgeting. Auditing regimes also influence information asymmetry: the stronger the auditing, the lower the information asymmetry. The archetypes are central to this research as they offer insights into the varieties of AIM and highlight the challenges involved in making ethical judgments about them. Prior research (Baron and Ritov, 1994; Fisher and Downes, 2008) suggests that people judge direct lying—stating false information—more harshly than omission, where information is withheld. Both the interest tensions and the degree of information asymmetry are treated as dimensions, allowing for the observation of polar as well as intermediate positions.

Each of the four archetypes in Fig. 1 can be clarified as follows.

Political AIM (cell 1) is primarily driven by the pursuit of policy goals at an organizational level. Here, agents (e.g., politicians or public officials) manipulate financial information to support the broader goals of a governing coalition or political party. The rationale is not necessarily self-serving but rather connected to aligning financial information with policy priorities, which may require adjustments in accounting representations to maintain coherence with political narratives. According to Jones and Euske (1991, p. 448), this can be described as structural misrepresentation in budgeting. Legitimation of these practices often hinges on arguments about budget priorities or project success; however, selective presentation is used to emphasize some aspects and de-emphasize others to support political objectives. Because this manipulation typically occurs in budgeting, it often extends into financial reporting to ensure consistency with the initially presented figures. The information asymmetry is low, as financial information remains largely accessible and understandable to relevant stakeholders. However, the consequences can be problematic, as such manipulation may distort budgetary transparency and undermine accountability.

Strategic AIM (cell 2), by contrast, involves organizational interests but operates under high information asymmetry. This form of manipulation typically serves the long-term goals of an organization, such as securing funding, demonstrating success, or enhancing financial performance (Hodges, 2018). Public managers or political leaders may manipulate financial information to meet external expectations or align with specific targets such as revenue growth, cost containment, or budget balance stabilization. Information asymmetry is high because the full financial data or underlying assumptions are not fully disclosed, enabling actors to selectively frame financial information. As Healy and Whalen (1999) note, this often involves strategic decisions within legal bounds but with the intent to shape perceptions. While this manipulation may appear pragmatic, its overuse can weaken public trust in budgeting and reporting.

A-social AIM (cell 3) differs significantly from the previous two archetypes. It is primarily driven by personal gain rather than organizational or policy objectives. Manipulation in this case is used to enhance personal credibility, bolster image, or reinforce an ideological stance. Although the financial information remains relatively accessible (low information asymmetry), the actor selectively presents or distorts it to serve personal aims. Opportunism here tends to operate within formal rules, which is why this form is labeled 'A-social AIM'. According to Hood (2006), political figures often justify the selective presentation of information by claiming it maintains public trust, especially when full disclosure might undermine political objectives. However, this approach distorts public accountability and hinders informed debate.

Abusive AIM (cell 4) involves the deliberate manipulation of financial information for personal gain, often at the expense of stakeholder trust. This form of manipulation is tied to career preservation, financial incentives, or political power consolidation, making it the most opportunistic and deceptive category. Information asymmetry is high because the true financial picture is either concealed or difficult for stakeholders to access. Schipper (1989) and Healy and Whalen (1999) describe such behavior as the more opportunistic end of the earnings management spectrum. The consequences are severe: Abusive AIM undermines informed decision-making, erodes public trust, and weakens accountability.

In summary, the four types of AIM differ in terms of the manipulating agent's rationale, the organizational versus personal interest involved, and the degree of information asymmetry. Political AIM and Strategic AIM are driven by organizational goals, with low and high information asymmetry respectively. A-social AIM and Abusive AIM are driven by personal gain, with low and high information asymmetry. The key difference between these two latter types lies in the intent and scale of manipulation. It should be noted that in cells 1 and 3, although information asymmetry is assumed to be low (e.g., data can be measured and verified), some degree of AIM may still occur due to prevailing interest tensions and contextual contingencies (e.g., weak auditing, partisan media), which may render data difficult for stakeholders to analyze effectively.

While the matrix in Fig. 1 helps categorize AIM based on structural conditions, it does not capture its ethical acceptability. To deepen the ethical analysis of AIM archetypes, this study applies Information Manipulation Theory (IMT) (McCormack, 1992) to decode the types of informational violations involved. IMT, widely used in the literature (e.g., Yeung et al., 1999; Lapinski and Levine, 2000; Fisher and Downes, 2008), identifies four maxims that are typically violated in deceptive communication, either individually or in combination[2]:

- Quantity: providing insufficient information (omission);
- Quality: providing false or unverifiable information (distortion);
- Relevance: presenting tangential or misleadingly emphasized information;
- Manner: communicating in a way that obscures understanding (e.g., excessive complexity).

[2] Throughout the paper, the following terms are used in relation to the maxims of IMT. Deception typically involves a quality violation, where information is false or unverifiable. Framing corresponds to a relevance violation, where facts are selectively emphasised or contextualised. Obfuscation or withholding relates to quantity or manner violations, where information is partially or incompletely presented. In addition, we use accounting information manipulation (AIM) as a general term to indicate a deliberate distortion of the accounting information by the manipulating actors to serve their personal or organizational goals. AIM can embrace the various maxims as distinguished here.

Prior research (McCormack, 1992; Yeung et al., 1999) suggests that quality violations—involving deception or misinformation—are perceived as the most ethically severe, followed by relevance, quantity, and manner violations. This study draws on Fisher and Downes (2008), who relate the IMT maxims to performance information manipulation techniques. They conceptualize ethical disapproval along a continuum, from less to more dishonest forms of manipulation, depending on the type of deception involved.

Disregarding gaming as a manipulation technique (which is not relevant to this study), the following assertions can be made about the perceived immorality of various accounting manipulation techniques:

- Misleading through information overload or omission (quantity violations) tends to elicit relatively mild ethical disapproval;
- Misleading through selective emphasis or contextual framing (relevance violations) typically provokes a moderate level of disapproval;
- Misleading by distorting or reclassifying information (quality violations) is generally perceived as highly deceptive and elicits the strongest ethical disapproval.

In line with the conceptual model developed by Fisher and Downes (2008), Fig. 2 conceptualizes the ethical aspects of AIM.

The expected ethical acceptability of AIM practices decreases along a continuum—from more ethically permissible (less dishonest) to highly questionable (more dishonest)—as the manipulation becomes more severe and personal-interest driven. We posit that the degree of ethical disapproval is influenced by both the extent of information asymmetry and the nature of the interest—organizational or personal—served by AIM, as outlined in Fig. 1. High information asymmetry gives rise to more severe violations by reducing stakeholder oversight and intensifying perceptions of unfairness, thereby increasing ethical concerns. This observation reinforces the view that the critical issue in information asymmetry is not merely the quantity of information held by the manipulating actor but the quality and degree of control over that information (compare Bergh et al., 2019). Moreover, the omission or framing of information in service of organizational or political goals is generally viewed as less ethically objectionable than manipulations intended for personal gain (Jones and Euske, 1991; Merchant and Rockness, 1994; Kaplan 2001; Johnson et al., 2012).

To express the expected ethical disapproval associated with each AIM archetype, we adopt a graduated scale reflecting increasing degrees of perceived deceptiveness and ethical concern. This scale is calibrated according to the interests served, the degree of information asymmetry, and the dominant IMT maxim(s) involved. Although more than one maxim may be violated within each AIM archetype, our classification focuses on the ethical implications of those most representative of the underlying manipulative intent. The scale includes the following interpretive labels:

Political AIM – Relatively acceptable (mildest). This form of AIM involves the manipulation of financial information to align with policy narratives, typically through quantity violations such as omission or simplification. Information asymmetry is low, as stakeholders generally have access to the relevant data, though its presentation is skewed. Ethical disapproval is low, as such manipulation is often seen as inherent to political communication in budgeting and reporting (Jones and Euske, 1991). Nonetheless, it can still compromise transparency and accountability.

Strategic AIM – Questionable (mild-to-serious concerns). This category encompasses AIM involving communication bias, ranging from mild-to-moderate (e.g., selective framing or emphasis—relevance violations) to moderate-to-serious (e.g., potential distortion—quality violations). It involves high information asymmetry, where key assumptions or caveats are concealed. The combination of more severe maxim violations with high information asymmetry elevates the ethical concern. Yet, because the manipulation serves organizational intent (e.g., securing funding), it falls within a 'questionable' zone of ethical evaluation. Responses range from cautionary disapproval (due to the potential to mislead) to stronger ethical critique, depending on severity.

A-social AIM – Unacceptable (serious ethical breach). This type of AIM involves violations of lower-level maxims (e.g., quantity or relevance) within low information asymmetry but is driven by personal rather than organizational interests. This is perceived as more ethically concerning, as personal motives amplify perceived deceptiveness, even when severe communication bias is absent.

Abusive AIM – Severely unethical (extreme ethical breach). This is the most egregious form of AIM, combining personal interests with high information asymmetry and violations of both the relevance and quality maxims. It is typically judged as intentionally deceptive and ethically indefensible. Abusive AIM, involving both high information asymmetry and quality-based violations serving personal interests, is expected to attract stronger disapproval than Political AIM, which involves quantity-based omissions serving organizational interests. Strategic AIM (characterized by higher communication bias but organizational motives) and A-social AIM (marked by lower communication bias but personal interests) occupy intermediate positions on the continuum. However, we can expect relatively stronger ethical disapproval for A-social AIM compared to Strategic AIM, as the presence of personal interest tends to weigh more heavily in ethical evaluations, regardless of the specific maxim violated. This reasoning is consistent with prior literature on ethical evaluations of deceptive communication (Fisher and Downes, 2008, p. 247), and aligns with findings from the accounting ethics literature on managerial decision-making and intent (Kaplan, 1991; Merchant and Rockness, 1994; Johnson, 2012).

The next section outlines the research methods used to refine this framework through the application of real-life constructs in interviews.

3. Methods

This section addresses the methods of data collection and analysis, clarifying the central role of RLCs in our study.

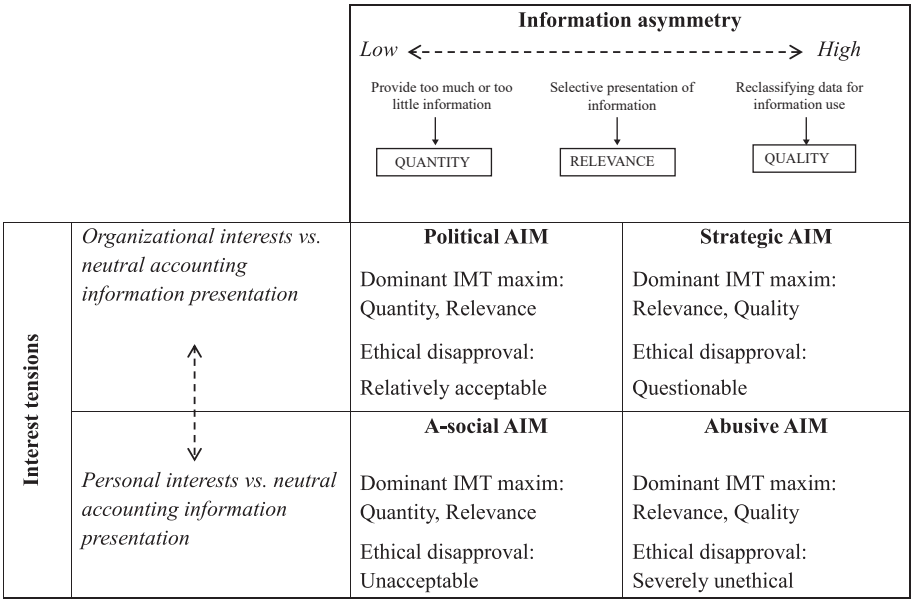

Fig. 2. Ethical implications of AIM.
(Source: adapted from Fischer and Downes, 2008)

3.1. Development of real-life constructs

Several methods can be considered for investigating the ethical aspects of AIM. Surveys, which rely on predefined answer categories, are less effective for exploring sensitive issues related to organizational and personal values, as they carry a higher risk of socially desirable responses. In contrast, interviews are a more suitable data collection method, as they include open-ended questions. Unstructured or semi-structured interviews offer interviewees the opportunity to freely share their thoughts, while allowing interviewers to clarify points when necessary.

We developed RLCs (real-life constructs) to facilitate interviews and explore AIM in the political arena. An RLC presents a practical case that encourages interviewees to reflect on the theme at hand. According to Lapsley and Llewellyn (1995), RLCs contextualize accounting information by demonstrating its role in organizational processes and revealing the values and beliefs of actors who use it. Researchers developing RLCs must possess in-depth knowledge of the practices they study. The validity of an RLC can be assessed by asking interviewees whether it reflects real organizational practices. As Argento and van Helden (2023) note, RLCs must meet three criteria: they should be realistic, allowing interviewees to relate to them; nuanced, presenting diverse perspectives rather than oversimplified versions of reality; and relevant to various forms of accounting information use, enabling generalization of findings. Our RLCs were prepared based on the literature, our own research experience, and the practical experience of one author as a former politician.

RLCs share similarities with vignettes used in the social sciences, as both are useful for exploring sensitive topics that participants may find difficult to discuss directly (Finch, 1991; Barter and Renold, 1999). They allow for non-directive questioning and help clarify judgments on moral dilemmas. Both methods must be plausible, contextually relevant, and not overly complex (Barter and Renold, 1999). While vignettes can be enriched with new events to assess reactions (Finch, 1987; Barter and Renold, 1999), the RLCs in this study focus on providing a rich, real-life context without introducing new events for interviewees to respond to. For example, we did not use prompts such as: "Suppose now that… does this change your reaction to the way in which the main actor thinks and acts?" Although similar to vignettes, RLCs focus on real-life narratives, offering more specific details that go beyond theoretical attributes. A methodological challenge for both vignettes and RLCs is the indeterminate relationship between beliefs and actions (see Finch, 1987; Barter and Renold, 1999). Moreover, RLCs involve narratives about practice situations, which may include details beyond the theoretical attributes used to develop them. In other words, while the narratives may align with one of the cells in Fig. 1—in terms of information asymmetry and types of interest tension—they also contain more specific contextual information.

We developed seven RLCs in total, selecting four for empirical investigation based primarily on theoretical considerations. This selection aimed to represent polar types of RLCs, covering variations in information asymmetry (low versus high) and types of interest tension (personal gain versus organizational interests versus neutral reporting). These polar types align with the cells in Fig. 1 and follow the principles of theoretical sampling in case study research (Eisenhardt, 1989, p. 537). According to Eisenhardt and Graebner (2007), multiple cases with polar characteristics provide a larger potential for theory building by allowing deeper exploration of the impacts of these characteristics on the phenomenon at hand—in this study, the moral aspects of AIM. To select the most suitable four RLCs from the total of seven, we conducted a pilot study involving five interviews. This pilot also enabled us to revise the text of the RLCs by clarifying certain issues. The four RLCs used in our empirical investigations are explained below.

RLC 1. Diverging opinions about building a new city hall

RLC1. Diverging opinions about a new city hall for Rivertown

Rivertown (population: 200,000) currently operates from a city hall built in the 1970s. In 2012, a plan was proposed to renovate the existing city hall at an estimated cost of €25 million. However, the discovery of asbestos significantly increased the expected renovation costs, which by 2017 were projected to be at least €40 million.

Following the municipal elections in 2018, a new board of mayor and aldermen was installed. As part of the coalition agreement, the decision was made to build a new city hall. The municipal council was asked to approve a budget of €80 million for this purpose. However, opinions within the council and among the coalition parties diverged. Some right-wing parties supported the new building, citing opportunities for local businesses. Left-wing parties were skeptical, particularly due to the uncertain and high costs, though they appreciated the sustainability measures included in the project. According to Eveline Jansen, alderman for one of the right-wing parties and responsible for municipal housing, the new building would not only reduce carbon emissions but would "also surely pay back. It will lead to lower energy bills. If I put solar panels on my roof at home, it also costs money at first, but that investment pays back." The municipal council ultimately approved the €80 million budget in June 2020.

After the municipal elections in 2022, a new coalition was formed, now including Alderman Charles Dijkstra, a former CEO of Rivertown Construction Company. Unfortunately, the municipality was soon confronted with substantial price increases. Whereas in 2020 the estimated cost was €80 million, by 2022, €105 million was considered more realistic. An additional budget of €25 million was therefore required. Civil servants warned Alderman Dijkstra that costs could rise even further. However, according to Dijkstra, requesting a significantly higher budget was politically unwise because "it is the societal sentiment that civil servants want to work in a city hall with golden taps." Dijkstra also emphasized the need for a new city hall, arguing that he "no longer wants his employees working in a building with a large amount of asbestos in the ceilings." To secure council approval for the additional funding, he proposed using a 'revolving fund': investments would be financed from this fund, and cost savings from sustainability measures (solar panels, heat pump, etc.) would replenish it over time. After a certain period, the fund was expected to return to its original level. Following a lengthy discussion, a council majority supported this solution, approving an additional €25 million, bringing the total budget to €105 million.

This RLC illustrates that certain political actors were so interested in building a new city hall that they took risks in justifying how rising costs would be covered. The case exemplifies the Political AIM archetype, as information was shaped to fit political priorities rather than being outright concealed. Organizational interests were prevalent for several reasons. First, the decision to approve additional funding was framed as essential for the broader interests of the municipal administration, ensuring a functional and sustainable working environment. Second, right-wing parties supporting the project viewed the construction as an economic opportunity for local businesses, benefiting the broader municipal economy. Moreover, the debate and eventual approval of the project within the municipal council suggest that the decision was driven by governance considerations, not by individual self-interest. The information asymmetry was low: relevant financial information was available to decision-makers, and public scrutiny was present. Apart from providing the public with limited information about the risks involved, the manipulation occurred not through outright concealment but through political framing and justification of financial decisions.

RLC 2. How to avoid the delay in the construction of a new school project.

RLC2. How to avoid a delay in the construction of a new school project

Caterina Alberghi, head of the financial department of the municipality of Santaugusto, approaches the alderman in charge of financial affairs, Giovanni Rossi, with a concern regarding the budget, which must soon be finalized and approved. The municipality has submitted an application for the national 'Next Generation EU Projects' program to finance the construction of a new school, including related facilities for sports and leisure to serve the local population. This project has been approved for partial funding by the national government. The tendering procedures to select both the designer and the constructor have already been completed, and the contracts have been signed. The local media and the town's citizens, along with economic stakeholders, have received this news with enthusiasm. The alderman and the mayor are satisfied and relieved, particularly as their position toward the municipal council and the community had been somewhat strained in recent years.

Caterina informs Giovanni and the mayor that the transfer of funds from the national government has been delayed and will not arrive before the deadline for municipal budget approval, which is set in 45 days. Simultaneously, the first payments to both the designer and the constructor must be made by the end of the month. However, as the alderman recalls, national budgetary rules require decentralized governments to close their budgets while complying with constraints, including a balance between operating revenues and expenditures, as well as between investments and the resources allocated to fund them. Giovanni Rossi and the mayor instruct Caterina to find a solution, as the municipality needs to respect these fiscal rules while continuing with the school project.

Caterina proposes postponing certain operational and investment expenditures in project and service areas currently not under public or media scrutiny. These include cultural activities—such as festivals and maintenance works in the municipal library—and elderly care, specifically the planned expansion of day care services. Information about these decisions is neither disclosed to the municipal council in the multi-annual planning nor included in the budget under construction.

Everyone involved expresses satisfaction: the budgetary constraints are formally respected, and the school project can proceed. Nonetheless, Caterina remains uncomfortable. She reflects that this is yet another instance of balancing the budget through disputable accounting adjustments that may contribute to future deficits.

RLC2 illustrates how politicians pressure financial officials to postpone expenditures in culture and welfare to cover the initial costs of a new school project, thereby safeguarding its continuation. This case aligns with the Strategic AIM archetype, as the manipulation serves to secure the municipality's financial stability and ensure the project's progress, rather than to achieve direct personal or political gain. Information asymmetry is high: municipal council members and other stakeholders are unaware of the adjustments to other planned municipal expenditures. Only a small group of insiders—the alderman, mayor, and head of finance—know the details.

RLC 3. An alderman unhappy with a surplus on last year's financial report.

RLC3. An alderman unhappy with a surplus on last year's financial report.

Angela de Jong, head of the financial department of the municipality of Northtown, informs her alderman, Hans van Gelden, of the financial results for the previous year. The report reveals a surplus of €12 million on total expenditures of approximately €200 million. Under normal circumstances, this would be considered good news. However, current conditions complicate the interpretation. Hans responds with frustration: "I just finished discussions with colleagues, department heads, and labor unions, explaining that serious budget cuts are necessary due to negative financial projections. I have a vested interest in carrying

(*continued on next page*)

(*continued*)

out this austerity plan. And now you're telling me we ended last year with a substantial surplus. How can I convince anyone that harsh austerity is still justified?"
Hans asks Angela to prepare a financial presentation that will frame last year's result in a way that supports the forthcoming budget cuts. Anticipating this request, Angela proposes communicating to the public that the municipality achieved a real surplus of only €3 million, while the remaining €9 million are unspent project funds that will be carried forward into the current year.
Hans also secures the support of the municipal auditor for this interpretation, noting:
"Having the auditor on your side gives legitimacy to your financial presentation. This matters when facing critical councilors."
A press release is issued, and the local newspaper soon reports with the headline:
"Municipality happy with some windfalls in gloomy times." This pleases Hans van Gelden.

RLC3 shows how an alderman frames a budget surplus to align with an ongoing austerity agenda. This case reflects the A-social AIM archetype, as the manipulation primarily serves the alderman's political goal: managing public perception to justify austerity measures. Although the financial presentation also creates reserves for potential future needs, the primary motivation remains political self-interest, not organizational benefit. Information asymmetry is low because the financial details are publicly available and subject to scrutiny by auditors, council members, and the press. The manipulation occurs through selective emphasis in communication, not outright concealment of information.

RLC4 illustrates how a top manager conceals financial risks related to an investment project for which he has a personal and professional interest, while strategically offsetting this with good news from another project.

This fits the Abusive AIM archetype, as the manager deliberately withholds critical information to secure project approval, fostering an illusion of financial stability. Although this behavior may not be explicitly illegal, it raises serious ethical concerns. The manipulation creates a misleading picture of the region's financial status, allowing decisions to proceed under false pretenses. Information asymmetry is high: the cost overruns for the highway project are intentionally concealed, and infrastructure projects typically involve technical and financial complexities that make external oversight difficult.

RLC 4. After rain, sunshine will come

RLC4. After rain, sunshine will come

Bert de Bok, director of infrastructure at the regional government of Waddenland, is confronted with complications regarding a highway reconstruction project. The initial budget was €25 million, but a new, more elaborate plan raises this to €35 million. Bert fears that the project will be canceled due to this cost increase, and he is concerned about persuading his political superiors to support it. His personal commitment to the project is strong: he initiated it, lives near the highway, and has received considerable internal support from his division because of the employment opportunities the project creates. Bert decides not to inform his political superiors about the cost increase yet, reasoning that construction will not begin for more than six months. He also sees an opportunity to combine this negative information with positive news from another project. A second project in his portfolio—a new bridge over a canal—will likely result in a €7.5 million windfall, as actual costs are lower than budgeted. Bert plans to present both projects together, arguing that the combined financial impact will not exceed the original budget expectations. As a former private sector construction manager, he prefers to profile himself as a "fixer"—someone who gets things done within broad budgetary constraints. He anticipates that his political superiors will value this entrepreneurial approach.

Fig. 3 positions the four RLCs along two continua: interest tensions and information asymmetry. RLC1 represents a case of low information asymmetry and tensions rooted in organizational interest. RLC4 is the opposite extreme, combining high information asymmetry with motivations driven by personal gain. RLC3 involves low information asymmetry but personal political interests, partially aligned with organizational objectives. RLC2 reflects high information asymmetry and a combination of personal and organizational interests, though the organizational goal—continuation of the school project—predominates.

This positioning was developed through conceptual reasoning and refined through collaborative validation within the research team to ensure internal consistency. It is important to stress that each RLC represents a concrete example of an AIM archetype and illustrates a specific method of manipulation in practice. Nonetheless, we acknowledge that in reality, such cases may involve overlapping features or ethical 'gray zones,' making rigid classification difficult. The framework is intended to capture dominant patterns and distinctions while allowing for interpretive flexibility.

3.2. Selection of interviewees and data collection

Given that the RLCs require extensive experience with the use and misuse of information in political contexts, we selected experienced politicians and top managers in local and regional government as interviewees. Executive politicians and top managers in these layers of government frequently share financial and policy information during decision-making, control, and accountability processes—more so than in central government settings. An initial set of 24 interviews—12 in Italy and 12 in the Netherlands—was deemed sufficient. To confirm data saturation, four additional interviews were conducted; however, these did not yield new insights (Guest et al., 2006).[3]

Between October 2023 and April 2024, we approached 28 potential interviewees. All agreed to participate, resulting in zero non-

[3] Hodges (2023) suggests an alternative way for selecting suitable interviewees for investigating RLCs, through the application of a Delphi method for achieving a sufficient variation in ethical positions among interviewees. However, our selection of senior politicians and top managers in lower levels of government should offer sufficient variation in ethical perspectives on AIM.

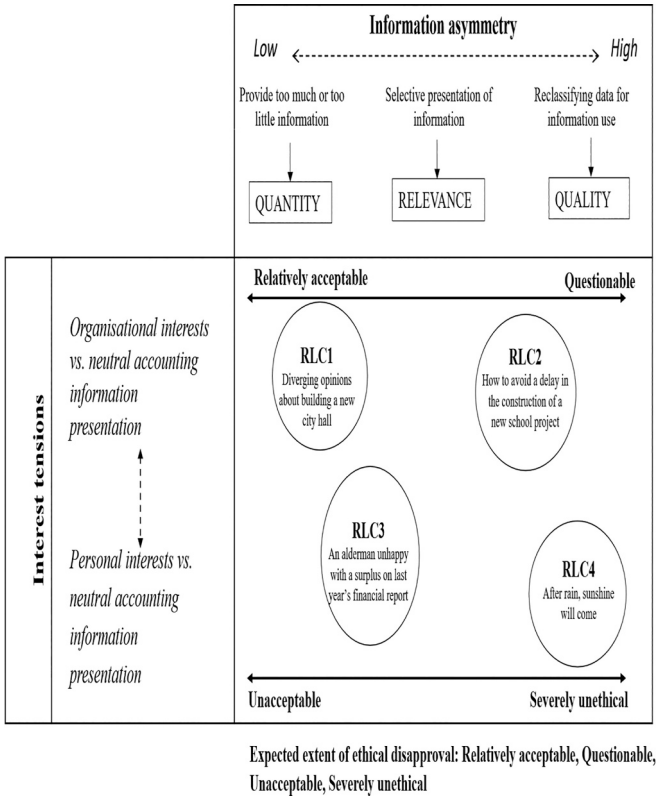

Fig. 3. Positioning of RLCs within the framework outlined in Figs. 1 and 2.
(Source: the authors)

response. The interviews were conducted either face-to-face or online and lasted between 55 and 90 min. They were recorded, and detailed reports were prepared based on both recordings and notes. Reports were initially written in the interviewee's language, translated into English after respondent feedback, and then analyzed collaboratively by the research team. We aimed for gender balance and an even split between politicians and top managers. This was approximately achieved in the Netherlands; however, in Italy, women were underrepresented due to their minority presence in political and top management roles. See Table 1 for further details.

The decision to interview experienced politicians and top managers in local and regional governments in the Netherlands and Italy is based on the authors' familiarity with the administrative rules, decision-making dynamics, and governance of decentralized governments in both countries. These countries share common elements, such as a significant number of services and functions managed at the local and regional levels. However, differences in political-institutional backgrounds, responsibilities, functions, and the level of autonomy granted to politicians and top managers in each country offer useful elements for understanding the factors influencing diverging types of AIM and related ethical judgments. Both governance systems feature a council and an executive board; however, there are key differences in the appointment of mayors and aldermen.

In Italy, mayors are elected directly by citizens, while in the Netherlands, they are appointed by the Minister of the Interior and Kingdom Relations, based on a nomination by the municipal council. Furthermore, in Italy, aldermen (*assessori*) are nominated by the mayor, whereas in the Netherlands, *wethouders* are appointed by the municipal council. Italian mayors also have broader responsibilities, including appointing senior management, while Dutch mayors have less influence in this area. Governance in regional government in both countries is similar to that of municipalities. These institutional differences affect the accountability relations of aldermen, with Italian aldermen accountable to both the mayor and the council, while Dutch aldermen are primarily accountable to the council.

In our interviews, we applied a holistic approach by inviting interviewees to share their perspectives on each RLC. We asked them to reflect on how actors in the RLC think and act. Our goal was to understand whether, to what extent, and why interviewees considered the behavior of the main actors ethically appropriate. To ensure all essential issues were addressed, we used a checklist as a reminder. In addition, we encouraged interviewees to reflect on their own behavior in comparable real-life scenarios, thereby mitigating a known drawback of RLCs (and vignettes, see section 3.1), which is their reliance on fictional cases.

Table 1
Interviewees by role and gender.

	Politicians			Managers			Female/male		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Italy	0	5	5	4	3	7	4	8	12
Netherlands	4	4	8	3	5	8	7	9	16
Total	4	9	13	7	8	15	11	17	28

3.3. Data analysis

The data analysis is divided into two components. The first focuses on examining the findings for each RLC individually. Key issues include assessing the degree to which interviewees consider the thoughts and actions of the main actors in the RLC ethically appropriate or defensible. The analysis also investigates whether differences in responses are influenced by key characteristics of the interviewees, such as their role (politician vs. top manager) or nationality (Italian vs. Dutch). In addition, it explores the contextual circumstances that may lead to divergent perspectives. This analysis begins by assessing how realistic or recognizable each RLC is to the interviewees, based on their own experience.

For each of the four RLCs, a coding protocol was created, outlining key issues for analysis. The Appendix to the paper lists, for each RLC, interview quotes and sources (either politician or manager, from Italy or the Netherlands) that illustrate approval or disapproval of the protagonist's behavior. These quotes informed our analysis of the findings. After collecting interviewee responses, the authors developed initial interpretations for both Italy and the Netherlands, followed by triangulation within the research team. Discussions among the researchers further deepened and refined these interpretations.

The second component of the data analysis involved a cross-RLC comparison of findings across the four cases. This comparative analysis focuses on evaluating the ethical appropriateness of the thoughts and actions in each RLC, identifying differences in ethical terms, and exploring the extent and nature of these differences. More specifically, the analysis includes pairwise comparisons of RLCs, contrasting personal gain-related RLCs with varying levels of information asymmetry, and comparing organizational-interest-related RLCs with different information asymmetry profiles.

4. Findings

This section presents interpretations of the findings for each of the RLCs individually, followed by a comparative analysis across all RLCs.

4.1. RLC1: diverging opinions about a new city hall for Rivertown

This RLC illustrates how city aldermen pursue their interest in constructing a new city hall while presenting financial figures that support this objective (see Exhibit RLC1).

A large majority of interviewees find the case realistic, with some even citing similar experiences of rising costs in large investment projects. For example, a former Dutch alderman of finance describes this as *"a dilemma because you have to invest but also keep your hand on the purse"* (Int-Dutch-politician-29). A Dutch mayor stresses the importance of providing a safe working environment for civil servants while avoiding unnecessary luxuries: *"it is also key not to invest in golden taps"* (Int-Dutch-politician-15). However, a minority of Italian interviewees find the case less realistic, arguing that *"financial estimates of investment projects fall under managerial, not political, responsibilities"* (Int-Italian-manager-1). This response appears linked to the strict division of responsibilities between politicians and managers typical of the Italian system, whereas Dutch politicians and managers are accustomed to a more collaborative approach, with shared responsibilities and less rigid adherence to formal boundaries.

A large majority of interviewees judge the aldermen's behavior in this RLC as unethical. Comments highlight concerns about personal interests influencing decision-making: *"both aldermen are very keen to realize a new city hall"* (Int-Dutch-politician-21), and *"their personal interests are clearly present"* (Int-Dutch-politician-19). A former alderman of finance remarks: *"The alderman who is a former director of a construction company is also the person who prefers to put the spade in the ground right away"* (Int-Dutch-politician-29). Interviewees from both countries note that cost overruns in investment projects are often linked to political pressure. An Italian manager warns that managers bear the risks of financial setbacks: *"Managers will bear the risk of future financial setbacks, even when the initiating politicians are no longer in office"* (Int-Italian-manager-10). Others highlight the difficulty of retracting an approved project: "*Once a project is politically approved and proposed to the citizens, it is difficult to take a step back"* (Int-Italian-politician-3). The availability of funds also influences project initiation decisions.

According to the ethical framework in Fig. 2, RLC1 is expected to lead to violations of the quantity maxim (i.e., withholding information), which is considered moderately unethical. However, due to the importance of cost information and the partially personal interests of the manipulating actors, the degree of ethical disapproval is somewhat higher than expected.

Interviewees identify two primary incentives for presenting lower investment costs: setting overly optimistic budgets and reallocating costs to other projects. Housing costs are particularly sensitive; even minor budget overruns may lead to accusations of poor budget control. One interviewee described a recent case in which a project deficit was reduced by reallocating costs, sparking internal discussion about the appropriateness of such practices. Although it was recognized as a cost shift, the total cost for the municipality and

its inhabitants remained unchanged.

Opinions on the use of a revolving fund to cover project costs through future savings are mixed, though many are critical. One manager with relevant experience notes that its use is feasible "*with a clear basis of incoming and outgoing cash flow*" (Int-Dutch-manager-18). An alderman of finance warns against *"fooling yourself with a revolving fund" (*Int-Dutch-politician-26*)*. Similarly, an Italian manager observes: "*The revolving fund has been intentionally misused to hide the lack of funding*" (Int-Italian-manager-11).

Interviewees highlight two main concerns: the lack of a clear presentation of the full project picture, and insufficient council discussion on policy goals and critical financial issues, such as the payback period. However, both the council and municipal employees are also criticized. An alderman of finance notes surprise that *"the municipal council accepts this lame story"* (Int-Dutch-politician-26). A manager adds: "*Employees should have offered much more resistance to politicians; you cannot compromise on transparency about the costs and benefits of a large investment project"* (Int-Dutch-manager-21). Some interviewees also suggest benchmarking costs to improve estimation reliability.

In summary, while interviewees find the case realistic, they generally regard the intentional underestimation of investment costs as ethically unacceptable. They believe that any cost increase estimates should be disclosed to the council rather than hidden to protect political interests. In light of Fig. 2, this represents a violation of the quantity maxim, implying the withholding of information for specific goals. The degree of disapproval is stronger than initially expected because the hidden information is critical for proper decision-making. The use of a revolving fund is seen as risky, potentially masking funding shortfalls. Some interviewees acknowledge possible justifications for obscuring cost overruns, such as emphasizing potential project benefits or funding opportunities.

4.2. RLC 2: How to avoid a delay in the construction of a new school project

This RLC demonstrates how executive politicians pressure the head of the financial department to use financial maneuvers to cover expenses for a key investment project while technically maintaining budgetary balance (see Exhibit RLC2).

A large majority of interviewees from both Italy and the Netherlands find the RLC realistic, though half of the Dutch interviewees express doubts, citing financial regulations that would make such practices unlikely in the Netherlands. As one of them states: "*I do not find these practices very likely in the Dutch context. Municipalities and provinces in our country have a system of checks and balances that make this approach virtually impossible*" (Int-Dutch-politician-21). Differences in accounting rules between the two countries may explain why the RLC seems less realistic in the Netherlands.

There is divergence in how interviewees assess the proposed accounting solution to safeguard the school project. In Italy, many politicians view shifting funds between projects as acceptable, provided accounting rules are not violated. An Italian alderman states: "*If the rules are respected, every [political] decision is acceptable for the well-being of citizens. As a politician, you can change priorities for the common good, even without political discussion*" (Int-Italian-politician-4). In contrast, all Dutch interviewees underline that shifting funds between unrelated projects is inappropriate. As one interviewee explains: "*I am not in favor of messing around with all kinds of accounting tricks because that usually leads to hassle. You have all kinds of obligations as a municipality, and you just have to respect them, because we want a reliable government*" (Int-Dutch-politician-25). These ethical differences may be linked to cultural and socio-political models (see section 5 'Discussion and Conclusions').

Despite differences in evaluating the financial manipulation, all interviewees agree that failing to disclose the fund reallocation to the council and citizens is unethical, as it undermines transparency and accountability. In terms of Fig. 2, this RLC exemplifies a violation of the quality and relevance maxim—shifting resources between unrelated destinations and withholding information—considered highly unacceptable. Italian interviewees confirm this view but are somewhat more lenient; Dutch interviewees disapprove even more strongly.

Interviewees from both countries, especially the Netherlands, stress that financial employees have a duty to counteract manipulative actions by politicians. A Dutch manager explains: "…*politicians regularly want to be flexible with financial figures in order to achieve certain things. This is justifiable, but the financial people in the organization must counterbalance this. Moreover, it would be bad if politicians systematically ignore such advice from financial people*" (Int-Dutch-manager-17). In Italy, interviewees emphasize that financial managers should not only resist manipulative actions but also guide and support politicians in adhering to rules. As one mayor notes: "*Politicians cannot implement their choices without the help of public managers, while managers can do a lot without politicians*" (Int-Italian-politician-12).

In summary, a large majority of interviewees disapprove of the actions of both the politicians and the head of the financial department in this RLC for withholding information about shifting resources between two destinations. This behavior constitutes a violation of the quality maxim (reclassification of accounting data), subject to strong disapproval. However, in Italy, this practice is seen as relatively more acceptable when it secures continued funding for a project perceived as beneficial. Italian interviewees stress the financial manager's role in guiding politicians toward transparency, while Dutch interviewees highlight the shared accountability of both politicians and managers for respecting accounting principles. These differences reflect broader variations between Italy and the Netherlands in regulatory frameworks and the respective roles of politicians and managers.

4.3. RLC3: an alderman unhappy with a surplus on last year's financial report

This RLC illustrates how a politician manages the tension between commitment to an austerity program, informed by negative financial projections, and the contradictory signal of a positive surplus from the previous year's accounts (see Exhibit RLC3).

All interviewees, from both Italy and the Netherlands, acknowledge this RLC as realistic. A significant minority recognizes the occurrence of a budget deficit alongside a surplus from the previous year, drawing on their own experiences. For example, a Dutch

mayor explains: "*We were faced with a substantial deficit for several years, while at the same time surpluses on the accounts of previous years were registered. These surpluses arose from unused resources for certain programs and, recently, from a lack of personnel to implement proposed projects or programs"* (Int-Dutch-politician-21). An Italian manager remarks: *"a lack of spending capacity could signal organizational inefficiency"* (Int-Italian manager-3).

A large majority of interviewees, both managers and politicians, consider the alderman's behavior understandable and justifiable. The alderman attempts to downplay the surplus to mitigate the tension between deficit and surplus, using a specific presentation of financial figures. As one interviewee states: "[*This behavior] is a way of going ahead with political narratives*" (Int-Italian-politician-4). Another adds: "*Giving meaning to financial figures in a sensible way is important"* (Int-Dutch-manager-22). Italian interviewees further argue that this approach is ethically defensible in terms of safeguarding the organization's long-term viability and making financial information more comprehensible to non-expert stakeholders, such as citizens and the media.

Although Fig. 2, which outlines ethically contested behaviors, assumes violations of the quantity and relevance maxims—leading to unethical assessments—the interviews reveal a more nuanced response. Framing information to serve specific goals is often seen as justifiable, regardless of the personal interests of the actor involved. These findings suggest that A-social AIM can sometimes be perceived less harshly than other forms of AIM, particularly when alignment with organizational objectives (RLC3) diminishes the perceived severity of self-interested communication, especially in low information asymmetry contexts. This points to a gray area where relevance or framing violations are judged as less severe, despite the actor's self-serving intent. This insight contributes to the literature by illustrating that perceptions of AIM ethics are not absolute; rather, they are situational and contingent upon motives, shaped by both informational dynamics and perceived alignment with public sector values. Furthermore, political actors, as users of accounting information, remain acutely aware of the risks of public money misuse—a concern that directly connects ethical perceptions to the broader imperative of safeguarding public financial sustainability.

Nonetheless, a small minority of interviewees criticize the alderman's behavior, arguing that withholding essential financial information from fellow aldermen lacks transparency and courage. They contend that the alderman should explicitly explain how a future deficit can coexist with a prior-year surplus.

Interviewees also suggest ways to mitigate or avoid the tensions exemplified in this RLC. First, they recommend allocating incidental surpluses to strengthen the municipality's equity position, given that unspent resources will likely be needed in subsequent years. Second, they propose improving control systems to identify potential surpluses earlier in the fiscal year, allowing for formal rebudgeting. Third, adjusting policy objectives to more realistic levels could reduce the volume of unspent resources.

The pressure exerted on the municipal auditor is broadly viewed as unethical. Italian interviewees emphasize that, in their national context, auditors report directly to the Italian Court of Accounts and *"must remain neutral in assessing and validating accounting figures"* (Int-Italian-manager-2). Dutch interviewees similarly stress the auditor's independence, highlighting that auditors must assess financial statements free from political or managerial influence. Some clarify that auditors are responsible only for ensuring a fair and comprehensive view of the financials according to national regulations, not for endorsing specific ways of presenting figures.

In summary, interviewees find this RLC realistic. A large majority understand and justify the alderman's behavior, interpreting the revised financial presentation as a strategy to preserve the municipality's long-term financial capacity, consistent with the continuation of an austerity program. The approach is also seen as a way to render financial data more accessible to citizens and the media. Related to the ethical framework outlined in Fig. 2, the level of disapproval toward the alderman's actions is lower than expected.

4.4. RLC4: After rain, sunshine will come

In RLC4, a high-ranking official seeks to present negative news about a project he supports alongside positive news about another project, with the aim of safeguarding the continuation of the first project (see Exhibit RLC4).

This RLC is considered clear and recognizable by a large majority of both Italian and Dutch interviewees, with a substantial minority acknowledging similar experiences. For example, an Italian alderman observes: "*In some cases, managers have tried to 'manipulate' me*" (Int-Italian-politician-6). However, a small minority of Dutch interviewees found the case less realistic within their current administrative context, where officials typically have limited autonomy for such tactics. As one interviewee explains: *"In the past, Dutch provinces had large divisions for infrastructure… with a lot of power and autonomy… top managers could then afford to conduct practices as shown in this case, but this is currently no longer possible"* (Int-Dutch-politician-21).

Interviewees from both countries unanimously view the manager's behavior as ethically unacceptable, citing concerns over the pursuit of personal interests. A Dutch politician notes: "*If you have bad news to report, it should always be communicated clearly and without delay. At most, you can say, 'I'll recalculate,' but you must inform the executive and council as soon as possible*" (Int-Dutch-politician-29). An Italian manager further highlights that: "*The manager overstepped into political territory by withholding crucial information that might have led to a political decision to halt one of the two projects, even though the actions ultimately served the municipality's interests*" (Int-Italian-manager-1). Italian interviewees consistently stress the need to maintain a clear distinction between the institutional roles and responsibilities of politicians and managers in local governance.

A small minority of Italian interviewees suggest that the manager's behavior might be acceptable when consistent with established managerial autonomy aimed at enhancing organizational effectiveness, allowing for so-called "*functional slacks*" to provide operational flexibility (Int-Italian-manager-8). In this view, the actions could be justified if they fall within the manager's budgetary authorization. However, Dutch interviewees strongly disagree. One argues*: "Even with a program-level mandate for infrastructure, the top manager should transparently report both setbacks and windfalls to the Executive"* (Int-Dutch-manager-22). Moreover, an Italian interviewee is also critical of this rationale, stating: *"Excessive managerial autonomy may arise when a manager fails to separate professional responsibilities from personal beliefs about 'what is best' for the organization and its citizens. This blurs impartiality, making the manager more likely to present*

information selectively to politicians, thereby supporting their own perspective rather than providing a balanced view of the issues at hand" (Int-Italian-manager-11). A significant majority of Dutch interviewees further argue that while managers may propose ways to balance shortfalls and windfalls across projects, the final decision must rest with accountable politicians. This highlights the obligation to inform political leaders promptly about cost increases, given their limited access to technical details and expertise to detect such issues independently. Sensitivity to the political ramifications of project costs is thus deemed essential.

In summary, the ethical disapproval of this RLC aligns with the expectations outlined in Fig. 2, which anticipates serious concerns regarding personal interests and violations of the quality maxim. However, the disapproval expressed by interviewees is even stronger than anticipated. The misleading element is primarily perceived as a relevance violation, associated with the selective framing of accounting information. A few Italian interviewees consider this behavior less problematic when it aligns with managerial autonomy and produces positive outcomes for local stakeholders. By contrast, Dutch interviewees reject such justifications, especially given the political sensitivity of the projects involved.

4.5. Cross-RLC analysis

Fig. 4 summarizes interview findings across two dimensions: i) the actor's private versus organizational interests and accounting information presentation; and ii) variations in information asymmetry, from low to high.

Each cell corresponds to one of the four RLCs, providing:

- a summary of its core content;
- the predominant view among interviewees;
- minority perspectives;
- and the type of ethical disapproval, both expected and observed.

When comparing RLC1 and RLC2, interviewees generally disapprove of the behaviors in both cases, but for different reasons. In RLC2, shifting resources between unrelated budget items to ensure project continuity is seen as particularly unethical due to a lack of transparency toward the municipal council. In RLC1, although the behavior is also viewed as inappropriate, disapproval is less strong. This is because executive politicians face a complex balancing act: they must weigh the need for a proper workplace environment against the imperative to limit spending on the new city hall—an issue somewhat peripheral to core policy-making. However, the aldermen's personal (political) interests in realizing the new city hall likely made them less critical of related investment costs. Interestingly, the differences in information asymmetry between RLC1 (low) and RLC2 (high) appear to have had minimal impact on the ethical extent of AIM observed. IMT anticipates relatively mild ethical judgment for RLC1, yet interviewees expressed views closer to moderate disapproval. For RLC2, IMT suggests expectations ranging from moderate to serious concern, whereas the actual responses leaned toward moderate concern, indicating a less severe perception than anticipated.

The comparison of RLC3 and RLC4 reveals a more pronounced divergence. In RLC3, interviewees largely approve of or at least understand the actor's behavior, whereas in RLC4 they strongly disapprove. The key difference is that RLC3 involves a 'sensible' presentation of financial figures aligned with organizational goals, whereas RLC4 involves a manager concealing critical information and offsetting shortfalls from one project with windfalls from another—a move seen as an inappropriate encroachment into political decision-making. The stronger private interests at play in RLC4 may help explain this divergence. IMT predicts serious ethical disapproval for RLC3; however, interviewee reactions were more moderate. Some even argue that the actor's personal political interests in advancing austerity measures could be interpreted as aligned with organizational objectives. The higher information asymmetry in RLC4 contrasts with the relatively low asymmetry in RLC3, further influencing the differing judgments. This finding aligns with Jones and Euske (1991, p. 438), who argue that managers in budgetary contexts often "maximize their own discretion at the expense of political decision-makers so as to gain the greatest efficiency in spending money to achieve organizational objectives." As expected, interviewees express severe ethical disapproval in RLC4. However, the core concern is not factual inaccuracy but rather violations of relevance—misleading or irrelevant communication is perceived as the central ethical problem.

During the interviews, respondents frequently used ethical terminology when commenting on the RLCs. These terms fall into distinct semantic categories:

- *Hiding information* (e.g., hide, cover, withhold, conceal, lack of transparency);
- *Manipulating information* (e.g., manipulation, distortion, misleading, maneuver, misuse, accounting fraud, discretion, risk);
- *Responsibilities in the political arena* (e.g., responsible, irresponsible, justifiable, accountability, morality, obligation, legitimacy);
- *Acceptability of actions* (e.g., acceptable/unacceptable, unethical, inappropriate, justifiable, appropriate).

This vocabulary is consistent with the theoretical framework proposed in the paper. It reflects the conceptual distinctions between hiding and manipulating information, as well as broader considerations about the acceptability of AIM and the responsibilities tied to decision-making power.

5. Discussion and conclusions

This paper explores the ethics of accounting information use in the political arena, focusing on whether manipulations driven by private interests receive more disapproval than those serving organizational goals, and whether high information asymmetry increases

Interest tensions		Information asymmetry: Low	Information asymmetry: High
	Organizational interests vs. neutral accounting information presentation	**'Political AIM'** *RLC1. Diverging opinions about building a new city hall* Executive politicians are motivated to build a new city hall and are downplaying investment costs. Expectations: ethically wrong but expected mild ethical disapproval (Organizational interest, Quantity as to IMT). Main finding: actions are disapproved of because a fair view on investment costs has been withheld from the council. Actual ethical disapproval: extent of disapproval stronger than expected (especially in Italy). Minority viewpoint: actions are understandable due to the importance of project and funding opportunities.	**'Strategic AIM'** *RLC2. How to avoid a delay in the construction of a new school project.* Executive politicians want to safeguard new school investment by shifting money from other destinations to this project. Expectations: ethically wrong, expected from mild to serious ethical disapproval (Organizational interest, Relevance and Quality as to IMT). Main finding: actions are disapproved of because of shifting money between unrelated destinations and withholding information from the council. Actual ethical disapproval: extent of disapproval stronger than expected (especially in Netherlands). Minority viewpoint: actions are understandable because of the importance of school project and the limited responsibility of politicians.
	Personal interests vs. neutral accounting information presentation	**'A-social AIM'** *RLC3. An alderman unhappy with a surplus on previous year's financial report* Executive politician presents financial information in a way that better suits his interests. Expectations: expected serious ethical disapproval as Personal interest and Quantity and Relevance are involved. Main finding: action is understandable due to a sensible framing of financial information. Actual ethical disapproval: extent of disapproval lower than expected. Minority viewpoint: preference for openly showing conflicting signals of two financial documents.	**'Abusive AIM'** *RLC4. After rain, sunshine will come* Top manager mixes information about setback of one project with windfall of another project and shows combined financial information to political superiors. Expectations: ethically wrong, expected from serious to extreme ethical disapproval (Personal interest and Quality as to IMT involved). Main finding: actions are strongly disapproved of due to personal interests of the manager in the project with setback, withholding of information to political superiors, and taking a political role. Actual ethical disapproval: extent of disapproval stronger than expected. Minority viewpoint: actions are understandable when the manager has a broad financial mandate.

Fig. 4. Findings on real-life constructs, configured according to diverging types of interest (personal vs. organizational) and different degrees of information asymmetry (low and high).
(Source: the authors)

opportunities for manipulation. Based on interviews with senior politicians and managers in local and regional governments in Italy and the Netherlands, our findings partly confirm these expectations.

On the one hand, RLC4, where manipulation serves the actor's private interests in a context of high information asymmetry, receives the most disapproval from interviewees. This suggests that selfishness is strongly condemned. RLCs driven by organizational interests (RLC1 and RLC2) also face disapproval but to a lesser degree. This indicates that opportunistic manipulation of accounting data, while ethically questionable, elicits less aversion than self-serving manipulation. These findings align with our expectations and are consistent with prior research on varying interests in AIM (Jones and Euske, 1991; Merchant and Rockness, 1994).

On the other hand, RLC3, where the actor's private interests coincide with low information asymmetry, generates substantial understanding among interviewees, contrary to our initial expectations. However, the private interests involved in RLC3 are less

pronounced than initially assumed, and the type of manipulation—framing information to align with the actor's goals—is seen as relatively acceptable. In contrast, other RLCs involve more contested practices, such as withholding information from key stakeholders. These results suggest that while the variables of interest type and information asymmetry are important, they do not fully account for the ethical assessment of information manipulation in political settings.

To address this, we developed a framework for assessing the ethicality of AIM practices, taking into account variations in interest tensions with neutrality in information provision, and degrees of information asymmetry. This framework draws on Information Manipulation Theory (McCornack, 1992) and the concept of ethical disapproval intensity (Fisher and Downes, 2008). While the framework offers valuable insights, it also proves too schematic for capturing the nuances of AIM in practice. For instance, withholding information—typically expected to elicit mild or moderate disapproval—can provoke strong negative reactions when the omitted information is perceived as core by stakeholders. In addition, while the framework links higher disapproval levels to data reclassification (violations of the quality maxim), in practice, omitting crucial information (violating the quantity maxim) can also trigger severe condemnation.

Interviewees from both countries expressed broadly similar views, though some national differences emerged. Italian respondents are more inclined to justify contested AIM behaviors by invoking formal rules, often arguing that if a practice is not explicitly prohibited, it is acceptable. At the same time, they also refer to regulations and the division of political and managerial responsibilities to question specific actions. In contrast, Dutch interviewees emphasize shared responsibilities for ethical conduct rather than relying on formal regulatory boundaries. This distinction may reflect Italy's more legalistic public administration culture (Kickert, 2007), which stresses formal rules and hierarchical divisions of responsibility. In the Netherlands, relationships between politicians and managers are typically more egalitarian, resonating with broader differences between formalism and utilitarianism (Brady and Wheelen, 1996).

These findings also relate to Hofstede's (2011) cultural dimensions, particularly uncertainty avoidance, power distance, and individualism versus collectivism (source: https://www.hofstede-insights.com/country-comparison-tool). Italy's higher uncertainty avoidance may explain a stronger reliance on rule-based ethics in AIM. Greater power distance in Italy could lead to manipulation practices being more directly shaped by hierarchical directives. Furthermore, Italy's collectivist orientation may result in manipulative actions being more embedded within the actor's community context, whereas the Netherlands' individualist culture may prioritize personal accountability (Lapinski and Levine, 2000).

An implication of this study is that in the Netherlands, there may be less confidence in formal regulations, such as ethical codes, to effectively guide moral behavior. Instead, the internalization of ethical norms by politicians and managers is considered essential. This is particularly relevant because Dutch officials have greater discretion in decision-making and financial reporting, with less central government oversight. By contrast, Italian officials operate within a more rigid regulatory framework, with stricter national oversight. However, further research is needed to substantiate this claim, particularly through a more systematic investigation of how Dutch and Italian politicians and managers respond to specific cases of AIM and how variations in ethical codes and sanctions influence these responses.

Another implication is the need to distinguish between the ethical roles of politicians and top managers as professionals and as individuals. Ethical leadership is more credible when leaders also apply ethical standards in their personal lives, consistent with the idea of the "tone at the top" (Lawton et al., 2013, pp. 160–162). The risk of ethical hypocrisy—promoting ethical norms publicly but not adhering to them privately—exists in both legalistic cultures like Italy and consensual cultures like the Netherlands. Without coherent enforcement, legalistic ethical norms may be ineffective, and in consensual cultures, leaders may overestimate their own moral integrity (Menzel, 2015, pp. 254–255).

Politicians and managers showed many similar responses, though managers tend to rely more on professional judgment, which involves expertise, experience, and ethical principles such as objectivity and neutrality (Likierman, 2019). In Italy, managerial responsibilities are clearly separated from political ones, and politicians sometimes shift blame onto managers when AIM is criticized. In the Netherlands, managers, particularly in finance, often see it as their duty to counterbalance political tendencies to manipulate accounting data for organizational or personal gain.

This research has practical and policy implications. Training politicians and top managers to recognize morally questionable behaviors in the production and use of accounting information is essential (Menzel, 2015, p. 356). Case-based ethics training, such as the RLCs used in this study, is especially effective. Training that focuses solely on abstract principles often fails to engage participants. Instead, discussing realistic dilemmas around manipulative accounting practices helps participants grapple with the ethical complexities of balancing organizational goals against moral considerations. Policymakers might consider revising accounting standards to limit AIM opportunities. This could involve stricter rules ensuring the comprehensiveness of revenue, expense, asset, and liability registration, and clearer principles to prevent inappropriate reallocations of financial items. For example, Dutch municipalities have significant discretion in structuring their budgets according to programs (Budding and van Schaik, 2015, p. 150), which, while useful for policy flexibility, may obscure a transparent presentation of revenues and expenses. Public sector auditors might also prioritize AIM by developing specific audit protocols to scrutinize disputable registration practices more closely.

The use of RLCs in our study proved effective in helping interviewees reflect on sensitive ethical issues without directly confronting their own behavior. While a majority either approved (RLC3) or disapproved (RLC1, RLC2, and RLC4) of the manipulations, minority perspectives also emerged. This confirms our aim, discussed in section 3.1, to use RLCs to explore divergent opinions on wrongdoing, not simply to document misconduct.

In two of the four RLCs, interviewees disapproved of the manipulating actors' behavior but nonetheless found it understandable. This reflects an attitude of forgiveness, where wrongdoing is acknowledged but blame is withheld (Hughes and Warmke, 2024). Blame involves holding actors accountable (Tognazzini and Coates, 2024), while forgiveness seeks to restore relationships. For example, in RLC1, involving the construction of a new city hall, some Dutch interviewees rationalized the underestimation of building

costs—despite its violation of the quantity and relevance maxims—due to external pressures and concerns about public spending. Similarly, in RLC2, some Italian interviewees accepted the practice of reallocating funds to protect a school project (violating the quality maxim) because it served the city's interests without breaching formal accounting rules. However, understanding a wrongful act does not necessarily imply forgiveness. Forgiveness involves overcoming negative feelings and restoring trust, which was not explicitly explored in this study. We propose that future research should investigate forgiveness in relation to AIM, particularly from the perspective of victims, such as councilors or oversight bodies. The literature suggests that forgiveness can be both wrongdoer-dependent (triggered by apology) and victim-dependent (motivated by a desire to repair the relationship) (Hughes and Warmke, 2024). Cross-cultural differences in moral codes may also influence whether forgiveness is granted (Lawton et al., 2013, p. 18).

This study has several limitations, which suggest directions for future research. First, our framework, illustrated in Figs. 1 and 2, focuses on four ideal types of AIM, each represented by a single RLC. We chose not to develop additional RLCs due to the considerable time required from interviewees (60–90 min per respondent). However, future research could benefit from expanding the set of RLCs to capture a wider range of manipulative practices. Second, our study primarily investigates the behaviors of manipulating actors. We did not explicitly include the perspectives of the victims of AIM, such as councillors, citizens, or oversight bodies. Future studies should explore the impact of AIM on these stakeholders. Third, while we examined some institutional and governance differences between Italy and the Netherlands, further research is needed to systematically assess how cultural and institutional contexts influence ethical evaluations of AIM. Previous studies have noted variations across cultures in the interpretation of maxim violations (Yeung et al., 1999; Lapinski and Levine, 2000), and further investigation is warranted.

Despite these limitations, this study is among the first to explore different types of AIM in the political arena, under varying contextual contingencies, using a novel, real-life case-based approach to data collection and analysis.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix. Sample interview quotes and findings[4].

RLC	Interview quote	Interviewee	Findings
RLC1	*Hiding the true costs of an investment is a form of manipulation that can have serious and politically dangerous consequences in the long run.*	IT-Manager-3 (association of municipalities, 63,000)	Actions are disapproved of because a fair view on investment costs has been withheld from the council (23)
	An alderman is responsible for explaining everything that is happening in the municipality to the citizens.	IT-Politician-4 (municipality, 185,000)	
	This alderman withholds information from the council regarding a significant increase in the construction costs of a new town hall, presenting it instead through the creation of a revolving fund. This approach appears to be a cosmetic maneuver.	NL-Manager-22 (municipality, 200,000)	
	In this case, the council is simply being fooled.	NL-Manager-23 (municipality, 650,000)	
	It is important to have a good working environment for civil servants as well, not only for maintaining employer attractiveness but also to ensure compliance with health and safety regulations.	NL-Politician-29 (municipality, 14,000)	Actions are understandable due to the importance of project and funding opportunities (5)
	An alderman or a governing body may have a specific goal they want to achieve and seek the council's support to do so. If the arguments are convincing, the council approves. In this case, it's likely that the coalition had already agreed on the new city hall, understanding it might be more expensive.	NL-Manager-28 (municipality, 60,000)	
	Once a project receives political approval, stepping back becomes challenging.	IT-Manager-3 (association of municipalities, 63,000)	
	Politicians often choose to cover the additional costs by utilizing EU funding for environmentally sustainable construction.	IT-Manager-2 (association of municipalities, 107,000)	
	The investment plan must be balanced: therefore, some minor portions of the projects may be deferred until additional resources – whether from private or public sources – become available to fund them. These decisions are political in nature and are informed by data provided by managers.	IT-Politician-4, municipality, 185,000)	

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[4] The number in brackets next to the emerging themes indicates how many interviewees pointed to that particular theme.

(*continued*)

RLC	Interview quote	Interviewee	Findings
RLC2	*It is ethically unacceptable not only that the financial manager agrees to manipulate the budget to meet the politicians' demands, but also that she has failed to be transparent and accountable to both the citizens and the council.*	IT-Manager-2 (association of municipalities, 107,000)	Actions are disapproved of because of shifting money between unrelated destinations and withholding information from the council (23)
	It is unacceptable that political administrators are using resources for completely different destinations.	NL-Politician-20 (municipality, 75,000)	
	It is a political mortal sin *not to inform the council.*	NL-Politician-21 (municipality, 48,000)	
	Accepting financial obligations and making payments for a new project without reporting them to the council is irresponsible.	NL-Manager-22 (municipality, 200,000)	
	The fact that you have a funding or financing problem should not be part of the discussion. You shouldn't attribute it to, for example, elder care.	NL-Politician-25 (municipality, 92,000)	
	Cutbacks have significant implications for the elderly, even though they are temporary.	IT-Politician-9 (municipality, 87,000)	
	It is justifiable as long as the adopted solution is temporary and enables the municipality to manage both expenditures. I have employed similar strategies in my role, and such an approach is necessary in these situations; one must be clever to move funds from one project to another.	IT-Manager-8 (municipality, 200,000)	Actions are understandable because of the importance of school project and the limited responsibility of politicians (5)
	The behavior is justifiable given that the priority is to secure funding. However, I disapprove of the lack of communication and transparency, as this should have been necessary to justify the political decision, even if it would not have been well received by the citizens.	IT-Politician-12 (municipality, 51,000)	
	It is acceptable not to provide detailed explanations only in the case of small budget cuts.	IT-Politician-6 (municipality, 35,000)	
	If the rules are respected, any decision is acceptable for the well-being of the citizens.	IT-Politician-4 (municipality, 185,000)	
	The alderman can be justified, as he asked the manager to find a solution since the obligations were due.	IT-Manager-11 (municipality, 101,000)	
RLC3	*Considering that no accounting fraud is involved, this behavior may occur to assist the alderman in their communication and avoid conflict with them.*	IT-Manager-1 (municipality, 22,000)	Action is understandable due to a sensible framing of financial information (22)
	The alderman cleverly created accounting constraints to provide budgetary flexibility for the future. If this strategy is agreed upon in advance with the CFO, before presenting the annual report to the council, then this behavior is acceptable – not because it is more ethical, but as a practical and conservative approach to strengthening the organization's financial capacity.	IT-Manager-8 (municipality, 200,000)	
	This manipulation of information may be acceptable in the media, as it conveys a positive image of the organization. However, it is not acceptable if this manipulation could have been included in the annual reports.	IT-Manager-10 (Regional government, >4,000,000)	
	This is a way to align with political narratives. If the auditors consider it formally acceptable and in compliance with national law, then it is fine.	IT-Politician-4 (municipality, 185,000)	
	The alderman's behavior is acceptable as long as he does not pressure the manager to alter records or engage in any similar actions.	NL-Politician-25 (municipality, 92,000)	
	A negative financial perspective and an account surplus over the past year are contradictory signals. Therefore, the alderman's efforts to reconcile these signals are sensible.	NL-Politician-21 (municipality, 48,000)	
	The alderman's behavior can be acceptable, as he wanted to inform the media about the constraints on using the surplus to fund services, and thus, the need for cutbacks.	IT-Manager-11 (municipality, 101,000)	
	Hiding the information can be ethically justified if it creates public value, such as ensuring the organization's long-term viability. However, citizens may not have fully understood a clear explanation of this. Some decisions, which create value, must be made even if they involve some level of opacity.	IT-Politician-12 (municipality, 51,000)	
	It is important that this issue be discussed with fellow aldermen, as the responsibility for finances rests with the entire executive. The accountant deals with the financial entries, but the morality behind them and the rules and transparency toward the council, [as an alderman] that's your own responsibility.	NL-Politician-29 (municipality, 14,000)	Preference for openly showing conflicting signals of two financial documents (6)
	I would have preferred to communicate to the public that an extraordinary surplus has occurred in the municipality,	IT-Politician-7 (municipality, 172,000)	

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RLC	Interview quote	Interviewee	Findings
	presenting an opportunity to make additional investments or expenditures for service delivery.		
RLC4	*If you have bad news to report, it should always be communicated clearly and without delay. At most, you can say, "I'll recalculate," but you must inform the council as soon as possible.*	NL-Politician-29 (municipality, 14,000)	Actions are strongly disapproved due to personal interests of the manager in the project with setback, withholding of information to political superiors, and taking a political role. (26)
	It is not his role to mix things up. There must be transparent decisions made by the council, as this deviates from what was agreed upon in the budget.	NL-Manager-27 (municipality, 103,000)	
	This case is an example of role reversal, with the public manager taking on the politician's role.	IT-Manager-8 (municipality, 200,000)	
	The manager acted by stepping into a political role… However, he withheld important information that could have led to a political decision to halt one of the two projects. A public manager should always inform the alderman, allowing politicians to make the final decision, especially when it involves investments and the capital budget.	IT-Manager-1 (municipality, 22,000)	
	Depending on the manager's mandate, their behavior may be acceptable or not; however, ultimately, the actions are unacceptable.	NL-Manager-22 (municipality, 200,000)	Actions are understandable when the manager has a broad financial mandate. (2)
	What is also relevant is that in municipalities the program budget is approved by the council at program level and you can shift within that.	NL-Politician-26 (municipality, 161,000)	
RLC1	*The CFO is individually responsible by law for the accuracy and content of the accounting documents… Politicians often ask public managers to understate the costs of investments in the budget, creating room for maneuver to adjust the investment figures later on.*	IT-Manager-5 (regional government, >4,000,000)	Legislation, formal division of responsibilities (10)
	If this method of presenting the results complies with Italian regulations, you can present the reality as you prefer.	IT-Manager-5 (regional government, >4,000,000)	
	As a civil servant, it is essential to ensure that actions comply with laws and regulations. Ethical considerations may also apply. You have an obligation as a civil servant to keep a straight back	NL-Manager-24 (municipality, 92,000)	
RLC2	*If the rules are respected, every decision is acceptable for the well-being of the citizens. If the construction of an infrastructure is deemed essential for the citizens, then everything legally permissible is acceptable. As a politician, you can change priorities for the benefit of the town and its citizens, even without political debate.*	IT-Politician-4 (municipality, 185,000)	
	The responsibility for requesting a formal revision of the municipal plan lies with the public manager.	IT-Manager-8 (municipality, 200,000)	
	The accounting principles are mandated by law, and this is a case of hidden debt	IT-Manager-11 (municipality, 101,000)	
	It is crucial for us as politicians to be aligned with public managers, as we cannot implement our decisions without their support, while public managers can achieve a great deal even without politicians.	IT-Politician-12 (municipality, 51,000)	
	Politicians regularly seek flexibility with financial figures. The financial people in the organization must counterbalance this.	NL-Manager-17 (municipality, 515,000)	
RLC3	*Politicians often aim to increase expenditure by utilizing the surplus rather than concealing it, so public managers must rely on accounting rules to prevent the surplus from being depleted. CFOs sometimes align with politicians to avoid conflicts with them, but they must ultimately bear the responsibility if things go wrong.*	IT-Manager-1 (municipality, 22,000)	
RLC3	*The docility of the auditors in this case is more concerning, as a lay politician may not fully grasp the seriousness of omitting or distorting information.*	IT-Politician-9 (municipality, 87,000)	Independence of auditors (28)
	Auditors are accountable to the Court of Auditors and must remain objective in their assessment and validation of financial figures.	IT-Manager-2 (association of municipalities, 161,000)	
	If the auditor agrees with the presentation of the numbers, it does lend additional legitimacy to the outside world. However, from the auditor's perspective, this is less important, as their role is to ensure the accurate representation of the financials, rather than the narrative that accompanies them – at least not always.	NL-Politician-25 (municipality, 92,000)	
	It is understandable that some pressure may be exerted on the municipal auditor, but the auditor should not yield to this	NL-Politician-21 (municipality, 48,000)	

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RLC	Interview quote	Interviewee	Findings
	pressure. He or she must independently assess the municipality's financial figures for the past year.		

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