



**BUSITEMA
UNIVERSITY**
Pursuing Excellence

**MANAGERIAL EFFECTIVENESS, INTERNAL AUDIT QUALITY AND FINANCIAL
REPORTING QUALITY: A CASE OF STATUTORY CORPORATIONS IN UGANDA**

BY

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BUSITEMA UNIVERSITY**

PLAN A

OCTOBER, 2024

DECLARATION

DECLARATION

I Kisule Yolamu, do hereby declare that this research proposal is my original work, and has not been submitted before to any institution of higher learning for any award.

Sign.....



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APPROVAL

APPROVAL

This research proposal has been under our supervision, and it is hereby submitted with our approval as internal University supervisors.

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DEDICATION

I dedicate this research work to my children, for the continuous spiritual, moral and financial support that were extended to me during the period of my research work.

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LIST OF ACRONYM

IFRS	:	International Financial Reporting Standards
OAG	:	Office of the Auditor General
PFMA	:	Public Finance Management Act
UBOS	:	Uganda Bureau of Statistics

DEFINITION OF TERMS

- Managerial Effectiveness:** Managerial effectiveness is described as a competence approach that is used to identify personal characteristics which results into the manager's superior and effective performance in a job (Gupta, 1996).
- Internal Audit Quality:** Internal audit quality is described as the organizational practice of reviewing or evaluating the effectiveness of internal controls as regards all the business transactions, and their corresponding financial reports for a particular period to ascertain its compliance with the laws and regulations (Bananuka *et al.*, 2018).
- Financial Reporting Quality:** Financial reporting quality denotes a high, or, low quality of information in financial reports including disclosures in notes (International Financial Reporting Standards, (IFRS, 2020).

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ABSTRACT

The aim of the study is to examine the association between managerial effectiveness, internal audit quality and financial reporting quality. The study objectives included; to examine the link between managerial effectiveness and financial reporting quality, to establish the association between managerial effectiveness and internal audit quality, to examine the association between internal audit quality and financial reporting quality, and to establish the mediating relationship of internal audit quality on managerial effectiveness and financial reporting quality among public statutory corporations in Uganda. The study applied the the principal agent theory, and a cross sectional research design with a target population of 82, and a sample size of 66 public statutory corporations identified with the aid of Krejcie and Morgan (1970) Table for determining a sample size and selected basing on simple random sampling technique. The questionnaire instrument was used and checked for validity and reliability using expert judgement and Cronbach alpha coefficient. Descriptive statistics, correlation, regression, and Sobel 1982-Test was used to analyze for mediation effect, and the results indicated a significant correlation between managerial effectiveness, internal audit quality and financial reporting quality, whilst regression results revealed significant association between managerial effectiveness and financial reporting quality ($R^2 = 0.11$, $\beta = 0.49$, $P \leq 0.05$), managerial effectiveness and internal audit quality ($R^2 = 0.09$, $\beta = 0.37$, $P \geq 0.05$), and internal audit quality with the quality of financial reporting ($R^2 = 0.67$, $\beta = 1.01$, $P \geq 0.05$). The findings further show that internal audit quality partially mediates managerial effectiveness and financial reporting quality (*Sobel Z-value* 2.5345268 $\geq P$ -value of 0.000001). The study concluded that internal audit quality conveys the inputs of managerial effectiveness to induce completeness, consistency, understandability, verifiability and timeliness in financial reporting. The study recommends integrating internal audit quality with managerial effectiveness to improve financial reporting quality. Future scholars should examine the influence of external auditing quality and financial reporting quality to broaden the development and understanding of the concept of organizational auditing.

Keywords: Financial reporting quality, Managerial effectiveness and Internal audit quality

CHAPTER ONE

1.0 Introduction

This section involves background, problem statement, purpose, objectives, research questions, scope of the study, significance and the conceptual framework.

1.1 Background to the study

Financial reporting quality is critical in availing the necessary financial information which is useful to users in making financial decisions (Ma *et al.*, 2019).

Financial reporting quality relates to a low or high quality of reporting financial information including disclosure in notes to enable users in decision making (International Financial Reporting Standards (IFRS, 2020). To make informed decisions, information from financial reporting ought to be presented in a timely manner, need to be verifiable, complete, understandable and consistent (Kaawaase *et al.*, 2021; IFRS, 2020).

This means that improving the quality of financial reporting within the statutory corporations would increase the level of transparency and eliminate the common issues such as inappropriate financial reporting quality (Bananuka *et al.*, 2018). Ensuring the quality of financial reporting information also enables users to make decisions on prospects for future net cash inflows of the entity and management's stewardship of the entity's economic resources (IFRS, 2020).

Despite the importance of quality financial reporting, there are intensive lapses in financial reporting quality worldwide, leading to high-profile financial scandals in public statutory corporations that has not only resulted in government losses but, also reduced confidence in the financial systems (Herath & Albarqu, 2017), a practice which has raised questions among stakeholders.

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