
**CORPORATE GOVERNANCE, RISK MANAGEMENT PRACTICES, AND
FINANCIAL DECISION-MAKING QUALITY IN TESO SUB-REGION
LOCAL GOVERNMENTS (EASTERN UGANDA)**

BY

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(BU/GS23/MBA/23)

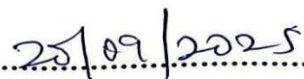
**A RESEARCH REPORT SUBMITTED TO DIRECTORATE OF GRADUATE STUDIES,
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DECLARATION

I, **Koluo Daniel**, declare that this dissertation is my original work, except where due acknowledgement has been made. I declare that this work has never been submitted to this University or any other institution for partial fulfilment of any award.

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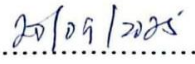
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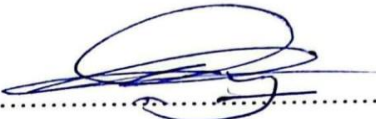
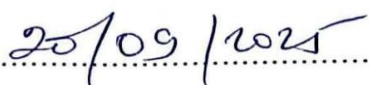
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APPROVAL

This is to certify that this report has been submitted for examination with our approval as university supervisors

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DEDICATION

I sincerely dedicate this dissertation to my beloved family, whose unwavering support and encouragement have been a constant source of strength throughout this journey. In particular, I extend my deepest gratitude to my dear wife, Ms. Regina Akol, and our cherished children: Noeline Asio, Caleb Israel Koluo, and our twin sons, Opio Josiah and Odongo Joshua. I also express special appreciation to my loving mother, Ketty Asio, whose guidance and prayers have always inspired and sustained me.

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ABBREVIATIONS AND ACRONYMS

AG	Auditor General
C.G.	Corporate Governance
LGPA	Local Government Performance Assessment
GAO	Government Accountability Office
FY	Financial Year
IFMS	Integrated Financial Management Systems
LGMIS	Local Government Management Information Systems
LGs	Local Governments
MOFPED	Ministry of Finance Planning and Economic Development
OPM	Office of the Prime Minister
PPDA	Public Procurement and Disposal of Public Assets Act
RAPEX	Rationalization of Agencies and Public Expenditure
UGX	Uganda Shillings
US.	United States

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ABSTRACT

The study examined how risk management practices influence the link between corporate governance and the quality of financial decision-making in Local Governments within Uganda's Teso sub-region, drawing on Agency and Contingency Theory. Specifically, the study examined the relationship of corporate governance and financial decision-making quality; assessed the relationship between corporate governance and risk management practices; determined the relationship between risk management practices and financial decision-making quality; and established the mediating effect of risk management practices in the relationship between corporate governance and financial decision-making quality. A cross-sectional research design was used and a quantitative approach. A population target of 154 LGs was considered with a sample of 111 LGs was selected. Stratified sampling technique was used. 94 LGs participated in the study which represents 85% response rate. The study used structured questionnaires and data was pretested for reliability and validity. This was done with content validity index (CVI) and Cronbach Alpha to test the credibility of items. All pilot test results on items were valid and reliable above threshold for both CVI & Cronbach Alpha (≥ 0.7). Data was analyzed using the Statistical Package for Social Sciences (SPSS). The analysis involved frequency tables, correlation, regression analysis, and Hayes' Process Macro version 3 for mediation analysis. Whereas the findings revealed a significant connection between corporate governance, risk management practices, and the quality of financial decision-making, the results also indicated that risk management practices partially mediate the link between corporate governance and financial decision-making quality. In light of these findings, the study recommends that Local Governments institutionalize robust and effective risk management practices as a means to enhance corporate governance and improve the quality of financial decision-making.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter provides a comprehensive overview of the study by outlining the background, articulating the problem statement, and defining the overall purpose of the research. It further delineates the specific objectives and research hypotheses that guided the investigation. Additionally, the chapter specifies the scope, highlights its significance, and presents the conceptual framework that underpins the theoretical and analytical approach adopted throughout the research.

1.1 Background to Study

Local governments (LGs) have been central to efficiency and quality service delivery, pivotal to providing basic services that meet public needs (MOFPED, 2024). Local governments play a vital role in promoting economic sustainability and driving regional development through implementation of policies and programs that foster local business growth, job creation, and infrastructure development.

Through decentralized governance, they can efficiently allocate resources to meet community needs, enhancing the well-being of citizens and supporting long-term economic resilience (Kiwunuka & Kateshumbwa, 2022). This scale of mandate requires a concept of robust financial decision-making quality to meet the increasing local governments' requirements, such as financial sustainability, better spatial planning, and resource allocation (OPM, 2023).

Financial decision making quality refers to the ability to systematically evaluate and select the most suitable financial options from a range of alternatives. It involves the efficient allocation of financial resources, effective management of assets and liabilities, prudent investment decisions, and the adoption of strategies that best support the achievement of specific financial goals (Melati & Curado, 2021). It encompasses a broad range of financial strategies, including the effective management of an entity's revenues and expenditures, as well as the identification and mitigation of financial risks associated with new investments. These practices are essential for achieving strategic objectives and ensuring long-term financial sustainability (Akour & Alzyoud, 2024). It's therefore measured in terms of financial competence, ethical soundness, outcome effectiveness, and information quality (Klapper & Lusardi, 2020).

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