



**CORPORATE GOVERNANCE AND QUALITY OF FINANCIAL REPORTING IN
LOCAL GOVERNMENTS, A CASE OF PALLISA DISTRICT LOCAL GOVERNMENT**

BY

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**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT
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BUSITEMA UNIVERSITY.**

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DECLARATION

DECLARATION

I **Sanyu Jovia Hivisham**, hereby pronounce that the content of this research work is my original work and that no other study has been conducted on the topic. To the best of my knowledge, this work has never been submitted before, in any other university or higher institution of learning for any degree or related qualification. In all cases where other people's ideas were quoted, they have been duly acknowledged by complete references.

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APPROVAL

APPROVAL

This is to endorse that this Research report by Sanyu Jovia Hivisham on "corporate governance and quality of financial reporting in local governments in Uganda: a case of Pallisa district local government" has been under my supervision and is now submitted for examination with my approval as the University supervisor.

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DEDICATION

I dedicate this research work to my parents Mr. Kimera Henry Benjamin Waguma, Mrs. Kiiza Sarah Kimera, and Mrs. Lukia Mbasalizaki my dear sister Nabirye Tracy Whitney who provided me with both financial and non-financial assistance that enabled me accomplish this course and above all the almighty GOD.

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LIST OF ABBREVIATIONS AND ACRYONYMS

Bn	Billion
CEO	Chief executive officer
CVI	Content validity index
DMBs	Deposit money banks
IT	Information technology
LGAs	Local government authorities
LGS	Local governments
MOLG	Ministry of local governments
PDLG	Pallisa district local government
Q	Quarter
QFR	Quality financial reporting
SPSS	Statistical package for social sciences
UGX	Ugandan shillings

EXECUTIVE SUMMARY

This study examined the effect of corporate governance on quality of in local governments in Uganda. The study applied a cross sectional research design and quantitative approach. Data was collected from 140 as a target population with accessible unit of inquiry being 103 respondents consisting of consisting of accountants, administrators, internal auditors, social workers, legal officers, IT specialists, public information officers, security personnel, environmental officers and elected officials. Data was collected using a closed ended questionnaire and statistical package for social sciences was used for analyzing data from which frequency tables, descriptive statistics, reliability, validity, correlation and regression results were obtained. The study findings revealed that there was a positive and significant relationship between board composition and quality of financial reporting; audit committee and quality of financial reporting, and also on separation of ownership and control on quality of financial reporting. The study therefore, recommended that in order to improve the quality of financial reporting, local governments and other organizations should respect the autonomy of board of directors, should respect the set audit standards exercised by the audit committee and should also respect the supervision of the finance staff while conducting out their duties and responsibilities of their owners by not interfering in their activities.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the introduction, background of the study, problem of the statement, purpose of the study, objectives, research questions, scope of the study, conceptual framework, and significance of the study and definitions of key terms.

1.1 Background of the study

Financial reporting quality is of concern globally to all stakeholders such as shareholders, lenders and suppliers and financial misreporting practices are common. For example, Board & Nederland (2019) Global Economic Crime and Fraud Survey indicates that 49% of financial reports presented by firms do not meet the quality standard.

Globally, according to the western Australia Annual Report (2023) - Cisco, n.d.) indicates timeliness and the cost of delays, also remains a concern and more than a quarter of local government entities still had not finalized their financial reports to an acceptable standard with 39% yet not finalized by the end of 2022.

In Africa, according to the report of the auditor general in Ghana Vision, (2022), the overall financial impact of weaknesses and irregularities identified in the course of the audit amounted to GH¢1,412,021,784.33 thus leading to poor quality financial reporting.

In East Africa, Tanzania, according to the annual General Report on the audit of LGAs for the financial year (CAG, 2020) inconsistencies, material errors, omissions, and misstatements resulted into modification of opinions to some LGAs where qualified opinions were 53 (29%) entities' financial statements.

In Kenya, according to the auditor general report for the national government (Accountability, 2020), the financial statements exhibit significant misstatements with the underlying accounting records and thus existence of significant disagreement(s) between the financial statements and the underlying books of accounts and standards.

The picture in Uganda is more pronounced according to the annual report of the auditor general to parliament The Republic of Uganda Report of the Auditor General (2022) where 28,172 employees in 26 LGs were paid on wrong steps or levels leading to over payments of UGX.2,

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