

**THE INFLUENCE OF CORPORATE GOVERNANCE ON THE QUALITY OF  
FINANCIAL REPORTING: A CASE STUDY OF LIRA CITY EAST DIVISION,  
LIRA CITY**

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**UGANDA CHRISTIAN  
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**DECLARATION**

I, **Ejang Jane Patience**, declare that this report is entirely my own work and has not been previously submitted to any University or Institution for the purpose of obtaining any academic qualification.

Sign.....

Date.....14th/09/2024.....

**APPROVAL**

This is to certify that this research report has been carried out under my guidance and supervision

Sign: .....

Date: ..14/4/2026.....

**Mr. Henry Mugisha**  
**(Supervisor)**

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## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>1</b>
<b>APPROVAL.....</b>	<b>2</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>3</b>
<b>TABLE OF CONTENTS.....</b>	<b>4</b>
<b>LIST OF ABBREVIATIONS.....</b>	<b>6</b>
<b>OPERATIONAL DEFINITIONS.....</b>	<b>8</b>
<b>ABSTRACT.....</b>	<b>9</b>
<b>CHAPTER ONE.....</b>	<b>10</b>
<b>INTRODUCTION.....</b>	<b>10</b>
<b>1.0 Introduction.....</b>	<b>10</b>
<b>1.1 Background of the study.....</b>	<b>10</b>
<b>1.4. Objectives of the study.....</b>	<b>8</b>
<b>1.4.1 Main objective.....</b>	<b>8</b>
<b>1.4.2 Specific Objectives.....</b>	<b>8</b>
<b>1.5. Research questions.....</b>	<b>9</b>
<b>1.6 Scope of the study.....</b>	<b>9</b>
<b>1.6.1 Content Scope.....</b>	<b>9</b>
<b>1.6.2 Geographical Scope.....</b>	<b>9</b>
<b>1.6.3 Time Scope.....</b>	<b>9</b>
<b>1.7. Significance of the study.....</b>	<b>9</b>
<b>1.8 Conceptual Framework.....</b>	<b>10</b>
<b>CHAPTER TWO.....</b>	<b>11</b>
<b>LITERATURE REVIEW.....</b>	<b>11</b>

<b>2.0</b>	<b>Introduction.....</b>	<b>11</b>
<b>1.2</b>	<b>The influence of audit committee on the quality of financial reporting.....</b>	<b>12</b>
<b>1.3</b>	<b>The influence of the board composition on the quality of financial reporting.....</b>	<b>14</b>
<b>1.4</b>	<b>The influence of the internal control committee in the quality of financial reporting.....</b>	<b>16</b>
	<b>CHAPTER THREE.....</b>	<b>19</b>
	<b>RESEARCH METHODOLOGY.....</b>	<b>19</b>
<b>3.1.</b>	<b>Introduction.....</b>	<b>19</b>
<b>3.2</b>	<b>Research Design.....</b>	<b>19</b>
<b>3.3</b>	<b>Target Population.....</b>	<b>19</b>
<b>3.4</b>	<b>Data Collection.....</b>	<b>19</b>
<b>3.5</b>	<b>Sample size.....</b>	<b>20</b>
<b>3.6</b>	<b>Methods of data collection.....</b>	<b>21</b>
<b>3.6.1</b>	<b>Qualitative method (interview).....</b>	<b>21</b>
<b>3.6.2</b>	<b>Quantitative method of data collection.....</b>	<b>21</b>
<b>3.7</b>	<b>Research instruments.....</b>	<b>21</b>
<b>3.7.1</b>	<b>Questionnaire.....</b>	<b>21</b>
<b>3.8</b>	<b>Reliability and Validity of data collection instruments.....</b>	<b>21</b>
<b>3.8.1</b>	<b>Reliability.....</b>	<b>22</b>
<b>3.8.2</b>	<b>Validity.....</b>	<b>22</b>
<b>3.9</b>	<b>Data collection Procedures and ethics.....</b>	<b>22</b>
<b>3.9.1</b>	<b>Procedure:.....</b>	<b>22</b>
	<b>CHAPTER FOUR.....</b>	<b>23</b>
	<b>DATA ANALYSIS AND RESULTS.....</b>	<b>24</b>
<b>4.0</b>	<b>Introduction.....</b>	<b>24</b>

<b>4.1 Demographic information.....</b>	<b>24</b>
4.1.1 Gender of the respondents.....	24
4.1.2 Age of the respondents.....	24
4.1.3 Level of Education of the respondents.....	25
4.1.4 Department of the respondents.....	25
4.1.5 Number of years spent at the organization.....	26
<b>4.2 The influence of corporate governance on the quality of financial reporting.....</b>	<b>27</b>
4.2.1 The effects of corporate governance on the quality of reporting.....	27
<b>4.3 Corporate governance mechanisms (concepts) and their influences on reporting.....</b>	<b>28</b>
4.3.1 Board composition on the quality of financial reporting.....	28
4.3.2 Audit committee influences on the quality of financial reporting.....	29
Audit committee influences on the quality of financial reporting.....	29
<b>4.4 Regression Analysis on the corporate governance influence on the quality of reporting.....</b>	<b>30</b>
<b>CHAPTER FIVE.....</b>	<b>31</b>
<b>DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS.....</b>	<b>31</b>
<b>5.0 Introduction.....</b>	<b>31</b>
<b>5.1 Discussion of results.....</b>	<b>31</b>
<b>5.2 Conclusion.....</b>	<b>32</b>
<b>REFERENCES.....</b>	<b>35</b>
<b>WORK PLAN.....</b>	<b>39</b>
<b>PROPOSED BUDGET.....</b>	<b>40</b>

## LIST OF ABBREVIATIONS

CPD	Continuing Professional Development
FRQ	Financial Reporting quality
CDC	Curriculum development center
CG	Corporate governance
<u>EDI</u>	Electronic Data Interchange
GPA	Grade Point Average
GWI	Global Web Index
IT	Information Technology
LMS	Learning Management Systems
NIEM	<u>National Information Exchange Model</u>
SNS	Social Networking Service
<u>SOAP</u>	Simple Object Access Protocol
SPSS	Statistical Package for the Social Sciences
WWW	World Wide Web

## OPERATIONAL DEFINITIONS

*The definitions below are important concepts in this study:*

*Corporate governance: The process of management practices and procedures in regional banks. Corporate governance helps to establish the role of the manager and the board, and the shareholders (Awotundun, Kehinde, & Somoye, 2011).*

*Financial reporting: The financial statements of the companies reported publicly.*

*In the financial statements, the financial stability of the companies can be assessed (Adiloglu & Vuran, 2012). In the financial statements, there are income statements, balance sheets, and cash flow statements that explain further details of the companies by footnotes from accountants.*

*Mature program: For regional banks that have been practicing corporate governance for over ten years (Bonna, 2011).*

*Net interest margin (NIM): It is the measurement of investments made by regional banks to their debts (Ionescu, 2012). NIM is found out through dividing interest income minus interest expense by average earning assets.*

*No program: Region banks without corporate governance or with ineffective corporate governance (Bonna, 2011).*

*Profitability: Ability of banks to earn profit (Yeh, 2017)*

Regional Banks: These banks are larger compared to community banks, offering more products and serving a particular geographic area (Yeh, 2017). Regional banks are financial institutions that provide financial services within a specific geographic area and hold at least one billion dollars worth of assets (Al-Matari & Al-Arussi, 2016).

Return on Assets (ROA): This is a ratio used to determine how profitable a business is considering the effectiveness with which it uses its assets. The calculation for return on assets requires dividing the net income by the total amount of assets (Adiloglu & Vuran, 2012).

## **ABSTRACT**

This paper seeks to examine the impact of corporate governance on financial reporting quality among selected organizations in Lira City East, Northern Uganda. The main motivation behind this research is the consistent problems in financial reporting despite existing corporate governance measures in organizations. This study mainly concentrated on the effect of corporate governance components, which include the audit committee, board of directors, and internal control systems, on financial reporting quality.

A descriptive and correlational research design was used, applying both qualitative and quantitative approaches to gather data. Questionnaires and interviews were administered to a randomly selected 50 respondents in five firms within the selected region. While qualitative data was analyzed using content analysis technique, quantitative data were analyzed through regression analysis.

The results have shown a positive correlation between corporate governance and financial reporting quality. This indicates that the board of directors, audit committee, and internal control systems have enhanced transparency, accuracy, and efficiency in financial reports. Regression analysis further proved that there exists a statistically significant effect of corporate governance elements on financial reporting quality.

This study suggests the need for effective governance measures, which will promote quality financial reporting in organizations.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

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

### **1.1 Background of the study**

Internationally, organizations are concentrating on attaining results that will attract investments. The stability and profitability of organizations determine the investment choice in the current highly competitive organizational environment. Corporate governance has been widespread within the last decade and has a lot of impact on the quality of accounting information in almost all organizations. Globally, organizations have realized the need for corporate governance and started to incorporate it. Corporate governance is not only addressed in accounting literature but also academic literature. The topic of discussion is corporate governance, which comprises ownership of organizations, economic efficiency, competition of products, internationalization, and general attributes (Awolowo et al., 2018). An agency problem exists between stakeholders and managers resulting in problems related to corporate governance. Even with an efficient agreement between the parties, it does not remove the interest conflict between them (Ali, 2018). Corporate governance is the strategy that organizations use to address potential interest conflicts. By incorporating corporate governance, leaders can execute organizational goals and objectives. The use of corporate governance allows organizations to reduce the risks associated with the operations of the organization through the application of appropriate internal and external controls (Akhidime, 2019).

The corporate governance consists of the principles that are developed by the company for ensuring that there should be no conflict between the management and the other stakeholders including consumers, suppliers, society, employees, and managers within the organization (Akhidime, 2019). Thus, the factors associated with corporate governance including the audit committee and human resource management along with board members help in increasing profitability while ensuring proper quality within financial reporting. Corporate governance

practices are linked to the performance of the company along with investors' protection (Akhidime, 2019). The quality of corporate governance practices depends on the regulatory environment (Ararat et al., 2017). Corporate governance practices depend on the practices of both companies and federal government (Awolowo et al., 2018).

Good corporate governance can avoid shareholder manipulation and fraudulent activities on the part of management, making life easier for small investors. Those firms without any manipulation or fraudulent activities by management and whose shareholders generally have good corporate governance. Regulatory bodies help develop better corporate governance guidelines, regulations, and practices, which are a major portion of developing and enhancing the fundamentals for the economic performance of the business in both the short term and the long run. The insider and the outsider are two types of corporate governance structures. Insider stakeholders may be involved in conflict-of-interest issues when there is weak and strong shareholders. The outsider structure may be involved in conflict-of-interest cases where there is managerial and independent shareholders (Ararat et al., 2017). There are two primary goals of corporate governance integrity of management and guidance to maximize shareholders (Akhidime, 2019).

Recently in Africa, the companies with good corporate governance have a lot of advantages. First advantage from the structured corporate governance is that the company's reputation will be increased. The capital market will also be increased due to the fact that it allows an efficient allocation of resources (Bonna, 2011). Crisis situation will be removed but will not affect the welfare of the society. Most of the previous studies on corporate governance focus on situations that provide information on the owner-agent conflict (Fulgence, 2024).

Nevertheless, within the East Africa region, the emergence of corporate scandals globally has helped managers, investors and regulators understand the importance of corporate governance for the provision of financial stability (Kyere & Ausloos, 2021). This explains why in several countries there have been efforts towards developing tools and measuring their effect on firms' value and decision making process (Achim, 2024). Recently, boards of directors gained a considerable interest in the wake of several corporate disasters, namely: Lehman brothers, and corporate scandals, including Enron 2001, Andersen 2001/2002, WorldCom 2002, Parmalat 2003/2004, financial crisis, amongst others (Nadaf, 2016).

Corporations' governance deals with the way the shareholder receives his dividends. Such codes of good governance have slowly been embraced by all other European nations, acting as an institution that imposes standards for the convergence of others (Achim, 2024). These reforms have had much influence in developing countries, where firms have managed to improve investor confidence, corporate governance, and competitiveness (Goel, 2018). It is thus assumed that corporate governance is born out of events which have dominated recent decades, being more of a prosperity strategy than a survival mechanism for organizations (Feleagă, 2011).

New trends in corporate governance have also emerged in Uganda as a result of emerging issues from the changes in the economic environment characterized by the emergence of several financial scandals as well as the pressures of integrated performance that has both financial and non-financial measurements (Popa, 2020). Therefore, corporate governance, through the nature of the composition of the board of directors, are fundamental components which have over the years attracted substantial attention in academic studies (Abdullah & Tursoy, 2023). The increase in financial scandals over time has generated more attention towards the link between corporate governance and the quality of financial reporting, which is an outcome of the critical position held by the board of directors in creating value and affecting society (Puni & Anlesinya, 2020).

### **Statement of the problem**

Poor financial reporting has been witnessed in many companies in Uganda; however, as observed in the study by Changezi (2022), good corporate governance is one of the important foundations for organizations to become more effective in financial reporting and performance improvement. Shareholder wealth maximization can be one of the objectives of firms. There can be a strong positive correlation between corporate governance, financial reporting, and shareholder wealth maximization (Rouf, 2023). While the managers of banks try to maximize the wealth of shareholders, aspects of corporate governance such as audit committees, boards, and human resources attempt to maximize profits.

Corporate governance in general terms can contribute significantly to improving the financial performance of the organization (Zaharia, 2022). Several aspects related to corporate governance are key in ensuring efficient functioning and financial reporting processes. In most firms, financial statements are prepared based on the actions taken by the corporate governance actors, while the latter also confirm the accuracy of the information contained therein. From this point of view, it is important to understand that there is a link between corporate governance and financial

reporting. However, the previous literature has proven that there have been strong relationships between corporate governance and financial reporting quality such as earnings manipulation/management and financial fraud in financial statements (Beasley, 2025). As there is no relevant data on how corporate governance impacts the quality of financial statements in the Lira City East organizations, this study was conducted.

#### **1.4. Objectives of the study**

##### **1.4.1 Main objective**

To explore the influence of corporate governance on the financial reporting of the selected organizations in Lira City East, Lira City in Northern Uganda

##### **1.4.2 Specific Objectives**

- i. To examine the influence of audit committee on the quality of financial reporting in organizations in Lira city
- ii. To assess the influence of the board on the quality of financial reporting in cooperate companies
- iii. To evaluate how internal control (Human resource committee) influence the quality of financial reporting in organizations in Lira city

#### **1.5. Research questions**

- i. What are the influence of audit committee on the quality of financial reporting in organizations in Lira city?
- ii. How does the board composition influences the quality of financial reporting in cooperate companies?
- iii. What are the influence of internal control on the quality of financial reporting in organizations in Lira city?

#### **1.6 Scope of the study**

##### **1.6.1 Content Scope**

##### **1.6.2 Geographical Scope.**

The study was conducted in Lira City East, Lira City. Lira city is in Northern Uganda. It is bordered by the Lira, Kole, Dokolo, Alebtong, and Oyam districts. It's found in coordinates 0.4490° N and 31.3542° E.

### 1.6.3 Time Scope

In this regard, this study was conducted from 2025 to 2026 to address the knowledge gap regarding corporate governance. This enabled the researcher to capture detailed, up-to-date data to draw conclusions that answer the research questions above.

### 1.7. Significance of the study

The study is expected to have the following importance:

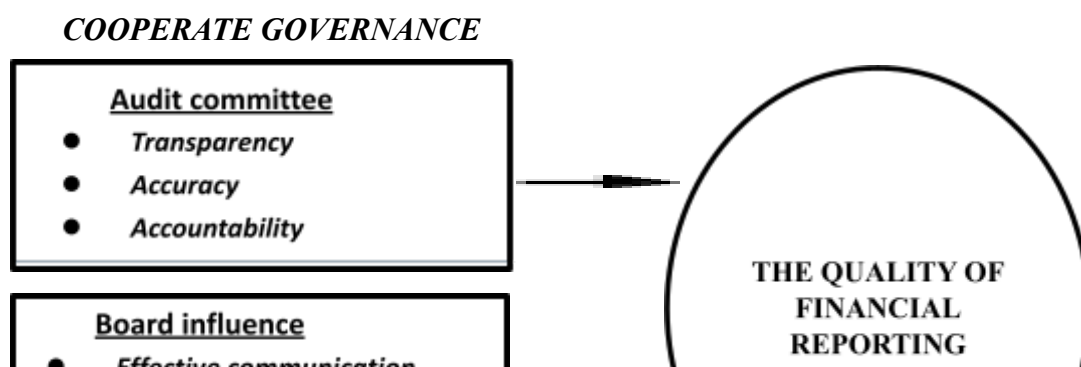
The research identified the strengths of cooperate governance (improved board competence and diversity) in enhancing financial accounting and minimizing information gap, as well as generating value. Furthermore, the research provided guidelines for developing more effective corporate governance guidelines, policies, and regulations for creating a credible market environment and avoiding corporate failures. Finally, to the researchers and other academics, the study served as a basis for future research in the field.

### 1.8 Conceptual Framework

This research is about the impact of audit committee on financial reporting quality in organizations, the impact of the board on financial reporting quality in corporate companies, and the impact of internal control on financial reporting quality. It is important to note that these variables can be seen as the sub-elements of corporate governance in firms/companies. They include the audit committee, the board, and the internal control system which have a direct impact on the financial reporting quality in such companies/organizations. The above elements are interdependent and coherent in the achievement of organizational goals.

#### INDEPENDENT VARIABLES

#### DEPENDENT VARIABLE





**Source: Modified by the researcher.**

*Figure 2.5 Conceptual Framework.*

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents literature associated with the influence of audit committee on the quality of financial reporting in organizations in Lira city, the influence of the board on the quality of financial reporting in cooperate companies, the influence of the internal control on the quality of financial reporting in organizations in Lira city.

#### **1.1 The concept of cooperate governance**

There are narrow and broad concepts of corporate governance (Callahan, 2017). First, the narrow concepts of corporate governance recognize the interaction among stockholders, the board of directors, management, auditors, and other relevant actors (Kogan, 2016). However, the broad concept of corporate governance refers to the company's honesty and openness because this practice plays a significant role in the effectiveness of capital allocation, market trust, and development of the company (Callahan, 2017). The narrow and broad concepts complement each other as they work toward the effective allocation of company resources (Kogan, 2016).

Additionally, corporate governance consists of an array of rules, practices, and processes implemented by firms to balance the interests of the company stakeholders, senior management, executives, workers, and surrounding community (Tarchouna, 2017). On the contrary, Selmier (2016) described corporate governance as the framework used by the board of directors to ensure transparency of business operations while promoting fairness within the organization. According to Garcia-Sanchez & Garcia-Meca (2018), there exist a number of key corporate governance principles irrespective of how a company understands corporate governance.

Moreover, accountability, integrity, transparency, and responsibility are the fundamental principles used by many researchers to explain corporate governance. However, since corporate governance does not have a common meaning among researchers, the management researchers describe corporate governance from the perspective of their organizations (Callahan & Soileau, 2017).

Although there are different descriptions of corporate governance, there is one factor that is shared about corporate governance; it manages and oversees the behavior of the management

within the organization (Silva et al., 2017). Corporate governance is the control framework for the management processes controlled by the board of directors (Vadasi et al., 2020). The management system in organizations that is controlled and monitored is referred to as corporate governance (Heenetigala, Armstrong, & Clarke, 2011). Traditional definitions of corporate governance did not concentrate on guiding the shareholders on how they should direct the board of directors and management to act in their best interests (Yeh, 2017). Additionally, corporate governance is defined differently to escape the conventional definition of corporate governance (Vadasi, 2020). Conventional corporate governance concentrated on the relationship between the managers, shareholders, and board of directors.

Moreover, the corporate governance system comprises the set of rules and regulations that permit the emergence of the institutional market for pursuing different types (Ghosh, 2018). If a firm aims to maximize its future profits, it is necessary for the corporation to have stable corporate governance. Another definition that is commonly used to describe the term 'corporate governance' is an organization that involves governance, monitoring, and controlling of firms based on the allocation of rights among boards of directors, management, and shareholders (Douissa & Azrak, 2017). The reason behind this definition lies in the governance and control of boards of directors and management by the shareholders.

Corporate governance refers to a collection of regulations that regulate the relationship between the principal and agent of firms and their relationship with the rights and obligations of the stockholders (Adiloglu & Vuran, 2012). This specific definition focuses on the regulation mechanism that is utilized to control the business's regulatory controls. As such, corporate governance refers to those policies, regulations, and practices that the business has to observe to control its operations and activities effectively (Primec & Belak, 2018). The success of corporate governance relies on its external environment. In terms of legislative environment, this would involve the presence of effective law enforcement and efficient shareholder protection laws and general business supportive environment (Zainuldin et al., 2018). The central theme in these definitions is the way corporate governance regulates, controls, and monitors companies through assigning duties and rights to the managers, boards of directors, and stockholders.

## **1.2 The influence of audit committee on the quality of financial reporting**

According to the Federal Reserve Bank, the audit committee shall comprise of at least three

members of the board (Steckler & Clark, 2019). The committee members must lack any ties that might compromise their impartiality hence providing quality financial reporting and eliminating biased judgement and fraud. Every committee member must possess relevant skills related to finance and accounting (Lei & Chen, 2019). The shareholders play the role of developing guidelines regarding the audit committee as well as nominating committee members. They also determine the period required by committees together with procedures needed in committees. An important function of the audit committee includes facilitating the board of directors in establishing an effective internal control framework and managing risks (Barnham, 2015). The audit committee must meet regularly with external auditors to guarantee accurate financial statements (Al-Matari & Al-Arussi, 2016). According to the Sarbanes-Oxley Act (SOX) of 2002, both internal and external auditors must sign-off on the financial statements to prevent corruptive acts (Financial stability: Overcoming the crisis and improving the efficiency of the company, 2019).

An audit committee aligns with the concept of agency theory since this is another tool to ensure that the shareholders are protected in order to improve financial performance and financial reporting (Samaha & Khlif, 2016). Audit committee mechanism will enhance the monitoring and communication process among the management, board of directors, and external auditors (Afsharian & Ahn, 2017). On the other hand, Chao, Yu, Hsiung, and Chen (2018) found that there was a negative correlation between an independent audit committee and members with knowledge of accounting and finance.

When financial expertise exists among the audit committee, it means that there will be fewer cases of financial restatement (Ali, 2018). This contradicts with what Lei and Chen (2019) recommend as good corporate governance practice.

According to the independence principles, the audit committee should conduct themselves independently, and carry out their functions and responsibilities with professionalism (Jiraporn & Nimmanunta, 2018). Independent audit committees can contest decisions made by executives since they do not have any personal connections with the bank's executives (Ajili & Bouri, 2018). The reason behind this is that personal connections lead to conflicts of interests and cooperation, which can create complications. Audit committees supervise the quality and flow of information between the shareholders, managers, and directors, thus resolving most of the agency issues (Chan & Kogan, 2016). However, in previous studies, scholars have come up

with different results regarding how the independence of committee members influences the reliability of financial information and internal control. Although some scholars found a positive relationship between the independence of committee members and the reliability of financial data and internal control, others observed no significant relationship between the independence of the audit committee and the reliability of financial data and internal control (Berger, Bouwman, & Kim, 2017; Ong, 2018). Some other studies discovered a positive association between internal noise control and audit committee independence. If audit committee members possess knowledge of financial statements and accounting, there are higher chances of detecting material misstatements and taking corrective actions quickly. Moreover, independent audit committees who understand the financial statements tend to provide more disclosures than the non-independent audit committees at banks (L'Huillier, 2014).

Corporate governance refers to the method used in directing and controlling corporations (Adams & Mehran, 2003). As per Gipps (2007), corporate governance entails balancing the interests of the diverse stakeholders involved. The primary aim is to safeguard the interest of shareholders. Corporate governance is a set of methods used in protecting investors from any adverse actions that emanate from managers' selfish motives as per Porta, Wallen, and Fraenkel (2000). According to Gopi (2014), corporate governance refers to separation of management from control in businesses. According to Edwards & Clough (2005), corporate governance describes the relationship among different stakeholders in the corporation, thereby providing a basis for goal-setting and attainment of goals.

The primary motive of corporate governance is to protect investors from any negative impacts that arise as a result of managers' selfish interest due to the welfare of themselves and not the company. Corporate governance is intended to establish a basis for goal setting and attainment within an organization. All organizations must ensure that board members exercise their mandate as per Bairathi (2019).

### **1.3 The influence of the board composition on the quality of financial reporting**

The committee is part of the internal corporate governance process where managers conduct themselves in the best interests of all the stakeholders and shareholders (Maxfield et al., 2018). There is no standard on how many committees the bank needs since the conditions and needs

determine that. The main reason behind establishing the committee is to assist the board of directors in fulfilling its obligations more efficiently and effectively. Policies, rules, and procedures that include the responsibilities, duration, and roles of the committees will be developed by the board of directors. The board of directors establishes the structure of the committee and explains to it how the board oversees the work of the committee. The right proportion of independent and non-executive members on each committee helps identify conflicts of interest, especially on appointments of CEOs and reporting accuracy of finances and non-finances (Louati & Boujelbene, 2015). It is important to have both independent and management members on the board to get different views on what policies need to be developed. The four joint committees in regional banks are audit committees, compensation, human resource committees, nominating, and corporate governance committees.

Governance attributes, which can be illustrated by the characteristics of the board of directors, are significant inherent elements of the organization which are currently receiving a lot of attention from academics (Abdullah & Tursoy, 2023). Financial scandals in the recent past have created a lot of interest in the linkage between governance and performance. This is attributed to the crucial part played by the board of directors in the value creation process of companies and their contributions to society (Puni & Anlesinya, 2020). Board of directors control the activities of companies and play a major role in making sure that financial reporting is effective as they supervise the finance officer thus implementing significant changes. In recent times, it became important for companies to regulate themselves (Achim, 2024). Furthermore, regulations aimed at gender equality have sparked interest in the influence of gender diversity within the boards of directors and hence efficient in terms of financial reporting and the financial performance of corporations since all genders have equal chances (Wang, 2024).

This is because the board of directors is seen to be the entity responsible for ensuring good governance within the corporation (López-Cabarcos et al., 2023). According to Gherghina (2017), the board of directors is the most critical element within corporate governance. The board of directors is influential in ensuring the company's dynamicity and the interests of its owners. As such, implementing good governance practices would reduce the risks to which investors are exposed, hence boosting their performance. Consequently, more investors will be

attracted to invest in the company (Goel, 2018). Furthermore, empirical research indicates that the presence of women in the board of directors influences these practices (LópezCabarcos et al., 2023).

The presence of many non-executive directors makes a firm's board of directors effective since agency costs are minimized. (Bairathi, 2009). Ndungu (2014) examined the practice of corporate governance within the insurance companies in Kenya. From the findings, it was revealed that corporate governance, which comprised having an effective board of directors and internal control systems, significantly enhanced the financial performance of these firms. Rield (2012) found that big board size had a better performance than those with small board sizes. Shehzad (2014). It was concluded that board size, managerial efficiency, and CEO duality influenced the performance of firms. The corporate governance measure comprised of board size, audit committee size and gender diversity.

The financial performance of a firm refers to the performance measures of an organization in terms of money (Heremans, 2017). These performances have been displayed in the profitability ratio, gearing ratio, and liquidity ratios of the firms. The profit margin has for some time now served as the criteria for many characteristics of business; however, what actually defines the growth of any business enterprise is efficiency in utilization of capital by the firm. The financial performance can be considered as the general indicator of current financial status of the business and how the firm fares in comparison to other firms (Huthison, 2012). Alfred (2017) states that financial performance is an indicator of proper utilization of the resources of the firm.

Every firm in the entire world runs in order to achieve more success; in order to achieve success, firms have to be financially healthy all the time (Heremans, 2017). Firms can be able to know whether they are doing well or not through carrying out performance analysis in monetary terms, which will show how well and efficiently their resources are used within the firm. Every firm can be able to evaluate its performance in financial terms, and this can be done through financial performance analysis. According to Hogarty (2012), on how corporate governance affects performance of investment firms in Italy, performance of firms was measured using return on equity ratio, while according to Rield (2012), in his research on how corporate governance affects final financial performance of firms in Nigeria, the return on asset

ratio was used as the indicator of financial performance. In another study carried out by Aduda, Okiro and Nina (2015) on the influence of corporate governance on the financial performance of firms in Dar es Salaam Stock Exchange, return on asset ratio was also used as the performance indicator.

#### **1.4 The influence of the internal control committee in the quality of financial reporting**

The Board of Directors selected the Compensation and Human Resources Committee to assess and give approval of any objective regarding the CEO of the company (Agyei-Mensah, 2017). This Committee is also responsible for overseeing the executive's salary and equity-based compensation plans, and hence this makes its role important in ensuring transparency, hence having a positive impact on financial reporting (Ajili & Bouri, 2018). It is worth noting that the committee has the exclusive right to discharge any obligation, which includes termination of consultancy services or hiring of professionals (Ali, 2018). All committee members were selected annually by the Board of Directors. The Committee must have three members who agreed to (a) fulfill all criteria concerning independence, and (b) qualify as non-employee directors (Agrawal & Cooper, 2017).

The importance of corporate governance according to Harris (2012) will be useless if the size and nature of the importance do not affect the performance of business organizations. Kim (2015) noted that the firms that had corporate governance performed well while those that lacked proper governance performed poorly. Shareholders want to make maximum gains; however, the managers do not work towards achieving this goal since they only think about themselves, thus poor business performance. Most investors, therefore, tend to withdraw from business organizations that lack proper corporate governance. Corporate governance involves several factors like management commitment, transparency, independence, accountability, and prudence in the general management of business organizations.

Failure to have such effective internal controls will render the business organizations incapable of pursuing their own objectives. The business organizations can ensure financial success by embracing sound business practices and standards through which investments will be attracted. Such actions will ensure that the objectives of the shareholders regarding maximizing their wealth will be met. The internal management of the human resource practices will prevent

lawsuits on the organization. These elements are meant to enhance the financial success of the business organizations (Gibbs, 2007).

This theory has been developed by Freeman (1984). This theory mainly deals with the issue of accountability within the corporate environment, and it includes sound moral values and business ethics within the corporate environment. In this theory, the role played by the stakeholders within the corporate world has great importance.

The stakeholders include financiers, for example financial institutions; creditors, for example suppliers, community as well as shareholders. The concerns of these stakeholders must take precedence in light of their direct involvement in corporate affairs (Arenas & Rodrigo, 2016).

There is a function that can be played by human resource management, mainly in ensuring that there is a healthy relationship maintained between the organization and its stakeholders for their own benefits. The benefit can take the form of profits that finally accrue to the firm. In the course of decision making, it becomes essential to consider the interests of all stakeholders. It is important for a business because the manner in which it relates with the external environment is crucial to its success. Further, the stakeholders in a business environment are supposed to be equal, and there should be no discrimination among them by the management (Sendjaya et al., 2016).

The human resources being an internal control management unit in corporate governance are vital to the quality of financial reporting in corporations since the accounting standard, rules, laws, and economic theories are inadequate in resolving the conflict between the board of directors and shareholders (Rouf, 2012). In addition, corporate governance can contribute positively to the financial and market value of the bank when publicly traded (Bonna, 2011). The effectiveness and efficiency of corporate governance mechanisms may vary depending on whether the program is mature or new within rural banking because the corporate governance structure in rural banking may differ and hence the economic and social environment (Zaharia & Zaharia, 2012). This is why the output from the corporate governance program varies for mature versus new programs. The benefit from corporate governance depends on its duration and structure (Ionescu, 2012).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

In this chapter presents the methodology that was used to get to the findings inclusive of the study design, study population, sampling size and techniques, methods of data collection, data collection instruments (tools), ethical consideration, procedure, data analysis, validity and reliability as well as limitation of the study and delimitation.

#### **3.2 Research Design**

A descriptive and correlational design framework combined with qualitative and quantitative approach was used to obtain both quantitative and qualitative data. The quantitative data provide statistical insights into the extent to which internal audit influence the quality of financial reporting meanwhile the qualitative approach analyzed the narratives of the board influence as well as internal control in cooperate organizations within Lira city. Not only that, A quantitative correlational study's emphasis is to examine the possible relationships amongst the variables (Barnham, 2015). Hence a quantitative correlational design study aligns with a post-positivist worldview (Popescu, 2019). The post-positivist worldview is also a good mechanism to use in scientific methods to understand social problems' complexities by utilizing numerical measures and testing the hypothesis.

#### **3.3 Target Population**

Collection of items of distinct qualities is the population (Mugenda, 2005). 5 companies were selected from different segments of listed companies as the sample of the study using simple random sampling method. The target population included the administrators, board, project staffs and finance staffs like the auditors, accountants, monitoring and evaluation officers for an evaluative and explorative research. The target population excluded the support staffs who were believed to have no technical knowledge on finances and reporting in organizations they work in. The support staffs includes the cleaners, security officers.

#### **3.4 Data Collection**

The data collected included both primary and secondary data. Secondary information was employed in this research and has been sourced from the websites of the respective companies and from their annual reports as well as journals, previous thesis, financial reports and newspapers. Primary data will be collected from the field using data collection tools designed by the researcher on the influence of the board, audit committee and internal control in cooperative organizations within Lira city.

### 3.5 Sample size

The sample size for this study was drawn from the 5 selected corporate companies and determined using Slovin's Formula based on the given population, it is appropriate when the population size is known and the researcher seeks a specified margin of error. This formula provides a simple method for estimating a statistically representative sample, especially in social science research where population variability may be unknown.

Slovin's Formula is expressed as:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = required sample size N = total population size

e = margin of error (expressed as a decimal)

In this study, the target population comprises of the staffs and workers of various companies, including administrators. The total population is estimated at 300 employees. A 10% margin of error ( $e=0.10$ ) is considered acceptable, balancing precision and resource constraints. Substituting into Yamane's Formula:

$$n = \frac{N}{1+N(e)^2}$$

Where N = 620

e = 0.1

$n = 50$  respondents

Based on this calculation, the study required a minimum sample size of 50 respondents. The sample was selected using stratified and purposive sampling techniques to ensure adequate representation of the different categories of stakeholders relevant to the study objectives. This approach will enhance the reliability and generalizability of the findings.

### **3.6 Methods of data collection**

#### **3.6.1 Qualitative method (interview)**

The interview refers to a personal exchange of information between the interviewer and the interviewee (Bowling, 2002:147). In this case, the researcher organized interview schedule to guide the discussion with the respondents who were the key informers and thus need to elaborate on several issues. The researcher interviewed the administrators as well as the staffs and used this approach because there is need to document the specific experiences and proposals of the respondents and helped reduce the chances of respondent resistance and their tendency of holding back sensitive information needed to draw conclusions in this research.

#### **3.6.2 Quantitative method of data collection**

The questionnaires was used to obtain quantitative data for the research because it has been observed that, in considering the various research options for systematically gathering information, the questionnaire earns the right to be a perennial favorite, a frequent choice of researchers because of its versatility, its time and cost efficiency and for its overall ability to get the job done (Ruane 2005:143). The questionnaire was used because it is specific for the respondents to explain the exact situation without giving room for unnecessary and irrelevant information for the study topic.

### **3.7 Research instruments**

#### **3.7.1 Questionnaire**

A semi-structured questionnaire was used to collect data from staffs. The questionnaire has been developed through a thorough review of literature and later tested for validity and reliability in a pre-test then afterwards distributed to the sampled population in the study area with strict

following of the inclusive and exclusive criteria.

### **3.8 Reliability and Validity of data collection instruments**

#### **3.8.1 Reliability**

The questionnaires for data capture was discussed with the selected informants, supervisor and colleagues. Draft questionnaire will also be administered for a few numbers of respondents from each of the target groups in the sample.

#### **3.8.2 Validity**

This process of pilot trial enabled refinements of research instruments by applying appropriate adjustment. It is important to ensure that the research instruments address the research objectives.

### **3.9 Data collection Procedures and ethics**

#### **3.9.1 Procedure:**

After the supervisor approving the proposal, the researcher picked an introductory letter from the campus introducing her to the respondents and to the administration of companies and organizations in Lira city from whom permission was obtained for data collection. Upon being granted permission, the researcher will go ahead to collect the data.

#### **3.9.2 Ethical consideration**

A copy of the same introductory letter was presented to the participants requesting their consent to participate. The questionnaire has brief introductions about the researcher and clearly state that all the information collected was kept confidential by the researcher and used strictly for Academic purposes.

#### **3.10 Data Analysis**

After the information has been gathered, a variety of qualitative and quantitative tools was used to analyze it in order to capture the relevant findings and also present it in a manner that was understood by fellow researchers and other research users. These tools are discussed below.

Before data is analyzed, it was cleaned by checking for errors and completeness, edited, coded, transcribed and entered into the SPSS software. Editing was done in order to discard unwanted and irrelevant information, verify the data and check for consistency.

Coding: involved grouping answers of a similar nature or with similar meaning into one set of

answers and giving them a particular number called a code. This means that for example answers with “yes” in a given questionnaire was coded as number one and answers with “no” was coded as number two for each questionnaire. The coding assists the researcher to get the total number of responses for each of the questions. This also helps to tabulate the data using the figures and numbers obtained.

Tabulation: Involves representing the information obtained in figures and tables. This will later be used to establish comparisons as well as conclusions for the study.

Data analysis process involve the screening and performing various statistical tests that are relevant in explaining the study variables by using correlation analysis for various corporate company practices. The quantitative data was analyzed by the use of computer software SSPS and descriptive statistics which will comprise of frequency tables, mean and standard deviation. Qualitative data was transcribed and analyzed using content analysis technique

### **3.11 Limitations and Delimitations of the study**

#### **3.11.1 Limitations**

The researcher faced the following limitations during data collection process:

Respondents’ conservativeness and unwillingness to participate in answering questions therefore, some tried to hide basic facts I needed to draw conclusions for this research. Not only that, some respondents demanded for facilitation. Lastly, Rainy weather may delay data collection procedure for and movement in the field.

#### **1.11.2 Delimitations**

The researcher came up with the following strategies to overcome the limitations:

To overcome limitation (i) above, the researcher was as kind as possible and inform the respondent that the data was treated confidential and used strictly for study purposes. To overcome limitation (ii) above, the researcher was polite and explained to the respondents that she is a student and is unable to raise funds to pay for facilitation. To overcome limitation (iii) above the researcher carried a rain coat and an umbrella to manage such days.

## CHAPTER FOUR

### DATA ANALYSIS AND RESULTS

#### 4.0 Introduction

The main purpose of the study was to assess the influence of corporate governance on the quality of financial reporting in the selected companies in Lira city. To achieve this, the study analyzed the personal characteristics / information of the staffs in the selected companies.. Much of the data in this study is both qualitative and quantitative. For this reason, both qualitative and quantitative methods of analysis were used. This includes the use of descriptive statistics to analyze quantitative data, such as the use of pie-charts, bar graphs, line graphs and frequency distribution tables and percentages to explain and support discussions. Explanations and descriptions have also been used to describe qualitative data that could not be quantified.

#### 4.1 Demographic information

This section presents an analysis of respondents' personal attributes such as gender, class and type of school.

##### 4.1.1 Gender of the respondents

Results of the analysis indicated that majority of the respondents (65%) were males while only 35% were females. The results imply that more males were engaged during the study since the overall population of the workers in companies is dominated by the male gender.

**Table 4.1.2: Gender distribution of the respondents**

Gender	Frequency (n)	Percentage (%)
Male	33	65
Female	17	35
Total	50	100

*Source: primary data*

##### 4.1.2 Age of the respondents

All the respondents were above 18 years. According to the results, majority of the respondents were from age bracket 36-45 (50%) followed by age group 26-35 (35%). However elderly group of 56 and above also participated in the survey (05%).

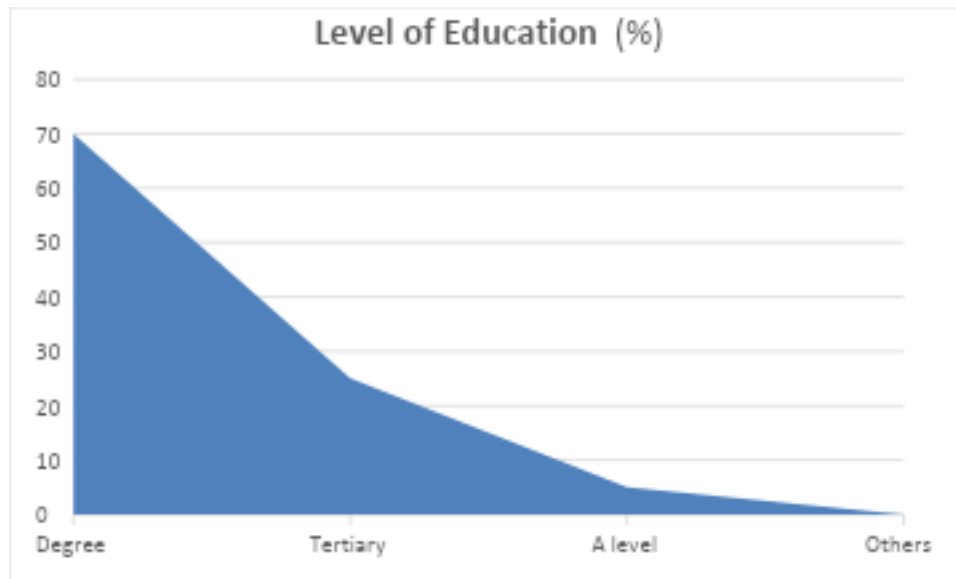
**Table 4.1.2: Age of the respondents**

Age of the respondents	Number (n)	Percentage (%)
18-25	05	10
26-35	25	50
36-45	17	35
56 and above	03	05
Total	50	100

Source: primary data

#### 4.1.3 Level of Education of the respondents

Results from the study revealed that 70% of the respondents had attended degree level of education followed by those who attained Tertiary level (25%) and A level (05%), O level (0%). Lastly 0% attained informal education.



**Figure 4.1.3: Level of Education**

#### 4.1.4 Department of the respondents

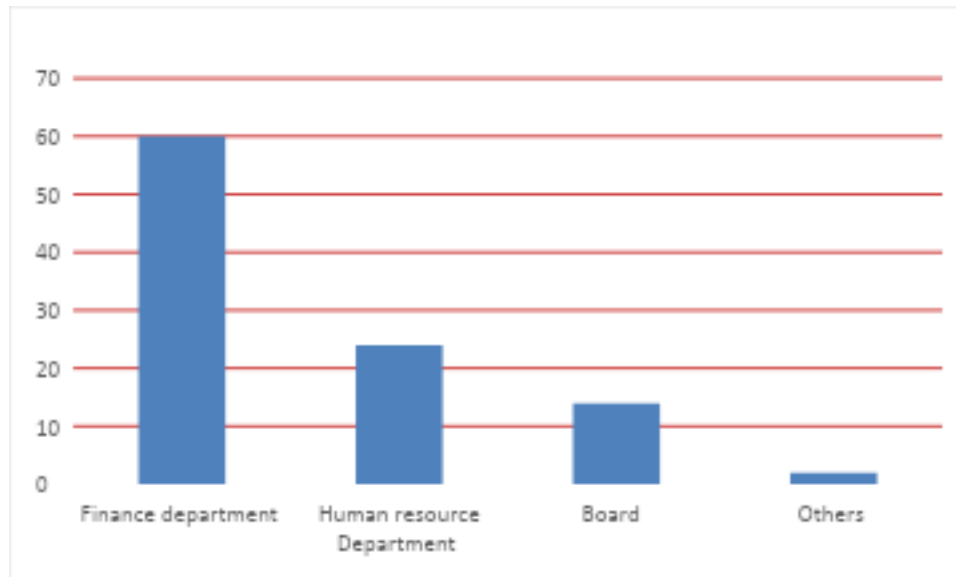
The results of this study indicated that the majority of the respondents (60%) was mainly from the Finance department such as accountants, procurement officers, auditors. Followed by human resource Department (24%) such as the M & E Officers, programs directors, supervisors. The third category was the board (14%) and others (02%). This shows that majority of the respondents were from the

finance management department hence a perfect choice for this study.

**Table 4.1.4: Departments of the respondents**

Department	Frequency (n)	Percentage (%)
Finance department	30	60
Human resource Department	12	24
Board	07	14
Others	01	02
Total	50	100

Source: primary data



**Figure 4.1.4: Departments of the respondents**

#### 4.1.5 Number of years spent at the organization

In this section, Respondents were asked about the number of years they spent in the organization they are working for and the replies recorded. According to the result, majority of the respondents spent less than 5 years at the organization (57%), followed by portions that had spent between 6 to 10 years (32%), and lastly those who had taken over 10 years at the organization (11%).



**Figure 4.1.3: Number of years spent at the organization**

#### **4.2 The influence of corporate governance on the quality of financial reporting**

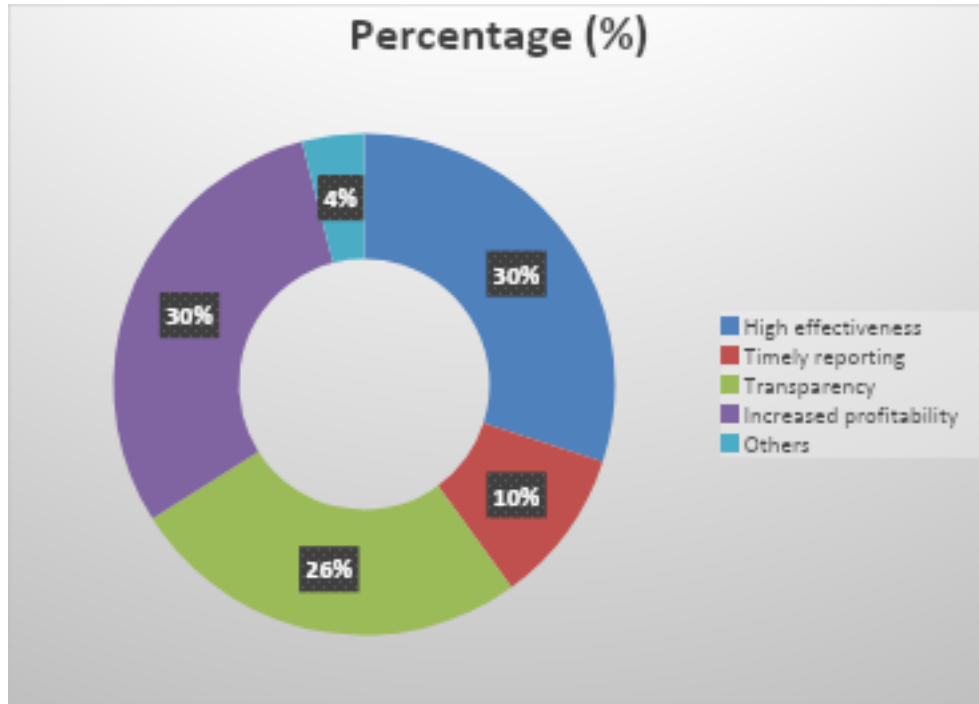
##### **4.2.1 The effects of corporate governance on the quality of reporting**

The results of this study indicated that the main effect of corporate governance on the quality of financial reporting was increased profitability and effectiveness at (30%) respectively followed by Transparency (26%), timely reporting was also reported at (10%) and others (04%).

**Table 4.1.4: The effects of corporate governance on the quality of reporting**

<b>The Effects of corporate governance on reporting</b>	<b>Frequency (n)</b>	<b>Percentage (%)</b>
High effectiveness	15	30
Timely reporting	10	10
Transparency	05	26
Increased profitability	18	30
Others	02	04
Total	50	100

*Source: primary data*



**Figure 4.1.4: The effects of corporate governance on the quality of reporting**

### 4.3 Corporate governance mechanisms (concepts) and their influences on reporting

#### 4.3.1 Board composition on the quality of financial reporting

This was evaluated through short statements and questions on the board composition on the quality of financial reporting. According to the results (90%) strongly agreed that the board is effective in monitoring management activities and financial decisions, 77% strongly agreed that the board is effective in monitoring management activities and financial decisions, not only that, 69% agreed that the effort of the board of directors ensures transparency in reporting hence improving the quality of financial reporting. However, half (50%) of the respondents disagreed that 50% Board of directors supervises and manages programs hence effecting timely reporting.

**Table 4.3.1: Board composition on the quality of financial reporting**

*Strongly agree (SA), Agree (A), Neutral (N), Disagree (DA), and Strongly Disagree (SDA)*

Board composition on the quality of financial reporting	Responses by students (%)					
	SA	A	N	DA	SDA	TOTAL
The board is effective in monitoring management activities and financial decisions	90	10	00	00	00	100
Board members possess the necessary accounting and	77	20	03	00	00	100

financial expertise to oversee reporting						
The roles of CEO are held by different individual to ensure checks and balances	40	50	05	05	00	100
The effort of the board of directors ensures transparency in reporting hence improving the quality of financial reporting	69	20	05	06	00	100
Board of directors supervises and manages programs hence effecting timely reporting	50	00	00	50	00	100

Source: primary data

#### 4.3.2 Audit committee influences on the quality of financial reporting

Short statements on the influence of audit committee on the quality of financial reporting was used in this section and According to the results (80%) of the respondents strongly agreed that the audit committee ensures high level of integrity and honesty among the accountants hence improving the quality of financial reporting, additionally 100% The Audit committee meets regularly to review financial statements hence ensuring no errors occurs in financial reporting. Lastly 70% strongly agreed that the Audit committee ensures control fraud and theft in organizations through close verification and checks of financial reports and receipts.

**Table 4.3.2: Audit committee influences on the quality of financial reporting**

*Strongly agree (SA), Agree (A), Neutral (N), Disagree (DA), and Strongly Disagree (SDA)*

Audit committee influences on the quality of financial reporting	Responses by students (%)					
	SA	A	N	DA	SDA	TOTAL
The audit committee ensures high level of integrity and honesty among the accountants hence improving the quality of financial reporting	80	00	00	20	00	100
Audit committee meets regularly to review financial statements hence ensuring no errors occurs in financial reporting	100	00	00	00	00	100
Audit committee ensures control fraud and theft in organizations through close verification and checks of financial reports and receipts	70	30	05	05	00	100

Source: primary data

#### 4.4 Regression Analysis on the corporate governance influence on the quality of reporting

According to the results from the series of regression analysis was used to find out the influence of corporate governments elements on the quality of financial reporting in this case the influence of the board of directors, audit committee and human resource committee and their impacts on the performance of corporate governance.

*Table 4.4 Regression Analysis on the corporate governance influence on the quality of reporting*

	<b>Coefficient</b>	<b>Std Error</b>	<b>t</b>	<b>Significance</b>
<b>Constant</b>	-0.345	0.709	-.490	0.545
<b>Board of directors</b>	0.866	0.002	4.590	0.000
<b>The audit committee</b>	0.645	0.555	0.511	0.000
<b>Human resource</b>	0.544	0.200	3.409	0.001

Model	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>p-value</b>
1	0.600	0.400	0.400	0.00<0.01

The p values supported a statistical relationship between corporate governance and the quality of financial reporting. 0.00<0.01. The value shows a positive relationship between the variables hence

indicates high level of relevance on the influence of corporate governance elements such as the board, audit committee and human resource committee in enhancing the quality of financial reporting.

## **CHAPTER FIVE**

### **DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents a comprehensive discussion of the analyzed results, along with the study's conclusions and recommendations. It focuses on several key aspects of corporate governance elements.

#### **5.1 Discussion of results**

The results of this study indicated that the main impact of corporate governance on the quality of financial reporting was increased profitability and effectiveness at (30%) respectively followed by Transparency (26%), timely reporting was also reported at (10%) and others (04%). This study is in line with the survey by Akhidime (2021) who reported that the elements of corporate governance such as audit committee, board and human resource management comprising of internal control allows companies to increase profits and also reduce agency conflict by ensuring quality in financial reporting. Corporate governance practices are directly related to company performance and investor confidence and protection.

Respondents were asked about the number of years they spent in the organization they are working for and the replies recorded. According to the result, majority of the respondents spent less than 5 years at the organization (57%), followed by portions that had spent between 6 to 10 years (32%), and lastly those who had taken over 10 years at the organization (11%).

According to the results (90%) strongly agreed that the board is effective in monitoring management activities and financial decisions, 77% strongly agreed that the board is effective in monitoring management activities and financial decisions, not only that, 69% agreed that the effort of the board of directors ensures transparency in reporting hence improving the quality of financial reporting. However, half (50%) of the respondents disagreed that 50% Board of directors supervises and manages programs hence effecting timely reporting. This result is in agreement with the report by Louati (2021) who

reported that the board of directors is responsible for creating policies, rules, and procedures that outline the committees' responsibilities, duration, and duties. The board provides a framework for the committee, explaining how the board oversees the committee. Each committee's composition should consist of an appropriate amount of independent and non-executive members that identify any activities or actions that may be a conflict of interest, including the appointment of CEO and integrity of financial and non-financial reports.

According to the results (80%) of the respondents strongly agreed that the audit committee ensures high level of integrity and honesty among the accountants hence improving the quality of financial reporting, additionally 100% The Audit committee meets regularly to review financial statements hence ensuring no errors occurs in financial reporting. This result matched with the study by Al-Matari, 2016 who reported that the audit committee ensure financial statements are accurate through monitoring and checking for reporting errors. Lastly 70% strongly agreed that the Audit committee ensures control fraud and theft in organizations through close verification and checks of financial reports and receipts. This research is in line with Sarbanes of 2022 who reported that both internal and external auditors need to sign off on financial statements to ensure there is no corruption (Financial stability: Overcoming the crisis and improving the efficiency of the company, 2019).

The p values supported a statistical relationship between corporate governance and the quality of financial reporting.  $0.00 < 0.01$ . The value shows a positive relationship between the variables hence indicates high level of relevance on the influence of corporate governance elements such as the board, audit committee and human resource committee in enhancing the quality of financial reporting. The aim of the study was fully explored the relationship between corporate governance mechanisms and the quality of financial reporting in companies in Lira city. However, the results from the survey found a positive. The regression results are consistent with previous studies on corporate governance and financial reporting.

In general, the relationships between all independent variables of corporate governance and the quality of corporate financial reporting mechanisms and profitability was so strong. This indicates a very impactful influence on profitability, improved reporting quality as well as faster growth and development of the companies.

## **5.2 Conclusion**

Findings show a significant relationship between the corporate governance elements such as the board of

directors, audit committee and the human resource committee which has direct impact on the quality of financial reporting.

Board of directors oversees the management through executive decisions and monitoring of how programs are being implemented by various employees. The results of this study indicated that the main impact of corporate governance on the quality of financial reporting was increased profitability and effectiveness at (30%) respectively followed by Transparency (26%), timely reporting was also reported at (10%) and others (04%). Corporate governance comprises the rules, regulations, and mechanisms adopted by the company to ensure management does not have a conflict of interest with customers, suppliers, stakeholders, society, employees, managers, and executive directors of the company. Therefore, elements of corporate governance like audit committee, board and human resource management comprising of internal control allows companies to increase profits and also reduce agency conflict by ensuring quality in financial reporting. Corporate governance practices are directly related to company performance and the quality of financial reporting.

### **5.3 Recommendations**

This section presents key recommendations for both policy intervention and future research, arising from the findings of this study.

#### **5.3.1 Recommendations**

The study therefore recommends the focus of the companies to be on is how corporate governance governs, monitors, and controls companies by identifying responsibilities and rights among managers, the board of directors, and shareholders. Not only that, regulators should pass a law enforcing companies to hire a larger portion of independent board members to monitor the implementation and reporting by the finance department.

Not only that, the study recommends that since different elements of cooperate governance play a significant role in the function and process of financial reporting. In many companies, financial reports are based on decisions made by corporate governance actors, who also verify the information recorded in the reports. From this perspective, it is important to recognize that corporate governance and financial reporting are interconnected. There is need to strengthen the power of audit community and also increase the number of human resource based on company capacity to enhance better results.

Not only that, companies should also adopt the integration of high level of technology (ICT) in carrying out financial reporting in companies or organization to enhance better quality.

### ***5.3.2 Recommendations for Further Research***

Considering the broad and exploratory nature of this study, further research is essential to depend understanding of the corporate governance and the quality of financial reporting. Future investigations should focus on the new technologies used in financial management and reporting quality, methodologies and management approach for various financial and operational strategies, Development of APPs to enhance company supervision and monitoring process.

The study also recommends more research on the impacts of the board size on performance as well as gender influence in company management. Other areas for further research are the bottlenecks in corporate governance operation and the factors influencing the performance of corporate organizations in Uganda. Another area of concern to carry out further study is to investigate the effectiveness of the audit committee in enhancing transparency during reporting.

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## WORK PLAN

		TIME FRAME (IN MONTHS)											
		2026											
S/ N	ACTIVITY	D	J	F	M	A	M	J	J	A	S	O	N
1	Writing of Draft Proposal												
2	Submission of Final Proposal												
3	Data Collection												
4	Writing of Draft Report & Submission for correction												
5	Submission of Final Report &												

Binding													
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## PROPOSED BUDGET

<b>1.Stationary</b>	<b>QUANTITY</b>	<b>RATE</b>	<b>PRICES(UGX)</b>
a) Reams of printing papers	2pc	20,000=	40,000
b) Ruled papers	1 Ream	12,000=	12,000
c) Pens	4pc	500=	2,000
<b>2. Transport</b>	2 people	100,000=	200,000
<b>3. Lunch &amp; Drinks(soda &amp; water)</b>	10	11,000=	220,000
<b>4. Fees for supervision</b>	1	125,000=	125,000
<b>5. Typesetting</b>			
a) Typing & printing	3 booklet	50,000=	150,000
b) photocopying	500	100=	50,000
<b>6. Binding</b>			
a) Spiral binding	10pc	3,000=	30,000
b) Hard cover binding	6pc	10,000=	60,000
<b>7. Communication</b>	1person	70,000=	70,000
<b>8. Miscellaneous</b>			150,000
<b>GRAND TOTAL</b>			<b>1,109,000</b>

# QUESTIONNAIRE

## INFLUENCE OF CORPORATE GOVERNANCE ON THE QUALITY OF FINANCIAL REPORTING

### Instructions:

Please tick (✓) or fill in where appropriate

All responses are confidential and for academic purposes only

### SECTION A: DEMOGRAPHIC INFORMATION

#### Gender

Male  Female

#### Age

18–25  26–35  36–45  46–55  56 and above

#### Level of Education

O-Level  A-Level  Diploma  Degree  Postgraduate

#### Department

Finance  Human Resource  Board  Other (Specify) \_\_\_\_\_

#### Years worked in the organization

Less than 5 years

6–10 years

Above 10 years

### SECTION B: AUDIT COMMITTEE (Independent Variable 1)

Instruction: Tick the option that best describes your opinion

Statement		A	N	D	
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	SA				SD
The audit committee ensures transparency in financial reporting					
Audit committee members have financial expertise					
The audit committee regularly reviews financial statements					
The audit committee helps detect fraud and errors					
Audit committee independence improves reporting quality					

**SECTION C: BOARD OF DIRECTORS (Independent Variable 2)**

Statement	SA	A	N	D	SD
The board effectively monitors financial decisions					
Board members have adequate financial knowledge					
Separation of CEO and board roles improves reporting					
Board decisions enhance transparency in reporting					
Board oversight improves accountability in financial reporting					

**SECTION D: INTERNAL CONTROL / HUMAN RESOURCE (Independent Variable 3)**

Statement	SA	A	N	D	SD
Internal controls reduce financial reporting errors					
Internal controls help prevent fraud					
HR policies promote ethical financial practices					
There is strong compliance with financial regulations					
Internal audits improve reporting accuracy					

**SECTION E: QUALITY OF FINANCIAL REPORTING (Dependent Variable)**

Statement	SA	A	N	D	SD
Financial reports are accurate					

Financial reports are timely					
Financial reports are reliable for decision-making					
Financial reports are transparent and understandable					
Financial reports reflect true company performance					

**SECTION F: GENERAL QUESTIONS**

In your opinion, what is the main effect of corporate governance on financial reporting?

- Transparency
- Accuracy
- Profitability
- Timeliness
- Other: \_\_\_\_\_

Which factor most influences financial reporting quality?

- Audit Committee
- Board of Directors
- Internal Control
- All of the above

**SECTION G: OPEN-ENDED QUESTIONS**

1. How can corporate governance be improved in your organization?

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2. What challenges affect financial reporting quality?

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