

American Journal of Accounting (AJACC)





Isomorphic Determinants of Financial Statement Integrity in Local Governments: Does Audit Committee Effectiveness Amplify Compliance?

John Rwakihembo, John Baguma Kule



Isomorphic Determinants of Financial Statement Integrity in Local Governments: Does Audit Committee Effectiveness Amplify Compliance?

 John Rwakihembo^{1*},  John Baguma Kule²
^{1*}Mountains of the Moon University
²Mbarara University of Science and Technology



Article history

Submitted 14.03.2026 Revised Version Received 09.04.2026 Accepted 13.05.2026

ABSTRACT

Purpose: This study investigates the relationship between institutional isomorphic forces and financial reporting quality (FRQ) in district local governments within Uganda's Rwenzori Region. It specifically evaluates the empirical capacity of audit committee effectiveness to moderate and amplify this compliance nexus.

Materials and Methods: The study executed a cross-sectional correlational research design. Quantitative data were collected via electronic questionnaires from nine district local government headquarters. The study utilized a census of eight districts and purposive sampling of 72 key district financial officers, yielding a 95% response rate. Hypotheses were tested using Pearson zero-order correlations and hierarchical multiple regression modeling.

Findings: Pearson Correlation results confirm that isomorphic forces and audit committee effectiveness are moderately and positively associated with FRQ. Hierarchical regression modeling indicates that both independent constructs explain 28% of the variance in financial reporting. Introducing the interaction term significantly improves predictive capacity by 17%, elevating the

total explained variance to 45%. This statistically establishes that robust audit committees systematically amplify the positive effect of institutional pressures on FRQ.

Implications to Theory, Practice and Policy: The Government of Uganda must prioritize structural, qualitative reforms within Local Government Public Accounts Committees (LGPACs). Merely enforcing standard regulatory compliance is insufficient without appointing independent, professional auditors with requisite accounting expertise and holding frequent operational meetings.

Originality/Value: The paper provides unique emerging-market insights by validating institutional theory in public-sector entities rather than in private financial systems. It bridges a gap in historical literature by demonstrating that macro-level isomorphic forces require strong local governance micro-structures to optimize the reliability, accuracy, and comparability of financial disclosures.

Keywords: *Isomorphic Forces; Audit Committee Effectiveness (H83); Financial Reporting Quality (H83); Local Governments (H75)*

INTRODUCTION

Financial reporting quality is one of the most significant issues of concern in accounting, and this topic has become increasingly relevant within the public sector (Capalbo et al., 2024). Public sector organizations play an essential role in every economy, yet are often stereotyped as sources of operational inefficiency. In recent decades, administrative reforms in countries around the world have been implemented under the new public management (NPM) framework to improve public sector financial reporting (Tran et al., 2021). Besides, the pressures arising from market globalization and openness to foreign trade prompted countries to adopt best accounting practices, such as international public sector accounting standards (Tran et al., 2021; Mnif Sellami & Gafsi, 2019). Globally, governments have, in recent times, established various measures to promote financial reporting, including open government data initiatives, the passage of freedom of information (FOI) laws, and e-governance initiatives (Krah & Mertens, 2023). The increasing demand for standardized financial reporting in the public sector has therefore become necessary to assist decision-making, facilitate auditing, ensure good management, and fight corruption (Tran et al., 2021).

Despite the presence of accounting standards and government regulations, public sector financial reporting globally remains characterized by unreliable financial reports (Aboud & Robinson, 2022). For instance, in the United Kingdom (UK), the Comptroller and Auditor General qualified his opinion on the Accounts of His Majesty's Revenue and Customs (HMRC) for 2021-2022. Audit estimates indicated that errors and fraud resulted in overpayments of 5% of tax credit expenditure from 2019-20 to 2021-2022 (Comptroller and Auditor General Report, 2022). Likewise, in Jamaica, the National Environment and Planning Authority could not account for eight tablets valued at \$ 249,999.97, and the Portland Municipal Corporation could not provide source documents for losses amounting to \$1,669,970,626 (Auditor General's Report, 2022). In Singapore, the Auditor-General observed that supporting documents for claims worth \$241.27 million contained forged signatures, dates, and durations of services rendered for the period 1st April 2018 to 31st March 2020 (Auditor-General's Report, 2021). Relatedly, the EU Court of Auditors observed that the Belgian customs system failed to declare customs duties amounting to €440 million collected between 2019 and 2022. Worse still, of the 127 transactions examined by the European Court of Auditors, 43 (34%) contained errors (Annual Report of the European Court of Auditors, 2022). Additionally, in June 2018, the executive of Anglo-Irish Bank received a custodial sentence of six years' imprisonment for his role in a €7.2bn financial statement fraud (Aboud & Robinson, 2022).

The African continent, too, is not immune to financial errors and material misstatements. For instance, in Ghana, the Auditor General observed unsupported payments to contractors worth GHC 49,608 and salaries worth GHC 1,922,550 paid to unknown staff under the Ministry of Health (Auditor General's Report, 2022). In Tanzania, the Controller and Auditor General established that revenue collections worth TZS 2,025.67 in 2019/2020 and TZS 1,249.9 billion in 2020/21 related to direct project disbursements were not accounted for in the consolidated fund (Controller and Auditor General, 2020/2021). Besides, in Kenya, an audit of the financial statements of the Government Clearing Agency Fund for 2021/2022 identified unverifiable balances of Kshs 300,931,776 and Kshs 52,973,896 in respect of accounts receivable and accounts payable, respectively, without any supporting source documents (Office of the Auditor General, Kenya, 2022).

In Uganda, the Government enacted laws such as the Public Finance Management Act (2015), and the National Audit Act (2008) and established institutions like the Office of the Auditor General (OAG) and the Inspectorate of Government (IGG) to enhance transparency and accountability by Government entities (Maweje & Odhiambo, 2021). Despite the legal framework, the Auditor General has repeatedly expressed concerns about financial misreporting practices by local Governments in Uganda (Sellami & Gafsi, 2020; Mukogo & Asimwe, 2022; Mnif & Gafsi, 2020). For example, the Auditor General noted that expenditure of Ugx 3.37 billion in various local governments remained unaccounted for by the end of FY 2020/2021 (Office of the Auditor General, 2021). Notably, effective financial reporting is a cornerstone of good governance in the public sector, as it enables transparent and accountable management of government resources (Gita Saraswati & Budiasih, 2019). In the context of district local governments, ensuring high-quality financial reporting is crucial for efficient service delivery, resource allocation, and public trust (Krah & Mertens, 2023). Thus, exploring financial reporting among District local governments in Uganda is urgent, as it contributes to the ongoing efforts towards transparency and accountability in the public sector.

Recent literature underscores isomorphic forces as a panacea for quality financial reports in the public sector (Mohaiyadin et al., 2022). Institutional isomorphic processes significantly influence the reporting practices that companies adopt in response to mandatory requirements. In their study on the financial reporting in Ugandan MFIs, Kabuye et al. (2021) observed that isomorphic forces can inspire local government leaders to improve their financial reporting. Isomorphism compels managers and those charged with governance to act like, or better than, other firms in the industry, or else remain isolated. Cosa (2024) examined how institutional pressures drive organisational learning and memory in Italy. It was established that organizations are affected by coercive, normative, and mimetic forces arising from the institutional context in which they operate. In the same vein, scholars (Posadas et al., 2023) assessed institutional isomorphism using non-financial reporting directives in Italy and Spain. They observed that isomorphic forces create and diffuse a standard set of rules, values, and beliefs institutionalised within organisations, eventually producing homogenization across corporate practices. Additionally, in their analysis of public sector reforms and service performance reporting by public Universities in New Zealand, Rana et al. (2022) found that institutional forces help shape public-sector reporting and, in turn, set expectations for performance reporting in accountability. Rana et al. affirmed that isomorphism leads public institutions to choose appropriate responses to financial reporting expectations and to adjust their reporting to improve its compatibility with the environment.

On the contrary, previous research also indicated a close relationship between the audit committee's attributes and financial reporting quality (FRQ) (Abdulrahman et al., 2019; Baatwah et al., 2019; Dewi et al., 2021; Ngo et al., 2021). The primary role of an audit committee is to monitor the corporate financial reporting procedures, including the integrity of financial statements, the effectiveness of internal controls, and the monitoring of external and internal auditors (Safari Gerayli et al., 2021). In the context of Uganda, Section 88(7-9) of the Local Government Act, CAP 243 established the Local Government Public Accounts Committee (LGPAC) that is mandated to examine reports of the Auditor General, Chief Internal Auditor, or other inquiry reports about the local government within its geographical jurisdiction (Bainomugisha et al, 2023). LGPAC reports must be submitted to the District Council and the

Ministry of Local Government. The consolidated reports of the LGPACs must be submitted to Parliament by the Minister of Local Government to be considered by the PAC at Parliament (Omona et al., 2023). It therefore suffices to note that the effectiveness of the LGPAC influences the FRQ of District local governments (Bainomugisha et al., 2023). A study by Bananuka and Nkundabanyanga (2023) on audit committee effectiveness and internet financial reporting of financial service firms in Uganda revealed that an effective audit committee (AC) enhances financial reporting. They noted that firms whose AC members have financial expertise and perform their roles diligently are expected to register improvements in IFR. Also, firms whose AC members attend meetings as scheduled are more likely to have better financial reporting practices, as IFR matters are likely to be discussed during such meetings. Hamdan (2020) also assessed the audit committee's role in improving earnings quality among industrial companies. Hamdan found that larger audit committees with greater independence are more likely to be associated with earnings quality among GCC industrial firms in the Gulf Cooperation Council (GCC) financial markets. Moreso, Safari Gerayli et al. (2021) investigated whether audit committee characteristics improve the financial reporting quality in emerging markets in Iran. They established that whereas an audit committee's financial expertise significantly improves firms' FRQ, with higher financial expertise of an audit committee leading to an increase in its FRQ. However, the authors found no relationship between audit committee independence and the corporate FRQ.

Another strand of literature underscores AC effectiveness as a moderator of the relationship between isomorphic forces and FRQ (Bananuka et al., 2019). Whereas isomorphism may influence the improvement of FRQ in an entity, as posited by various scholars. It depends on the AC's effectiveness. Financial statements, audit reports, and other activities should be verified by an effective AC to ensure there are no material misstatements and to implement the Auditors' recommendations (Bainomugisha et al., 2023; Bananuka et al., 2019). Thus, FRQ is better observed through an AC with the requisite accounting expertise, more members, and frequent meetings (Bananuka et al., 2019). In the context of district local governments, understanding the moderating effect of AC or LGPAC effectiveness on the relationship between isomorphic forces and financial reporting quality is particularly important. Notably, once an AC has the required independence and the authority to execute its roles, an adequate number of members (AC size), holds frequent meetings, and has financial expertise, the effect of isomorphism on FRQ will be enhanced (Bainomugisha, 2023; Musina et al., 2021; Safari Gerayli et al., 2021). By implication, the effect of isomorphism on FRQ may be more substantial for district local governments with effective AC.

The relationship between isomorphic forces and FRQ is anchored on the institutional theory. The theory argues that organisations will adopt similar practices and become more homogeneous over time, as they face various institutional pressures in the environment (or fields) in which they operate (Wong et al., 2023). The theory suggests that organisations must adhere to the prevailing rules and systems in their environment to survive (Kabuye et al., 2021). Accordingly, organisational practices will become institutionalized when they are considered legitimate. This legitimacy is obtained through three forms of isomorphism: coercive, mimetic, and normative (Wong et al., 2023). Thus, since district local governments do not operate in a vacuum but rather in a socialized context, their financial reporting processes are shaped by the existence and operation of organizations within the country, the legal system, donor agencies, and cultural and

professional norms. As such, district local governments will continually aim to maintain and increase legitimacy through FRQ by responding to forces arising from their institutional environment (Kabuye et al., 2021).

Existing studies on IFR use evidence from countries other than Uganda, yet each country has its own culture and business systems (Bananuka & Nkundabanyanga, 2023). Besides, studies have yielded mixed findings, with some scholars (Gita Saraswati & Budiasih, 2019; Krah & Mertens, 2023a) reporting a null relationship, while others report a positive association. Other studies have focused on types of organizations, such as manufacturing firms (Hamdan, 2020) and public Universities (Rana et al., 2022), rather than district local governments, which are of public interest. Studies also examined the direct effect of institutional forces on FRQ (Posadas et al., 2023; Rana et al., 2022) and the effect of AC effectiveness on FRQ (Dewi et al., 2021), but did not assess the moderating effect of AC effectiveness in their methodologies. In the context of district local governments of Uganda, understanding the moderating effect of the AC effectiveness on the isomorphic forces-FRQ relationship is particularly important, as it aids the understanding of the circumstances under which isomorphic forces relate to FRQ in local governments (Bananuka et al., 2019; Safari Gerayli et al., 2021). Notably, these local governments face numerous institutional challenges, such as weak ACs, which can undermine the reliability of their financial reporting (Abdulrahman et al., 2019; Bainomugisha et al., 2023). This study, therefore, investigated the moderating role of the audit committee in the relationship between isomorphic forces and financial reporting quality among local governments in Uganda's Rwenzori Region district.

Problem Statement

Governments in recent times have established various measures to promote financial reporting, including open government data initiatives, the passage of freedom of information (FOI) laws, and e-governance initiatives (Krah & Mertens, 2023). The Government of Uganda enacted laws such as the Public Finance Management Act (2015) and the National Audit Act (2008) and established institutions like the Office of the Auditor General (OAG) and the Inspectorate of Government (IGG) to enhance transparency and accountability by Government entities (Mawejje & Odhiambo, 2021). Despite the legal framework, the Auditor General has repeatedly expressed concerns about financial misreporting practices by District local Governments in the Rwenzori Region (Sellami & Gafsi, 2020; Mukogo & Asiimwe, 2022; Mnif & Gafsi, 2020).

For instance, a special payroll audit by the OAG for the financial years 2019/20 to 2022/23 revealed that Kabarole had under-remitted Ugx 974,745,674 in statutory deductions. Furthermore, the OAG observed that Ugx 6,734,492 was paid to six (06) staff members who had either retired, been transferred, absconded, or died (Office of the Auditor General, 2023). Additionally, during the audit of the financial statements of Bundibugyo District local government, the OAG observed that Ugx 50,250,000 disbursed to Kahungu-Nyahuka PDM SACCOs remained unaccounted for. Besides, the OAG noted that I noted that all ten (10) sampled primary schools visited did not prepare annual financial Statements in the academic year under audit (Office of the Auditor General, 2024). The OAG further noted that Kyenjojo District Local Government executed road maintenance works valued at UGX 0.125 billion that were not included in the approved work plan (Office of the Auditor General, 2024). Therefore, if the above audit matters are not addressed, the FRQ of district local governments will continue to

dwindle, thus affecting public service delivery and the realization of government programs (Bananuka & Nkundabanyanga, 2023).

Although studies underscore a positive relationship between isomorphic forces and FRQ, the results are still mixed and without a moderation analysis (Baatwah et al., 2019; Hj. Mohaiyadin et al., 2022), with a concentration on other countries (Abdulrahman et al., 2019; Hamdan, 2020; Ngo et al., 2021), Uganda, and different organizational contexts (Bananuka & Nkundabanyanga, 2023; Kabuye et al., 2021). This study, therefore, examined the relationship between isomorphic forces and FRQ and assessed the moderating effect of AC effectiveness on this relationship in District local governments in the Rwenzori Region.

Conceptual Framework

The study examined the relationship between isomorphic forces and financial reporting and the moderating effect of audit committee effectiveness among district local governments in the Rwenzori Region, Uganda. The conceptual framework (Figure 1.1) therefore depicts a connection between the study variables and their respective dimensions that were assessed in this study.

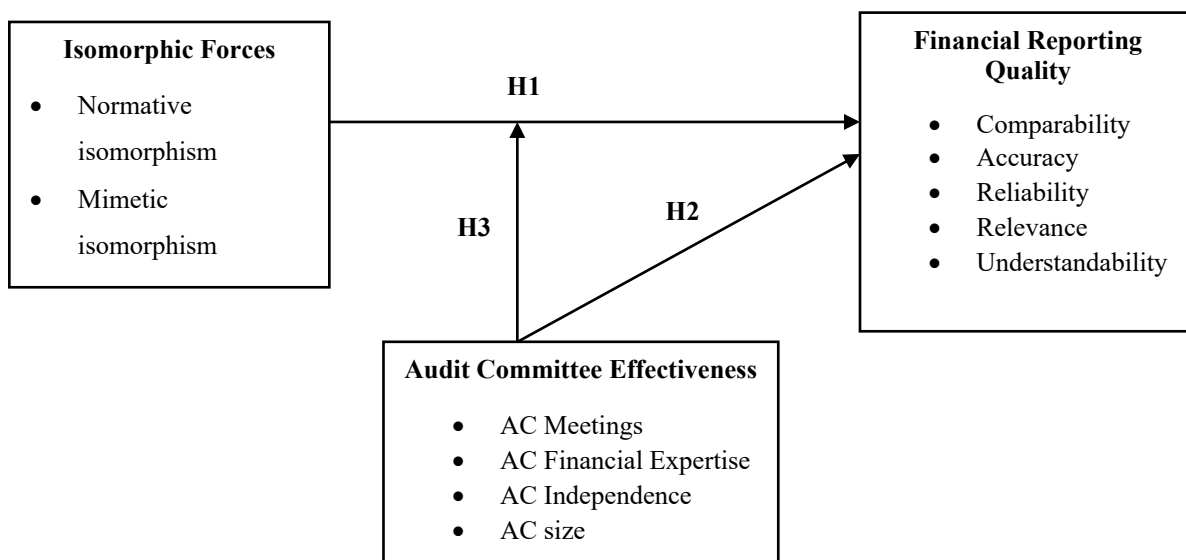


Figure 1.1: Conceptual Framework

Source: Developed from the Reviewed Literature (Abdulrahman et al., 2019; Bananuka et al., 2019; Bananuka & Nkundabanyanga, 2023; Cosa, 2024; Kabuye et al., 2021; Ngo et al., 2021; Rana et al., 2022; Safari Gerayli et al., 2021; Wong et al., 2023).

LITERATURE REVIEW

Theoretical Review

Institutional Theory

This study was premised on institutional theory, which was coined by Meyer and Rowan in 1977 (Rana et al., 2022). The theory posits that organisations seek legitimacy and, constantly, strive to adapt to their environment. The theory argues that organisations will adopt similar practices and

become more homogeneous over time as they face institutional pressures within the environments (or fields) in which they operate (Wong et al., 2023). This legitimacy is obtained through three forms of isomorphism: coercive, mimetic, and normative (Bananuka et al., 2019). Coercive isomorphism results from formal and informal pressures exerted by other organisations on the organisations, in the form of force, persuasion, or invitations to join in collusion, upon which they depend. Mimetic isomorphism occurs when organisations attempt to emulate or model themselves on the best practices of other organisations in response to environmental uncertainties. Normative isomorphism is related to pressures arising from group norms exerted on the organisations to fulfil professional expectations. The sources of this isomorphism come from educational and professional networks (Bananuka et al., 2019; Kabuye et al., 2021; Wong et al., 2023).

Isomorphism, therefore, presents a comprehensive framework that elucidates the institutional pressures on the behaviors of district local governments, focusing mainly on how these pressures drive compliance, adaptation, and the adoption of best financial reporting practices (Cosa, 2024). Thus, in the context of district local governments, the isomorphic pressure for local governments to improve the quality of financial reporting has become more prominent since Government of Uganda enacted laws such as the Public Finance Management Act (2015), and the National Audit Act (2008), and established institutions like the Office of the Auditor General (OAG) and the Inspectorate of Government (IGG) (Mawejje & Odhiambo, 2021). It has been shown that coercive pressures are primarily exerted by international donor/lending organizations, which require high-quality financial statements to ensure their financial assistance (Mnif Sellami & Gafsi, 2019). Normative forces through professional bodies like ICPAU and OAG also exert on large local governments, forcing them to report fairly on their financial affairs. Moreover, mimetic isomorphic pressure arises because the number of districts adopting best reporting practices has increased considerably (Kabuye et al., 2021; Mnif Sellami & Gafsi, 2019). Other districts, therefore, consider imitating highly ranked district local governments to gain legitimacy. As a result, the district local government's FRQ will improve due to these different isomorphic pressures. Notably, these isomorphic pressures may coexist simultaneously among district local governments (Wong et al., 2023).

Empirical Literature Review

Isomorphic Forces and Financial Reporting Quality

A strand of research has recently examined the relationship between Isomorphic Forces and Financial Reporting Quality. For instance, Rana et al. (2022) examined the underlying institutional forces of the reform process, how universities in New Zealand were subjected to accountability pressures through government-imposed managerial techniques, and how universities responded to these pressures. The authors applied the neo-institutional theory and the concept of new public management (NPM) reform to interpret the setting of service performance reporting (SPR). Data comprised annual reports and other documents produced by the universities. The study found that NPM ideals and rationales of greater transparency and accountability drove the development of the SPR. It was further observed that institutional pressures bestowed extra power to the government by demanding greater accounting reporting of university performance.

Posadas et al. (2023) analyzed the impact of the European Union (EU) directive on the quality of sustainability reporting through an institutional theory lens. The authors evaluated the institutional pressure that had the greatest impact on the quality of corporate disclosure on sustainability issues. The authors built a quality index based on the content analysis of sustainability information disclosed by Italian and Spanish companies before and after the transposition of the directive. The study used an OLS regression model to analyze the effects of coercive, normative, and mimetic forces on the quality of sustainability reports. The results revealed that normative and mimetic mechanisms positively affect the quality of sustainability reporting. However, there was no evidence regarding coercive mechanisms, indicating that the new requirements do not significantly contribute to the development of better reporting practices, at least in the two analyzed countries.

Previously, Kabuye et al (2021) examined the role of intellectual capital and isomorphic forces in strengthening internal controls over financial reporting (ICFR) in Uganda's microfinance institutions (MFIs). This study was cross-sectional and correlational. Data were collected through a questionnaire survey of 66 MFIs that are members of the Association of Microfinance Institutions of Uganda (AMFIU). The results revealed that intellectual capital and isomorphic forces positively and significantly contribute to the strength of ICFR. Additionally, drawing on institutional and contingency theories, Tran et al. (2021) examined the effects of leadership and accounting capacity on the quality of financial reporting and accountability of public organisations in Vietnam. The study hypotheses were tested using partial least squares structural equation modelling, with a sample of 177 surveys from accountants and managers working in the public sector in Vietnam. The study found that leadership and accounting capacity positively affected financial reporting quality.

Capalbo et al (2024) examined how proportional appropriation systems affect the quality of financial reporting in entities controlled by local governments. The study surveyed Italian municipally owned entities (MOEs) following the implementation of a new accounting regulation that limits the spending power of the participating municipality when the owned entity reports losses. The authors applied Benford's law to net income figures, using the Chi-square and Z-tests on the adjusted Mean Absolute Deviation (MAD) criterion to detect signs of low data quality. Widespread data anomalies were detected following the introduction of the new regulation for MOEs controlled by local governments. Evidence is stronger for entities owned entirely by municipalities. The results suggest that the extent of data manipulation increases with the municipality's ownership stake, consistent with the hypothesis that a decrease in spending power through the appropriation of financial resources affects earnings management practices in municipally controlled entities.

However, studies on financial reporting quality focused on developed countries such as New Zealand (Rana et al, 2022), the European Union (EU) (Posadas et al, 2023), and Italy (Capalbo et al, 2024), where the legal framework is strict, and the system of disclosure and transparency is developed compared to developing countries (Abdulrahman et al., 2019). Other studies conducted in Uganda focused on private firms, such as financial institutions (Kabuye et al., 2021), rather than district local governments, which attract public interest. Besides, studies yield mixed findings, with some scholars (Kabuye et al., 2021) finding a positive association and others (Posadas et al., 2023) finding no relationship for some isomorphic forces, such as coercive

mechanisms. This study will therefore investigate the relationship between isomorphic forces and FRQ among district local governments in Uganda's Rwenzori Region. The study, therefore, hypothesized as follows.

H1: Isomorphic Forces are positively associated with the Financial Reporting Quality of District local governments in the Rwenzori Region, Uganda

Audit Committee Effectiveness and Financial Reporting Quality

Existing literature underscores the audit committee as a critical corporate governance mechanism that mitigates managers' illegal actions and increases the reliability of financial reporting (Safari Gerayli et al., 2021). For instance, Bananuka et al. (2019) examined the contribution of audit committee effectiveness (ACE), the internal audit function (IAF), and firm-specific attributes to internet financial reporting (IFR). Data are collected through a questionnaire survey of 40 financial services firms in Uganda. The analysis shows that ACE and IAF significantly contribute to positive variances in IFR. Audit committee meetings and authority contribute significantly to positive variances in IFR, whereas audit committee expertise and independence do not. Safari Gerayli et Al. (2021) investigated the association between certain audit committee characteristics, such as independence and financial expertise, and the financial reporting quality (FRQ) of firms listed on the Tehran Stock Exchange (TSE) in Iran. The sample comprised 558 firm-year observations from companies listed on the TSE during 2012–2017, and the study's hypotheses were tested using a panel-data multivariate regression model. However, the study found that audit committee independence does not significantly affect corporate FRQ, whereas audit committee financial expertise significantly improves firms' FRQ.

Hamdan (2020) examined the relationship between audit committee characteristics, including independence, size, and meeting frequency, and earnings quality. The sample included 23 industrial firms from the financial markets of the Gulf Cooperation Council (GCC). Using a panel fixed-effects regression, the study found that larger, more independent audit committees are associated with higher earnings quality in GCC industrial firms. Nevertheless, it was also established that audit committee meetings have no impact on earnings quality. Additionally, Ngo et al (2021) assessed the nexus between audit committee characteristics and income management of companies listed on the Stock Exchange of Vietnam. The study used a multivariate regression model in Stata 15 software to test the effect of audit committee characteristics, such as Audit Committee Independence, Audit Committee size, Audit Committee Expertise, and Audit Committee Meeting Frequency, on earnings management. Results showed that the size and expertise of the audit committee are inversely related to earnings management. At the same time, the multivariate regression results did not provide evidence of a relationship between audit committee independence and the frequency of audit committee meetings, or between the frequency of audit committee meetings and earnings management.

Furthermore, Abdulrahman et al. (2019) examined the association between audit committee characteristics and audit report lag among companies listed on the Muscat Securities Market in Oman. The multivariate analyses showed that audit committee size was positively associated with audit report lag, whereas audit committee financial expertise was negatively associated with it. However, Abdulrahman et al. observed that neither audit committee independence nor meeting frequency was associated with audit report lag. Aboud & Robinson (2022) explored the effectiveness of fraud prevention and detection techniques, including data analytics, machine

learning, and data mining, in detecting and preventing fraud. A questionnaire was administered to 73 Irish businesses to determine the extent to which traditional approaches, data mining, or text mining were used to prevent or detect fraudulent financial reporting. The study established that, despite businesses in Ireland applying data analytics, they remain underutilized in combating fraud.

From the above, it can be observed that the literature on AC effectiveness and FRQ is common and relevant, but numerous empirical gaps remain. Studies have mainly concentrated on private entities such as financial services firms (Bananuka et al., 2019) and listed firms (Safari Gerayli et al., 2021), ignoring public-sector entities such as district local governments. Additionally, studies generated conflicting results, leaving the matter inconclusive. For instance, whereas some studies (Bananuka et al., 2019; Safari Gerayli et al., 2021) reported positive results, others (Abdulrahman et al., 2019) indicated that audit committee independence and meetings had no effect. This study, therefore, sets out to examine the relationship between audit committee effectiveness and the financial reporting quality of District local Governments in the Rwenzori region, Uganda. The study, therefore, hypothesized that:

H2: Audit Committee Effectiveness is positively associated with the financial reporting Quality of District Local Governments in the Rwenzori Region, Uganda

Moderation Effect of Audit Committee Effectiveness on the Relationship Between Isomorphic Forces and Financial Reporting Quality

Musina et al. (2021) assessed top management's moderating role in the association between coercive isomorphism and the financial reporting quality (FRQ) of listed banks in Kenya. A sample size of 295 respondents was used, and simple random sampling was employed. Multiple regression and Pearson correlation were used for inferential statistics. The results indicate that coercive isomorphism and top Management positively and significantly influence listed banks' financial reporting qualities. The result further reveals that top Management significantly moderates the link between coercive isomorphism and listed banks' financial reporting qualities. Additionally, Wong et al. (2023) examined a set of institutional isomorphic influences on integrated reporting quality (IRQ) and the role of board independence in moderating these influences among companies listed by the International Integrated Reporting Council (IIRC). Results from a cross-sectional sample of 200 international companies indicated that both coercive and normative isomorphism positively affect IRQ. Moreover, board independence moderates positively for the effects of mimetic isomorphism (environmentally sensitive industry) on IRQ.

In the same vein, Bananuka et al (2019) set out to establish the contribution of audit committee (AC) effectiveness, isomorphic forces, and managerial attitude to the adoption of international financial reporting standards (IFRS). This study was cross-sectional and correlational. Data were collected through a questionnaire survey of 67 MFIs that are members of the Association of Microfinance Institutions of Uganda (AMFIU). It was observed that both AC effectiveness and isomorphic forces significantly contribute to the adoption of IFRS, as does managerial attitude. However, the explanatory power of managerial attitude was found to be subsumed in isomorphic forces and AC effectiveness. Results further indicated that AC effectiveness partially mediates the relationship between isomorphic forces and IFRS adoption.

Relatedly, Dewi et al. (2021) analyzed the effect of fraud pentagon on fraudulent financial statements with the audit committee as a moderating variable. The population of this study was the property, real estate, and construction companies listed on the Indonesia Stock Exchange. The data were analyzed using logistic regression analysis in SPSS V26. The results showed that company growth was positively associated with fraudulent financial statements. Meanwhile, the effectiveness of supervision, the quality of external auditors, directors' experience, and CEO duality did not affect the likelihood of fraudulent financial statements. The audit committee significantly moderated the effects of company growth, supervisory effectiveness, and directors' experience on the likelihood of fraudulent financial statements. However, the audit committee did not moderate the effects of external auditor quality and CEO duality on the likelihood of fraudulent financial statements.

Likewise, Baatwah et al (2019) investigated whether the characteristics (AC chair expertise, shareholding, tenure, and multiple directorships) of the audit committee (AC) chair affect audit report timeliness. A sample of Malaysian companies and the fixed-effects panel data method were used. The results suggest that an AC chair with accounting expertise is associated with a reduction in audit delay. The reduction is more obvious when the chair holds company shares, but is weakened by longer tenure and multiple directorships. Using moderation analysis, the authors also document that an AC chair with accounting expertise can enhance the timeliness of audit reports even when the quality of financial reporting is lower. The reported result is supported by additional analysis showing that AC chairs with accounting expertise and those with accounting expertise and shareholding are significantly associated with shorter abnormal audit delays.

Despite the consensus on the moderating role of audit committee effectiveness in accounting research, existing studies have limitations. For instance, studies on FRQ use other moderators, such as top management power (Musina et al., 2021) and board independence (Wong et al., 2023), while ignoring AC effectiveness. Likewise, studies investigated other predictors, such as fraud Pentagon factors (Dewi et al., 2021), and other dependent variables, such as adoption of IFRS (Bananuka et al., 2019) and audit report timeliness (Baatwah et al., 2019). The present study, therefore, aims to examine the moderating effect of AC effectiveness on the relationship between isomorphic forces and FRQ in the context of District local governments in the Rwenzori Region, Uganda. The study thus hypothesized that:

H3: Audit committee effectiveness moderates the relationship between isomorphic forces and the financial reporting quality of district local governments in the Rwenzori region.

MATERIALS AND METHODS

Research Design and Approach

The study adopted a cross-sectional correlational design to explore the relationship between isomorphic forces and FRQ. A cross-sectional design is useful for studies analyzing data from a population on multiple cases at a single point in time (Wang & Cheng, 2020). This study employed a quantitative research approach, collecting quantitative data using a self-administered questionnaire. The approach generated the causal relationships that ultimately explain the phenomena (Park et al., 2020). This approach was preferred in this study because it does not require a relatively longer time for data collection (Rahman, 2020).

Study Population

The study population comprised 81 district local government officers from the 9 district local governments in the Rwenzori region, as indicated in the sampling frame in Table 3.1. The Rwenzori region is a border region with the Democratic Republic of Congo, located in mid-Western Uganda, and it comprises nine (09) districts, namely, Kabarole, Kasese, Bundibugyo, Ntoroko, Kyenjojo, Kyegegwa, Kitagwenda, Bunyangabu, and Kamwenge (Uganda Investment Authority, 2020).

Sample Size and Sample Selection Techniques

First, the study conducted a census of all district local governments (headquarters) in the Rwenzori region since the number was below the cut-off of 30 cases, as required by the central limit theorem for normality to be achieved. However, the study included a sample of 76 district local government officers drawn from nine (09) districts within the Rwenzori region. Data was collected from 72 respondents, resulting in an acceptable response rate of 95% (Sibona et al, 2020). The sample size for respondents was determined using Yamane's (1973) formula, as shown below.

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

Where n is the sample size, N is the population, and e is the tolerable error (5%).

Table 3.1 Sampling Frame

Category	Population	Sample	Technique
Chief Finance Officer	9	9	Purposive
Senior Accountant	9	9	Purposive
Internal Auditor	9	9	Purposive
LGPAC Chairperson	9	9	Purposive
Accounts Assistants	45	40	Simple Random
Total	81	76	

Source: Uganda Investment Authority (2020)

Sampling Technique

First, district-level local governments were selected purposively from the Rwenzori region. Second, respondents per district local government headquarters (Chief Finance Officer, Senior Accountant, Principal Internal Auditor, and LGPAC Chairperson) were purposively selected. Purposive sampling was preferred in this study because it allows the selection of the most appropriate respondents for the research and the collection of appropriate feedback (Sibona et al., 2020). Besides, since every district headquarters had more than one Accounts assistant, they were selected randomly using simple random sampling. This method was preferred because every member of the population (accounts assistants per district) had an equal and independent chance of being selected, thereby limiting selection bias (Wang & Cheng, 2020; Noor et al., 2022).

FINDINGS

Background Characteristics

Most respondents were aged 30-39 years (39%) and 40-49 years (28%). This suggests that the respondents were well-established in their careers, possessed substantial professional experience, and held a clearer perspective on the subject matter, thereby producing reliable responses. A substantial proportion of respondents (50%) were accounts assistants, while the remaining roles were equally distributed (12.5% each). This suggests that respondents were well placed and knowledgeable about the operations of the district's local governments and its financial reporting processes.

Data Collection Method and Instrument and Procedure

The study used a survey method, collecting data using a structured self-administered questionnaire with closed-ended questions. The researcher administered the questionnaire online to selected district local government officials with the aid of research assistants. The questionnaire method was deemed ideal because it attracts a high response rate, responses are easy to summarize, and are less biased since there is anonymity at a cheaper cost (West, et al., 2023). Responses were anchored on a five-point Likert scale ranging from 5=Strongly Agree, 4=Agree, 3=Not Sure, 2=Disagree, and 1=Strongly Disagree. A 5-point Likert scale increases response quality and response rate. It also keeps respondents interested in participating in the survey, unlike longer scales that make respondents bored and frustrated (Aryatwijuka et al, 2022). To collect data, clearance was obtained from the District Local Authorities. Participation in the study was voluntary, and all the participants were asked to consent before participating in the survey. The questionnaire was administered via an electronic Google Form and distributed online (via email and official social media groups), as recommended by Aldhuwayhi et al. (2021) and Fang et al. (2021).

Data Quality Control

The study assessed the questionnaire's validity and reliability to ensure the stability and quality of the data obtained.

Content Validity

A content validity index (CVI) analysis was conducted to verify whether the instrument accurately reflects the proposed concepts and to confirm the questionnaire's validity. Subject domain experts in government financial systems were asked to evaluate each questionnaire item against the research objectives. Four relevance scores determined the questionnaire's Content Validity Index (CVI): 1= irrelevant, 2= somewhat relevant with major revision, 3= relevant with minor revision, and 4= relevant (Fajarini & Rahayu, 2020). The researcher calculated the content validity index (CVI) based on the respondents' responses, using the formula below (Munisamy et al., 2021).

$$CVI = \frac{\text{Number of items rated relevant}}{\text{Total Number of items}} \times 100$$

For the instrument to be deemed valid, the CVI should be equal to or greater than 0.7 (Fajarini & Rahayu, 2020). Questions identified as ambiguous were either rephrased or removed (Safdari et al., 2022). The instrument was considered valid because the CVI for all constructs (Table 3.2)

was equal to or greater than 0.7.

Reliability

The questionnaire items were analyzed for reliability using Cronbach's Alpha test. The instrument's reliability was assessed using a computer program (SPSS version 21) to calculate Cronbach's alpha coefficients for the questionnaire items (Marcial & Launer, 2021). All constructs in the questionnaire showed acceptable Cronbach's Alpha scores above 0.7 (Shrestha, 2021; Huang & Ferreira, 2020)

Measurement of Study Variables

The study used a five-point Likert scale to assess respondents' level of agreement with statements regarding isomorphic forces, audit committee effectiveness, and FRQ. Isomorphic forces were scaled relative to the normative, memetic, and coercive forces. Other scholars confirmed these as effective measures of isomorphism quality. Additionally, audit committee effectiveness was measured using AC meeting frequency, independence, the financial expertise of AC members, and AC size, as in other studies. Furthermore, financial reporting quality (FRQ) was measured in terms of the qualitative characteristics of financial information, such as comparability, accuracy, reliability, relevance, and understandability (Malo-Alain et al, 2021; Rashid, 2020; Setiyawati et al, 2020; Tawiah & Borgi, 2022; Korutaro Nkundabanyanga et al, 2013) of financial information such as comparability, accuracy, reliability, relevance, and understandability (Malo-Alain et al, 2021; Rashid, 2020; Setiyawati et al, 2020; Tawiah & Borgi, 2022; Korutaro Nkundabanyanga et al, 2013).

Data Processing and Cleaning

After the fieldwork, the data were entered into Statistical Package for the Social Sciences (SPSS) version 21 and thoroughly cleaned before hypothesis testing. The preliminary quantitative data analysis was conducted using SPSS Version 21. Specifically, data screening, including missing value analysis, outlier detection, and parametric tests for normality, linearity, and multicollinearity, was performed (Pallant, 2020; Roni & Djajadikerta, 2021).

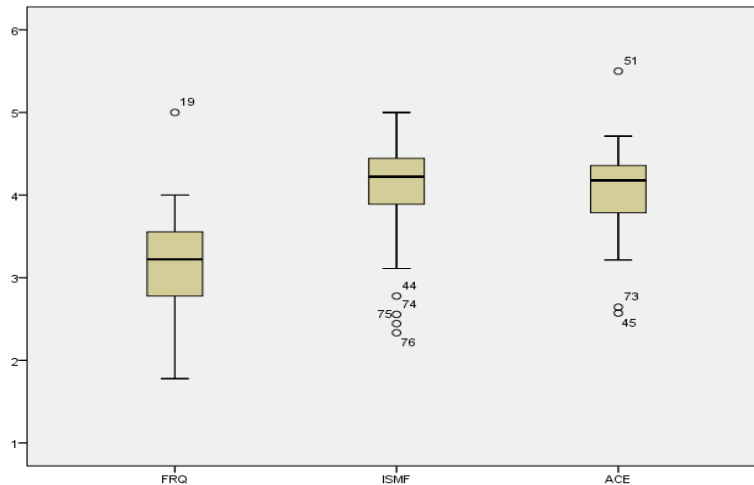
Management of Missing Values

A missing value analysis was performed to evaluate the extent of missing data and the pattern of missingness. This was conducted to ascertain the extent of missing data and evaluate its pattern (Enders, 2022; Tabachnick et al., 2022). Consequently, frequency distributions were generated from which missing data were identified (Mohammed et al, 2020; Pallant, 2020). Filled questionnaires were double-checked to ascertain whether respondents made omissions, not at the data entry point. The study conducted Little's MCAR test and found that less than 5% of the data were missing completely at random, using a $P > 0.05$ cutoff (Pontes et al., 2021). Consequently, maximum likelihood multiple imputation was conducted (Pontes et al., 2021) to fill in the missing values (Mowbray et al, 2019). This technique was preferred to others, such as the series mean method, because it fully accounts for the uncertainty in predicting missing values by injecting appropriate variability into the multiple imputed values (von Hippel & Bartlett, 2021).

Management of Outliers

The study generated box plots (Figure 3.1) to identify outliers. Box plots, only extreme cases extending more than three box lengths from the edge of the box (indicated with an asterisk*)

were considered outliers (Ur Rehman & Belhaouari, 2021). Outliers caused by errors were removed, while genuine values were adjusted to less-extreme ones, including such cases in the analysis but preventing outlying scores from distorting results (Smiti, 2020; Nicklin & Plonsky, 2020).



Figures 3.1: Box Plots for Outliers

Source: Primary Data (2025)

Test for Parametric Assumptions

Test for Normality of Data and Linearity of Variables

The study generated a histogram (Figure 3.2) and the normal probability plot (Figure 3.3) to evaluate data normality and linearity among variables (Hernandez, 2021). The histogram (Figure 3.2) shows a normal data distribution because it is symmetrical and bell-shaped (Déniz, 2021). This was further confirmed by examining the normal probability plot (Figure 3.3), where points were seen to lie along a relatively straight diagonal line from the bottom left to the top right, indicating linearity among variables and no significant deviation from normality (Amha & Brhane, 2020; Ogujiuba et al, 2023).

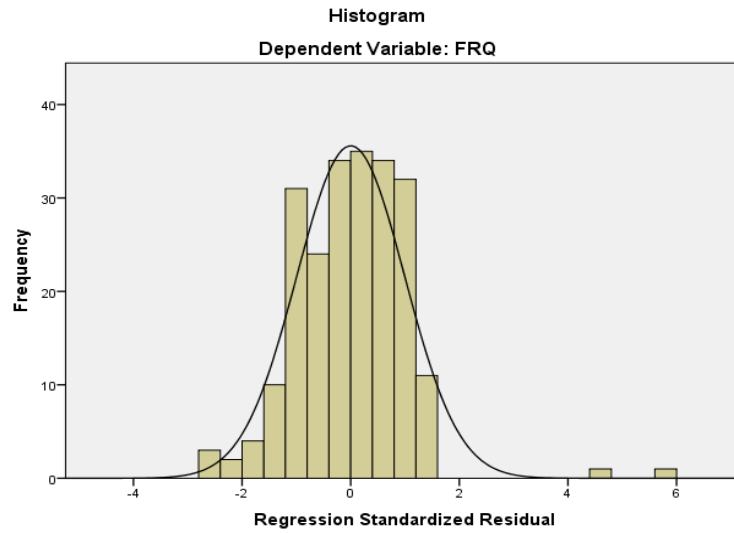


Figure 3.2: Histogram for Normality

Source: Primary Data (2025)

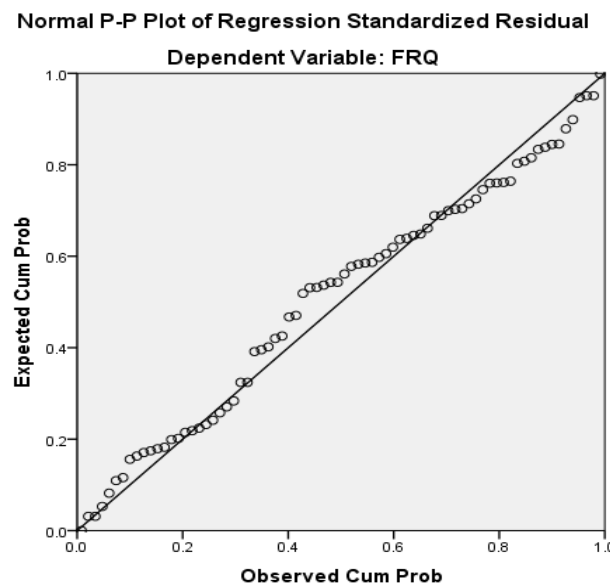


Figure 3.3: Normal Probability Plot for Normality

Test for Multicollinearity

The multicollinearity test assesses the correlation among the independent variables. For a reliable regression model, there should be no significant correlation among the independent variables (Karina et al, 2023). Therefore, multicollinearity was assessed by fitting a regression model to calculate the variance inflation factor (VIF) for all independent variables. The results showed VIFs below the cut-off of 10 and tolerance values above 0.1 for all variables, indicating no severe multicollinearity (Nyasunda & Atambo, 2020). Karina et al. (2023) stated that a variance

inflation factor (VIF) above 10 and a tolerance value below 0.1 for any independent variable indicate severe multicollinearity.

Table 3.4: Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	Isomorphic Forces	.819	1.222
	Audit Committee Effectiveness	.819	1.222

a. Dependent Variable: Financial Reporting Quality

Source: Primary Data (2025)

Data Analysis and Hypothesis Testing

Pearson Correlation Analysis

The study investigated the relationships among the variables to meet the first two objectives and to test hypotheses H1 and H2. Pearson correlation analysis was used to examine the connections between isomorphic forces, financial reporting quality, and AC effectiveness and FRQ. Notably, the Pearson correlation, a parametric test distinct from its nonparametric counterpart (Spearman correlation), has greater statistical power, yielding more reliable findings (Kelter, 2021; Pallant, 2020). As a result, the following hypotheses were tested using Pearson's zero-order correlation.

H1: There is a positive relationship between isomorphic forces and financial reporting quality among district local governments in the Rwenzori Region

H2: Audit committee effectiveness is positively associated with financial reporting quality among the District Local Governments in the Rwenzori Region.

Table 4.1 below shows the Pearson correlation results of the hypotheses mentioned above.

Table 4.1: Pearson Correlation Analysis Results

	1	2	3
1 Isomorphic Forces	1		
2 Audit Committee Effectiveness	.43**	1	
3 Financial Reporting Quality	.45**	.45**	1

Note: ** $P < 0.01$ level (1-tailed), $n = 76$

Source: Primary Data (2025)

There Is a Positive Relationship Between Isomorphic Forces and Financial Reporting Quality Among District Local Governments in the Rwenzori Region (H1)

The Pearson correlation analysis (Table 4.1) showed that isomorphic forces were moderately positively linked ($r = .45$, $p < .01$) to the financial reporting quality of district local governments in the Rwenzori Region, Uganda. This suggests that as isomorphic forces increase, so does financial reporting quality. District local governments that meet normative, mimetic, and coercive pressures tend to produce higher-quality financial reports. These findings support hypothesis H1, which predicted a positive relationship between isomorphic forces and financial reporting quality among district local governments in the Rwenzori Region.

Audit Committee Effectiveness is Positively Associated with Financial Reporting Quality among the District Local Governments in the Rwenzori Region (H2)

The study findings also revealed a positive link between the audit committee's effectiveness ($r = .45, p < .01$) and the quality of financial reporting in district local governments within the Rwenzori region (Table 4.1). The results indicated that improvements in the audit committee's effectiveness, such as more frequent meetings, greater financial expertise, independence, and committee size, are associated with higher-quality financial reporting. These findings, therefore, support the proposition that the audit committee's effectiveness is positively associated with the quality of financial reporting among district local governments in the Rwenzori Region (hypothesis H2).

Regression Analysis

Audit Committee Effectiveness Moderates the Relationship between Isomorphic Forces and Financial Reporting Quality in District Local Governments in the Rwenzori Region (H3)

In line with objective three and hypothesis three (H3), the study examined the moderating effect of AC effectiveness on the relationship between isomorphic forces and FRQ. The moderation effect was tested using hierarchical multiple regression analysis (Kipkosgei et al., 2020; Eyoun et al., 2020). Isomorphic forces and AC effectiveness were multiplied, and an interaction term was created from their product before the model estimation (Lorah, 2020). The study estimated and tested the following regression models;

$$FRQ = b_0 + b_1 ISOMF + e \dots \dots \dots i$$

$$FRQ = b_0 + b_1 ISOMF + b_2 ACE + e \dots \dots \dots ii$$

$$FRQ = b_0 + b_1 ISOMF + b_2 ACE + b_3 ISOMF * ACE + e \dots iii$$

Where;

FRQ represents financial reporting quality; b_0 , constant; b_1 ISOMF, coefficient of isomorphic forces; b_2 ACE, coefficient of Audit Committee Effectiveness; b_3 ISOMF * ACE, coefficient of the interaction term and e is the error term.

To assess the moderation effect, this study posited that “audit committee effectiveness moderates the relationship between Isomorphic Forces and Financial Reporting Quality in District Local Governments in the Rwenzori Region” (hypothesis H3). The findings of the moderation analysis are presented in Table 4.2 below.

Table 4.2: Hierarchical Multiple Regression Results for the Moderation Effect of Audit Committee Effectiveness on the Relationship between Isomorphic Forces and Financial Reporting Quality in District Local Governments in the Rwenzori Region.

	Model 1	Model 2	Model 3
	Beta (β)	Beta (β)	Beta (β)
Constant	.99	.00	1.51
Isomorphic Forces	.45**	.31**	.48**
Audit Committee Effectiveness		.32**	.57**
Interaction Term			.65**
R	.45	.53	.67
R-Square	.20	.28	.45
R-Square Change	-	.08	.17
Sig. R-Square Change	-	.01	.01
Sig. (ANOVA)	.01	.01	.01

Interaction term = ISOMF * ACE; ** $p < .0$

DV: Financial Reporting Quality

Source: Primary Data (2025)

Hierarchical multiple regression analysis results (Table 4.2, model 2) showed that isomorphic forces ($\beta = .31, p < .01$) and audit committee effectiveness ($\beta = .32, p < .01$) are significant predictors, explaining 28% of the variation in District Local Governments' financial reporting quality in the Rwenzori region ($R^2 = .28, p < .01$). However, adding the interaction term in model 3 increased the model's predictive power by 17% (i.e., from $R^2 = .28$ in model 2 to $R^2 = .45$ in model 3). By implication, the significant positive effect of the interaction term in model 3 ($\beta = .65, p < .01$) suggests that audit committee effectiveness (the moderating variable) amplifies the effect of isomorphic forces on financial reporting quality. This means that whereas isomorphic forces can improve procurement performance, the relationship is much stronger when there is an independent audit committee, committee members have the requisite financial expertise, and the committee meets regularly.

Discussion of Results

Isomorphic Forces and Financial Reporting Quality

Grounded in theoretical foundations and empirical research, this study explored the relationship between isomorphic forces and the quality of financial reporting in local governments in Uganda's Rwenzori region district. As described in Chapter Three, isomorphic forces were broken down into normative, memetic, and coercive forces. The quality of financial reporting (FRQ) was evaluated using qualitative characteristics such as comparability, accuracy, reliability, relevance, and understandability (Malo-Alain et al, 2021; Rashid, 2020; Setiyawati et al, 2020; Tawiah & Borgi, 2022). The study proposed that isomorphic forces are positively associated with financial reporting quality (hypothesis H1). The correlation analysis in Chapter Four (Table 4.1) revealed a moderate, positive link between isomorphic forces and financial reporting quality in district local governments in Uganda's Rwenzori region, supporting hypothesis H1. This means that when district local governments follow normative, memetic, and

coercive pressures, they tend to improve the comparability, accuracy, reliability, relevance, and understandability of their financial reports.

The above results align with findings from earlier studies. Institutional isomorphic processes significantly influence companies' reporting practices in response to mandatory requirements. In their study on financial reporting in Ugandan MFIs, Kabuye et al. (2021) noted that isomorphic forces, in which entities in similar situations face comparable conditions and respond similarly, can motivate local government leaders to improve their financial reporting. Isomorphism compels managers and governance officials to act like, or better than, other firms in the industry, or risk isolation. Cosa (2024) examined how institutional pressures affect organizational learning and memory in Italy. It was found that organizations are influenced by coercive, normative, and mimetic forces stemming from the institutional context in which they operate. Similarly, scholars (Posadas et al., 2023) investigated institutional isomorphism with respect to non-financial reporting directives in Italy and Spain. They discovered that isomorphic forces establish and spread a common set of rules, values, and beliefs embedded within organizations, ultimately leading to homogenization across corporate practices.

Additionally, Posadas et al (2023) analyzed the impact of the European Union (EU) directive on the quality of sustainability reporting through the lens of institutional theory. The authors evaluated the institutional pressure that significantly influenced the quality of corporate disclosure regarding sustainability issues. They constructed a quality index based on content analysis of sustainability information disclosed by Italian and Spanish companies before and after the directive's transposition. The results revealed that normative and mimetic mechanisms positively influence the quality of sustainability reporting. However, there was no evidence that coercive mechanisms had an impact, suggesting that the new requirements do not significantly contribute to the development of improved reporting practices, at least in the two countries.

The theory posits that organizations seek legitimacy and, constantly, strive to adapt to their environment. The theory argues that organizations will adopt similar practices and become more homogeneous over time as they face institutional pressures within the environments (or fields) in which they operate (Wong et al., 2023). This legitimacy is obtained through three forms of isomorphism: coercive, mimetic, and normative (Bananuka et al., 2019). Coercive isomorphism results from formal and informal pressures exerted by other organizations on organizations, in the form of force, persuasion, or invitations to join in collusion, upon which they depend. Mimetic isomorphism occurs when organizations attempt to emulate or model themselves on the best practices of other organizations in response to environmental uncertainty. Normative isomorphism refers to the pressures exerted by group norms on organizations to fulfill professional expectations. The sources of this isomorphism come from educational and professional networks (Bananuka et al., 2019; Kabuye et al., 2021; Wong et al., 2023).

The study findings align with institutional theory, where isomorphism explains the pressures that drive district local governments to adopt improved financial reporting, especially after laws such as the Public Finance Management Act (2015) and the National Audit Act (2008), and the establishment of institutions such as the OAG and the IGG. Coercive isomorphism, mainly exerted by international donors demanding high-quality financial statements and by normative forces from professional bodies like ICPAU and OAG, influences reporting standards. Additionally, mimetic isomorphism has increased as more districts adopt robust financial

reporting practices (Cosa, 2024; Mawejje & Odhiambo, 2021; Mnif Sellami & Gafsi, 2019; Kabuye et al., 2021). The results, therefore, support applying institutional theory to Uganda's district local government context, particularly in the Rwenzori region.

However, research on financial reporting quality has mainly concentrated on developed countries such as New Zealand, the European Union (EU), and Italy, where the legal framework is strict and the systems of disclosure and transparency are well-established, compared with developing nations. Other studies in Uganda have focused on private firms, such as financial institutions, rather than district local governments, which attract public interest. Moreover, these studies show mixed findings, with some scholars (Kabuye et al., 2021) found a positive association, while others (Posadas et al., 2023) found a negative relationship. Nevertheless, this study filled the above gaps by presenting findings on the relationship between isomorphic forces and FRQ among district local governments in the Rwenzori region.

Audit Committee Effectiveness and Financial Reporting Quality

The current study further investigated the relationship between the effectiveness of the audit committee and the quality of financial reporting. It was hypothesized that the effectiveness of audit committees is positively associated with the quality of financial reports in district local governments within the Rwenzori region (H2). The Pearson correlation results (Table 4.1) showed that the effectiveness of the audit committee was positively associated with the quality of financial reporting, supporting Hypothesis H2. This indicates that a district local government with a more independent, experienced, and sizeable audit committee that meets regularly is more likely to improve the quality of financial reports in terms of understandability, reliability, accuracy, and relevance.

The findings are consistent with previous research, which also indicated a close relationship between audit committee attributes and financial reporting quality (FRQ) (Abdulrahman et al., 2019; Baatwah et al., 2019; Dewi et al., 2021; Ngo et al., 2021). Notably, the primary role of an audit committee is to oversee the corporate financial reporting processes, including the integrity of financial statements, the effectiveness of internal controls, and the monitoring of external and internal auditors (Safari Gerayli et al., 2021). A study by Bananuka and Nkundabanyanga (2023) on the effectiveness of audit committees and internet financial reporting in financial service firms in Uganda found that an effective audit committee (AC) enhances financial reporting, particularly when its composition includes at least three members, with the majority being non-executive directors. They observed that firms whose AC members possess financial expertise and perform their roles diligently are more likely to see IFR improvements. Additionally, firms whose AC members attend meetings regularly are more likely to adopt better financial reporting practices, as IFR matters are often discussed. Hamdan (2020) also evaluated the audit committee's role in enhancing earnings quality among industrial companies, finding that larger, more independent audit committees are more strongly associated with earnings quality in GCC industrial firms from the Gulf Cooperation Council (GCC) financial markets.

The study findings on audit committee effectiveness and FRQ align with the institutional theoretical perspective. The isomorphic pressure on district local governments to enhance the quality of financial reporting has grown since the Government of Uganda enacted laws such as the Public Finance Management Act (2015) and the National Audit Act (2008), as well as established institutions like the Office of the Auditor General (OAG) and the Inspectorate of

Government (IGG). Section 88 (7-9) of the Local Government Act, CAP 243, established the Local Government Public Accounts Committee (LGPAC), responsible for examining reports from the Auditor General, Chief Internal Auditor, or other inquiry reports concerning the local government within its jurisdiction. It is therefore appropriate to note that the effectiveness of the LGPAC (as a coercive and normative force) influences the FRQ of district local governments (Bainomugisha et al., 2023). The above results, therefore, support the assumption that institutional theory is applicable among the district local governments in the Rwenzori region.

Moderation Effect of Audit Committee Effectiveness on the Relationship between Isomorphic Forces and Financial Reporting Quality

The study examined the moderating role of audit committee effectiveness in the relationship between Isomorphic forces and FRQ. Based on the literature, the study hypothesized that audit committee effectiveness moderates the link between isomorphic forces and FRQ (hypothesis H3). The findings (Table 4.2) showed that: i) the interaction term had a significant positive impact on FRQ (model 3); ii) adding the interaction term significantly improved the model's predictive power. These findings suggest that the influence of isomorphic forces on FRQ is moderated by audit committee effectiveness, supporting hypothesis (H3). Essentially, while isomorphic forces can enhance the quality of financial reports by improving accuracy, reliability, relevance, and comprehensibility, this depends on the independence, financial expertise, size, and frequency of audit committee meetings.

The results coincide with the existing literature, with some findings supported and others disproved. For instance, in the same vein, Bananuka et al (2019) established the contribution of audit committee (AC) effectiveness, isomorphic forces, and managerial attitude to adopting international financial reporting standards (IFRS) and FRQ. It was observed that both AC effectiveness and isomorphic forces significantly contribute to the adoption of IFRS, as does managerial attitude. However, the explanatory power of managerial attitude was found to be subsumed in isomorphic forces and AC effectiveness.

Relatedly, Dewi et al., (2021) analyzed the effect of fraud pentagon on fraudulent financial statements with the audit committee as a moderating variable among companies listed on the Indonesia Stock Exchange. Meanwhile, the effectiveness of supervision, the quality of external auditors, directors' experience, and CEO duality did not affect the issuance of fraudulent financial statements. The audit committee significantly moderated the effects of company growth, supervisory effectiveness, and directors' experience on the likelihood of fraudulent financial statements. However, the audit committee did not moderate the effects of external auditor quality and CEO duality on the likelihood of fraudulent financial statements.

Likewise, Baatwah et al (2019) Investigated whether the characteristics (AC chair expertise, shareholding, tenure and multiple directorships) of the audit committee (AC) chair affect audit report timeliness. A sample of Malaysian companies and the fixed effects panel data method were utilized. The results suggest that an AC chair with accounting expertise is associated with a reduction in audit delay. The reduction is more obvious when the chair holds company shares, but is weakened by longer tenure and multiple directorships. Using moderation analysis, the authors also document that an AC chair with accounting expertise can enhance the timeliness of audit reports even when the quality of financial reporting is lower. The reported result is supported by additional analysis that finds that AC chairs with accounting expertise and AC

chairs with accounting expertise and shareholding are significantly associated with shorter abnormal audit delay.

The aforementioned results substantiate the premises of institutional theory. It is pertinent to observe that district local governments are mandated by central authorities and donor agencies (coercive forces) to establish audit committees (LGPAC) composed of qualified members to ensure high-quality financial reporting. Likewise, professional organisations such as ICPA(U) and the Institute of Corporate Governance of Uganda (ICGU) (normative forces) emphasise the necessity for entities to maintain efficient and effective audit committees. Furthermore, with an operational audit committee, district local governments will endeavour to attain financial reporting quality (FRQ) to achieve a favourable ranking compared to other districts (mimetic forces).

CONCLUSION AND RECOMMENDATIONS

Conclusions

This section presents conclusions based on the study findings and offers recommendations. It also addresses study limitations and suggests areas for future research. In line with the study objectives, hypotheses, and results discussed in previous chapters, the following conclusions have been drawn.

The present study examined the relationship between isomorphic forces and FRQ. It confirmed that a significant positive link exists between isomorphic forces and financial reporting quality. This positive relationship further supported that institutional isomorphism is an important factor in government accounting practice that can enhance public sector financial reporting. Therefore, it is sufficient to note that district local governments, following normative, coercive, and mimetic forces, produce financial reports that are free from bias and material errors and not misleading in government officials' decision-making.

Furthermore, it was understood that the effectiveness of the audit committee is moderately linked to FRQ. Therefore, an effective AC improves FRQ by increasing the credibility of financial reports and ensuring they are free from material misstatements. Additionally, the study confirmed that an AC composed of enough members who are independent financial experts and who meet regularly can enhance FRQ by overseeing all financial reporting processes and procedures in district local governments.

The study found that the relationship between isomorphic forces and FRQ depends on the effectiveness of the audit committee within district local governments. It concludes that district-level governments should consider audit committee effectiveness a key mechanism for institutional accountability in establishing a robust, high-quality financial reporting framework. Notably, without an effective audit committee, isomorphic forces can become harmful, potentially misleading decision-makers or enabling fraudulent financial statements.

Recommendations

From the institutional theoretical perspective, given the interactive effect of isomorphic forces and AC effectiveness on FRQ that has been confirmed in this study, district local governments in the Rwenzori region should have robust financial reporting systems that are compliant with requirements from the central government, donors, professional bodies (coercive and normative

forces) and benchmark other districts on best financial reporting practices (mimetic forces) to ensure accuracy, reliability, relevancy and understandability of financial statements.

Furthermore, district local councils should conduct thorough audit engagements by appointing LGPAC members who are highly independent, professionally competent, and experienced auditors to guide and report on errors and material misstatements in Government financial reports.

Study Limitations and Areas for Further Research

The present study focused solely on district local government headquarters in the Rwenzori region, which limits its applicability to other regions in Uganda or developing countries. Furthermore, each developing country's context differs in terms of socio-political environment, colonial history, and the involvement of the accounting profession. Consequently, future studies could compare the same variables across districts in Uganda and the wider East African region.

The study used a quantitative approach, which limited the respondents' qualitative insights that might have yielded different results. This bias could have impacted the reliability of the findings and conclusions. Future research could adopt a triangulation of methods to harness the complementary advantages of a mixed methods approach.

REFERENCES

- Abdulrahman, N., Raweh, M., Intan, T. P., Kamardin, H., Malik, M., & Malek, @. (2019). Audit committee characteristics and audit report lag: Evidence from Oman. *Academia.Edu*, 9(1). <https://doi.org/10.5296/ijaf.v9i1.14170>
- Aboud, A., & Robinson, B. (2022). Fraudulent financial reporting and data analytics: an explanatory study from Ireland. *Accounting Research Journal*, 35(1), 21–36. <https://doi.org/10.1108/ARJ-04-2020-0079>
- Baatwah, S. R., Salleh, Z., & Stewart, J. (2019). Audit committee chair accounting expertise and audit report timeliness: The moderating effect of chair characteristics. *Asian Review of Accounting*, 27(2), 273–306. <https://doi.org/10.1108/ARA-12-2017-0190/FULL/HTML>
- Bainomugisha Wilson Winstons Muhwezi Walter Akena Jonas Mbabazi Rebecca Nalwoga Mukwaya Eugene Gerald Ssemakula Oscord Mark Otile Phoebe Atukunda Kirungyi Richard Ayesigwa, A. (2023).: *A Performance Assessment of Statutory Boards and Commissions in Uganda's Local Governments FY2021/2022, Kampala, ACODE Policy Research Paper* <https://acode-u.org/uploadedFiles/PRS112.pdf>
- Bananuka, J., Kadaali, A. W., Mukyala, V., Muramuzi, B., & Namusoby, Z. (2019). Audit committee effectiveness, isomorphic forces, managerial attitude and adoption of international financial reporting standards. *Journal of Accounting in Emerging Economies*, 9(4), 502–526. <https://doi.org/10.1108/JAEE-08-2018-0084>
- Bananuka, J., & Nkundabanyanga, S. K. (2023). Audit committee effectiveness, internal audit function, firm-specific attributes and internet financial reporting: managerial perception-based evidence. *Journal of Financial Reporting and Accounting*, 21(5), 1100–1123. <https://doi.org/10.1108/JFRA-07-2021-0198>
- Capalbo, F., Galati, L., Lupi, C., & Smarra, M. (2024). Proportional appropriation systems and financial statement quality in municipally owned entities: empirical evidence from Italy. *Journal of Public Budgeting, Accounting & Financial Management*, 36(3), 343–362. <https://doi.org/10.1108/JPBAFM-01-2023-0015>
- Cosa, M. (2024). *How Institutional Pressures Drive Learning and Memory in Organizations* (pp. 231–262). <https://doi.org/10.4018/979-8-3693-5777-4.ch010>
- Dewi, K., Journal, I. A.-A. A., & 2021, undefined. (2021). Analysis of the effect of fraud pentagon factors on fraudulent financial statement with audit committee as moderating variable. *Journal.Unnes.Ac.Id*, 10(1), 39–46. <https://doi.org/10.15294/aa.v10i1.44520>
- Gita Saraswati, I. G. A., & Budiasih, I. G. A. N. (2019). Pengaruh Good Governance, Kompetensi SDM dan Sistem Pengendalian Intern pada Kualitas Laporan Keuangan. *E-Jurnal Akuntansi*, 2268. <https://doi.org/10.24843/EJA.2019.v27.i03.p23>
- Hamdan, A. (2020). The role of the audit committee in improving earnings quality: The case of industrial companies in GCC. *Journal of International Studies*, 13(2), 127–138. <https://doi.org/10.14254/2071-8330.2020/13-2/9>

- Hj. Mohaiyadin, N. M., Aman, A., Palil, M. R., & Muhamad Said, S. (2022). Addressing Accountability and Transparency Challenges in Waqf Management Using Blockchain Technology. *Journal of Islamic Monetary Economics and Finance*, 8, 53–80. <https://doi.org/10.21098/jimf.v8i0.1413>
- Kabuye, F., Alinda, K., Bugambiro, N., & Kezaabu, S. (2021). Intellectual capital, isomorphic forces and internal controls over financial reporting in Ugandan microfinance institutions. *Cogent Business & Management*, 8(1). <https://doi.org/10.1080/23311975.2021.1944960>
- Krah, R., & Mertens, G. (2023a). Financial transparency, trust and willingness to pay in local governments of sub-Saharan Africa. *Journal of Public Budgeting, Accounting & Financial Management*, 35(6), 100–120. <https://doi.org/10.1108/JPBAFM-06-2022-0110>
- Krah, R., & Mertens, G. (2023b). Financial transparency, trust and willingness to pay in local governments of sub-Saharan Africa. *Journal of Public Budgeting, Accounting & Financial Management*, 35(6), 100–120. <https://doi.org/10.1108/JPBAFM-06-2022-0110>
- Mawejje, J., & Odhiambo, N. M. (2021). Uganda’s fiscal policy reforms: What have we learned? *Public Budgeting & Finance*, 41(2), 89–107. <https://doi.org/10.1111/pbaf.12283>
- Mnif Sellami, Y., & Gafsi, Y. (2019). Institutional and Economic Factors Affecting the Adoption of International Public Sector Accounting Standards. *International Journal of Public Administration*, 42(2), 119–131. <https://doi.org/10.1080/01900692.2017.1405444>
- Musina, O. B., Manini, M. M., & Alala, B. O. (2021). Coercive Isomorphism and Financial Reporting Qualities of Listed Banks in Kenya: Moderating Role of Top Management. *SEISENSE Business Review*, 1(2), 1–14. <https://doi.org/10.33215/sbr.v1i2.501>
- Ngo, D., Finance, A. L.-T. J. of A., and, E., & 2021, undefined. (2021). Relationship between the audit committee and earning management in listed companies in Vietnam. *Koreascience.Kr*, 8(2), 135–0142. <https://doi.org/10.13106/jafeb.2021.vol8.no2.0135>
- Office of the Auditor General. (2023). *Report of the Auditor General on the Financial Statements of Kabarole District Local Government for the Year Ended 30th June 2023*.
- Office of the Auditor General. (2024). *Report of the auditor general on bundibugyo district local government for the audit year ended december 2024*.
- Office of the Auditor General Kenya. (2022). *Auditor General’s Report on national Government Fund, 2021/2022*.
- Omona, D., Katono, I., Waiswa, J., Olobo, M., & Wonyaka, A. (2023). *Analysis of the Implementation of Auditor General’s Recommendations in Local Governments to Enhance Accountability*. <https://acode-u.org/uploadedFiles/PRS115.pdf>
- Posadas, S. C., Ruiz-Blanco, S., Fernandez-Feijoo, B., & Tarquinio, L. (2023). Institutional isomorphism under the test of Non-financial Reporting Directive. Evidence from Italy and Spain. *Meditari Accountancy Research*, 31(7), 26–48. <https://doi.org/10.1108/MEDAR-02-2022-1606>

- Rana, T., Ahmed, Z. U., Narayan, A., & Zheng, M. (2022). An institutional theory perspective on public sector reform and service performance reporting by New Zealand universities. *Journal of Accounting & Organizational Change*, 18(3), 461–484. <https://doi.org/10.1108/JAOC-08-2020-0112>
- Safari Gerayli, M., Rezaei Pitenoei, Y., & Abdollahi, A. (2021). Do audit committee characteristics improve financial reporting quality in emerging markets? Evidence from Iran. *Asian Review of Accounting*, 29(2), 251–267. <https://doi.org/10.1108/ARA-10-2020-0155>
- Tran, Y. T., Nguyen, N. P., & Hoang, T. C. (2021). Effects of leadership and accounting capacity on accountability through the quality of financial reporting by public organisations in Vietnam. *Journal of Asia Business Studies*, 15(3), 484–502. <https://doi.org/10.1108/JABS-02-2020-0077>
- Uganda Investment Authority. (2020). *Rwenzori Region Tourism Investment Profile Briefing Summary*.
- Wong, K. S., Amran, A., & Chu, E. Y. (2023). Institutional antecedents of integrated reporting quality: The moderating role of board independence. *Corporate Social Responsibility and Environmental Management*, 30(2), 621–640. <https://doi.org/10.1002/csr.2378>