# The Effect of Financial Controls on Financial Performance of Local Government Units in Ghana

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**ABSTRACT**

This study investigates the intricate relationship between financial controls and performance in the Metropolitan, Municipal, and District Assemblies (MMDAs) of Greater Accra, Ghana. Unlike profit-seeking businesses that prioritize generating shareholder value, non-profits such as MMDAs focus on meeting community needs. Using quantitative analysis through SPSS and AMOS software, the research employs a structural equation model and logistic regression model to examine various aspects of financial control and their impact on financial health. The key findings reveal that efficient reconciliations, robust audits, and sound payables management significantly enhance financial performance. However, a surprising negative association between weak monitoring and performance was also discovered, prompting further investigation. The study recommends optimizing reconciliation processes, strengthening audit practices, and improving payables management. Moreover, it emphasizes addressing deficiencies in financial monitoring through effective systems, trained personnel, and a culture of transparency. This holistic approach views financial controls as an interconnected system, whose harmonious interplay unlocks true financial potential and sustainability for MMDAs. The study concludes that optimizing financial control approaches is critical for MMDAs in Greater Accra to achieve thriving financial futures, highlighting the importance of balancing control elements and exploring deeper relationships within the system to unlock financial health and sustainable development.

**Keywords:** Financial Controls, Local Government, MMDAs, Financial Performance, Ghana
**JEL Classifications:** H0, H3, H7

## 1. INTRODUCTION

Governments provide quality services efficiently by implementing strategies to monitor assets, prevent fraud, and ensure reliable accounting data (Musah et al., 2018; Nkuah et al., 2013). Public financial management (PFM) is critical for sustainable economic management and service delivery (Tetteh et al., 2021; Said and Kenyatta, 2019). Efficient tax collection and expenditure allocation are key for economic growth and development (Bonsu et al., 2022; Lartey et al., 2020). While businesses focus on shareholder value, non-profits aim to meet citizen needs (Krah and Mertens, 2020; Ibrahim et al., 2017). Financial resources are crucial for delivering public value (Ayamga and Bagina, 2019). Internal controls ensure

compliance with financial processes (Musah et al., 2022; Nkuah et al., 2013). PFM reforms aim to improve governance through the 4Es (economy, efficiency, effectiveness, and equality), enhancing public finances despite varying levels of success (Mnif and Gafsi, 2020; Arkorful et al., 2021; Modasia and Kenyatta, 2019).

In Ghana, poor financial management and inaccurate documentation hinder Metropolitan, Municipal, and District Assemblies' (MMDAs) ability to meet financial obligations (Bonsu et al., 2022; Amos et al., 2021; Ayamga and Bagina, 2019). Efficient financial control systems, supported by effective internal audits, ensure compliance with laws and regulations (Tetteh et al., 2022; Musah et al., 2018). Management plays a key role in establishing

controls, while internal audit recommendations improve their effectiveness (Lartey et al., 2020; Appiah-Agyekum, 2013). Participation across all organizational levels is essential to reduce risks and achieve goals (Ayamga and Bagina, 2019). Challenges in financial management impede MMDAs' ability to implement initiatives, despite adequate funding (Bonsu et al., 2022; Maama and Marimuthu, 2020). The Auditor General's report reveals widespread financial irregularities, particularly in MDAs every year in their audit report (Lartey et al., 2020). There is the need for effective internal inspections prevent fraud, ensuring revenues are properly utilized (Hoai et al., 2022; Alawattage and Azure, 2021).

This study investigates the impact of financial control systems on the performance of MMDAs in Greater Accra, focusing on financial audits, reconciliation controls, and financial monitoring. Financial controls are essential for reliable reporting and resource allocation in local government (Tetteh et al., 2022). Weak controls expose the public sector to risks like inaccurate statements, asset loss, and inconsistent accounting practices, undermining financial performance (Dwangu and Mahlangu, 2021; Abubakar et al., 2017). In developing nations, a lack of controls often leads to resource abuse and corruption (Musah et al., 2025). Effective financial control is crucial for governance success (Yogendrarajah, 2013).

Several studies emphasize the effect of financial controls on local government performance. Said and Kenyatta (2019) found that financial planning significantly enhances the financial performance of Mombasa County, Kenya. Similarly, audits, periodic reconciliations, and payables control positively influence financial performance. In Ghana, Ayamga and Bagina (2019) revealed a strong correlation between internal control frameworks and the financial performance of Kassena Nankana East Municipal Assembly. Despite these insights, many public organizations in Ghana lack effective financial management (Bonsu et al., 2022; Scott, 2018). Strong financial controls and audit processes are essential for organizational success (Yogendrarajah, 2013). However, there remains a gap in understanding how specific controls impact the financial performance of MMDAs in Ghana, particularly in Greater Accra. This study seeks to fill that gap by examining how financial audits, reconciliation controls, and payables management affect the financial health of MMDAs in this region.

This study contributes to the literature by providing a nuanced understanding of the relationship between financial control systems and financial performance in Metropolitan, Municipal, and District Assemblies (MMDAs) within the Greater Accra region of Ghana. By employing advanced quantitative analysis techniques such as structural equation modelling and logistic regression, this research offers empirical evidence on the significance of specific financial controls—namely financial audits, periodic reconciliation controls, payable controls, and financial monitoring controls which makes significant contributions to literature. It highlights not only their individual impacts but also their interconnected roles in enhancing financial performance. Additionally, this study addresses the unique challenges and dynamics faced by MMDAs in a developing country context, thereby filling a critical gap in the existing literature. The findings underscore the importance of robust internal control systems in public financial management and provide a framework for future research in similar settings across developing nations.

## 2. LITERATURE REVIEW

The role of financial controls in shaping the financial performance of local governments has gained increasing attention, particularly in developing countries like Ghana (Tetteh et al., 2021). Financial controls refer to mechanisms and procedures that ensure efficient resource use in compliance with legal frameworks (Hoai et al., 2022; Musah et al., 2018). These controls are essential for ensuring accountability, transparency, and financial sustainability (Ebenezer et al., 2020). At the local government level, financial performance is typically measured by financial sustainability, governance, and revenue management, all of which are influenced by the robustness of financial control systems (Ebenezer et al., 2020). Effective financial controls help governments manage revenues and expenditures, reducing mismanagement and corruption, thus enhancing service delivery capacity (Dollery et al., 2020).

Financial sustainability refers to a local government's ability to maintain sufficient resources to meet both short- and long-term obligations (Ebenezer et al., 2020). Budgeting, expenditure tracking, and audit systems play key roles in maintaining sustainability (Arkorful et al., 2021). In Ghana, many local governments struggle with fiscal sustainability due to weak financial controls, leading to excessive spending and inefficient resource allocation (Tetteh et al., 2021; Maama and Marimuthu, 2020). Strengthening financial controls can address these challenges by enforcing greater budgetary discipline.

Governance in local governments refers to the systems through which financial decisions are made (Krah and Mertens, 2020). Effective governance relies on strong financial controls to ensure transparency and accountability (Bonsu et al., 2022; Musah et al., 2018). In Ghana, weak financial controls have led to corruption and misallocation of resources, undermining governance (Lartey et al., 2020). Strengthening internal audits and developing accountability frameworks have improved governance efficiency (Amos et al., 2021).

Revenue management involves the collection, management, and allocation of financial resources. Strong financial controls ensure optimal revenue generation and proper management (Dwangu and Mahlangu, 2021). Ghana's local governments face challenges in revenue collection due to inefficient tax systems and poor financial planning (Bonsu et al., 2022; Lartey et al., 2020). Enforcing financial controls like audits and monitoring can improve revenue management and increase transparency (Hoai et al., 2022). In conclusion, financial controls are central to improving financial sustainability, governance, and revenue management in local governments. Ghana's local governments face persistent challenges due to weak controls, but enhancing practices in budgeting, auditing, and revenue management could significantly improve their financial performance. Strengthening these controls is essential for better governance and resource allocation in Ghana's local government units.

## 2.1. Conceptual Framework

This research conceptual framework outlines a fascinating interplay between various financial controls and their ultimate impact on the financial performance of MMDAs in the Greater Accra region in the Ghana in Figure 1. It proposes a multi-layered approach, linking three main factors (sustainability, governance, and revenue management) to four specific control mechanisms (reconciliations, audits, payables, and monitoring). At the core lies financial performance, measured by various receivables, representing the financial strength of MMDAs. This performance is influenced by four interconnected control mechanisms:

Periodic reconciliations: Timely and accurate reconciliations (measured by IFMIS usage, error investigations, and timeliness) ensure data integrity and support reliable financial reporting.

Financial audits: Audits (measured by annual reviews, reports, efficiency, and utilization) enhance transparency and accountability, leading to informed decision-making and potentially improved revenue generation.

Payable control: Efficient and accurate payable processes (measured by authorization levels, vendor verification, invoice accuracy, and duty separation) prevent financial losses and optimize resource allocation, potentially boosting revenue collection.

Financial monitoring: Continuous evaluation and improvement (measured by ongoing assessments, deficiency identification, communication, and evidence-based improvements) identify and address potential issues before they impact performance, contributing to overall financial stability.

This framework suggests a dynamic relationship between these factors: effective control mechanisms (reconciliations, audits, payables, and monitoring) contribute to financial sustainability, governance, and revenue management, ultimately enhancing the financial performance of MMDAs. Analyzing the individual and combined effects of these controls will reveal their nuanced interplay and provide valuable insights for optimizing MMDA's financial health and future performance.

# 3. METHODS

## 3.1. Study Design and Population

This study used a descriptive cross-sectional quantitative research design. The researcher will be able to collect accurate, reliable, and systematic samples of information from a large population over a short period using this strategy without altering the environment (Bryman and Bell, 2015). The target population for this study is finance personnel in all 29 MMDAs within the Greater Accra region of Ghana. While the study initial analysis focused on five specific MMDAs, collecting data from a broader sample will provide more generalizable and representative results. A sample size of 300 respondents was considered adequate for this population, taking into account the finite population size and desired confidence level. A desired confidence level of 95%, a minimum sample size of 300 is required from a random sample of five MMDAs. This sample size represents approximately 10% of the target population, which is generally considered adequate for obtaining reliable results in social science research. To ensure representativeness and avoid bias, a random selection of respondents within each MMDAs is crucial. Stratified random sampling: Divide the MMDAs into smaller strata based on relevant characteristics like size or type (e.g., metropolitan, municipal, or district). Then, randomly select a proportional number of respondents from each stratum to maintain representativeness within the overall sample. A random sample was collected through online platform.

**Figure 1:** Conceptual framework
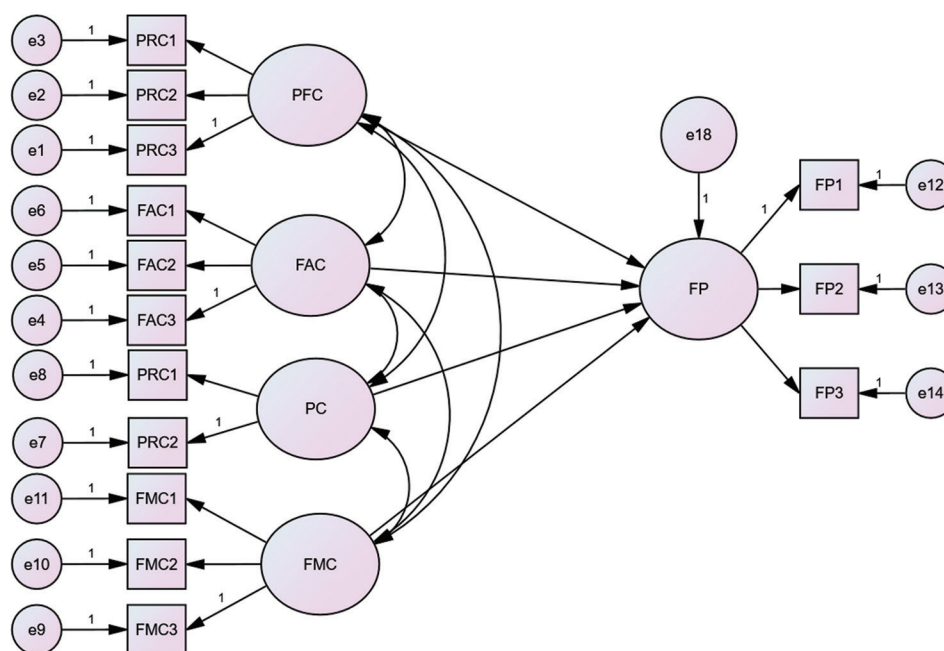
## 3.2. Measures and Validity of Instruments

The study developed new instruments, using Likert scale questionnaires (1=strongly disagree to 5=strongly agree), to measure the various components and subcomponents of the identified constructs in your conceptual framework (financial sustainability, governance, revenue management, reconciliations, audits, payables, and monitoring). The study reviewed existing validated instruments for measuring similar constructs in other studies (e.g., the Public Financial Management Performance Dashboard by DFID) and adapt them with necessary modifications for the specific context of MMDAs in Ghana.

Pilot test was conducted to developed instruments with a small sample of respondents from different MMDAs to assess their clarity, relevance, and reliability. The study conducted confirmatory factor analysis (CFA) using the pilot test data to validate the proposed factor structure of your instruments. Assess the internal consistency of each instrument using Cronbach's alpha coefficient, aiming for a value above 0.7.

The dependent variable in this was financial performance (FP), which had three constructs obtained during the CFA (Table 3). Financial sustainability and diversification (PF1), financial governance and operational integrity (FP2), and revenue stream management and financial impact (FP3) made up the factors for the financial performance index. Secondly, the independent variables were periodic reconciliation control (PRC). Three components were also obtained after the CFA, which include reconciliation efficiency and timeliness (PRC1). Regular reconciliations of financial accounts in the assemblies are conducted in a timely manner (PRC2), and the results of timely reconciliations positively impact the financial decision-making process (PRC3). Thirdly, financial audit control (FAC) also had three components, which include financial reporting and transparency (FAC1), strategic decision support and continuous improvement (FAC2), and stakeholders in the assembly actively using financial reports to make informed decisions (FAC3). Additionally, the third construct among the independent variables includes payable control (PC). The PC construct had two components when the CFA was conducted. This includes payable process efficiency and accuracy (PC1) and control structure and effectiveness in payable management (PC2). Finally, financial monitoring control (FMC) was the fourth independent variable with three constructs. Continuous financial process evaluation and monitoring (FMC1), evidence-driven process improvement (FMC2), and deficiency communication and stakeholder feedback (FMC3) were part of the financial monitoring control construct.

To check for consistency, they built another model called the logistic regression model by dichotomizing the dependent variable (financial performance) into low = 0 and high = 1. This was done by constructing a CFA and deliberately returning one component. That component was then used to obtain a descriptive statistic. The mean value of the dependent variable was then used as the benchmark value. Any value falling below the mean was classified as having low financial performance, and values that were equal to the mean and above it was also classified as having high financial performance.

The study analyzed the convergent and discriminant validity of the instruments to ensure they accurately measure the intended constructs and are distinct from other constructs. The study found a Cronbach's alpha value of.765 this was considered good for internal consistency of your instrument. This means that the 43 items on the questionnaire are all measuring the same underlying construct (the specific construct you're aiming to measure needs to be specified based on your research framework).

The study created a Google Form survey containing the validated instruments, demographic questions, and any additional relevant information. To ensure the survey is user-friendly and accessible on various devices. The online questionnaire was distributed using the google link through email, social media, or direct contact with MMDAs, targeting the randomly selected finance personnel. The study considered incentives, like anonymity or raffle entries, to encourage participation. Tema Metropolitan Assembly (TMA) has the highest frequency, accounting for 40.0% of the total respondents. The Accra Metropolitan Assembly follows closely with a frequency of 157, representing 52.3% of the respondents. The Ablekuma Central Municipal District (ACMDA) has a relatively smaller percentage, with 7 respondents, constituting 2.3% of the total. The Adentan Municipal District (AMD) has 4 respondents, contributing 1.3% to the sample. Lastly, the Ayawaso West Municipal District (AWMD) has 12 respondents, making up 4.0% of the total sample.

This results in Table 1 provides a summary of the cases used in validating the newly developed instruments. A total of 300 responses were included in the analysis, representing 100% valid cases, with no missing data or exclusions. The data was cleaned and subjected to listwise deletion, meaning that only cases with complete responses across all variables involved in the validation procedure were retained. This approach ensures the integrity and consistency of the analysis, particularly in psychometric validation such as exploratory factor analysis (EFA) or reliability testing. The clean dataset of 300 valid cases is robust enough for rigorous statistical testing, enhancing the credibility and reliability of the new measurement instruments developed for the study.

### 3.3. Analysis Method

Once the data was collected, the data from Google Forms was exported to statistical software package (SPSS) cleaning and analysis using AMOS vs. 24. This analysis involves descriptive statistics to explore the characteristics of the respondents and the distribution of variables, analysis of variance (ANOVA) to compare financial performance across different MMDAs, confirmatory factor analysis (CFA). Regression analysis to test the hypotheses about the impact of financial controls on financial performance using structural equation modeling (SEM). Afterwards, the study also used a logistic model to explain variables association.

## 4. RESULTS

### 4.1. Demographic Profile

The demographic profile of respondents in the study on the effect of financial controls on the financial performance of MMDAs in the Greater Accra Region, Ghana, reveals a diverse and

## Table 1: Validating new instruments

| Case processing summary | | | |
|---|---|---|---|
| | Options | N | % |
| Cases | Valid | 300 | 100.0 |
| | Excluded[a] | 0 | 0.000 |
| | Total | 300 | 100.0 |

[a]Listwise deletion based on all variables in the procedure

| Reliability statistics | |
|---|---|
| Cronbach's alpha | No. of items |
| 0.765 | 43 |

## Table 2: Demographic characteristics

| Characteristics | Frequency | Percentage |
|---|---|---|
| Gender of respondent | | |
| Male | 184 | 61.30 |
| Female | 116 | 38.70 |
| Age of respondent in years | | |
| 16–25 years | 65 | 21.70 |
| 26–35 years | 124 | 41.30 |
| 36–45 years | 53 | 17.70 |
| 46 years and above | 58 | 19.30 |
| Respondent's marital status | | |
| Married | 120 | 40.00 |
| Single | 157 | 52.30 |
| Divorced | 7 | 2.30 |
| Co-habitating | 4 | 1.30 |
| Widowed | 12 | 4.00 |
| Respondent's educational level | | |
| Basic | 77 | 25.70 |
| Secondary | 83 | 27.70 |
| Vocational/Technical | 19 | 6.30 |
| Undergraduate | 35 | 11.70 |
| Postgraduate | 33 | 11.00 |
| Graduate | 41 | 13.70 |
| Uneducated | 12 | 4.00 |
| Respondent's department name | | |
| Respondent working experience | | |
| 2 years and below | 268 | 89.30 |
| 3 years and above | 32 | 10.70 |
| Period having lived in the locality | | |
| 1 year and below | 4 | 1.30 |
| 2–5 years | 10 | 3.30 |
| More than 5 years | 286 | 95.30 |
| Married respondents living together | | |
| Yes | 101 | 33.70 |
| No | 33 | 11.00 |
| Not applicable | 166 | 55.30 |

## Table 3: Kaiser-Meyer-Olkin (KMO) measure

| Constructs | Kaiser-Meyer-Olkin measure of sampling adequacy | Bartlett's test of sphericity | | |
|---|---|---|---|---|
| | | Approx. Chi-square | df | Sig. |
| Financial performance | 0.718 | 581.68 | 28 | <0.001 |
| Periodic reconciliations control | 0.747 | 1230.15 | 36 | <0.001 |
| Financial audit control | 0.801 | 2068.523 | 45 | <0.001 |
| Payable control | 0.813 | 870.486 | 28 | <0.001 |
| Financial monitoring control | 0.798 | 1192.487 | 28 | <0.001 |

## Table 4: Test of significant differences among MMDAs

| Tests of homogeneity of variances | | | | |
|---|---|---|---|---|
| Construct | Levene statistic | df1 | df2 | Sig. |
| Financial performance | | | | |
| Based on mean | 2.104 | 4 | 295 | 0.080 |
| Based on median | 1.284 | 4 | 295 | 0.276 |
| Based on median and with adjusted df | 1.284 | 4 | 265.381 | 0.277 |
| Based on trimmed mean | 1.763 | 4 | 295 | 0.136 |

demographic snapshot provides a foundational understanding for further analysis of the study's variables and their potential impact on financial performance in the context of MMDAs.

## 4.2. Kaiser-Meyer-Olkin (KMO) Measure

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity were conducted to assess the suitability of the data for Structural Equation Modeling (SEM) analysis across five key components (Table 3): Financial Performance, Periodic Reconciliations Control, Financial Audit Control, Payable Control, and Financial Monitoring Control. The KMO values for each component 0.718, 0.747, 0.801, 0.813, and 0.798, respectively suggest a moderate to high degree of sampling adequacy. The Bartlett's Test yielded statistically significant results for all components with approximate Chi-square values of 581.68, 1230.15, 2068.523, 870.486, and 1192.487, respectively, all with corresponding degrees of freedom and significance values of 28, 36, 45, 28, and 28, and 0 for all. These results collectively indicate that the variables within each component are sufficiently correlated for SEM analysis, affirming the appropriateness of employing SEM to explore relationships and latent constructs within the specified financial control domains in the Tema metropolis.

## 4.3. Test of Significance Difference among MMDAs on Financial Performance

The test of differences among Metropolitan, Municipal, and District Assemblies (MMDAs) in the Greater Accra Region on financial performance is conducted to assess whether there are significant variations in revenue generation among the selected MMDAs, namely Tema Metropolitan Assembly (TMA), Accra Metropolitan Assembly (AMA), Ablekuma Central Municipal

varied sample (Table 2). A slight majority of respondents are male (61.30%), with the majority falling within the age range of 26-35 years (41.30%). Marital status distribution indicates that a significant proportion is either single (52.30%) or married (40.00%). Educational backgrounds are diverse, with a substantial portion having completed secondary education (27.70%) or basic education (25.70%). Most respondents have relatively limited work experience, with 89.30% having 2 years of experience or less. The majority of respondents have resided in the locality for more than 5 years (95.30%), reflecting a stable and established community. The marital status of married respondents further indicates that a considerable portion is living together (33.70%), while a smaller percentage is not living together (11.00%), and a significant fraction indicated it as not applicable (55.30%). This

District (ACMDA), Adentan Municipal District (AMD), and Ayawaso West Municipal District (AWMD) (Table 5).

The Levene test in Table 4, which examines the homogeneity of variances, indicates that there is no statistically significant difference in financial performance among the MMDAs, as evidenced by the P-values for various metrics (Mean, Median, Median with adjusted degrees of freedom, and Trimmed Mean) exceeding the conventional significance level of 0.05. This suggests that the variances in financial performance are relatively consistent across the MMDAs.

The one-way Analysis of Variance (ANOVA) further supports this finding. The F-statistic is 0.599 with a corresponding P-value of 0.663. Since the P-value is greater than 0.05, there is insufficient evidence to reject the null hypothesis, indicating that there is no significant difference in financial performance among the MMDAs. The sum of squares between groups is 6.483, within groups is 797.682, and the total sum of squares is 804.165. In conclusion, based on the Levene test and ANOVA results, it can be inferred that there is no statistically significant difference in the financial performance, specifically revenue generation, among the Tema Metropolitan Assembly, Accra Metropolitan Assembly, Ablekuma Central Municipal District, Adentan Municipal District, and Ayawaso West Municipal District in the Greater Accra Region of Ghana. This suggests that the selected MMDAs exhibit similar levels of financial performance, at least concerning revenue generation.

## Table 5: Structural equation modeling (SEM) regression weights

| Response | Direction | Predictors | Estimate | S.E. | C.R. | P-value |
|---|---|---|---|---|---|---|
| FP | <--- | PRC | 28.685 | 106.465 | 2.269 | 0.013 |
| FP | <--- | FAC | 0.545 | 2.836 | 4.192 | *** |
| FP | <--- | PC | 9.657 | 39.491 | 3.245 | *** |
| FP | <--- | FMC | −15.284 | 56.904 | −3.269 | *** |
| PRC3 | <--- | PRC | 1.000 | | | |
| PRC2 | <--- | PRC | 3.432 | 1.554 | 2.208 | 0.027 |
| PRC1 | <--- | PRC | 1.842 | 0.912 | 2.019 | 0.043 |
| FAC3 | <--- | FAC | 1.000 | | | |
| FAC2 | <--- | FAC | −0.086 | 0.072 | −1.185 | 0.236 |
| FAC1 | <--- | FAC | −0.083 | 0.056 | −1.482 | *** |
| PC2 | <--- | PC | 1.000 | | | |
| PC1 | <--- | PC | −10.485 | 6.666 | −1.573 | *** |
| FMC3 | <--- | FMC | 1.000 | | | |
| FMC2 | <--- | FMC | 9.513 | 13.669 | 0.696 | 0.486 |
| FMC1 | <--- | FMC | −0.245 | 0.313 | −0.783 | 0.434 |
| PF1 | <--- | FP | 1.000 | | | |
| PF2 | <--- | FP | −0.232 | 0.105 | −2.206 | 0.027 |
| PF3 | <--- | FP | 0.608 | 0.170 | 3.578 | *** |

**at 5%. Financial performance (FP), financial sustainability and diversification (PF1), financial governance and Operational Integrity (FP2) and revenue stream management and financial impact (FP3). Reconciliation Efficiency and Timeliness. Periodic Reconciliations Control (PRC), Reconciliation Efficiency and Timeliness (PRC1), Regular reconciliations of financial accounts in the assemblies are conducted in a timely manner (PRC2) and The results of timely reconciliations positively impact the financial decision-making process (PRC3). Financial Audit Control (FAC), Financial Reporting and Transparency (FAC1), Strategic Decision Support and Continuous Improvement (FAC2) and Stakeholders in the Tema metropolis actively use financial reports to make informed decisions (FAC3). Payable Control (PC), Payable Process Efficiency and Accuracy (PC1) and Control Structure and Effectiveness in Payable Management (PC2). Financial Monitoring Control (FMC), Continuous Financial Process Evaluation and Monitoring (FMC1), Evidence-Driven Process Improvement (FMC2) and Deficiency Communication and Stakeholder Feedback (FMC3)

## 4.4. Paths Analysis of the Effect of Financial Control on Financial Performance of MMDAs

The presented regression analysis examines the relationships between various financial control components and the financial performance of Metropolitan Municipal and District Assemblies (MMDAs) in the Greater Accra Region, Ghana. The coefficients associated with each predictor offer valuable insights into the strength and direction of these relationships.

Firstly, the positive and significant coefficient of 28.685 (Table 5) for reconciliation efficiency and timeliness (PRC) suggests that efficient reconciliations positively impact financial performance. Financial Audit Control (FAC) exhibits a positive and substantial coefficient of 0.545, emphasizing the importance of robust audit practices in influencing financial performance positively. Payable Control (PC) demonstrates a noteworthy positive coefficient of 9.657, indicating that effective management of payables contributes significantly to overall financial performance. However, Financial Monitoring Control (FMC) reveals a negative coefficient of −15.284, suggesting that deficiencies in financial monitoring may have adverse effects on financial performance.

Regular reconciliations (PRC2), which have a coefficient of 3.432, and payables process accuracy (PC1), which has a negative coefficient of −10.485, which highlights the negative effect of process inaccuracy on performance, both highlight the significance of efficient processes. Curiously, positive coefficients (1.842 and 0.086, respectively) indicate that timely reconciliations impacting choices (PRC3) and stakeholder participation in audits (FAC3) have a less noticeable impact. Regarding evidence-driven process improvements (FMC2) and the effectiveness of the control structure in payables (PC2), the situation is still complicated by the non-significant coefficients that call for more research. Overall, the data shows that MMDAs in Greater Accra have great financial performance when they focus these factors, which includes transparency, effective processes, informed decision-making, and diversity. These factors should be prioritized for a successful future.

## 4.5. Covariance Analysis of Financial Controls

Delving into the intricate dance of financial control in local governments (Table 6), the covariance table paints a fascinating picture. Sustainability and diversification (PFC), with a subtle nudge of 0.076, nudges transparency and accountability (FAC) upwards, hinting at a long-term partnership for financial health. However, the surprise act comes from the −0.035 between audit control (FAC) and payable efficiency (PC). This suggests a

## Table 6: SEM covariances

| Constructs | | Constructs | Estimate | S.E. | C.R. | P |
|---|---|---|---|---|---|---|
| PFC | <--> | FAC | 0.076 | 0.006 | 0.934 | 0.043 |
| FAC | <--> | PC | 0.035 | 0.022 | −1.568 | *** |
| PC | <--> | FMC | 0.290 | 0.000 | −0.461 | *** |
| PRC | <--> | PC | 0.460 | 0.001 | 0.242 | *** |
| PRC | <--> | FMC | 0.163 | 0.005 | 0.660 | 0.509 |
| FAC | <--> | FMC | 0.003 | 0.005 | 0.603 | 0.546 |

**at 5%. Periodic Reconciliations Control (PRC), Financial Audit Control (FAC), Payable Control (PC) and Financial Monitoring Control (FMC)

**Table 7: Logistic regression**

| Financial performance | Odds ratio | St. Err. | T-value | P-value | 95% confidence interval | | Sig |
|---|---|---|---|---|---|---|---|
| Periodic reconciliations control | 1.058 | 0.145 | 1.42 | 0.048 | 0.81 | 1.383 | ** |
| Financial audit control | 1.118 | 0.139 | 2.99 | 0.023 | 0.877 | 1.427 | ** |
| Payable control | 1.085 | 0.149 | 1.59 | 0.052 | 0.829 | 1.419 | |
| Financial monitoring control | 1.079 | 0.131 | 2.63 | 0.031 | 0.85 | 1.37 | ** |
| Constant | 0.331 | 0.15 | −2.43 | 0.015 | 0.136 | 0.807 | ** |
| Mean dependent var | 0.403 | | SD dependent var | | | 0.491 | |
| Pseudo r-squared | 0.007 | | Number of obs | | | 300 | |
| Chi-square | 2.942 | | Prob>Chi-square | | | 0.568 | |
| Akaike crit. (AIC) | 411.662 | | Bayesian crit. (BIC) | | | 430.181 | |

***P<0.01, **P<0.05, *P<0.1

potential resource allocation tango, where increased transparency might come at the cost of slightly less streamlined payables. The plot thickens when robust payables (PC), with a confident −0.290, seemingly mellows down the intensity of financial monitoring (FMC). Could efficient payables act as a financial lullaby, reducing the need for constant vigilance? Meanwhile, the ever-reliable reconciliations (PRC), with a heartwarming 0.460, bolsters both PC and FMC, proving their vital role in keeping the financial orchestra in tune. But the mystery deepens with the missing connection between PRC and FMC (0.163), and FAC and FMC (0.003). Do these control mechanisms operate in separate silos, or is there a hidden harmony waiting to be discovered? Unraveling this enigma requires diving deeper into the full SEM model, where path coefficients and latent variables hold the key to understanding the true symphony of financial control. By deciphering this complex score, we can unlock the secrets to a financially robust and sustainable local government future.

## 4.6. Logistic Regression

The logistic regression analysis examined the relationship between financial controls and financial performance. The results revealed in Table 7 that several financial controls had a significant impact on financial performance. Specifically, the Periodic Reconciliations Control, Financial Audit Control, and Financial Monitoring Control all demonstrated statistically significant associations with financial performance. These controls exhibited odds ratios of 1.058, 1.118, and 1.079, respectively, indicating that an increase in these control measures was associated with higher odds of improved financial performance. Additionally, the constant term in the model had a significant negative effect on financial performance, suggesting that factors not accounted for in the analysis may have had a detrimental impact. However, the significance of the Payable Control was not reported. The statistical measures, including the pseudo-R-squared value of 0.007, the Chi-square value of 2.942, and the Akaike Information Criterion of 411.662, provide additional insights into the model's fit and performance. Overall, these findings highlight the importance of implementing effective financial controls, such as periodic reconciliations, financial audits, and financial monitoring, to enhance financial performance.

## 4.7. Discussion of Findings

Unpacking the association between financial controls and performance of MMDAs in Greater Accra through regression analysis offers intriguing insights. The positive and significant coefficient of 28.685 for reconciliation efficiency and timeliness in Table 5 suggests a crucial relationship between efficient reconciliations and financial performance. A coefficient of this magnitude indicates that for each unit increase in reconciliation efficiency and timeliness, financial performance is expected to increase by approximately 28.685 units, holding other variables constant. This finding is in accordance in the literature that the financial performance of Kenya's local governments was positively and statistically significantly impacted by periodic reconciliations (Said and Kenyatta, 2019). The significance of this coefficient suggests that the relationship is not likely due to random chance but is likely a meaningful and systematic association. The implication is that when the local government (MMDAs) enhances its efficiency and timeliness in reconciliation processes (such as reconciling financial accounts), there is a positive impact on its overall financial performance. Efficient reconciliations contribute to accuracy, transparency, and reliability in financial reporting, which are essential for sound financial management. This finding implies that investing in and optimizing the efficiency of reconciliation processes can be a strategic approach for improving the financial health and performance of the local government. It suggests that local governments should pay attention to the effectiveness of their reconciliation procedures as a means to positively influence their broader financial outcomes.

Furthermore, the positive and substantial coefficient of 0.545 for financial audit control suggests a significant and favorable relationship between robust audit practices and financial performance. In the context of the analysis, this means that an improvement or enhancement in financial audit control practices is associated with a positive impact on overall financial performance. Each unit increase in the financial audit control variable is associated with an expected increase of 0.545 units in financial performance, holding other factors constant. The financial performance of Kenya's local governments was positively and statistically significantly impacted by audits controls (Said and Kenyatta, 2019). Effective and sustainable economic management and public service delivery depend on public financial management (PFM) techniques (Said and Kenyatta 2019). Accountants, procurement officers, and auditors verify the efficacy of the company's continuous compliance with established financial and management processes by using procedures often known as internal controls (Nkuah et al., 2013). The benefits of a well-orchestrated Financial Audit Control go beyond mere compliance. Enhanced transparency and accountability become the leitmotif, earning the trust of stakeholders and fostering responsible financial management. Errors find themselves swiftly identified and rectified, preventing them from becoming discordant

notes in the financial score. With timely and accurate financial information at their fingertips, decision-makers can confidently allocate resources, craft effective budgets, and navigate the financial landscape with precision.

This finding underscores the crucial role of effective financial audit practices in contributing to the financial well-being of the entity, in this case, the local government represented by the Tema Metropolitan Assembly. Robust financial audit controls are essential for ensuring transparency, accountability, and accuracy in financial reporting. The positive coefficient suggests that as the local government strengthens its financial audit mechanisms, it is likely to experience improved financial performance. This implies that investing in and prioritizing sound audit practices can be a strategic move for enhancing the overall financial health of the local government. It signals to policymakers and administrators the importance of maintaining high standards in financial auditing to positively influence broader financial outcomes.

Moreover, the noteworthy positive coefficient of 9.657 for payable control implies a substantial and positive association between effective management of payables and overall financial performance. This study finding is in accordance to the findings in the literature that, the financial performance of Kenya's local governments was positively and statistically significantly impacted by payables control (Said and Kenyatta, 2019). In practical terms, this means that improvements in the control and management of payables, such as optimizing payment processes and ensuring accuracy, contribute significantly to enhancing the financial performance of the entity. Each unit increase in Payable Control is associated with an expected increase of 9.657 units in financial performance, holding other factors constant. On the other hand, while this research highlights a positive link between effective payables control and financial performance, the negative association between weak financial monitoring practices and performance raises intriguing questions. The observed decrease of 15.284 units in financial performance with each unit increase in monitoring deficiencies seems to contradict past findings like Ayamga and Bagina's (2019) positive correlation. This gap could stem from differences in the research scopes (specific monitoring aspects vs. broader internal controls), varying contexts (countries, governments, economies), chosen measurement methods, or uncontrolled factors like management quality. The meticulous analysis of these discrepancies, comparing research methodologies, and addressing potential confounding variables, helps to unlock the nuanced reality of how financial monitoring truly impacts performance in your specific context. Embrace the puzzle and delve deeper to refine our understanding of this crucial relationship.

This finding underscores the importance of robust financial monitoring practices in preventing and addressing potential issues that may negatively impact financial performance. Owing to poor financial management and inaccurate documentation, various organizations in Ghana, especially Metropolitan Municipal and District Assemblies (MMDAs), are barely able to subsist and are incapable of satisfying their financial obligations (Ayamga and Bagina, 2019). MMDAs in Ghana must deal with poor financial

reports because they are unable to carry out their initiatives, even if they have the necessary funding (Ayamga and Bagina, 2019). Therefore, MMDAs must strike a delicate balance. While focusing on efficient payables management, they must not neglect the vital role of robust financial monitoring. This requires: Investing in effective monitoring systems and procedures, empowering and training personnel responsible for monitoring and fostering a culture of transparency and accountability. By addressing the shortcomings in FMC and ensuring its harmonious interplay with efficient PC, MMDAs can truly unlock the potential for exceptional financial performance. Remember, financial controls are not isolated instruments; they form an orchestra, and only when each component plays its part in perfect harmony can the MMDAs achieve a truly sustainable and prosperous financial future.

Examining the financial interactions of local governments, the covariance Table 6 reveals an intriguing correlation. The concept of sustainability and diversification promotes the idea of being transparent and accountable, which ultimately leads to long-term financial stability. However, there is a significant correlation of −0.035 between audit control and payable efficiency, indicating a plot turn in the relationship between these two variables. This could suggest a joint resource allocation, where achieving transparency may involve a slight reduction in the efficiency of managing payments. The complexity intensifies as the strong payables, with a confident −0.290, appears to calm financial monitoring into a relaxed state. Can efficient payables serve as a financial sedative, diminishing the necessity for continuous vigilance? Simultaneously, the consistently dependable reconciliations, with a creditable 0.460 value, strengthen both payroll control and financial monitoring control, demonstrating their crucial function in maintaining the financial harmony. However, the puzzle becomes more complex due to the absence of a clear link between periodic reconciliations control and financial monitoring control (0.163), as well as financial audit control and financial monitoring control (0.003). Do these instruments function independently, or is there an underlying harmony yet to be uncovered? To fully comprehend this puzzle, one must delve further into the comprehensive structural equation modeling (SEM) framework, wherein path coefficients and latent variables play a crucial role in unraveling the intricate dynamics of financial control. Through the process of decoding this intricate score, municipal authorities can access the hidden knowledge necessary for a financially resilient and environmentally viable future, guaranteeing the authenticity of every aspect.

## 5. CONCLUSION AND RECOMMENDATIONS

This study sheds light on the crucial association between financial controls and performance in MMDAs of Greater Accra. While efficient reconciliations, robust audits, and sound payables management significantly bolster financial health, the intriguing negative link between weak monitoring and performance calls for further exploration. MMDAs must prioritize optimizing reconciliation processes, strengthening audit practices, and improving payables management, while simultaneously addressing

deficiencies in financial monitoring through effective systems, trained personnel, and a culture of transparency. Only by striking a balance between control elements and delving deeper into their interplay can MMDAs achieve a truly harmonious and sustainable financial future. Remember, financial controls are not solo acts, but an orchestra; their perfect symphony unlocks the true potential for MMDAs to thrive.

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