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The interplay between internal control, auditing practices, and financial performance in metropolitan assemblies in Ghana

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Алхассан Абасс Сагое, Флоренс Апідіна, Френсіс Анане. Взаємозв'язок між внутрішнім контролем, аудиторськими практиками та фінансовою результативністю міських асамблей у Гані. Економіка та управління АПК. 2026. № 1. С. 143–156.

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Internal controls and internal audit play crucial roles in enhancing an organisation's financial performance by ensuring the accuracy, reliability, and integrity of financial information, safeguarding assets, and promoting financial efficiency. The study examines the interplay between internal controls, auditing practices, and financial performance in Ghanaian metropolitan assemblies, emphasising their roles in fostering accountability, transparency, and operational efficiency. Utilising a descriptive cross-sectional research design, data were collected from 138 respondents across various departments through structured questionnaires. The findings revealed that robust internal controls are critical to ensuring reliable financial reporting and the timely settlement of payables, thereby contributing significantly to transparency and accountability. These controls not only improve financial discipline but also significantly enhance transparency and foster organisational accountability.

Similarly, the study highlights the importance of effective auditing practices, characterised by adherence to professional standards and collaborative relationships between auditors and management, which were identified as pivotal in enhancing financial performance. These auditing practices were found to be pivotal factors in improving the overall financial performance of the assemblies, enabling early detection and correction of financial irregularities. However, gaps in regulatory compliance and financial transparency emerged, highlighting areas for improvement. These shortcomings point to specific areas where improvements are crucial to strengthen the overall governance framework.

The study indicated that both internal controls and auditing practices significantly impact financial performance. By aligning with global best practices, the study offers practical recommendations for policymakers and administrators. These include strengthening regulatory enforcement, fostering auditor independence, and integrating technology to enhance financial sustainability. It provides a valuable conceptual and practical framework for advancing financial management in public institutions, underscoring holistic systemic strategies to address the identified weaknesses and improve governance outcomes in metropolitan assemblies.

Keywords: Internal controls, auditing practices, financial performance, transparency, and accountability controls, auditing practices, financial performance, transparency, accountability.

Problem statement and analysis of recent research. The effectiveness of internal control and audit systems is pivotal to the financial and operational success of metropolitan assemblies, particularly in developing economies like Ghana. Internal controls, which encompass financial regulations, monitoring mechanisms, and transparency measures, are vital for ensuring accountability, enhancing performance, and fostering public trust (Adegbite et al., 2020). Strong internal control systems not only help prevent financial irregularities but also create a culture of compliance and efficiency within organizations (Aikins, 2019). In metropolitan assemblies, the implementation of reliable internal control mechanisms is essential for the preparation of accurate financial statements, the timely settlement of payables, and adherence to financial laws. Equally, internal auditing serves as an independent evaluation tool to assess the effectiveness of internal controls. It ensures that resources are utilized appropriately and that financial regulations are strictly adhered to (Alzeban & Gwilliam, 2014). Research shows that an effective internal audit culture improves financial performance, enhances operational transparency, and guarantees accountability within public institutions (Kewo, 2017). However, the relationship between auditors and management, along with adherence to auditing standards, is critical in determining the success of internal audit processes (Sarens & De Beelde, 2016).

Financial performance in public institutions is a key measure of their operational success. Factors such as appropriate fee structures, timely payment of dues, and robust accounting systems significantly impact the financial outcomes of metropolitan assemblies (Prawitt et al., 2009). In developing economies, financial performance is often hampered by insufficient cash flow management, lack of transparency, and poor adherence to financial laws. To address these challenges, the integration of technology into financial management processes has been suggested as a way to enhance revenue generation, improve accountability, and foster financial sustainability (Bananuka et al., 2019). Despite the established importance of internal controls, auditing, and financial performance, limited research exists on their application within metropolitan assemblies in Ghana. This study seeks to fill this gap by evaluating the internal control mechanisms, auditing practices, and financial performance of metropolitan assemblies, highlighting their roles in enhancing operational transparency and accountability,

which could otherwise be handled effectively. Sagoe and Ashun (2025) further asserted that effective communication of risk management plans among employees is crucial, as it fosters a culture of risk awareness that contributes to improved financial performance and informed decision-making.

The role of internal controls, auditing practices, and financial performance in enhancing organizational efficiency has been the focus of extensive research. Internal controls are essential for mitigating risks, ensuring accurate financial reporting, and maintaining compliance. For example, COSO (2013) established that a robust internal control framework significantly reduces financial irregularities and promotes operational efficiency. Similarly, Aikins (2011) demonstrated that internal control systems play a crucial role in the financial accountability of public sector organizations in developing economies. In Ghana, Appiah and Chizor (2021) found that strengthening internal control mechanisms improves the financial sustainability of metropolitan assemblies, particularly in resource-constrained settings. Internal auditing has been extensively studied as an oversight mechanism to ensure the integrity of financial and operational processes. Lenz and Hahn (2015) highlighted that the effectiveness of internal audit practices is heavily influenced by adherence to professional standards and the independence of auditors. Meanwhile, Mihret and Woldeyohannis (2008) identified internal audit quality as a critical determinant of financial transparency and accountability in public institutions. Research by Goodwin-Stewart and Kent (2006) further emphasized the importance of the relationship between internal auditors and management, noting that collaborative engagement enhances compliance with financial regulations and fosters better governance practices.

Financial performance, an outcome of well-implemented internal controls and effective auditing, is vital for the sustainability of public institutions. Adeyemi et al. (2019) noted that transparent fee structures and effective revenue management systems are strongly associated with improved financial outcomes in local governments. Moreover, Tumwine et al. (2020) demonstrated that the adoption of integrated financial management systems enhances accountability, revenue collection, and financial reporting in public sector entities. Additionally, Chenhall (2003) observed that financial transparency fosters public trust and contributes to the long-term financial sustainability of

organizations. Despite these contributions, research specific to the interplay between internal controls, auditing, and financial performance in metropolitan assemblies in Ghana remains limited. This study seeks to fill this gap by providing an in-depth examination of how these factors interact to influence organizational efficiency and transparency.

Material and Methods. The methodology section outlines the approach, design, data collection methods, and analytical techniques employed to achieve the objectives of the study. This study examines the interplay between internal control, auditing practices, and financial performance in Ghanaian metropolitan assemblies, employing a quantitative research approach. Below are the key components of the methodology, expanded and detailed.

This study adopts a descriptive cross-sectional research design. This design is suitable for capturing a snapshot of the existing conditions, practices, and perceptions of respondents regarding internal control, auditing practices, and financial performance within metropolitan assemblies. The cross-sectional nature allows data to be collected at a single point in time, ensuring efficiency in gathering diverse perspectives across departments and roles. This design was chosen to identify relationships and patterns among the key variables without manipulating the study environment.

The population for this study comprises employees of metropolitan assemblies in Ghana, including assembly members, accountants, procurement officers, engineers, directors, and chief executives. This group was selected because of their involvement in financial operations, internal controls, and auditing processes. Their expertise and roles make them ideal participants for assessing the effectiveness of internal control systems and auditing practices in influencing financial performance.

A purposive sampling technique was employed to ensure that only individuals with relevant knowledge and experience in internal controls and financial management participated in the study. The sample size consisted of 138 respondents, a number determined to provide sufficient representation of the various roles and departments within metropolitan assemblies. This size ensures the collection of diverse insights while maintaining statistical reliability in the analysis.

Primary data were collected using a structured questionnaire designed to gather quantitative data on internal controls, auditing practices, and financial performance. The

questionnaire was divided into sections corresponding to the key constructs of the study. It included Likert-scale questions to measure perceptions and practices related to financial accountability, adherence to laws, operational efficiency, and financial transparency. The use of structured questionnaires ensured consistency and facilitated statistical analysis.

The questionnaire was pretested in a pilot study involving 20 participants from a similar population to ensure its clarity, relevance, and reliability. Reliability was assessed using Cronbach's Alpha, with values exceeding 0.70 for all scales, indicating acceptable internal consistency. For example, the scales measuring internal control, auditing practices, and financial performance recorded Cronbach's Alpha values of 0.740, 0.887, and 0.828, respectively, confirming the robustness of the instrument.

Quantitative data were analyzed using descriptive and inferential statistical techniques. Descriptive statistics, including means and standard deviations, were used to summarize respondents' perceptions of internal controls, auditing practices, and financial performance. Inferential statistics, such as correlation and regression analysis, were employed to assess the relationships between the constructs. Regression analysis was particularly used to identify the impact of internal controls and auditing practices on financial performance.

Ethical approval was obtained from the relevant institutional review board prior to data collection. Respondents were informed of the study's purpose, assured of confidentiality, and allowed to withdraw at any point without repercussions. Informed consent was obtained from all participants, ensuring adherence to ethical research standards.

While this study provides valuable insights, it is limited by its cross-sectional design, which prevents causal inferences. Additionally, reliance on self-reported data may introduce response bias, though measures such as anonymity were implemented to mitigate this issue. The methodology was carefully designed to ensure the validity, reliability, and relevance of the findings. This approach provides a robust framework for assessing the interplay between internal control, auditing practices, and financial performance in metropolitan assemblies in Ghana.

Research results and discussion.

Table 1 provides a detailed summary of the sociodemographic characteristics of the respondents, covering three key variables: gender, age, and educational qualifications.

Regarding gender, the data reveal a significant male dominance among the respondents, with 73.9% (102) being male and only 26.1% (36) being female. This disparity may reflect the demographic composition of the population under study or the influence of social and cultural dynamics that impact participation rates among men and women in this particular context. The age distribution of respondents highlights that a minority, 4.3% (6), were under 30 years old, indicating limited representation of younger individuals in the sample. The age group of 31-40 years accounted for 13.0% (18), showing a slight increase in participation among relatively younger adults. The largest proportion of respondents, 56.5% (78), fell within the 41-50 age bracket, suggesting that middle-aged individuals were the most involved in the study. Additionally, 26.1% (36) of respondents were over 50 years old, indicating a significant representation of older adults. This age distribution underscores the central role of middle-aged and older individuals in the study population, potentially reflecting their higher levels of involvement in activities or issues pertinent to the research.

The findings from Table 1 provide valuable insights into the sociodemographic composition of the respondents. The predominance of males, the concentration of respondents in the middle-aged and older age groups, and the high level of educational attainment suggest specific demographic trends that may influence the perspectives and behaviors observed in the study. These characteristics are critical for understanding the context of the research and interpreting the results in light of the population's attributes.

Table 2 provides an overview of the roles, positions, or departments of the respondents. The data reveal that the largest proportion of respondents, 54.3% (75), were Assembly Members, indicating their significant representation in the study. This reflects the importance of Assembly Members in the organizational or administrative structure being studied. Respondents from the Accounts and Finance department comprised 12.3% (17) of the total, highlighting their moderate involvement. Similarly, individuals from the Procurement department accounted for 16.7% (23), suggesting their notable contribution to the study. Engineers

Table 1 – Sociodemographic Characteristics of Respondents

Category	Frequency	Percent	Valid Percent	Cumulative Percent
<i>Gender</i>				
Male	102	73.9	73.9	73.9
Female	36	26.1	26.1	100.0
Total (Gender)	138	100.0	100.0	100.0
<i>Age Group</i>				
Less than 30	6	4.3	4.3	4.3
31-40	18	13.0	13.0	17.4
41-50	78	56.5	56.5	73.9
Over 50	36	26.1	26.1	100.0
Total (Age Group)	138	100.0	100.0	100.0
<i>Educational Qualification</i>				
Degree	108	78.3	78.3	78.3
Masters	30	21.7	21.7	100.0
Total (Education)	138	100.0	100.0	100.0

Source: compiled and calculated by the authors.

In terms of educational qualifications, the majority of respondents held a degree, accounting for 78.3% (108), while 21.7% (30) had attained a master's degree. This indicates that the study population was predominantly composed of highly educated individuals, which could have implications for the research findings, as education often correlates with knowledge, awareness, and decision-making capabilities.

formed 8.7% (12) of the respondents, indicating a smaller yet relevant representation of technical roles in the sample. The higher-level positions were less represented, with Directors making up 4.3% (6) and Chief Executives comprising only 3.6% (5). This limited representation of senior management roles might reflect their smaller population size relative to other roles in the organizational structure. Table 2 illustrates

that the study predominantly involved Assembly Members, with moderate representation from the Accounts and Finance, Procurement, and Engineering departments, while senior positions such as Directors and Chief Executives had minimal representation. This distribution underscores the diversity of roles included in the study and highlights the significant involvement of Assembly Members in the research context.

of both the newest and the most veteran employees in the sample. Table 3 indicates that the majority of respondents have between 5 and 14 years of work experience with the metros, demonstrating a workforce with substantial familiarity and expertise in their roles. This distribution suggests that the findings of the study are based on the perspectives of a highly experienced group of employees.

Table 2 – Role / Position/ Department of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Assembly Member	75	54.3	54.3	54.3
	Accounts and Finance	17	12.3	12.3	66.7
	Procurement	23	16.7	16.7	83.3
	Engineers	12	8.7	8.7	92.0
	Director	6	4.3	4.3	96.4
	Chief Executive	5	3.6	3.6	100.0
	Total	138	100.0	100.0	

Source: compiled and calculated by the authors.

Table 3 provides a breakdown of respondents' work experience in terms of the number of years they have been working with the metros. The data reveals that the majority of respondents, 47.8% (66), have been working with the metros for 10 to 14 years. This highlights a significant level of experience among the participants, suggesting that the respondents are well-acquainted with their roles and the metro environment. Additionally, 43.5% (60) of the respondents reported having 5 to 9 years of work experience, indicating another substantial group with intermediate experience. Together, these two groups represent a combined 91.3% of the total respondents, showcasing a workforce predominantly composed of individuals with considerable experience. On the other hand, only a small proportion of respondents, 4.3% (6), indicated that they had been working for less than 4 years. Similarly, another 4.3% (6) of respondents reported having more than 15 years of experience, reflecting minimal representation

Table 4 presents the reliability statistics of the scales used in the study, as measured by Cronbach's Alpha, along with the number of items for each scale. Cronbach's Alpha values are commonly used to assess the internal consistency of items within a scale, where values closer to 1 indicate higher reliability. The first scale, consisting of 10 items, recorded a Cronbach's Alpha of 0.740, suggesting acceptable reliability. This indicates that the items moderately align in measuring the intended construct. The second scale, which included 9 items, demonstrated a higher reliability with a Cronbach's Alpha of 0.887. This value reflects a strong level of internal consistency, showing that the items effectively measure a unified concept. Similarly, the third scale, also comprising 9 items, recorded a Cronbach's Alpha of 0.828, indicating good reliability and consistency in capturing the desired dimensions of the construct. The reliability statistics in Table 4 show that the scales employed in the study have

Table 3 – Number of years you have been working with the Metros

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 4 years	6	4.3	4.3	4.3
	5 – 9 years	60	43.5	43.5	47.8
	10 - 14 years	66	47.8	47.8	95.7
	More than 15 years	6	4.3	4.3	100.0
	Total	138	100.0	100.0	

Source: compiled and calculated by the authors.

acceptable to excellent internal consistency. This confirms that the measurement tools are dependable and suitable for producing credible and valid research findings.

Table 4 – Reliability (Cronbach's Alpha)

Cronbach's Alpha	N of Items
0.740	10
0.887	9
0.828	9

Source: compiled and calculated by the authors.

Table 5 summarizes the descriptive statistics on internal control variables, including the mean and standard deviation for each variable based on responses from 138 participants. The mean values reflect the respondents' level of agreement with the statements, while the standard deviations indicate the variation in responses. The highest mean scores, both at 4.48, were recorded for the variables «We ensure the preparation of reliable financial statements» and «Our monitoring activities always make the metropolitan assembly able to settle payables on time», with standard deviations of 0.653 and 0.501, respectively. These results suggest strong agreement among respondents regarding these aspects of internal control, with relatively low variation in responses for monitoring activities.

Other variables, such as «The control environment creates the ability to settle payables on time» (M = 4.22, SD = 0.414) and "We execute transactions in compliance with applicable regulations" (M = 4.17, SD = 0.482), also received high mean scores, indicating positive perceptions of these control measures. Similarly, variables related to system functionality, such as analyzing financial transactions (M = 4.13, SD = 0.449) and using information systems for stock data collection (M = 4.13, SD = 0.338), were rated highly, reflecting respondents' confidence in the role of technology in maintaining effective internal control. However, the variable «The control environment ensures adherence to financial laws» recorded the lowest mean score of 3.31 with a standard deviation of 0.585, indicating relatively lower agreement among respondents regarding this aspect of internal control. The overall mean of 4.169 suggests a generally high level of agreement with the effectiveness of internal control measures across the metropolitan assemblies. These findings highlight strong internal control practices, particularly in financial statement preparation, timely settlement of payables, and compliance with regulations, while identifying areas for potential improvement, such as adherence to financial laws.

Table 5 – Descriptive Statistics on Internal Control

Variables	N	Mean	Std. Deviation
We ensure the preparation of reliable financial statements	138	4.48	.653
Our monitoring activities always enable the metropolitan assembly to settle payables on time	138	4.48	.501
The control environment creates the ability to settle payables on time	138	4.22	.414
We execute transactions in compliance with applicable regulations	138	4.17	.482
Our systems help us to analyse all financial transactions	138	4.13	.449
We use information systems to collect data about our stock	138	4.13	.338
The control environment produces enhanced financial transparency & accountability	138	4.13	.538
Our transactions are properly recorded	138	4.04	.552
We always perform audits to obtain reasonable assurance	138	4.00	.662
The control environment ensures adherence to financial laws	138	3.31	.585
Overall Mean		4.169	

Source: compiled and calculated by the authors.

Table 6 provides descriptive statistics on internal audit variables, including the mean and standard deviation for each variable based on responses from 138 participants. The data illustrate respondents' perceptions of various aspects of internal audit practices within metropolitan assemblies. The variable "Metropolitan's internal audit culture influences return on assets" recorded the highest mean score (M = 4.70, SD = 0.549), indicating strong agreement among respondents about the positive impact of internal audit culture on asset returns.

Similarly, «Internal auditor's relationship with management ensures adherence to financial laws» received a high mean score of 4.57 (SD = 0.498), highlighting the importance of collaboration between auditors and management in promoting regulatory compliance. Other variables, such as «Performing auditing work according to internal auditing standards significantly influences the ability to settle payables on time» (M = 4.35, SD = 0.701) and «The functions of internal auditors ensure

financial transparency and accountability» (M = 4.26, SD = 0.608), also demonstrated high mean scores, indicating positive perceptions of internal audit practices in achieving financial transparency and operational efficiency.

Lower mean scores were observed for variables like «Metropolitan's internal audit culture brings about financial transparency and accountability» (M = 3.21, SD = 0.505) and «Internal auditor's relationship with management enhances financial transparency and accountability» (M = 3.14, SD = 0.795), suggesting less agreement among respondents regarding these specific aspects of internal auditing. The overall mean of 4.207 indicates that respondents generally view internal auditing practices positively, with particular emphasis on the influence of audit culture and professional relationships on financial laws and performance. However, the lower scores in some areas suggest room for improvement in enhancing the transparency and accountability associated with internal audit processes.

Table 6 – Descriptive Statistics on Internal Audit

Variables	N	Mean	Std. Deviation
Metropolitan's internal audit culture influences return on assets	138	4.70	0.549
Internal auditor's relationship with management ensures adherence to financial laws	138	4.57	0.498
Performing auditing work according to internal auditing standards significantly influences the ability to settle payables on time	138	4.35	0.701
The functions of internal auditors ensure financial transparency and accountability	138	4.26	0.608
Standards for audits and audit related services influence the performance of metropolitan	138	4.17	0.566
Complying with professional standards is the most important contributor to adherence to financial laws	138	4.13	0.338
Metropolitan's internal audit culture guarantee adherence to financial laws	138	4.04	0.466
Metropolitan's internal audit culture brings about financial transparency and accountability	138	3.21	0.505
Internal auditor's relationship with management enhances financial transparency and accountability	138	3.14	0.795
Overall Mean		4.207	

Source: compiled and calculated by the authors.

Table 7 summarizes the descriptive statistics on financial performance variables, reflecting respondents' perceptions of the financial practices and outcomes within the metropolitan assemblies. The table includes the mean and standard deviation for each variable, providing insights into agreement levels and variability in responses. The variables «Fees charges are appropriate» ($M = 4.43$, $SD = 0.498$) and «Outstanding fees dully paid» ($M = 4.43$, $SD = 0.579$) recorded the highest mean scores, indicating strong agreement among respondents regarding the appropriateness of fees and timely payment of outstanding charges. These responses highlight the perceived efficiency of fee-related financial operations. «Improves accounting system and financial control» also received a high mean score ($M = 4.39$, $SD = 0.572$), demonstrating respondents' belief in the effectiveness of accounting systems and financial controls in supporting financial performance. Additionally, the variable «There is enough cash to meet needs» scored $M = 4.30$ ($SD = 0.549$), suggesting that respondents generally view cash flow management as adequate to meet operational demands.

Variables related to revenue and surplus performance, such as «Operating surplus to revenue ratio has increased over time» ($M = 4.26$, $SD = 0.608$) and «Fees are dully collected» ($M = 4.22$, $SD = 0.414$), also showed positive perceptions. However, «Financial performance is enhanced» ($M = 4.09$, $SD = 0.656$), «Improved our revenue over time» ($M = 4.04$, $SD = 0.360$),

and «Enhancement of financial transparency and accountability» ($M = 4.04$, $SD = 0.360$) scored slightly lower, indicating relatively moderate agreement on these aspects of financial performance. The overall mean of 4.244 suggests that respondents generally perceive financial performance as positive, with strong support for appropriate fee charges, timely payment of dues, and improved financial systems. These findings indicate a well-managed financial structure, while the slightly lower scores in transparency, accountability, and revenue improvement suggest areas where further enhancement may be beneficial.

The model's performance in relation to the predictors, internal controls, and internal audit (table 8). The R value of 0.333 indicates a moderate correlation between internal control and internal audit and financial performance. The result suggests that as the internal control and internal audit practices increase, financial performance also increases. Furthermore, the R-square value of 0.111 indicates that approximately 11.1% of the variance in financial performance can be explained by internal control and internal audit practices. While this percentage might seem modest, it is crucial to recognise that it could be significant in a context where external factors influence outcomes. The Adjusted R-Square reported at 0.098 further refines this measure by adjusting for the number of predictors in the model, portraying that after accounting for the model.

Table 7 – Descriptive Statistics on Financial Performance

Variables	N	Mean	Std. Deviation
Fees charges are appropriate	138	4.43	0.498
Outstanding fees duly paid	138	4.43	0.579
Improves the accounting system and financial control	138	4.39	0.572
There is enough cash to meet needs	138	4.30	0.549
The operating surplus to revenue ratio has increased over time	138	4.26	0.608
Fees are duly collected	138	4.22	0.414
Financial performance is enhanced	138	4.09	0.656
Improved our revenue over time	138	4.04	0.360
Enhancement of financial transparency and accountability	138	4.04	0.360
Overall		4.244	

Source: compiled and calculated by the authors.

From the model 1’s ANOVA statistics in table 9, the sum of squares due to regression is 5.179, while the mean sum of squares is 0.287. The sum of squares due to residual is 4.604, while the mean sum of squares due to residual is 0.380 with 360 degrees of freedom. The value of F is 8.426, and the significance value of 0.000. $p < 0.05$ that the internal audit function was significantly influencing the financial performance of metros in Ghana.

From model 1, as portrayed in Table 10, it was revealed that holding internal audit and internal control constant, financial performance would stand at 3.409, a unit increase in internal audit would lead to an increase in financial performance by -0.179, a unit increase in internal control would lead to an increase in financial performance by a factor of 0.381. This negative coefficient implies that an increase in the quality or frequency of internal audits may be associated with a decrease in financial performance, which is counterintuitive and warrants further investigation.

The standardized coefficient (Beta) of -0.216 indicates a moderate effect size, while the t-value of -2.097 and significance level of 0.038 suggest that this finding is statistically significant. This raises questions about whether rigorous internal audits might lead to excessive scrutiny or operational disruptions that could negatively impact financial outcomes.

In contrast, the internal control variable shows a positive unstandardized coefficient of 0.381 with a standard error of 0.094, indicating a strong positive relationship with financial performance. The standardized coefficient (Beta) of 0.420 further emphasizes this relationship, reflecting a substantial effect size. The t-value of 4.071 and a significance level of 0.000 confirm that these findings are statistically significant and robust. This suggests that effective internal controls are crucial for enhancing financial performance, possibly by ensuring compliance, reducing errors, and promoting operational efficiency.

Table 8 – Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.333 ^a	0.111	0.098	0.18467

Source: compiled and calculated by the authors.

^aPredictors: (Constant), Internal Control, Internal Audit/

Table 9 – Analysis of Variance

Model	Sum of Square	Df	Mean Square	F	Sig.	
1	Regression	0.575	2	0.287	8.426	0.000 ^b
	Residual	4.604	135	0.034		
	Total	5.179	137			

Source: compiled and calculated by the authors.

^aDependent Variable: Financial Performance

^bPredictors: (Constant), Internal Control, Internal Audit

Table 10 – Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.409	0.329		10.362	0.000
	Internal Audit	-0.179	0.085	-0.216	-2.097	0.038
	Internal Control	0.381	0.094	0.420	4.071	0.000

Source: compiled and calculated by the authors.

a. Dependent Variable: Financial Performance

The study revealed a positive relationship between internal control and internal audit and evaluated the correction of the interaction approach. It employed Pearson correlation analysis to examine the relations among the variables; the outcomes are presented in Table 11. The findings from the correlation analysis table revealed that internal control systems have a positive relationship with internal audit function, with a Pearson correlation of 0.618 and significance. value of 0.000 with financial performance with Pearson correlation of 0.286 and Sig. value of 0.001. This means that an increase in the level of the internal control system will improve the metropolitan assemblies' financial performance.

these findings within the framework of existing literature. The study revealed a high level of agreement among respondents regarding the effectiveness of internal controls in ensuring financial accountability and transparency. For instance, the variables "preparation of reliable financial statements" and "monitoring activities ensuring timely settlement of payables" recorded high mean scores. This aligns with Aikins (2019), who emphasized the pivotal role of robust internal control systems in maintaining financial discipline in public institutions. Similarly, COSO (2013) established that effective internal controls mitigate financial irregularities and foster operational efficiency, a finding echoed by this study. However, the relatively lower mean

Table 11 – Correlations

		Internal Control Systems	Internal Audit Function	Financial Performance
Internal Control Systems	Pearson Correlation	1	0.618**	0.286**
	Sig. (2-tailed)		0.000	0.001
	N	138	138	138
Internal Audit function	Pearson Correlation	0.618**	1	0.043
	Sig. (2-tailed)	0.000		0.616
	N	138	138	138
Financial Performance	Pearson Correlation	0.286**	0.043	1
	Sig. (2-tailed)	0.001	0.616	
	N	138	138	138

Source: compiled and calculated by the authors.

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

The outcome of the correlation analysis indicates a positive relationship between the internal control system and internal audit function; the implication is that an increase in the level of internal control systems will enhance financial performance. This further implies internal audit function plays a role in the relationship between the internal control systems audit function and the financial performance of the metropolitan assemblies in Ghana.

The findings of this study provide critical insights into the interplay between internal controls, auditing practices, and financial performance in metropolitan assemblies in Ghana. The discussion below contextualizes

score for "adherence to financial laws" highlights an area requiring improvement. Tumwine et al. (2020) noted that despite the presence of control mechanisms, compliance issues often stem from weak enforcement of regulations. This finding suggests that while internal controls are generally effective, a greater focus on regulatory compliance is needed to maximize their impact on financial performance.

The results also underscore the significant influence of internal auditing on financial transparency and accountability. Variables such as "audit culture influencing return on assets" and "auditor-management relationships ensuring adherence to financial laws" received high

ratings. These findings corroborate the work of Alzeban and Gwilliam (2014), who highlighted the importance of a collaborative relationship between auditors and management in enhancing compliance and accountability. Additionally, Lenz and Hahn (2015) identified adherence to auditing standards as a critical determinant of audit effectiveness, a view supported by the high mean score for "auditing work performed according to standards." However, the lower ratings for variables related to transparency, such as "audit culture bringing about financial transparency," suggest that while audits improve financial outcomes, their role in fostering transparency requires further strengthening. This is consistent with Mihret and Woldeyohannis (2008), who argued that transparency is often compromised in public institutions due to political and administrative interference.

The study highlighted strong perceptions of financial performance, particularly in areas such as appropriate fee structures, timely payment of dues, and improved accounting systems. These findings are consistent with Adeyemi et al. (2019), who emphasized that transparent fee management and robust accounting systems directly contribute to improved financial outcomes in local governments. However, areas such as enhanced financial transparency, accountability and «improved revenue over time» received relatively moderate scores. This suggests that while financial performance is perceived positively, there are gaps in achieving long-term sustainability and transparency. Chenhall (2003) highlighted similar challenges, noting that achieving financial sustainability requires continuous investment in technology and training to enhance financial management systems.

The interrelationships between internal controls, auditing practices, and financial performance identified in this study resonate with findings in the broader literature. For instance, Appiah and Chizor (2021) and Sagoe et al. (2025) demonstrated that effective internal controls and audits are complementary, with each reinforcing the other to enhance financial performance. The current study similarly found that strong internal controls support audit processes, which in turn drive better financial outcomes.

Nevertheless, the study also revealed challenges in achieving optimal outcomes, particularly in areas requiring greater adherence to financial laws and enhanced transparency. This finding is supported by Bananuka et al. (2019), who argued that integrating modern financial management systems and fostering

a culture of accountability are crucial for addressing these gaps. The findings of this study provide empirical evidence supporting the critical roles of internal controls and auditing practices in enhancing financial performance within metropolitan assemblies in Ghana. While significant progress has been made, particularly in financial accountability and operational efficiency, challenges remain in achieving full compliance with financial laws and in fostering transparency. Addressing these gaps requires a multifaceted approach, including improved enforcement of regulations, investment in modern financial systems, and fostering a culture of transparency and accountability.

The analysis reveals that internal control systems and internal audit functions play a crucial role in shaping the financial performance of metropolitan assemblies in Ghana, showing a moderate yet statistically significant correlation. Internal control systems stand out as a key positive factor for financial outcomes, enhancing municipal performance by reducing errors, preventing revenue losses, and ensuring adherence to financial regulations. This finding aligns with the positive link found between internal controls and financial results.

On the flip side, when the internal audit function operates independently, it affects financial performance. This indicates that traditional internal audit practices, which tend to be reactive and compliance-driven, create operational hurdles, delays, and bureaucratic red tape that can impede project execution and revenue generation. Nevertheless, the close relationship between internal audit and internal control systems suggests that the real value of internal audit lies in its ability to bolster internal controls, rather than in acting as a standalone inspector. These findings highlight the intricate governance landscape in Ghanaian metropolitan areas, where factors such as macroeconomic fluctuations, funding delays, and uneven revenue distribution affect financial capacity. This makes having strong internal governance mechanisms essential for maintaining sustainable financial health in municipalities.

Conclusions. This study explored the relationship between internal controls, auditing practices, and financial performance within metropolitan assemblies in Ghana. The findings highlight the critical role of robust internal control systems in ensuring financial accountability, transparency, and operational efficiency. High ratings for activities such as the preparation of reliable financial statements and monitoring mechanisms underscore the effectiveness of

existing internal controls. However, gaps in adherence to financial laws point to the need for stronger enforcement and compliance measures.

Auditing practices were found to significantly influence financial transparency and accountability. Variables such as the relationship between auditors and management and adherence to professional auditing standards emerged as pivotal factors. While respondents generally viewed auditing practices positively, areas such as financial transparency require further strengthening to maximize the effectiveness of internal audits. This underscores the need for continued investment in training auditors and enhancing their independence.

Financial performance indicators such as appropriate fee structures, timely payment of dues, and improved accounting systems were rated highly, reflecting strong operational efficiency within metropolitan assemblies. Nevertheless, moderate scores in financial transparency and long-term revenue improvement highlight areas for growth. Addressing these challenges will require modern financial management systems and a culture of continuous improvement. The study demonstrates that the interplay between internal controls, auditing practices, and financial performance is essential for the effective management of metropolitan assemblies. The findings suggest that while significant progress has been made, further efforts are needed to address gaps in regulatory compliance, enhance transparency, and ensure financial sustainability. Policymakers and administrators must prioritize these areas to strengthen governance and build public trust in metropolitan assemblies. Future research should investigate these dynamics longitudinally to provide deeper insights into the causal relationships between these variables.

The study highlights that internal control systems are key to ensuring solid financial performance for metropolitan assemblies in Ghana. Right now, standalone internal audit functions, which tend to focus on finding faults, are actually holding back financial efficiency. The negative effects of these audits are towards a risk-based assurance approach that actively strengthens internal controls. The combined strength of these governance elements shows that the financial well-being of public metropolitan areas relies not only on political commitment or administrative actions but also on robust internal control frameworks backed by proactive and strategic internal audit functions.

To enhance internal controls, auditing practices, and financial performance within metropolitan assemblies, several key

recommendations are proposed. First, there is a need to strengthen the enforcement of financial laws and regulations through regular audits and the application of penalties for non-compliance. Additionally, providing continuous training for internal auditors is essential to enhance their skills and ensure adherence to professional standards. Collaboration between auditors and management should also be fostered to improve accountability and compliance. Moreover, investment in modern financial management systems is necessary to enhance transparency, efficiency, and accuracy in financial reporting. Clear policies should be developed to address gaps in financial transparency and promote accountability across all departments. Regular monitoring and evaluation of internal controls are critical for identifying and addressing weaknesses. Finally, fostering a culture of ethical practices and accountability through leadership commitment and stakeholder engagement will help sustain improvements in governance and operational efficiency. These recommendations provide a roadmap for addressing identified gaps and enhancing the overall performance of metropolitan assemblies.

It is recommended that internal audit functions move away from ticking boxes for compliance with proactive risk-based auditing. This means identifying and fixing internal control weaknesses before they turn into bigger problems.

The Internal Audit Agency and metropolitan audit directors should update their audit performance metrics to prioritize spotting errors. Metropolitan assemblies should integrate digital financial management tools, the Ghana Integrated Financial Management Information System (GIFMIS), to track revenue and expenditures. This shift will boost transparency, reduce clerical errors, and strengthen the positive effects of internal controls on financial performance.

Audit Committees need the authority and independence they require to turn audit findings into real, actionable improvements. The Ministry of Local Government should ensure compliance with audit implementation plans by imposing administrative penalties for those who don't follow through. Local government auditors need more than basic training in ledger checks; they should receive advanced training that includes value-for-money and performance audits to evaluate how efficiently and effectively projects are running.

Local government should have continuous monitoring systems and feedback loops to ensure internal controls and audits are performing,

enabling timely adjustments and improvements. Leaders in metropolitan assemblies should have a culture that prioritizes proactive governance, transparency, and improvement of the financial gains achieved.

This study makes significant contributions to the existing body of knowledge on public sector financial management by providing empirical evidence on the interplay between internal controls, auditing practices, and financial performance within metropolitan assemblies in Ghana. It highlights the critical role of robust internal control mechanisms in fostering financial accountability and transparency, aligning with global best practices while addressing the unique challenges of developing economies. The study also sheds light on the pivotal influence of internal auditing, emphasizing the importance of professional standards and auditor-management relationships in enhancing compliance and operational efficiency. By identifying gaps in adherence to financial laws and transparency, it offers practical insights for policymakers and administrators to strengthen governance structures. Furthermore, this research extends the understanding of financial performance in the public sector by linking it to operational efficiency, revenue management, and accountability. It provides a framework for integrating modern financial management systems to improve sustainability and trust. The findings serve as a foundation for future studies exploring the dynamics of financial governance in similar contexts, contributing to both academic discourse and practical applications in public sector management.

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Взаємозв'язок між внутрішнім контролем, аудиторськими практиками та фінансовою результативністю міських асамблей у Гані

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У дослідженні доведено, що внутрішній контроль та внутрішній аудит відіграють важливу роль у підвищенні фінансової результативності організації шляхом забезпечення точності, надійності та цілісності фінансової інформації, збереження активів і сприяння фінансовій ефективності. У статті досліджено взаємозв'язок між внутрішнім контролем, аудиторськими практиками та фінансовою результативністю в міських асамблеях Гани, а також акцентовано увагу на їхній ролі у сприянні підзвітності, прозорості та операційній ефективності. На основі описового крос-секційного дизайну дослідження та за допомогою структурованих анкет було зібрано дані від 138 респондентів із різних відділів. Отримані результати засвідчили, що надійний внутрішній контроль є важливим для забезпечення достовірної фінансової звітності та своєчасного проведення розрахунків за кредиторською заборгованістю, що робить значний внесок у забезпечення прозорості та підзвітності. Зроблено висновок, що ці механізми контролю не лише покращують фінансову дисципліну, але й суттєво підвищують рівень прозорості та сприяють формуванню організаційної підзвітності.

У дослідженні аргументовано важливості ефективних аудиторських практик, що характеризуються дотриманням професійних стандартів та формуванням партнерських відносин між аудиторами і керівництвом, які було визначено як основоположні фактори підвищення фінансової результативності. Встановлено, що такі аудиторські практики є визначальними чинниками покращення загальних фінансових показників асамблей, оскільки вони уможливають своєчасне виявлення та виправлення фінансових порушень. Водночас було виявлено прогалини у дотриманні нормативних вимог та забезпеченні фінансової прозорості, що вказує на напрями, які потребують удосконалення. Ці недоліки вказують на специфічні сфери, вдосконалення яких є важливим для зміцнення загальної системи управління.

Дослідження показало, що як внутрішній контроль, так і аудиторські практики мають значний вплив на фінансову результативність. Спираючись на передовий світовий досвід, дослідження пропонує практичні рекомендації для осіб, які формують політику та управління. Вони передбачають посилення нормативно-правового регулювання, забезпечення незалежності аудиторів та інтеграцію технологій для підвищення фінансової стійкості.

Результати дослідження формують цінну концептуальну та практичну основу для вдосконалення фінансового менеджменту в державних установах. Особливий акцент зроблено на необхідності впровадження цілісних системних стратегій, спрямованих на усунення виявлених недоліків та оптимізацію управління в міських асамблеях.

Ключові слова: внутрішній контроль, аудиторські практики, фінансова результативність, прозорість, підзвітність.



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