THE MODERATING ROLE OF THE AUDIT COMMITTEE ON INTERNAL GOVERNANCE AND FINANCIAL SUSTAINABILITY IN LOCAL GOVERNMENT IN GHANA

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submitted in accordance for the requirement

for the degree of

DOCTOR OF PHILOSOPHY

in the subject

ACCOUNTING SCIENCES

at the

UNIVERSITY OF SOUTH AFRICA

SUPERVISOR: PROF. CAMERON MODISANE

SEPTEMBER 2023

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THE MODERATING ROLE OF THE AUDIT COMMITTEE ON THE RELATIONSHIP BETWEEN INTERNAL GOVERNANCE AND FINANCIAL SUSTAINABILITY IN LOCAL GOVERNMENT IN GHANA

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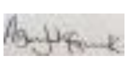

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ABSTRACT

The need to enhance the financial sustainability of municipalities cannot be overemphasised. Despite the presence of internal governance mechanisms and the mandate of the Metropolitan, Municipal and District Assemblies (MMDAs) to raise revenue internally, they are still not financially sustainable because their internal revenue collection has not increased from previous years. Therefore, the study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. Arguing from the perspectives of agency and resource dependency theories, data covering the period 2016 - 2020 were collected from the Ghana Auditor-General's report of the 207 MMDAs purposively selected to measure the financial sustainability of MMDAs.

The study used a census balanced panel data design and survey approach to administer 621 structured questionnaires to the chief audit executives, audit committee, and board of directors' chairpersons in the 207 MMDAs. Data collected were analysed using descriptive statistics and partial least-squares structural equation modeling (PLS-SEM). The findings indicated that all the internal governance variables (board size, board independence, board gender diversity, internal auditor independence, internal audit size, internal auditor competence, audit committee meetings, audit committee independence, and audit committee competence) have a direct significant relationship with financial sustainability.

The findings also showed that audit committee meetings moderate the relationship between board size, internal auditor independence, internal auditor competence, and financial sustainability. The findings further showed that audit committee competence moderates the relationship between internal auditor competence and financial sustainability. However, audit committee meetings failed to moderate board independence, board gender diversity, internal audit size, internal audit competence, and financial sustainability significantly. Also, audit committee independence and competence failed to moderate the board of directors and internal audit attributes significantly.

Based on the findings, the researcher concludes that as part of the processes of reforming the public financial management system and increasing decentralisation in Ghana, this study has proposed a feasible framework. If adopted and implemented, it can improve internal governance mechanisms, and internally generated revenues, which will enhance the financial sustainability of MMDAs.

KEYWORDS

Audit committee, Board of directors, internal audit, internal governance, financial sustainability

OKUCASHUNIWE

Isidingo sokuthuthukisa ukusimama kwezimali komasipala ngeke kugcizelelwe ngokwedlulele. Nakuba zikhona izindlela zokuphatha zangaphakathi kanye negunya leMihlangano Yezifunda Zomasipala, Umasipala kanye Nezifunda (MMDAs) ukuthi ziqoqe imali ngaphakathi, kodwa abakasimami ngokwezimali ngenxa yokuthi ukuqoqwa kwemali yabo engenayo akunyukanga uma kuqhathaniswa neminyaka edlule. Ngakho-ke, ucwaningo luhlose ukwakha kanye nokuphakamisa uhlaka oluhlanganisa ukuthi izici zekomidi locwaningo mabhuku zingaqinisa kanjani ubudlelwano phakathi kwebhodi labaqondisi kanye nezici zabacwaningi mabhuku bangaphakathi ukuze ama-MMDA akwazi ukusimama ngokwezimali. Ngokuphikisana nemibono yenhlangano kanye nemiqondo yokuncika kwezinsiza, ehlanganisa isikhathi sika-2016 - 2020 yaqoqwa embikweni woMcwaningi Mabhuku Jikelele waseGhana wama-MMDA angama-207 akhethwe ngenhloso ukulinganisa ukusimama kwezezimali kwama-MMDA. Ucwaningo lusebenzise umklamo wemininingwane yeqembu elinganiselwe lokubalwa kwabantu kanye nendlela yocwaningo ukuze kuphathwe uhlu lwemibuzo ehlelekile engama-621 kubaphathi abakhulu bamacwaningi mabhuku, ikomiti lokucwaninga amabhuku, kanye nosihlalo bebhodi labaqondisi kuma-MMDA angama-207. Imininingwane eqoqiwe yahlaziywa kusetshenziswa izibalo ezichazayo kanye nesifanekiso esilinganisela ubudlelwano phakathi kokuguquguquka okucashile (PLS-SEM).

Okutholakele kuveze ukuthi zonke izinto eziguquguqukayo zokuphatha kwangaphakathi (ubukhulu bebhodi, ukuzimela kwebhodi, ukwehluka kobulili bebhodi, ukuzimela komcwaningi mabhuku wangaphakathi, ubukhulu bocwaningo mabhuku lwangaphakathi, ikhono lomcwaningi mabhuku wangaphakathi, imihlangano yekomiti lokucwaninga amabhuku, ukuzimela kwekomiti locwaningo mabhuku kanye nekhono lekomidi lokucwaninga amabhuku) zinobudlelwano obubalulekile obuqondile. ngokusimama kwezezimali. Okutholakele kuphinde kwakhombisa ukuthi imihlangano yekomidi locwaningo mabhuku yengamela ubudlelwano phakathi kobukhulu bebhodi, ukuzimela komcwaningi mabhuku wangaphakathi, ikhono lomcwaningi mabhuku wangaphakathi, kanye nokusimama kwezimali. Okutholakele kuphinde kwakhombisa ukuthi ikhono lekomidi lokucwaningwa kwamabhuku lengamela ubudlelwano phakathi kwekhono lomcwaningi mabhuku wangaphakathi kanye nokusimama kwezimali. Kodwa-ke,

imihlangano yekomidi locwaningo mabhuku yehlulekile ukwengamela ukuzimela kwebhodi, ukwehluka kobulili bebhodi, ubukhulu bocwaningo mabhuku lwangaphakathi, ikhono lokucwaninga amabhuku kwangaphakathi, kanye nokusimama kwezimali kakhulu. Futhi, ukuzimela nekhono lekomidi lokucwaninga amabhuku kwehlulekile ukwengamela ibhodi labaqondisi kanye nezici zocwaningo lwangaphakathi. Ngokusekelwe kokutholakele, umcwaningi uphethe ngokuthi njengengxenye yezinqubo zokuguqula uhlelo lokuphathwa kwezimali zikahulumeni kanye nokwandisa ukwabiwa kwezindawo eGhana, lolu cwaningo luphakamise uhlaka olungenzeka. Uma lwamukelwe futhi lwasetshenziswa, lungathuthukisa izindlela zokuphatha zangaphakathi, kanye nemali engenayo etholwa ngaphakathi, okuzothuthukisa ukusimama kwezezimali kwama-MMDA.

TSHOBOKANYO

Tlhokego ya go tokafatsa tsweledisego ya ditšhelete ya bommasepala e botlhokwa thata. Le mororo go na le mekgwatiriso ya ka fa gare ya taolo le taolelo ya Dikokoanotheomolao tsa Mmasepala wa ditoropokgolo, Mmasepala wa ditoropo le Mmasepala wa dikgaolo (di-MMDA) go oketsa lotseno la ka fa gare, ditšhelete tsa tsone di sa ntse di sa tsweledisege ka ntlha ya gore kgobokanyo ya tsone ya lotseno la ka fa gare ga e a oketsega dingwageng tse di fetileng. Ka ga jalo, thutopatlisiso e ikaelela go tlhama le go tshitsinya letlhomeso le le tsenyeletsang tsela e dipharologantsho tsa komiti ya boruni di ka tiisang ka gone kamano fa gare ga boto ya bakaedi le dipharologantsho tsa moruni wa ka fa gare go dira gore ditšhelete tsa di-MMDA di tsweledisege. Mabaka a neelwa go lebilwe tiori e e ka ga kamano ya batho ba ba mo taolong le tsamaiso ya setheo le ditiori tse di tsepamisang mo go ikaegeng ga setheo se se rileng ka setheo se sengwe go bona metswedithuso ya sone, deitha e e akaretsang paka ya 2016 - 2020 e kgobokantswe go tswa mo pegelong ya Moruni-Kakaretso wa kwa Ghana ya di-MMDA di le 207 tse di tlhophilweng ka lebaka la go lekanyetsa tsweledisego ya ditšhelete ya di-MMDA. Thutopatlisiso e dirisitse tsela ya go lebelela batsayakarolo botlhe ka nako e le nngwe le mokgwatiriso wa go kgobokanya deitha ka go botsa batho dipotso tse di amanang le tlhotlhomiso go tsamaisa dipotsolotso tse di kgobokanyang deitha di le 621 mo bakhuduthamageng-bagolo ba boruni, komiti ya boruni, le badulasetilo ba boto ya bakaedi mo di-MMDA di le 207. Deitha e e kgobokantsweng e sekasekilwe ka go dirisa dipalopalo tse di sobokanyang le go tlhalosa deitha le mokgwa o o dirisiwang go fopholetsa kamano e e raraaneng fa gare ga dipharologantsho tse di farologaneng (PLS-SEM).

Diphitlhelelo di kaile gore dipharologantsho tsotlhe tsa taolo ya ka fa gare (bogolo jwa boto, boikemedi jwa boto, go akarediwa ga bong jo bo farologaneng mo botong, boikemedi jwa moruni wa ka fa gare, bogolo jwa boruni jwa ka fa gare, bokgoni jwa moruni wa ka fa gare, dikopano tsa komiti ya boruni, boikemedi jwa komiti ya boruni, le bokgoni jwa komiti ya boruni) di na le kamano ka tlhamalalo le tsweledisego ya ditšhelete tsa setheo. Gape diphitlhelelo di bontshitse gore dikopano tsa komiti ya boruni di lekanyetsa kamano fa gare ga bogolo jwa boto, boikemedi jwa moruni wa ka fa gare, bokgoni jwa moruni wa ka fa gare, le tsweledisego ya ditšhelete tsa setheo. Diphitlhelelo di bontsha go ya pele gore bokgoni jwa komiti ya boruni bo lekanyetsa kamano fa gare ga bokgoni jwa moruni wa ka fa gare le tsweledisego ya ditšhelete tsa setheo. Le fa go ntse jalo, dikopano tsa komiti ya boruni di paletswe ke go lekanyetsa boikemedi jwa boto, go akarediwa ga bong jo bo farologaneng mo botong, bogolo jwa boruni jwa ka fa gare, bokgoni jwa boruni jwa ka fa gare, le tsweledisego ya ditšhelete tsa setheo mo go bonalang. Gape, boikemedi le bokgoni jwa komiti ya boruni bo paletswe ke go lekanyetsa dipharologantsho tsa boto ya bakaedi le tsa boruni jwa ka fa gare mo go bonalang. Go ya ka diphitlhelelo, motlhotlhomisi o swetsa ka gore jaaka karolo ya ditirego tsa go tokafatsa mokgwatsamaiso wa taolo ya ditšhelete tsa puso le go oketsa go anamisiwa ga taolo ya bothati-gare go dikarolwana tse dingwe kwa Ghana, thutopatlisiso eno e tshitsintse letlhomeso le le ka dirisiwang bonolo. Fa le ka amogelwa le go tsenngwa tirisong, le ka tokafatsa mekgwatiriso ya taolo ya ka fa gare, le lotseno le le dirilweng ka fa gare, moo go tla oketsang tsweledisego ya ditšhelete ya di-MMDA.

ACKNOWLEDGEMENTS

I am highly indebted to the almighty God for His guidance and protection throughout my studies from the lower level to this higher level. "Trust in the Lord with all your heart. Lean not on your own understanding, in all your ways acknowledge Him, and He will direct your path." (Proverbs 3:5-6). "Behold, I am doing something new! It's already happening; don't you recognize it? I will clear a way in the desert. I will make rivers on dry land." (Isaiah 43:19). "Do not be anxious about anything, but in everything, by prayer and petition, with thanksgiving, present your requests to God." (Philippians 4:6). I presented my request to God to give me understanding; clear the way for me to finish this course, and with trust and hard work, God has made it happen.

My special thanks go to my supervisor, Prof. Cameron Modisane, for his professional academic guidance during my study. In fact, you have actually taught me what academic research is. To you, I say you are among the experts in the area of auditing and accounting research. I would like to say a big thank you to the entire management and administrators of the University of South Africa, especially Prof. E.M. Odendaal, for her administrative support throughout this study. Special thanks also go to the student funding department for awarding me a partial bursary for this study.

I would also like to acknowledge all the members of my family, especially my lovely wife Edna Agyemang (Mrs.) and my children, namely Genius Otumfour Agyemang-Prempeh, Cassandra Nanahemaa Agyemang-Prempeh, Shanetta Obaasima Agyemang-Prempeh, and Messiah Obrempong Agyemang-Prempeh, for their prayers and encouragement throughout this study.

DEDICATIONS

This study is dedicated to my dear mother, Elizabeth Afia Nkrumah, my lovely wife, Mrs. Edna Agyemang, my lovely children, Genius Otumfour Agyemang-Prempeh, Cassandra Nanahemaa Agyemang-Prempeh, Shanetta Obaasima Agyemang-Prempeh, and Messiah Obrempong Agyemang-Prempeh, and to all the dreamers of municipal financial sustainability. Keep dreaming, as the going concern of municipalities depends on how the internal governance mechanisms (audit committees, internal auditors, and board of directors) support municipal financial sustainability. We are encouraged to see this future come through.

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DEFINITION OF KEY TERMS

Board of directors: Al-Rawashdeh et al. (2017: 283) referred to a board as a cluster of persons elected by the shareholders of an organisation to govern and manage the affairs of the organisation. In this case, the board of directors of public sector organisations is appointed by the government and is accountable to the citizens of the country.

Corporate governance: Khan, Muttakin and Siddiqui (2013: 207) referred to corporate governance as the private and public institutions governing the association between the stakeholders and the corporate managers through the use of regulations, laws, and business practices.

Internal governance: Buallay (2018: 183) mentioned that internal governance structures are bodies responsible for maximising the value of organisations through monitoring, control, trustworthiness, dependability, and management of risk and finance of the organisations to avert any gaining of personal advantage by the managers.

Internal audit: The IIA (2020: 1) referred to an internal audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

Financial sustainability: Caruana et al (2019: 12) referred to financial sustainability as the ability of a public sector organisation to generate sufficient revenue to meet its current and long-term financial obligations and to ensure continuous operations.

Financial performance: Musa (2018: 36) referred to financial performance as a measure of how well an organisation can utilise its available resources to generate revenues to meet continued service delivery.

Audit committee: Golalipour (2016:377) referred to the audit committee as an independent governance structure whose function is to provide an oversight role to board of directors and internal auditors on the system of internal control, risk management, and governance.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Internal governance mechanisms are important for financial sustainability in organisations (Gartenberg & Pierce 2017: 300), but there are weaknesses that need improvement (Köhler & Quick 2018: 329). In the Municipal, Metropolitan, and District Assemblies (hereafter referred to as MMDAs), the board of directors and management are required to implement measures to enhance internally generated revenues (Saasi 2019: 6; Puopiel & Chimsi 2016: 147). This implies that the board of directors and management are responsible for governance and thus ensure revenue generation. On the contrary, the audit committee and internal audit provide reasonable assurance, after performing procedures, that the targeted internally generated revenue will be achieved (Eulerich & Eulerich 2020: 83; Golalipour 2016: 377; Thompson & Ansoglenang 2018: 1).

The inability of MMDAs in Ghana to raise sufficient funds internally has negatively impacted their ability to provide services (Puopiel & Chimsi 2016: 147). The financial sustainability of MMDAs is their ability to generate enough revenue internally to meet their expenses and to continue service deliveries to their local citizens (Saasi 2019: 6; Arunachalam, Chen & Davey 2017: 40; Dollery, Crase & Grant 2011: 162; Huang & Ho 2013: 1182). Internally generated funds are financial resources from licenses, fees, and miscellaneous charges, taxes, investment income, and rates that local governments are permitted by law to mobilise at the local level for the implementation of their development plans (Adamtey & Amoako 2021: 1-5). MMDAs can be considered financially sustainable if they are able to fulfill their financial and service delivery responsibilities (Leiser & Mills 2019: 75; Jacob & Hendrick 2012: 11). Saasi (2019: 6) indicated that to strengthen the sources of finance and make MMDAs in Ghana financially sustainable, the Local Government Act 2016 (Act 936) has mandated the MMDAs to raise revenue internally. The author further mentioned that if MMDAs can raise funds internally, it will help them increase day-to-day service delivery and undertake capital projects such as building community schools and hospitals. However, the failure of MMDAs to raise adequate funds internally raises a question as to whether the audit committee, internal audit activities, and the board of directors can support MMDAs in achieving financial sustainability

In ensuring effective governance and to support MMDAs in achieving financial sustainability, the relationships between audit committees, internal audits, and boards of directors play a vital role. Audit committees act as a vital link between internal audit functions and the board of directors, facilitating communication, oversight, and strategic decision-making (Eulerich & Eulerich 2020: 83; Thompson & Ansoglenang 2018: 1). Internal audit, on the other hand, is responsible for evaluating and enhancing the effectiveness of risk management, internal controls, and governance processes (Eulerich & Eulerich 2020: 83; Thompson & Ansoglenang 2018: 1). In this case, the audit committee and internal audit activities are responsible for assessing the adequacy and effectiveness of operations, governance mechanisms, risk management, and controls that increase the probability of achieving revenue targets in MMDAs (Eulerich & Eulerich 2020: 83; Golalipour 2016: 377; Thompson & Ansoglenang 2018: 1). The board of directors in MMDAs holds the ultimate responsibility for the oversight and governance of financial sustainability (Waheed & Malik 2019: 146; Köhler & Quick 2018: 329). The board of directors provide strategic guidance, make critical decisions, and ensure that the MMDAs resources are utilised efficiently and effectively (Waheed & Malik 2019: 146; Köhler & Quick 2018: 329). The board sets the direction and tone for financial management, ensuring that policies and procedures are in place to protect the MMDAs financial interests and promote financial sustainability (Waheed & Malik 2019: 146; Köhler & Quick 2018: 329). Therefore, the establishment of audit committees, boards of directors, and internal audit activities is recommended for all forms of organisations, including MMDAs, as a means of strengthening internal governance for MMDAs to be financially sustainable (Waheed & Malik 2019: 146; Köhler & Quick 2018: 329; Hsu & Wu 2014: 215; Puopiel & Chimsi 2016: 147).

In the context of local government, international organisations like the United Nations Development Program and the World Bank have pointed out that MMDAs in developing countries face challenges in achieving financial sustainability due to their limited revenue generation capacity (Mohammad, Mohammad & Heba 2020: 402; Rawwash, Masad, Enaizan, Eneizan, Adaileh, Saleh & Almestarihi 2020: 915; Zenker, Eggers & Farsky 2013: 133). This has been mentioned by various scholars as well (Mohammad et al 2020: 402; Leiser & Mills 2019: 75; Holis & Fulton 2002: 1; Bengeston, Fletcher & Kristen 2004: 272; Wong, Tang & Horen 2006: 645). Moreover, prior studies have indicated that financial unsustainability is a global problem for local government organisations, putting their service delivery and survival at risk (Arunachalam et al 2017: 40; Carmeli & Cohen 2001: 893; Carmeli, Yitzhak & Vinerski-Peretz 2008: 323; Dollery & Mounter 2010: 217; Honadle 2003: 1431). In order to deal with the financial unsustainability at the local government level, a number of studies have attempted to define and measure financial sustainability (Arunachalam, Chen & Davey 2017: 40; Dollery, Crase & Grant 2011: 162; Carmeli et al 2008; Hoque & Adams 2011: 308), as well as analyse government financial reports (Pina, Torres & Royo 2010: 350; Guillamón, Bernardino & Bastida 2011: 251), factors influencing financial distress (Khola Weissert & Kleine 2005: 313; Zafra, López & Bastida 2009: 151), and public debt (Inceu, Mara, Lungu & Zai 2011: 127; Pirtea, Nicolescu & Mota 2013: 144). Also, international organisations have advocated for the implementation of financial sustainability policies (Canadian Institute of Chartered Accountants (CICA 2009; International Federation of Accountants (IFAC 2012; European Union (EU 2012).

To further sthrenthen the internal governance and financial sustainability in MMDAs, prior studies have called for further research on the influence of stakeholders on the financial sustainability of local government organizations (Bolívar, Galera, Muñoz & Subirés 2016: 29; Greco, Sciulli & D'Onza 2015: 465; Foo, Asenova, Bailey & Hood 2011: 707; Dollery, Crase & Grant 2011: 162; Honadle 2003: 1431; Ferreira & Marques 2014: 91; Arunachalam et al 2017: 40). Despite these research attempts and financial sustainability campaigns, no study has investigated how the attributes of audit committees, boards of directors, and internal audit can support the financial sustainability of MMDAs. This study responded to the call for further research by developing and proposing a framework that incorporates how the attributes of audit committees can strengthen the relationship between the attributes of the board of directors and internal audit activities for MMDAs to achieve financial sustainability.

1.2 Background of audit committee, Ghanaian municipalities and internal governance mechanisms

This section provides background information for Ghanaian municipalities, internal governance mechanisms and financial sustainability.

1.2.1 Background of audit committee

The weaknesses in internal governance which led to the collapse of several organisations such as Toshi, Enron and WorldCom called for the need for the establishment of audit committees to enhance the effectiveness of internal governance mechanisms in organisations (Al-Sayani, Nor & Amran 2021:1; Norwani, Zam & Chek 2011: 205). The concept of audit committees is rooted in the private sector organisations due to fraudulent activities and lack of independence on the part of internal and external activities (Loi, Duc & Hung 2021:1). Loi et al (2021:1) opined that the concept of audit committees can be traced back to as long ago as 1939 in the New York Stock Exchange with the promulgation of Sarbox and since then the concept has been applied in both private and public sectors. Since 1940, the audit committee has become popular and broadly accepted as an essential element in good governance (Braiotta et al 2010).

A number of authors have defined audit committees in diverse ways since their inception. Authors such as Golalipour (2016:377) referred to the audit committee as a sub-committee of the board of directors that assists the board in fulfilling its corporate governance and oversight duties relating to internal control, financial reporting and disclosure, risk management and internal and external audit functions. Marx (2008:39-41) also referred to the audit committee as a sub-committee of the board, consisting of the majority of non-executive directors and the responsibilities focusing mostly on dealing with financial reporting, audit, and internal controls. In the context of Ghana, Section 86 of the Public Financial Act 2016 (56) also referred to the audit committee as an independent body with oversight and advisory powers to the board of directors of MMDAs with clearly defined functions, roles, responsibilities and powers (Republic of Ghana 2016: 86).

Based on the ongoing discussion, the study can conclude that an audit committee is a sub-committee of the board of directors consisting of competent and independent non-executive directors who see to it that the independence level of internal and external auditors are enhanced, ensures that the organisation complies with applicable laws and regulations, financial reporting quality which in turn, improves financial performance. The audit committee members are usually appointed by the members of the board of directors. These members should have professional qualifications and knowledge related to the nature of organisation's operations (Loi et al 2021: 1; Lee, Park, Rhee & Lee 2018:4041).

Initially, the role of the audit committee was mainly to oversee the selection of external auditors and financial reporting quality in the private sector (Hazzaa et al 2022:1: Gal & Akisik 2020:1227). However, irregular activities in organisations such as fraud and poor financial performance led to regulatory reforms and the establishment of increased responsibilities for the audit committees (Hazzaa et al 2022:1; Gal & Akisik 2020:1227; Munoz 2005:115). The main focus of the audit committee since its inception is to improve governance practices and financial reporting processes in the private sector (Bhasin 2016:2; IFAC 2014). However, public sector organisations like MMDAs need the same attention from audit committees as in the private sector to improve internal governance to enhance financial sustainability. Prior studies have indicated that audit committees can help public sector organisations such as MMDAs to enhance board of directors, and internal and external audit functions, thereby improving financial sustainability (Hazzaa et al 2022:1 Gal & Akisik 2020; Li, Li, Xiang & Djajadikerta 2020:1; Ellwood & Lacalle 2015).

In the public sector such as at the local government level, one of the roles of the audit committees is to strengthen the relationship between the board of directors and internal audit activities as a result of its oversight responsibilities for MMDAs to be financially sustainable (Buallay 2018: 183). Abbott, Parker, Peters and Raghunandan (2003:17) and Lin (2006:921) also stated that the role of the audit committee is to promote good governance, enhance communication between the board of directors and internal audit activities, and mediate conflict between the board of directors, external auditors and internal audit activities. The audit committees in MMDAs provide the same strategic benefits as audit committees in the private sector (Dzomira 2020:87; Roos 2021:28). An audit committee promotes good governance and provides an objective assessment of whether or not public resources are managed well (Dzomira 2020:87; Roos 2021:28). This implies that the significant role of audit committees in governance and their relationship with the board of directors and internal auditors could support MMDAs to be financially sustainable.

Due to the significant role played by audit committees, several countries have enacted laws for the establishment of audit committees in various sectors since 1970. In the United Kingdom, the Cadbury Committee (1992) requires organisations to establish audit committees (Braiotta et al 2010). In South Africa, the King I Report on Corporate Governance (1994), later followed by King II, King III and King IV require organisations to establish audit committees (IoDSA 2016). In recent times, the call for better internal governance mechanisms, which results in the financial sustainability of MMDAs in Ghana, has been dominant (Republic of Ghana 2018: 2). This call came as a result of financial irregularities being perpetuated by some employees of some MMDAS and the inability of MMDAs to mobilise adequate funds internally which affect financial sustainability (Republic of Ghana, 2018: 2). Bandie (2015: 29) and Dick-Sagoe (2012: 26) expressed that ineffective monitoring on the part of internal governance mechanisms has affected revenue collection of MMDAs in Ghana. The interest in internal governance studies has become necessary as a result of the inability of MMDAs in Ghana to increase internally generated funds which constitute an important part of the total revenue of MMDAs (Bandie 2015: 29). As a result of this financial menace, stakeholders demanded reforms in internal governance structures (Tshipa et al 2018: 20). Given the importance of reforms and to increase internally generated funds to ensure financial sustainability of the MMDAs in Ghana, several reforms have taken place in recent times. Some of the reforms are the passage of the Public Financial Management Act of 2016 (Act 921) and the Internal Audit Agency Act 2003 (Act 658). These laws were passed to ensure efficiency, transparency, and accountability in the public financial management of the various public sector organisations in Ghana (Thompson & Ansoglenang 2018: 1).

In order to strengthen the internal governance systems of MMDAs in Ghana, section 86 of the Public Financial Management Act of 2016 mandate all MMDAs to set up audit committees (Republic of Ghana 2016: 88; Thompson & Ansoglenang 2018: 1). For this reason, all MMDAs in Ghana have audit committees (Thompson & Ansoglenang 2018: 1). The purpose of public sector audit committees is also enshrined in the Ghana Audit Service Act 2000 (Act 584) (Republic of Ghana 2016: 88; Thompson & Ansoglenang 2018: 1). The audit committee performs its oversight responsibilities with regard to issues relating to financial management, risk management, internal audit and compliance (Republic of Ghana 2016: 86). According to the Public Financial Management Act of 2016, the audit committees in MMDAs assist the board of directors and internal auditors to perform their activities in accordance with rules and regulations and to serve as a forum for interaction between the board of directors, internal and external auditors (Republic of Ghana 2016: 86; Thompson & Ansoglenang 2018: 1; Khan and Ali 2017: 9). The audit committees in MMDAs further negotiate and agree on the level of audit fees with external auditors and obtain assurance from the external auditor that adequate accounting records are being maintained (Republic of Ghana, 2016: 86; Thompson & Ansoglenang 2018: 1; Khan & Ali 2017: 9). In addition, the audit committees in MMDAs meet the internal auditors to review the objectives, plans and policies of the internal audit departments; and the quality of internal audit staff and the training needed to update their skills; and activities or operations of internal audit activities (Republic of Ghana, 2016; Thompson & Ansoglenang 2018: 1; Khan and Ali 2017: 9).

The Internal Audit Agency Act, 2003, Act 658 is one of the acts passed to enhance the internal governance systems of public sector organisations including MMDAs. The purpose of the Internal Audit Agency Act of 2003 (Act 658) is to strengthen, harmonise and deliver quality assurance for internal audit activities within MMDAs (Republic of Ghana, 2016: 83; Thompson & Ansoglenang 2018: 1). The Public Financial Management Act of 2016 (Act) section 83 (1) and the Internal Audit Agency Act, 2003, Act 658 mandates all the public sector organisations including MMDAs to establish an internal audit department. The establishment of the internal audit department will help to strengthen the internal governance systems in MMDAs (Republic of Ghana, 2016: 83; Thompson & Ansoglenang 2018: 1). Eulerich and Eulerich (2020: 83) referred to internal audit as an independent, objective assurance and consulting activity designed to add value and improve operations of an organisation. The authors indicated that internal auditors help organisations to achieve their objectives by ensuring discipline and evaluating the effectiveness of risk management in governance processes. Institute of Internal Auditors (IIA 2019:12) mentioned that good governance comprises strategy formulation, provision of oversight responsibilities, and inculcating ethics in organisations. Public sector internal auditors assure that MMDAs perform to achieve value for money (IIA 2019:12). Internal auditors provide independent, objective assurance and advice to help the board of directors in public sector organisations fulfill their oversight responsibilities (IIA 2019:12). Badara (2012: 59) mentioned that the main objective of internal auditors of MMDAs is to ensure that MMDAs can increase internally generated funds and to make sure that such funds are safeguarded against fraud so that MMDAs will be financially sustainable. According to Internal Audit Agency Act 2003 (Act 655) in Ghana, internal auditors of public sector organisations are responsible to examine the financial reports and inform the audit committee and or the board of directors as to whether the MMDA is financially sustainable or not (Ofori & Lu 2018: 19). Internal auditors ensure that MMDAs' funds are safeguarded against fraud and also make sure that the routine activities of MMDAs comply with government policies (Badara 2012: 59). Internal auditors further monitor and strengthen internal governance processes in MMDAs (Jones & Beattie, 2015: 64; IIA, 2016: 23).

In the public sector, different countries, governments and jurisdictions define the term 'board' in different ways (IIA 2014:4. The IIA (2014:4) indicates that the term "board" can also refer to legislative bodies such as state legislatures or city councils in state or local governments. In the Ghanaian context, MMDAs have independent council members similar to the term "board" used in the private sector. As discussed in section 1.2.1, Section 20 of the Local Government Act 2016 (Act 936) empowers the government through the shareholding minister (Minister of Local Government and Rural Development) to form a board of directors in each MMDA. Dollery and Grant (2011: 28) referred to the board of directors in the public sector as a group of persons appointed by governments to govern and manage the affairs of public sector organisations. By Section 91 (1) of the Public Financial Management Act of 2016, the board of directors in MMDAs is responsible to ensure the revenue collection including the collection and receipt of money due to the MMDA (Adu-Gyamfi 2014: 97). Adu-Gyamfi (2014: 97) also affirmed that the ability of the board of directors in MMDAs to ensure efficient revenue generation will make them financially sustainable. The duties of the board vary from one organisation to another (Al-Rawashdeh, Ali-Agha & Altememi 2017: 283). According to Dollery and Grant (2011: 28), the board of directors in MMDAs is required to set financial indicators and evaluate the financial sustainability of MMDAs. Jizi and Nehme (2018: 217) mentioned that the highest decision body in MMDAs is the board of directors. The board is required to monitor the activities of MMDAs and to represent the stakeholders in MMDAs (Jizi & Nehme 2018: 217). Khan and Ali (2017: 9) reported that inadequate revenue generation which affects the financial sustainability of MMDAs is because of the inefficiency on the part of the board of directors. The board is responsible for the effective and efficient performance of MMDAs (Khan & Ali 2017: 9). The board is further responsible to ensure that the MMDAs are financially sustainable (Khan & Ali 2017: 9). This implies that the board of directors play a significant role in governance in MMDAs which in turn, could support MMDAs to be financially sustainable.

Afrifa and Tauringana (2015:719) asserted that internal governance mechanisms are expected to enhance the financial sustainability of MMDAs. Despite the internal governance mechanisms in MMDAs in Ghana, they have not been able to increase revenue generation from royalties, rent from local government properties, property rates, fines and fees, licenses, and basic rates (Adu-Gyamfi 2014: 97). This makes the MMDAs over-reliant on foreign partners and the central government for their day-to-day service delivery and capital projects (Adu-Gyamfi 2014: 97). For MMDAs to be financially sustainable to continue service deliveries to their local communities, internal governance mechanisms are required to strengthen their internal revenue collection (Yeboah & Andrew 2020: 68). An effective relationship between internal auditors, board of directors and the audit committee is essential to enhance internal governance (Buallay 2018: 183). It can therefore be deduced that; effective internal governance depends on the interaction among audit committees, internal auditors and the board of directors. Therefore, studying whether audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable is imperative.

1.2.2 The contextual review of Ghanaian municipalities

The Republic of Ghana is governed by a constitution (hereafter referred to as the 1992 Constitution) with two spheres of government namely; national and local government (Republic of Ghana 2019a). The establishment of local government is enshrined in the 1992 Constitution of Article 241 (3) and it is governed by the Local Government Act 2016 (Act 936). The local government is a decentralised system where governance, power and freedom are given to the individual communities to raise revenue at the local level for developmental projects (Republic of Ghana 2019a). The main objective of decentralisation is to bring governance to the people at the grass root level. The Republic of Ghana is divided into sixteen administrative regions whereby each region is headed by a regional minister appointed by the president (Republic of Ghana 2019a).

At the local government level, there are three types of assemblies namely: metropolitan, municipal and districts (hereafter referred to as MMDAs). The MMDAs are responsible for the setting and collecting of local revenues for developmental projects as enshrined in the 1992 Constitution of the Republic of Ghana (Republic of Ghana, 2019a; Hackman, Ayarkwa, Osei-Asibey, Adjei-Kumi & Kissi 2021: 382; Honyenuga & Wutoh 2019: 2). A number of grants are also transferred from national to local government, the most important of which is the District Assemblies Common Fund which provides for an allocation of not less than 5% of total government revenue to MMDAs annually (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). The MMDAs are responsible to embark on developmental projects within their area of jurisdiction, including the promotion of basic education and public health, environmental protection and sanitation, local economic development, and the improvement and management of human settlements (Republic of Ghana, 2019a; Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). With the exception of 5% District Assemblies Common Fund, this implies for MMDAs to be able to embark on developmental projects and to continue service deliveries in their jurisdictions, they should be able to generate 95% of their total income internally through tax and non-tax sources.

In Ghana, a district is referred to as a metropolitan assembly if it covers urban areas with a population of over 250,000 people (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Republic of Ghana, 2019a). A district is also referred to as a municipal if it covers urban areas with a population of 95,000 or more people (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Republic of Ghana, 2019a). On the other hand, a district assembly covers a wider geographical area combining rural areas and small towns with a minimum population of 75,000 or less than 95,000 people (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Republic of Ghana 2019a). The structure of a metropolitan is four-tiered while the municipal and district assemblies have a three-tiered system (details are discussed in chapter two). The combination of metropolitan (M), municipal (M) and district assemblies (A) in Ghana is referred to as MMDAs (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). In this study, MMDAs were used to represent local government organisations or municipalities.

In Ghana, according to Section 20 of the Local Government Act 2016 (Act 936), the government exercises the state power through the shareholding minister (Minister of Local Government and Rural Development) to form a council (hereafter referred to as a board of directors) in each MMDA. The board of directors ensures the efficient administrative running of each MMDA (Republic of Ghana 2016). Section 86 of the Public Financial Management Act of 2016 (Act 921) also empowers each MMDA to form an audit committee to strengthen the effectiveness of the board of directors and audit functions in MMDAs (Republic of Ghana 2016: 49). The audit committee members are appointed by the board of directors of the MMDAs (Republic of Ghana, 2016). Section 16 (1) of the Internal Audit Agency Act, 2003 (Act 658) in Ghana also mandates all MMDAs to set up internal audit departments (the Republic of Ghana 2003). The board of directors, internal auditors and audit committees who form part of internal governance ensure that MMDAs achieve value for money (Republic of Ghana 2016). The metropolitan, municipal and district chief executive is in charge of the day-to-day running of MMDAs. The president of the Republic of Ghana nominates the metropolitan, municipal and district chief executive who is supposed to be approved by a two-thirds majority of all the members of the MMDA present through voting and appointed by the president (Ahwoi 2017: 181; Republic of Ghana 2019b). A brief function of audit committees, internal auditors and board of directors is discussed in section 1.2.2. Details of the functions and governance structure of MMDAs are discussed in chapter two.

Currently, there are two hundred and sixty (260) MMDAs in Ghana which comprise 6 Metropolitans, 111 Municipalities and 143 District Assemblies (Hackman et al 2021: 382; Republic of Ghana 2019a: 212). The Local Government Act of 2016 (Act 936) in Ghana imposes responsibilities and functions on the MMDAs and these responsibilities demand an effective and efficient collection and management of financial resources (Fosu, Krah & Obeng 2013: 19). According to Fosu et al (2013: 19), the decentralisation concept could be materialised only when the MMDAs can generate funds internally. For MMDAs to be financially sustainable, it is paramount for them to ensure that effective internal governance mechanisms are in place (Fosu et al 2013: 19).

In Ghana, the Public Financial Management Act 2016 (Act 936), Financial Administration Act, 2003 (Act 654), the Financial Administration Regulations, 2004 (Legislative Instrument 1802), and the Financial Memorandum for MMDAs, 2004 are laws that govern the management of public funds (Fosu et al 2013: 19). These laws set out the basic budget and accountability structures in all public organisations including MMDAs and the various sources of revenues and how the revenues so generated should be managed (Fosu et al 2013: 19). The Public Financial Management Act 2016 (Act 936) Section 124 (3) mandates and provides the basis for MMDAs to raise funds internally for their developmental projects (Republic of Ghana 2016: 64). The sources of internally generated funds for MMDAs as enshrined in section 124 (3) of the Public Financial Management Act 2016 (Act 936) include licenses, fees and miscellaneous charges, taxes, investment income, and rates (Republic of Ghana, 2016: 64). Despite these laws, there have been many reports of the inability of MMDAs to generate funds internally (Republic of Ghana, 2018). Saasi (2019: 6) expressed that notwithstanding these laws, MMDAs in Ghana have not been able to raise adequate funds internally to pay their operational expenses and to continue their service deliveries. This inefficiency has been attributed to the weaknesses in the internal governance mechanisms in the MMDAs (Fosu et al 2013: 19).

The MMDAs' revenues comprise (i) decentralised transfers; (ii) internally generated funds; and (iii) donations and grants. Decentralised transfers are funds transferred to MMDAs in the form of the district assemblies' common fund, grants-in-aid from the central government and any other revenue transferred from the central Government to the MMDAs (World Observation of Sub-national Finance and Investment (WOSFI) 2019 : 3; Republic of Ghana 2017: 20). The 1992 Constitution of the Republic of Ghana gives the MMDAs the legal right to set taxes, although, in reality, the local tax base does not allow sufficient taxes to be collected to enable MMDAs to carry out their assigned responsibilities (WOSFI 2019: 3; Republic of Ghana 2017). MMDAs also have the right to raise non-tax revenues such as licenses and fees, although the total revenue collected remains limited. In general, MMDAs greatly depend on central government transfers from the district assemblies' common funds (WOSFI 2019: 3; Republic of Ghana 2017: 20). The transfers of district assemblies' common funds from the central government to the MMDAs is normally delayed and even at times the funds are not transferred to the MMDAs at all in the whole fiscal year (WOSFI 2019: 3; Republic of Ghana 2017). The delay of the transfer of district assemblies' common funds to MMDAs gives rise to the accumulation of arrears and often affects the continued service deliveries (WOSFI 2019: 3; Republic of Ghana 2017).

Even though MMDAs in Ghana have the mandate to raise funds internally but their internal revenue collection has not increased in previous years. According to the Republic of Ghana (2018b: 44), excluding land rate, the budgeted internally generated funds in 2012 for 216 MMDAs was USD 25,767399 (One Ghana cedi (GHC1.00) was equivalent to USD 0.176 as of 21 August 2020). Out of this amount, only USD 22,217203 was collected representing a negative variance of 13.78% for that year. Also, the percentage of internally generated funds has experienced a decline of 11% from 2017 to 2018 (Republic of Ghana 2018a: 165).

In 2017, information available on the revenue of 155 MMDAs indicated that the total revenue of the 155 MMDAs was USD 2 117 218 807, of which total grants constituted 94%. Property income and sales of goods accounted for the greater part of their total internally generated funds, 48% (USD 57 470 276) and 45% (USD 54 248 043.9) respectively. Revenue from fines and penalties amounted to USD 6 676 623, constituting 6% of total internally generated funds; other miscellaneous revenue was USD 1 941 180, accounting for 1% of total internally generated funds (WOSFI, 2019: 3; Republic of Ghana 2017: 20).

MMDAs have the right to collect taxes and modify their rates. However, the ratio of internally generated funds to total income is low for the greater part of MMDAs (WOSFI 2019: 3; Republic of Ghana 2017). The MMDAs' tax collection levels are low and inefficient and ineffective revenue collection mechanisms result in decreased revenue collection. In 2017, information available on 155 MMDAs indicated that tax on property and sales of goods represented 93% of total internally generated funds, but only 5% of their total revenue. Property tax was USD 57 470 277 and sales tax was USD 54 248 044(WOSFI 2019: 3; Republic of Ghana 2017: 20).

In 2019, out of the total revenue of USD 68,314,330 for 260 MMDAs, internally generated funds contributed approximately 12% to the total revenue of all the 260 MMDAs in Ghana (Republic of Ghana 2018a: 165). In the same year, the total internally generated funds and the total expenditure of all the 260 MMDAs amounted to USD 8,197, 720 and USD 292, 978,661 respectively. The percentage of internally generated funds to total expenditure was thus 23.32% (Republic of Ghana 2018: 165). This implies that the total outstanding expenses of all the 260 MMDAs in the 2019 financial year amounted to USD 284,780,942 representing 76.68%. It could also be deduced that with the presence of internal auditors, the board of directors and the audit committees, the performance of MMDAs to raise funds internally to make them financially sustainable is low. The inability of MMDAs to raise adequate funds internally has made them depend on the central government for a greater portion of their funding to embark on development projects and to meet continuous service deliveries (Republic of Ghana 2018b: 44; Akudugu & Oppong-Peprah 2013: 198).

1.2.3 The contextual meaning of internal governance

Buallay (2018: 183) referred to internal governance as bodies responsible for maximising the value of organisations through monitoring, control, trustworthiness, dependability, and management of risk and finance. Good governance serves as a mechanism for organisational performance (Puopiel & Chimsi 2016: 147). Internal governance structure identifies the sharing of responsibilities and rights among various participants in the organisation such as the board of directors, internal auditors, audit committees and other stakeholders (Mansur & Tangl 2018: 97). Internal governance also provides the structure through which the goal of an organisation is set (Mansur & Tangl 2018: 97).

If organisations want to set and achieve their goals, effective corporate governance structures are essential. An effective corporate governance structure is a combination of policies, controls and guidelines that drive organisations toward their objectives and also satisfy their stakeholders (Waheed & Malik 2019: 146). Corporate governance is a combination of two main mechanisms namely; internal and external corporate governance mechanisms (Waheed & Malik 2019: 146). Internal governance mechanisms are those that monitor the progress and activities of organisations and take corrective actions when organisations go off track (Waheed & Malik 2019: 146). Internal governance mechanisms serve the internal objectives of organisations and their internal stakeholders, including managers, employees and owners. These objectives include clearly defined reporting lines, smooth operations and performance measurement systems. External mechanisms, on the other hand, are controlled by those outside organisations and serve the objectives of organisations such as governments, trade unions, regulators and financial institutions (Waheed & Malik 2019: 146). These objectives include debt management, legal compliance and others. Apadore and Subaryani (2014:164) argued that the measurement of the relationship between internal governance mechanisms and financial sustainability is essential as compared to external mechanisms. Internal governance mechanisms include a board of directors, audit committee and internal auditors (Waheed & Malik 2019: 146; Ismael & Roberts 2018:288; Davidson et al 2005: 241; Cohen et al 2004: 87; Goodwin-Stewart & Kent 2006: 41). Thus, the internal governance mechanisms used in this study include the board of directors, audit committee and internal auditors. The interactions among the audit committee, internal auditors, board of directors and the other governance mechanisms are essential to effective corporate governance (Cohen et al 2004: 87; Gramling, Maletta, Schneider & Church 2004: 194).

1.2.4 Motivation of the choice of internal governance variables

The selected audit committee, board of directors and internal auditors' attributes in this study are the board size, board independence, board gender diversity, internal auditor independence, internal audit size, internal auditor competence, audit committee meetings, audit committee independence and audit committee competence. These internal governance variables are reviewed to understand how they can determine the financial sustainability of MMDAs. The motivation and measurement of the selected internal variables in the study are discussed below:

Board size: Cooray and Senaratne (2020: 4262) indicated that the number of board members improves the quality of information disclosure and managerial ability and expertise. Large board size always has board members with diverse experience (Cooray & Senaratne 2020: 4262). This means some of the board members bring diverse experience to monitor the management of the organisation (Endrikat, De Villiers, Guenther & Guenther 2020: 1). Kalsie and Shivastav (2016: 38) reported that large boards significantly contribute to the financial performance of organisations. Al-Malkawi and Pillai (2018: 604) mentioned that when there are too many board members, they may tag along free riders thus increasing agency issues. The larger boards provide higher monitoring to enhance the financial performance of organisations. John and Ibenta (2016: 39) reported that board size positively affects the financial sustainability of organisations. Le and Thi (2016: 190) reported that board size determines the financial performance of organisations. Therefore, this study was motivated to use a board size to empirically test its relationship with the financial sustainability of MMDAs.

Board independence: Board independence means the number of independent outside directors on the board (Wabha 2015: 17). The independency of non-executive directors is an effective tool for controlling the activities of the management (Amba 2013). The independent boards of directors support best practices by protecting stakeholders' interests in organisations (Rashid, 2016). Non-executive directors monitor closely the actions of chief executive directors to enhance the interest of stakeholders (Olabisi, Kajola, Oladejo, Ojeaga, & Abass 2018: 7). Okoye, Erin, Ahmed and Areghan (2017: 281) reported that board independence does not significantly affect financial sustainability. Surya (2016: 48) also reported that board independence has a positive relationship with the financial performance of organisations. Wu, Hsu, and Haslam (2016: 240) also reported that board independence enhances financial performance. Therefore, this study was motivated to use board independence to empirically test its relationship with the financial sustainability of MMDAs.

Board gender diversity: Board gender diversity is measured as the proportion of women on the boards helps the quality of voluntary disclosures (Cooray et al 2020:

4262). Jizi and Rabih (2017: 1) asserted that gender diversity plays a vital role in eliminating discrimination, offers a comprehensive knowledge base, and provides a set of organisational solutions for better board functions. Prior studies have provided evidence that women differ from men in ethics and morals (Jaffee & Hyde 2000: 703; Byron & Post 2016: 428), educational background and expertise (Hillman, Canella Jr. & Harris 2002: 747), and risk preferences (Croson & Gneezy 2009). It is also argued that women are more concerned with social issues (Elm, Kennedy & Lawton 2001: 241); women have different ways of thinking, have superior communication skills, are less prone to suffer from overconfidence, and provide unique resource and ready to take the risk (Huang & Kisgen 2013: 822; Jeong & Harrison 2017: 1219), which are likely to have a positive effect on the financial sustainability of organisations. Byron and Post (2016: 428) reported that a large proportion of women on board improves the financial performance of organisations. Bennouri, Chtioui, Nagati and Nekhili (2018: 267), Bravo and Alcaide-Ruiz (2019: 140), Elmaghri, Ntim, Elamer and Zhang (2019: 206) as well as Gull et al (2018: 1) highlighted that it is important to study the effect of female directors on financial performance as they act as better monitors. The agency theory posits that more female directors on boards solve financial issues (Tanaka 2014: 247; Sabatier 2015: 2717). Therefore, this study was motivated to use board gender diversity with special emphasis on female directors on the board as a result of their effectiveness in monitoring to empirically test their relationship with the financial sustainability of MMDAs.

Internal audit size: Internal audit size is seen to be a fundamental driver of internal auditors' effectiveness. The size of the internal audit determines their ability to detect and prevent management's self-serving interests (Prawitt, Smith & Wood 2009: 1255). Prior studies showed a significant relationship between internal audit size and financial performance (Prawitt et al 2009: 1255). Zain, Subramaniam and Stewart (2006: 1) also reported a positive relationship between internal audit size and financial performance. This study assumes that a large internal audit size will bring efficiency to organisations which, in turn, will have a significant effect on the financial sustainability of MMDAs. Therefore, this study was motivated to use the size of the internal audit to empirically test its relationship with the financial sustainability of MMDAs.

Internal audit independence: The independence of internal auditors is one of the essential variables which enhance the effectiveness of the internal audit process. Munene, Njangiru and Ngungu (2016: 275) expressed that the independence of internal auditors is a mental attitude and physical appearance which portrays that the auditor is not influenced by others in judgment and decision. Internal auditor independence means the number of times internal auditors meet the audit committees (Alzeban 2020: 437). Alzeban (2020: 437) opined that the number of times internal auditors meet the audit committee is an indication of internal auditors being independent. The author further expressed that the regular meetings between internal auditors and audit committees help to enhance financial performance through fraud prevention. Tepalagul and Lin (2015:101) expressed that the independence of internal auditors has a significant relationship with financial performance. Lack of independence of internal auditors of public sector organisations leads to poor financial performance (Chen, Joseph, Huang & Yang 2013: 89; Inyang 2016: 48). Ayobami (2018: 50) expressed that a number of public sector organisations experience the low financial performance as a result of lack of internal auditors' independence. Internal auditors meeting the audit committees and board of directors may enhance financial sustainability. These meetings may have an indirect influence on revenue generation through assessments conducted and recommendations provide by the internal audit activity. However, the efficiency and effective of revenue collection mechanisms remain a key necessity for revenue collection and financial sustainability. Therefore, this study posits that the total number of times internal auditors meet the audit committee is likely to enhance the financial sustainability of MMDAs. Therefore, this study was motivated to use internal auditor independence to empirically test its relationship with the financial sustainability of MMDAs.

Internal audit competence: According to IIA (2016: 1), competency is referred to as the ability of an individual to perform a job or task properly with a set of defined knowledge, skills, and behaviour. The issue of internal audit competence has been focused on by several researchers. Abbott et al (2016: 3) indicated that internal auditor competence has a significant effect on financial reporting quality and financial performance. Al Twaijri, Brierly and Gwilian (2003: 507) and Lee and Park (2016) indicated that internal auditors with accounting and auditing qualifications and experience are required to enhance the financial reporting quality and financial performance in organisations. It is also argued that internal auditors can perform their monitoring and oversight duties effectively and successfully if they have a professional qualification (Mohamed et al 2012). Kibet (2014: 1) found that qualified internal auditors help to enhance the financial performance of organisations because they have a good understanding of organisational operations. Therefore, this study was motivated to use internal auditor competence to empirically test its relationship with the financial sustainability of MMDAs.

Audit committee meetings: A meeting is an instrument to discuss and solve issues and problems in organisations (Bédard & Gendron 2010: 174). Audit committee meetings mean the number of sittings held by the audit committee with the board and internal auditors (Klein, 2002: 375). Alzeban and Sawan (2015: 61) indicated that the frequency of audit committee meetings is a measure of audit committee effectiveness. Bédard and Gendron (2010: 174) and DeZoort, Hermanson, Archambeault and Reed (2002: 38) contended that the more meetings held by the audit committee members, the better indicator for audit committee members in achieving their goals. However, prior studies did not state the ideal number of audit committee meetings that should be held each year. Krismiaji, Aryani and Suhardjanto (2016: 474) opined that an audit committee should meet at least four times a year. Financial Reporting Council (FRC) (2016:4) in the United Kingdom (hereafter referred to as the UK) has recommended that a minimum of three audit committee meetings a year is appropriate to enhance the financial performance of organisations. Ng (2013:190) also support the notion that audit committees should hold meetings frequently to make them effective which, in turn, will enhance the organisations' financial performance. Nehme (2013: 256) reported that the number of audit committee meetings determines the financial performance of organisations. Qasim, Muqattash and Al Barghouthi (2019: 263) also reported that the financial performance of organisations depends on the number of audit committee meetings held in a year. Based on the foregoing, the study was motivated that the number of audit committee meetings held in a year could support the financial sustainability of MMDAs.

Audit committee independence: Audit committee independence is considered one of the bases of audit committee effectiveness (Inaam & Khamoussi 2016: 179; Amoush 2017: 10). Aldamen et al. (2012: 971) expressed that the audit committee should consist of a higher proportion of independent directors. Prior studies suggested that if there are external members in the audit committee, then they can minimise manager's opportunistic behaviour, and increase the transparency of information (De Vlaminck & Sarens 2013: 145; Sultana, Singh & Van der Zahn 2015: 72) and enhances financial sustainability of organisations (Dinu & Nedelcu 2015: 80; Kallamu & Saat 2015: 206). Audit committee independence is the percentage of outside directors of the total number of audit committee members (Alzeban 2019: 347). Alqatamin (2018: 48) indicated that the independence of audit committees helps to enhance the financial performance of organisations.On this note, this study was motivated that the independence of the audit committee could support the financial sustainability of MMDAs. Therefore, the choice of audit committee independence variable is appropriate in this study.

Audit committee competence: Audit committee competence is one of the key attributes of audit committees (Dinu & Nedelcu 2015: 80). One of the responsibilities of the audit committee is to monitor the financial performance of organisations (Dinu & Nedelcu 2015: 80). To enhance the financial performance of organisations, Dinu and Nedelcu (2015: 80) mentioned that audit committee members must have skills and knowledge in the field of finance and accounting. Dinu and Nedelcu (2015: 80) recommended that the effect of audit committee competence on the financial performance of organisations needs to be tested. McDaniel, Martin, & Maines (2002: 139) argued that an audit committee should have at least one member with finance and accounting competence to enhance the financial performance of organisations. Audit committee members with accounting and auditing qualifications can detect fraud in financial reports which, in turn, increases the revenues of organisations (Salameh, Al-Weshah, Al-Nsour & Al-Hiyari 2011: 40; Liu, Harris & Omar 2013: 6). Dinu and Nedelcu (2015: 80) opined that audit committee competence could enhance the financial sustainability of organisations. Therefore, the choice of audit committee competence attribute was appropriate in this study.

1.2.5 The contextual meaning of financial sustainability

Tumuaki (2013: 23) stated that the financial sustainability of MMDAs has gained researchers' attention worldwide in the past three decades because the expenditure of MMDAs had increased without a corresponding increase in revenue generation. Although efforts are made by MMDAs in Ghana to maximise internally generated funds, yet challenges are obstructing the processes (Puopiel & Chimsa 2015; Akudugu 2016: 98;

Akorsu 2015: 1). Caruana, Brusca, Caperchione, Coben and Rosi (2019: 63) and United Nation (2013) expressed that lack of good internal governance is a hindrance to organisations to generate revenue and adversely affecting financial sustainability. Reddy (2013: 138) indicated that studies on financial sustainability and governance in the private sector have been encouraged but less attention has been given to the public sector. Stone (2015: 453) indicated that studies on the financial sustainability of MMDAs are scarce and recommended that more studies should be conducted.

Caruana et al. (2019: 12) referred to financial sustainability as the ability of MMDAs to generate sufficient revenue to meet their current and long-term financial obligations and to enhance continued service delivery. Skidmore and Scoresone (2011: 360) argued that the ability of MMDAs to raise revenues from their sources is vital in determining their financial sustainability. Financial sustainability is a result of better financial performance which is viewed as a measurement of the results of an organisation's policies and operations in monetary terms (Dhandapani & Ganesh 2013: 2277; Skidmore & Scoresone 2011: 360).

Musa (2018: 36) referred to financial performance as a measure of how well an organisation can utilise its available resources to generate revenues to meet continued service delivery. Dhandapani and Ganesh (2013: 2277) and Skidmore and Scoresone (2011: 360) also indicated that good financial performance is an indication of financial sustainability. The authors further indicated that financial sustainability and financial performance are synonymous in terms of assessing the financial conditions of organisations. Furthermore, Sanna-Lena (2015: 10), Orlitzky, Schmidt and Rynes (2003: 403), Salzmann, Ionescu-Somers and Steger (2005: 27) expressed that in support of stakeholder theory, the financial sustainability of organisations is an indication of higher financial performance. Thus, higher financial performance means that an organisation is financially sustainable (Sanna-Lena 2015: 10; Scholtens 2008: 46; Orlitzky et al 2003:403; Salzmann et al 2005: 27). Therefore, in this study, based on the aforementioned arguments, financial performance and financial sustainability were used interchangeably. The term financial performance is used as a general measure of an organisation's overall financial sustainability measured over some time (Dhandapani & Ganesh 2013: 2277). In this study, this implies that assessing the financial sustainability of MMDAs is a means of measuring their financial performance. Dhandapani and Ganesh (2013: 2277) argued that an improvement in internal governance will result in the financial sustainability of organisations. A financially sustainable organisation will be able to meet its short-term financial obligations when due and maintain its service delivery (Dhandapani & Ganesh 2013: 2277). The authors alluded that organisations can be financially sustainable if there is an improvement in revenue collection. This implies that improvement in internal governance could influence MMDAs' financial sustainability. In this study, financial sustainability is the ability of MMDAs to collect tax and non-tax revenues within their jurisdictions to meet continued service deliveries. The ability of MMDAs to raise sufficient revenue internally will make them financially sustainable (Stone 2015: 453). Omeri (2015: 704) and Saungweme (2014: 1) opined that the only way organisations can be financially sustainable is to increase their internally generated funds. Therefore, MMDAs can be financially sustainable if they can increase their internally generated funds.

1.3 Previous studies informing the research gap

A number of studies have been conducted on internal governance variables and financial performance in private sector organisations. As a result of limited studies on internal governance variables and financial sustainability in the public sector, this study applied the concept of private sector organisations. Previous studies on the private sector used indicators such as return on assets (hereafter referred to as ROA) and return on equity (hereafter referred to as ROE) as proxies for financial performance. As discussed in Section 1.2.5, good financial performance is an indicator of the financial sustainability of an organisation. The financial sustainability of MMDAs can be measured using financial performance ratios such as rates coverage, rates revenue to total revenue and assets turnover (discussed in 1.2.5). Financial performance measures how well an organisation uses both human and material resources to generate revenue (Stanwick & Stanwick 2010: 35). Following this line of thought, one could argue that financial performance is how well internal governance variables determine the financial sustainability of MMDAs. Therefore, the concept of private-sector financial performance can be used to gain more insight into the concept of public-sector financial sustainability. The adoption of the principles of private sector studies as synonymous with public sector studies is supported by the argument of Dhandapani and Ganesh (2013: 2277) as well as Chowdhury and Shil (2019:504) discussed in Section 1.2.5. As a result of limited studies on audit committees in the public sector, Legodi (2020: 9) reviewed and applied the concept of the effectiveness of audit committees in the private sector to justify how audit committee effectiveness can be enhanced in South African municipalities. Therefore, as discussed in 1.2.5, this study used literature on financial performance and financial sustainability interchangeably. Also, prior studies on the relationship between audit committees, board of directors and internal auditors' attributes and financial performance in private sector organisations were reviewed and applied to gain more insight into how audit committee attributes can strengthen the board of directors and internal auditors' attributes for MMDAs to be financially sustainable.

Table 1.1 below presents some prior studies that examined the relationship between internal governance variables and financial performance selected in the study. The samples, country, measure, findings, sector, theories and methodology from the previous studies are summarised and presented in Table 1.1. The detailed analysis of gaps informing the study is discussed in sections 1.6 and 1.8.

Table 1.1: Summary of empirical studies on the relationship between internal governance variables and financial performance

Author	Samples	Country	Measure	Findings	Sector	Theory	Methodology
Audit committee independence							
Sanyaolu, Adesanmi, Imeokparia, Sanyaoluand and Alimi (2017: 4131)	8 listed deposit (2007 to 2016)	Nigeria	ROA	No relationship	Private	Agency theory	Quantitative (secondary data (survey)
Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014-2017)	Saudi Arabia	ROA	Significant	Private	None	Quantitative (secondary data)
Bansal and Sharma (2016: 103)	235 non-financial organisations (2004 to 2013)	India	ROA, ROE and Tobin's Q	Insignificant	Private	None	Quantitative (Document analysis)
Robin and Amran (2016: 190)	122 listed organisations (2010 to 2014)	Indonesia	ROE	Significant	Private	Stewardship theory	Quantitative (Document analysis)
Audit committee meetings							
Alzoubi (2019: 341)	86 listed organisations (2007 to 2010).	Amman	Earnings management	No relationship	Private	**None**	Quantitative (Document Analysis
Bansal and Sharma (2016: 103)	235 non-financial organisations	India	ROA ROE Tobin's Q	Significant	Private	None	Quantitative (Document analysis
Rahmat and Mohd Iskandar (2009: 624)	73 listed organisations	Malaysia	Financial sustainability	Insignificant	Private	None	Qualitative (Interviews)
Johl, Kaur and Cooper (2015: 239)	700 listed organisations in	Malaysia	ROA	Insignificant	Private	None	Quantitative (Document

	2009						analysis
Audit committee competence							
Wakaba (2014: 1)	46 organisations listed (2006-2011)	Kenya	ROA	Significant	Private	Agency theory and institutional theory	Quantitative (Document analysis)
Gunes and Atilgan (2016: 18)	10 organisations during 2006-2010	U K	ROE	Insignificant	Private	None	Quantitative (Document analysis)
Glover-Akpey and Azembila (2016: 55)	36 listed organisations in 2015	Ghana	Change in stock price	Insignificant	Private	None	Quantitative (Document analysis)
Bahaa, Hakeem, 'Yassir, and Hussein, (2019: 4919)	69 organisations (2012 to 2015)	Iraq	ROA	Significant	Private	None	Quantitative (Document analysis
Board size							
Saha, Moutushi, and Salauddin (2018: 210)	81 listed (2013 to 2017)	Bangladesh	ROA ROE Tobin's Q	Insignificant	Private	None	Quantitative (Document analysis
Johl, Kaur and Cooper (2015: 239)	700 listed organisations in 2009	Malaysia	ROA	Significant	Private	None	Quantitative (Document analysis
Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014 to2017)	Saudi Arabia	ROA	No relationship	Private	Agency theory and resource dependence theory	Quantitative (Document analysis
Okoye, Erin, Ahmed, and Areghan (2017: 4035)	Microfinance institutions	Nigeria	ROA	Significant	Private	None	Quantitative (Document analysis
Board gender diversity							

Sanyaolu et al. (2017: 4131)	8 listed organisations (2007 to 2016	Nigeria	ROA	Insignificant	Private	None	Quantitative (documentary analysis)
Johl, Kaur and Cooper (2015: 239)	700 listed organisations in 2009	Malaysia	ROA	Significant	Private	None	Quantitative (documentary analysis)
Mahmood, Kouser, Ahmad and Salman (2018: 1)	100 listed organisations (2012 to 2015)	Pakistan	Global Reporting Initiative (GRI)	Significant	Private	None	Quantitative (documentary analysis) and qualitative (interviews)
Alakeci and Al-khatib (2006: 54)	20 listed microfinance organisations	Palestine	ROI ROE	Significant	Private	None	Quantitative (documentary analysis
Board independence							
Johl, Kaur and Cooper (2015: 239)	700 listed organisations in 2009	Malaysia	ROA	No relationship	Private	None	Quantitative (documentary analysis
Ntim (2011: 428)	169 listed organisations (2002 to 2007)	South Africa	ROA Tobin's Q	Significant on ROA and Tobin's Q	Private	None	Quantitative (documentary analysis)
Khumalo (2011: 11)	28 dual-listed organisations (2005-2008)	South Africa	ROE Tobin's Q	Significant on ROE and Tobin's Q	Private	None	Quantitative (documentary analysis)
Internal auditor size							
Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014-2017)	Saudi Arabia	ROA	No relationship	Private	None	Quantitative (secondary data)
Wadesango and Makerevi (2018: 1528)	25 African Sun Limited employees	South Africa	Financial performance	Significant	Private	None	Quantitative (Questionnaires)
Internal auditor independence							

Güneş and Atılgan (2016: 18)	20 listed organisations	Turkey	ROA ROE	Insignificant on ROA and ROE	Private	None	Quantitative (Document analysis
Alzeban (2015: 539)	74 organisations listed on the Saudi Stock Exchange	Saudi Arabia	Share value	Insignificant	Private	None	Quantitative (Document analysis
Alaswad and Stanišić (2016: 352)	78 observations of listed organisations	Libya	ROA	Significant	Private	None	Quantitative (Document analysis
Dauda (2015: 80)	55 respondents from 5 sampled listed deposit banks	Nigeria	Share value	Insignificant	Private	None	Quantitative (Document analysis
Internal audit competence							
Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014 to2017)	Saudi Arabia	ROA	No relationship	Private	Agency and resource dependence theories	Quantitative (Document analysis
Ogega, Kibati and Koima (2017: 87)	115 officials selected from 179 NGOs	Kenya	financial sustainability	Insignificant	Private	Auditing theory	Quantitative (Questionnaires)
Wadesango and Makerevi (2018: 1528)	25 African Sun Limited employees	South Africa	Financial performance	Significant	Private	None	Quantitative (Questionnaires)
Wambui (2017: 1)	104 people from 11 listed banks (2013 to 2017)	Kenya	Financial performance	Significant	Private	None	Quantitative (questionnaire)

1.4 Research gaps

Concerning Table 1.1 above, several studies have been conducted on internal governance variables and financial performance. The literature has uncovered that prior studies on internal governance variables and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Firstly, the literature has indicated that there is an evidence gap in the prior studies. An evidence gap is created when the prior studies have not addressed the subject under study (Miles 2017: 1). Concerning Table 1.1, a number of studies have been conducted on audit committee attributes and financial performance but these studies ended inconclusively. Studies such as Sanyaolu et al (2017: 4131) reported no significant relationship between audit committee independence and financial performance, Al-Matari and Mgammal (2019: 1) and Robin and Amran (2016: 190) reported a significant relationship between audit committee independence and financial performance whilst Bansal and Sharma (2016: 103) reported insignificant relationship between audit committee independence and financial performance. Alzoubi (2019: 341) reported no significant relationship between audit committee meetings and financial performance, Bansal and Sharma (2016: 103) reported a significant relationship between audit committee meetings and financial performance whilst Rahmat and Mohd Iskandar (2009: 624) and Johl et al (2015: 239) reported insignificant relationship between audit committee meetings and financial performance. Sanyaolu et al (2017: 4131) reported an insignificant relationship between audit committee competence and financial performance, Wakaba (2014: 1) and Bahaa et al (2019: 4919) reported a significant relationship between audit committee competence and financial performance whilst Güneş and Atılgan (2016: 18) and Glover-Akpey and Azembila (2016: 55) reported insignificant relationship between audit committee competence and financial performance. These inconclusive results justify that audit committee independence, meetings and competence are still important variables to be studied.

Concerning Table 1.1, a number of studies have been conducted on the board of directors' attributes and financial performance, but these studies also ended inconclusively. Studies such as Matari and Mgammal (2019: 1) reported no relationship between board size and financial performance, Johl et al (2015: 239) and Okoye et al (2017: 4035) reported a significant relationship between board size and financial performance whilst Saha et al (2018: 210) reported insignificant relationship between board size and financial performance. Sanyaolu et al (2017: 4131) reported an insignificant relationship between board gender diversity and financial performance, Johl et al (2015: 239) and Mahmood et al. (2018: 1) reported a significant relationship between board gender diversity and financial performance. Johl et al (2015: 239) reported no relationship between board independence and financial performance, while Ntim (2011: 428) and Khumalo (2011: 11) reported significant between board independence and financial performance. These inconclusive results justify that board size, board gender diversity and board independence are still important variables to be studied.

With reference to Table 1.1, a number of studies have been conducted on internal auditors' attributes and financial performance but these studies ended inconclusively. Studies such as Al-Matari and Mgammal (2019: 1) reported no relationship between the size of internal audit activities and financial performance whilst Wadesango and Makerevi (2018: 1528) reported a significant relationship between the size of internal audit activities and financial performance. Alaswad and Stanišić (2016: 352) reported a significant relationship between internal auditor independence and financial performance whilst Güneş and Atılgan (2016: 18), Alzeban (2015: 539) and Dauda (2015: 80) reported an insignificant relationship between internal auditor independence and financial performance. Al-Matari and Mgammal (2019: 1) reported no relationship between internal auditor competence and financial performance, Wadesango and Makerevi (2018: 1528) and Wambui (2017: 1) reported a significant relationship between internal auditor competence and financial performance whilst Ogega et al (2017: 87) reported insignificant relationship between internal auditor competence and financial performance. These inconclusive results further justify that internal audit size, internal auditor independence and internal auditor competence are still essential variables studied.

Meanwhile, Mustapha, Bello, Garba and Gobe (2020: 1) opined that the inconclusive results of internal governance variables and financial performance of prior studies may be a result of the absence of a moderating variable. Galbreath (2018: 863) and Shatnawi, Hanefah, Anwar and Eldaia (2019: 177) indicated that studies on internal governance have ignored the moderating variable and its effect on internal governance and financial sustainability. According to Matthew and Ann (2017: 1173), a moderating variable is a variable that changes or strengthens the relationship between dependent and independent variables. Ahme and Manab (2016: 62) indicated that a moderator variable is introduced to determine the strength or weakness of the relationship between dependent and independent variables in both quantitative and qualitative studies. Shatnawi et al (2019: 177) and Brennan and Kirwan (2015: 466) recommended a future study to determine the moderating role of the audit committee on the relationship between internal governance mechanisms and financial performance. In this study, audit committee attributes (independence, meetings and competence) are used as moderating variables. It was therefore expected that audit committee attributes (independence, meetings and competence) could strengthen the relationship between the board of directors and internal auditors' attributes (board size, board independence, board gender diversity, internal auditor independence, internal audit size and internal auditor competence) and financial sustainability of MMDAs.

Moreover, the literature review uncovered contextual gaps in the previous studies. The literature has indicated that studies on internal governance variables and financial sustainability are limited to only the private sector, especially financial and non-governmental organisations. Also, with reference to Table 1.1, studies on internal governance variables and financial performance (Ntim 2011: 428; Khumalo 2011: 11; Al-Matari & Mgammal 2019: 1; Oyewale & Adewale 2014:11; Saha et al 2018: 210; Wadesango & Makerevi 2018: 1528; Abdullah & Shukor 2017: 51) and others are limited to the private sector more especially listed organisations. This study aimed to extend the literature by providing information on how internal governance variables affect financial sustainability at the local government level.

In the international context, few studies have been conducted on audit committees. Such studies concentrated on the effectiveness of audit committees and a framework to measure financial performance. In South Africa, Legodi (2020: 1) conducted a study on enhancing audit committee effectiveness in South African municipalities. The purpose of the study was to propose a framework for improving audit committee effectiveness in South African municipalities. In Ireland, Turley, Robbins and McNena (2015: 401) conducted a study on a framework to measure the financial performance of local government organisations. The purpose of the study was to develop a financial performance measurement framework using a benchmarking methodology for local government organisations in Ireland. In New Zealand, Magrane and Malthus (2010: 1) examined the conditions and processes affecting the operation of an audit committee within the context of a New Zealand District Health Board. The purpose of the study was to determine whether audit committee variables (independence, competence, tenure, and remuneration) contribute to the overall effectiveness of the audit committees in the

New Zealand District Health Board. None of these studies centred on how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs.

In the Ghanaian context, there are a few studies that have been conducted on audit committees. Such studies concentrated on the effectiveness and attributes of audit committees and financial performance or financial reporting quality in private sector organisations (Fafape 2018; Kwakye, Owusu & Bekoe 2018; Ashari, & Krismiaji 2019). In the public sector of Ghana, the only study that was conducted concentrated on the relevance of audit committees in public universities (Thompson & Ansoglenang 2018: 1). Even though studies of audit committees on private sector organisations are encouraging in Ghana and globally but studies on how audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and financial sustainability of MMDAs have been neglected in the literature. A study conducted by Gardini and Grossi (2018: 179) in Italy also indicated that the availability of information on factors affecting the financial sustainability of local government organisations will help policymakers and standard-setters to assess the contribution of audit committees, boards of directors and internal auditors' attributes to the financial sustainability of local government organisations. A study by Turley et al (2015: 401) in Ireland further indicated that it is imperative to identify the factors affecting the financial sustainability of local government organisations.

The literature has revealed that there is no empirical research on how the audit committee, board of directors and internal auditors' attributes determine the financial sustainability of MMDAs. Jouha (2015: 14) indicated that the issue of financial sustainability is an interesting phenomenon to study. Tshipa et al (2018: 20) expressed that board and internal auditors' variables differ from one sector to another. The differences between individual sectors in different countries also result in inconclusive results of internal governance and financial performance studies. For instance, the size of the board, audit committee meetings and board gender diversity may differ from listed organisations as well as MMDAs. In this context, new studies need to be conducted to discover how internal governance variables affect the financial sustainability of MMDAs. A number of the previous studies were conducted in Malaysia, India, Kenya, South Africa, China and others in the private sector. The findings from the previous studies may not apply to MMDAs. Different sectors have different characteristics which make it difficult to generalise the findings from the previous studies (Tshipa et al 2018: 20). Since the internal governance variables of MMDAs may differ from other sectors, it is appropriate to test its applicability and uses across different sectors than single sector contexts. This research aimed to fill this gap by establishing how the audit committee, board of directors and internal auditors' attributes support the financial sustainability of MMDAs.

Secondly, the prior studies have created a population gap. A population gap is created when prior studies regarding population are not adequately represented or under-researched (Robinson, Saldanha & McKoy 2011: 1325). The inconclusive results from the previous studies may also be attributed to unrepresentative small sample size, selection of financial sustainability and internal governance variables that are not justifiable and single or shorter years of observations. With reference to Table 1.1, Wakaba (2014: 1) sampled 46 listed organisations in Kenya and covered a period of 2004 to 2006 (a total of 500 firm-year observations); Khumalo (2011) sampled 28 listed organisations in South Africa and covered a period of 2005 to 2008 (a total of 112 firm-year observations), Alzoubi (2019: 347) sampled 119 listed organisations from 2016 to 2017 (a total of 238 firm-year observations); Johl et al (2015: 239) sampled 700 listed organisations in Malaysia and covered a single period of 2009. These studies used ROA and ROE as proxies for financial performance. Oyewale and Adewale (2014:11) examined the effect of internal governance and financial sustainability of microfinance organisations in Nigeria. The study sampled 68 microfinance organisations from 2011 to 2016 (a total of 402 firm-year observations). Sanyaolu et al (2017: 4131) examined the relationship between internal governance variables and financial performance. The study sampled 8 listed banks in Nigeria and covered a period from 2007 to 2016 (a total of 88 firm-year observations). Saha et al. (2018: 210) examined the relationship between internal governance variables and financial performance. The study sampled 81 listed organisations in Dhaka and covered a period from 2013 to 2017 (a total of 405 firm-year observations). The aforementioned studies were centred on listed and microfinance organisations, used ROA and ROE as proxies for financial performance, employed small sampled firm-year observations and used different internal governance variables. However, the current study helped to address the population gap existing in the literature by sampling all the 207 MMDAs (sample criteria discussed in 1.14.2) which covered a period from 2016 to 2020 (a total of 1035 firm-year observations). The study also employed nine (9) internal governance variables (audit committee independence, audit committee competence, audit committee meetings, board size, board independence, board gender diversity, internal auditor independence, internal audit size and internal auditor competence). The total sample of 207 with 1035 firm-year observations is comparatively bigger than the studies reviewed in the literature.

Additionally, the literature review discovered a methodological gap. The methodological gap is created when there is a lack of or inadequate methods and procedures to improve the understanding of research findings (Bansal, Bertels, Ewart, MacConnachie & O'Brien 2012: 73). Several studies (Wambui 2017: 1; Wadesango & Makerevi 2018: 1528) used only primary data through questionnaire administration to obtain data on internal governance variables and financial performance. Primary data through questionnaires suffers from possible biases in the design of the questionnaires and responses from the respondents (Miles 2017: 1). However, prior studies (Ntim 2011: 428; Khumalo 2011: 11; 19; Al-Matari & Mgammal 2019: 1; Oyewale & Adewale 2014:11; Saha et al 2018: 210) and others that used quantitative data did not cover all the core components of the internal governance variables. Therefore, this study addressed this gap by employing secondary data on financial sustainability and primary data on nine (9) internal governance variables.

Moreover, Afrifa and Tauringana (2015: 730) also attributed the inconclusive results on internal governance variables and financial performance to potential endogeneity issues such as omitted variable bias, error term and simultaneity. The problem of endogeneity and causality are essential in corporate governance studies because both can affect the results of studies (Afrifa & Tauringana 2015: 730). Thus, to avoid any of the inconclusive results, these problems were investigated. Endogeneity arises when the internal governance variables and financial sustainability are internally connected (Afrifa & Tauringana 2015: 730). Prior studies (Alzoubi 2019: 347; Johl et al 2015: 239; Al-Matari & Mgammal 2019: 1; Oyewale & Adewale 2014:11; Saha et al 2018: 210) examined the relationship between internal governance variables and financial performance without testing for endogeneity. Meanwhile, Silveria and Borros (2007: 9) argued that internal governance variables are endogenous to the financial performance of organisations. Silveria and Borros (2007: 9) further disclosed that not only do internal governance variables affect financial performance, but in addition, organisations with good financial performance are likely to have proactive internal governance mechanisms. As a result of these limitations, the findings from the previous studies were not generalised and are not comparable to other sectors. This study aimed to extend the literature on a methodology that accounts for unobserved variables and also endogeneity. Thus, a panel data approach that collects data from all the MMDAs in Ghana at different time intervals to ascertain how audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and financial sustainability is what this study introduced.

Furthermore, the literature has uncovered that a number of studies (Ntim 2011: 428; Khumalo 2011: 11; Meyer & de Wet 2013: 19; Al-Matari & Mgammal 2019: 1; Oyewale & Adewale 2014:11; Saha et al 2018: 210) and others focused more on internal governance variables and their effect on financial performance rather than developing an implementation framework for MMDAs to be used in governance practices for them to be financially sustainable. This study aimed to develop and propose a framework that incorporates how audit committee variables can strengthen the relationship between the board of directors and internal auditors' variables for MMDAs to be financially sustainable.

In summary, the findings from the previous studies related to internal governance mechanisms and financial sustainability have ended inconclusively. The mixed results were related to the measurement of variables, data differences, financial performance measurement differences, different methodologies, differences in firm-year observations and lack of moderating variables. Prior studies were conducted in other countries which were focused mainly on listed and non-governmental organisations. The existing literature has provided evidence that, due to omitted variables from econometric models, a number of the findings from the prior studies reported spurious relationships. This study aims to extend the literature on a methodology that accounts for unobserved variables and also endogeneity. To date based on the researcher's knowledge; no study has been conducted on how audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs. Hence, this study contributed new knowledge and provided information to regulators and standards-setters to assess the contribution of audit committees, board of directors and internal auditors' attributes to the financial sustainability of MMDAs.

1.5 Problem statement

From the literature review provided above it could be witnessed that the studies conducted on the internal governance variables and financial sustainability showed mixed results (discussed in 1.4). The mixed results are a result of different proxies used for financial sustainability, different internal governance variables, contextual factors, number of years of observation and neglect of moderating variables (Discussed in 1.4). Furthermore, the literature indicated that studies on internal governance variables and financial sustainability are limited to only the private sector especially financial institutions and non-governmental organisations. The literature again indicated that there is a lack of a framework to implement internal governance variables and financial sustainability at the local government level.

Although efforts are made by MMDAs in Ghana to maximise internally generated funds, challenges are obstructing the processes (discussed in 1.2.3). Currently, there are two hundred and sixty (260) MMDAs in Ghana which comprise 6 Metropolitans, 111 Municipalities and 143 District Assemblies (discussed in 1.2.1). Even though MMDAs in Ghana have the mandate to raise funds internally but their internal revenue collection has not increased in the previous years (discussed in 1.2.1). Lack of good internal governance is a hindrance to organisations generating revenue and adversely affects financial sustainability (discussed in 1.2.3). Based on the aforementioned, the research problem was formulated as: Despite the presence of internal governance mechanisms, the MMDAs in Ghana are not financially sustainable and thus, how audit committees, board of directors and internal auditors' attributes can determine the financial sustainability of MMDAs remains questionable and requires investigation.

1.6 Research aim and objectives

1.6.1 Aim of the study

This study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between board of directors and internal auditors' attributes for MMDAs to be financially sustainable.

1.6.2 Objectives of the study

The primary of objective of the study is to analysis how audit committee attributes can strengthen the relationship between board of directors and internal auditors' attributes, thereby contributing to the financial sustainability of MMDAs in Ghana. In order to achieve the primary objective of the study, the following secondary objectives were addressed:

i. To determine the relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana.

ii. To determine the relationship between internal auditors independence, internal audit size and internal auditor's competence and financial sustainability of MMDAs in Ghana.

iii. To determine the relationship between audit committee meetings, audit committee independence and audit committee competence and financial sustainability of MMDAs in Ghana.

iv. To determine the moderating effect of audit committee meetings, audit committee independence and audit committee competence on the relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana.

v. To determine the moderating effect of audit committee meetings, audit committee independence, and audit committee competence on the relationship between internal auditor independence, internal audit size and internal auditor competence and financial sustainability of MMDAs in Ghana.

1.7 Hypotheses

In order to achieve the objectives of the study, the following hypotheses were formulated and empirically tested on audit committee, board of directors and internal auditors' attributes and financial sustainability:

H_1: There is a significant relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana.

H_2: There is a significant relationship between internal auditor independence, internal audit size and internal auditor competence and financial sustainability of MMDAs in Ghana.

H_3: There is a significant relationship between audit committee meetings, audit committee independence and audit committee competence and financial sustainability of MMDAs in Ghana

H_4: Audit committee meeting, audit committee independence and audit committee competence has a significant moderating effect on board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana.

H_5: Audit committee meeting, audit committee independence and audit committee competence has a significant moderating effect on internal auditor independence, internal audit size and internal auditor competence and financial sustainability of MMDAs in Ghana.

1.8 Thesis statement

Although efforts are made by MMDAs to maximise internally generated funds, there are still challenges obstructing the processes (discussed in 1.2.3). Therefore, this study was based on the premise that the attributes of audit committees, as identified, will have a moderating effect on the relationship between the board and internal audit activity attributes, thereby strengthening the relationship between the board and the internal audit activity with the related positive influence on MMDAs' financial sustainability.

1.9 Theoretical framework

Cortina (2016:1142) and Van Maanen, Sorensen and Mitchell (2007:1146) referred to a theory as scientific reasoning or logic that serves as the basis and acceptable meaning to a phenomenon. In this study, the theories employed to provide foundational meaning to the relationship between the audit committees, board of directors and internal auditors' attributes and financial sustainability are the agency and the resource dependency theories. Hussain, Rigoni and Orij (2018:411) argued that a single theory cannot be applied to get a better understanding and give a detailed explanation of the research phenomena and account for the relationship among all the hypothesised variables in a study. Therefore, both agency and resource dependency theories were applied to understand different organisational activities, including those at the local government level. Both theories were expanded on, to provide more insights into how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs.

1.9.1 Agency theory

The first theory that the study relied on is the agency theory. An agency theory explains the association that exists between an agent (hereafter referred to as the audit committee, board of directors and internal auditors) and the principal (hereafter referred to as the state) (Kyere & Ausloos 2021:1871; Bosse & Phillips 2016: 276). Bies (2010: 1057) indicated that an agency theory has its own regulations and compliance principles that the behaviour of a public organisation and other stakeholders must adhere to (Shahroor & Ismail 2022:1; Bies 2010: 1057). The principal is the party that owns the organisation and pays agency costs, to ensure that the agents are performing the activities on its behalf, as intended. The audit committee, internal auditors and board of directors with their role of oversight (Zhang & Rich 2016: 439) therefore represent agency cost to the principal (state), hence the agency theory is the dominant theory in the study of internal governance mechanisms (audit committees, board of directors and internal auditors). Under the agency theory, audit committees, internal auditors and the board of directors are recognised as agents of an organisation to monitor the behaviour of management and to protect the interest of stakeholders (Kyere & Ausloos 2021:1871; Ismael & Roberts 2018: 288). In this context, MMDAs employ internal auditors and a board of directors together with the service of audit committees as internal monitoring mechanisms (Ismael & Roberts 2018: 288).

In the context of the private sector, agency theory refers to the relationship between the principals, such as shareholders, and agents, such as the organisation executives and managers (Shahroor & Ismail 2022:1; Shahroor & Ismail 2022:1). This theory hypothesises that the shareholders who are the owners or principals of private sector organisations hire agents to perform work. The principals (shareholders) assign duties or tasks to the directors or managers, who are the shareholder's agents (Shahroor & Ismail 2022:1; Kyere & Ausloos 2021:1871). Therefore, in the context of MMDAs in Ghana, the state as the shareholder and principal hire the board of directors to provide governance and strategic leadership, audit committees to see to it that the MMDAs are being governed in accordance with the principles of good governance by the board and management, and internal auditors to evaluate the MMDAs governance, risk management and control systems. The board of directors, internal auditors and audit committees are thus the agents of the state. Jensen and Meckling (1976) stated that an agency theory is used to understand the relationship between an agent and a principal. The agent (in this case management) represents the principal (in this case communities) in a particular transaction (oversight and monitoring) and is expected to represent the best interests of the principal (enhancing financial sustainability through internally generated revenue) without regard to personal interests. An example of this can be found in section 20 of the Local Government Act 2016 (936) and section 91 (1) of the Public Financial Management Act of 2016 in Ghana, which shows the government exercising state power through the shareholding minister (Minister of Local Government and Rural Development) who appoints the board of directors, internal auditors and audit committees. These boards of directors, internal auditors and audit committees will oversee the work of the MMDAs with the metropolitan, municipal and district chief executive in charge of the day-to-day running of MMDAs. In the context of MMDAs, the audit committees, board of directors and internal auditors do not perform only a monitoring role but also perform an advisory role. The role of the board of directors, audit committee and internal auditors is to assist the agents, who are the management, and stewards, who are the council, to attain the principal's objectives (Thomas & Purcell 2019: 419). However, the agency theory captures the oversight role performed by the audit committee, board of directors and internal auditors but fails to capture the advisory role (Legodi 2021:38).

The literature has confirmed that the audit committee, board of directors and internal auditors are seen as key internal governance mechanisms to solve the agency problem and prevent management from taking advantage to gain from the organisation (Kyere & Ausloos 2021:1871). Kyere and Ausloos (2021:1871) as well as Carpenter and Feroz (2001:565) mentioned that an agency theory explains that improvement in internal governance will positively affect financial performance. Based on the agency theory, Almutairi and Quttainah (2020: 765) as well as Almujamed and Alfraih (2020: 249) indicated that the presence of an independent audit committee provides a significant relationship between internal auditors and the board of directors. The agency theory states that the presence of an audit committee within organisations is sufficient to enhance financial sustainability and to reduce information asymmetry (Shahroor & Ismail 2022:1). Consistent with the agency theory, the audit committee, board of directors and internal auditors are part of the internal control mechanisms in MMDAs who guarantee that the interests of stakeholders are being protected. For instance, as the audit committees play an oversight role (Zhang & Rich 2016: 439) then they represent agency cost to the principal, thus the agency theory is the dominant theory in the study of audit committees. Audit committees helping to strengthen the relationship between the board of directors and internal auditors' attributes to determine the financial sustainability of MMDAs, will help to protect stakeholders' interests (Johari, Alam & Said 2018: 1).

Nevertheless, the agency theory has been used in several studies but it has some limitations such as the agent may surrender to self-interest by other agents (Peters & Bagshaw 2014:103) as well as opportunistic behaviour and falling short of similarity between the desires of the agent's and principal's pursuits (Appah & Tebepah 2020:1932; Omesi & Appah 2022:1). Agency theory does not also consider all aspects of corporate governance (Nakpodia & Adegbite 2018:17Santosh, 2006:1). Nakpodia and Adegbite (2018:17) as well as Santosh (2006:1) mentioned that it is difficult to use one theory that can encompass and unify all aspects of corporate governance. However, given the different contexts of sectors and countries in which organisations operate, an all-embracing corporate governance theory would prove rather difficult to develop. In the public sector, especially at the local government level, the assumptions of agency theory might not work. The most popular theoretical framework, agency theory, is proving to be a straight jacket that could be useful in some contexts but quite restrictive, mostly when the fundamental assumptions do not hold.

1.9.2 Resource dependency theory

The second theory that the study will rely on is resource dependency theory. This theory suggests that the internal governance mechanisms of an organisation, such as audit committees, board of directors and internal auditors are not only essential for ensuring that managers are effectively monitored, but also they serve as an essential link between the organisation and the significant resources needed to maximise financial sustainability (Ntim 2009: 88). Firstly, the board and non-executive directors particularly can give essential resources, such as experience, expert advice, knowledge and independence (Alzeban 2020:437; Christopher 2019:472). Secondly, the board and non-executive directors can link the organisation to essential business contacts and a reputation (Oladejo & Nwachukwu 2021:97; Alzeban 2020:437). Thirdly, the board and non-executive directors can link the organisation to have access to information, capital and political favour (Khan & Subhan 2019:1). Finally, the board and non-executive directors can link the organisation to the external environment and major stakeholders, such as suppliers, creditors, competitors and customers. Khan and Subhan (2019:1) argued that if the organisation has more links to the external environment, then it has better access to resources. This means that if MMDAs have access to resources they can increase the internally generated funds which will then make them financially sustainable.

The resource dependency theory is regarded as a theory for strategic management that emphasises the use of resources to determine strategies that can lead to the financial sustainability of organisations (Holdford 2018:1; Gao, Tate, Zhang, Chen & Liang 2018:47; Shan, Luo, Zhou & Wei 2018:407). The resource dependency theory is based on the premise that both tangible and intangible resources should be utilised effectively and efficiently to achieve the objective of an organisation. Greer, Lusch and Hitt (2017:139) referred to resources as anything internal or external that can be utilised to achieve the objectives of organisations. The theory is often applied to the private sector, but it could be suitable for MMDAs by a new dimension to its application. The first aspect to support the application of this theory is the New

Public Management concept of promoting the transformation of public administration by employing private-sector management styles (Hegazy & Stafford 2016: 848). The second endorsement for the application of this theory is that it is used to provide strategies to improve the audit committee‘s role in respect of MMDAs.

It must be emphasised that there is a difference between the resource-based view theory and the resource dependency theory. In this study, both resource-based view theory and resource dependency theory are used interchangeably (preferably referred to in this study as resource dependency theory) to link MMDAs to both internal and external resources to enhance financial sustainability. Whilst resource-based view theory is linked to the internal resources; resource dependency theory is liked to the external resources (Weller, Hymer, Nyberg & Ebert 2019:152; Frynas & Yamahaki 2016:258). Resource-based view theory and resource dependency theory suggest that organisational performance is determined by the resources available to an organisation (Haque & Ntim 2020:525; Weller et al 2019:152). Resource-based view theory posits that an organisation‘s success is heavily dependent on the resources it can access, such as capital, human talent, technology, and information. Resource-based view theory focuses on the strategic ability of MMDAs to exploit internal resources in the quest for financial sustainability (Frynas & Yamahaki 2016:258). Hence, the essential principle is that MMDA-specific resources may offer financial sustainability (Haque & Ntim 2020:525).

Resource-based view theory suggests that unique skills and competencies linked to internal corporate governance mechanisms can lead to MMDAs-specific financial benefits (Haque & Ntim 2020:525; McWilliams & Siegel 2011:1480), which can enhance financial sustainability. On the other hand, resource dependency theory goes one step further and suggests that an organisation‘s internal resources must be supplemented by those acquired from external sources, such as suppliers to enhance financial sustainability (Haque & Ntim 2020:525; Weller et al 2019:152). By understanding both theories, players in the market can determine how their organisations might acquire more resources and leverage them to improve financial sustainability (Haque & Ntim 2020:525; Weller et al 2019:152). Hence, the management of MMDAs must be strategic to claim the factors in the environment that offer these resources for their financial sustainability (Frynas & Yamahaki 2016:258).

The resource dependency view of corporate governance stems from the essential reasoning that several mechanisms of corporate governance can act as essential resources for an organisation. While based on the more general form of the resource dependence theory (Weller et al 2019:152; Pfeffer & Salancik 1978), in the context of internal corporate governance, this theory can be applied to suggest that MMDAs internal corporate governance can lead to the generation of resources. Mainly, boards of directors, internal auditors and audit committees contribute to MMDAs through their expertise and their linkages to other organisations. Boards of directors, internal auditors and audit committees can be a strategic source of several resources (Weller et al (2019:152; Pfeffer 1972:218), based on human capital and social capital (Weller et al 2019:152; Certo 2003:432). The former includes the board of directors, internal auditors and audit committees‘ advice and expertise, and the latter covers resources such as legitimacy (Weller et al 2019:152; Westphal & Zajac 1994:367) and links to other organisations. Collectively, these are all described as the board of directors, internal auditors and audit committees‘ capital (Hillman & Dalziel 2003:383). Weller et al (2019:152) indicated that an organisation can gain a competitive advantage only when the organisational activities and positions are aligned within the human capital resources, and adopt an innovation. Gao et al (2018:45) applied the resource-based to develop a specific social media strategy. Therefore, MMDAs can also apply this theory by ensuring that all the categories of resources are present to be financially sustainable. Since the theory is linked to strategic management theory, audit committees, board of directors and internal auditors can also apply it to provide useful advice by generating effective strategies regarding the resources required to enhance the financial sustainability of MMDAs.

Even though a number of theoretical frameworks have been used to establish the relationship between the audit committee, board of directors and internal auditors’ attributes and financial performance, the moderating role of audit committee attributes on the relationships between the board of directors and internal auditors' attributes and financial sustainability can be theorised using arguments of either the agency theory or resource dependency theory or a combination of both. For instance, female directors on board have specific attributes such as capabilities and perspectives that they bring into the boardroom, and thus, the influence of female directors on financial sustainability can be argued and explained by referring to resource dependence theory (Jeong & Harrison 2017: 1219). Agency theory posits that audit committees, board of directors and internal auditors serve as agents of principals of organisations and play a monitoring role to ensure that management act in the interest of stakeholders, as the owners of the organisation (Jeong & Harrison, 2017: 1219). It has been argued that vigilant audit committees, board of directors and internal auditors can reduce agency costs (Hillman & Dalziel 2003:383) and ensure appropriate processes of strategy development and formulation (Endrikat et al 2020: 1).

However, the adoption of agency and resource dependence-related arguments in this study is by the prior studies in the literature that emphasised that board of directors, audit committees and internal auditors perform a monitoring role and ensure that the financial performance of organisations is enhanced (Abdullfatah & Laith. 2017: 10; Alzeban 2015: 539). On the other hand, Dalziel, Gentry and Bowerman (2011:1217) mentioned that the board of directors performs two main functions namely monitoring and resource provision. Therefore, the adoption of agency and resource dependency theories in the study was appropriate to justify how audit committee attributes can determine and strengthen the relationship between the board of directors and internal auditors' attributes to determine the financial sustainability of MMDAs. The board of directors is one of the internal governance mechanisms in MMDAs created to protect the interest of stakeholders. The board is regarded as a combination of individuals with fiduciary responsibilities to direct and lead the organisation to protect the stakeholders' interests (Shin-Ping & Hui-Ju 2011: 252). The board is assigned agency and resource dependency responsibilities. Under the agency's responsibility, the board is required to protect the stakeholders' interest rather than their interest (Shin-Ping & Hui-Ju, 2011: 252). Under the resource dependency responsibility, the board is required to provide the organisation with the needed resources based on its relationship with external bodies (Shin-Ping & Hui-Ju 2011: 252). However, the board of directors' attributes is essential for them to fulfill both agency and resource dependency responsibilities.

Internal auditors are recognised as one of the indispensable internal governance mechanisms in enhancing financial performance in organisations (Cohen & Sayag 2010). As discussed in Section 1.2.2, IIA (2019:12) mentioned that good governance comprises strategy formulation, provision of oversight responsibilities, and inculcating ethics in organisations. Public sector internal auditors assure that MMDAs perform to achieve value for money (IIA 2019:12). Internal auditors provide independent, objective assurance and advice to help the board of directors in public sector organisations fulfill their oversight responsibilities (IIA 2019:12). Badara (2012: 59) mentioned that the main objective of internal auditors of MMDAs is to ensure that MMDAs can increase internally generated funds and to make sure that such funds are safeguarded against fraud so that MMDAs will be financially sustainable. Halimah (2015: 95) and Davidson, Goodwin-Stewart and Kent (2005: 241) argued that it is not the employment of internal auditors that matters but the competence of internal auditors in ensuring effective internal controls, monitoring and assisting in enhancing financial performance is important.

The resource dependency theory is also based on the premise that both tangible and intangible resources are needed in enhancing the financial performance of organisations (Halimah 2015: 95). One of the objectives of the resource dependency theory is to assist managers to value why intangible assets such as competence, skills and organisational knowledge can be seen as important assets and to understand how these assets can be used to improve the organisations' financial performance (Halimah 2015: 95; Caldeira & Ward 2003). This theory was built around the internal competencies of organisations (Halimah 2015: 95). According to the resource dependency theory, organisations are required to look for unique attributes of internal governance that can provide support for financial performance (Halimah 2015: 95). Given resource dependency theory, it is essential to investigate how the internal auditors' variables can support the financial sustainability of MMDAs. The resource dependency theory has also emerged as one of the key theoretical perspectives guiding investigation into the determinants of organisational performance (Halimah 2015: 95; Crook, Ketchen, Combs & Todd 2008: 1141; Newbert 2007: 121). Despite its important insights, the resource dependency theory has not observed further than the properties of organisational resources in influencing sustainable competitive advantage. Particularly, it has not investigated the social context within which resources are embedded and how this context might affect the financial sustainability of MMDAs.

The resource dependency theory requires the board of directors, internal auditors and audit committees to link the organisation to the needed resources. This implies that the board of directors, internal auditors and audit committees are to provide resources to the organisation; therefore, they, in turn, are seen as an important resource to the organisation (Peters & Bagshaw 2014: 111; Abdullah & Valentine 2009: 89). Peters and Bagshaw (2014: 111) further argued that whilst the agency theory is based on the monitoring and controlling role of the board of directors, internal auditors and audit committees, the resource dependency theory focuses on the advisory and counseling role of the board of directors, internal auditors and audit committees to organisation's management. However, the literature review (as discussed in Table 1.1) has shown that some prior studies failed to employ any corporate governance theory whilst others employed agency and resource dependency theories to justify research findings to understand the relationship between internal governance variables and financial performance in the private sector. As discussed earlier, different sectors have different characteristics and the theoretical justifications of research findings may differ (Müller-Bloch & Kranz 2014). However, agency and resource dependency theories have not been applied to investigate how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs. The application of agency and resource dependency theories provided a broader and more valuable perspective of local government organisations and their audit committees, board of directors and internal auditors. Agency theory was considered in this study because it can provide more insight into how audit committee variables strengthen the relationship between the board of directors and internal auditors' variables and the financial sustainability of MMDAs. On the other hand, the resource dependency theory was used in the study because it can guide on how intangible resources such as auditor competence could be used to support the financial sustainability of MMDAs. Therefore, this study proposed a theoretical framework that combined the agency and resource dependency theories to extend and complement the existing literature on the moderating role of audit committees on the relationship between internal governance mechanisms and the financial sustainability of MMDAs. The conceptual framework was designed to determine the relationship between internal governance variables and the financial sustainability of MMDAs. The conceptual framework explained how internal governance variables affect the financial sustainability of MMDAs. The conceptual framework consisted of six (6) independent variables, three (3) moderating variables and one (1) dependent variable. The conceptual framework was the basis to develop the hypotheses for this study.

1.10 Delineation

The study solely centred on 260 MMDAs in Ghana for five years. Five years were selected since new MMDAs were created in 2016. Only MMDAs with the availability of financial reports containing internally generated funds and expenditures throughout the study period (2016 to 2020) were examined. The study determined how audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs in Ghana. The study also used audit committee meetings, independence and competence to determine its strength on the relationship between the board of directors and internal auditors' attributes and financial sustainability. The study used both primary and secondary data. The study used five years of observations (2016 to 2020). The study with 5 years of observations for 207 MMDAs will have a total of 1035 observations. Measurement of the study variables was extracted within this period to ensure adequate representation. The variables of the study were limited to independent, moderating and dependent variables. The independent variables were limited to board size, board independence, board gender diversity, internal auditor independence, internal audit size and internal auditor competence. The moderating variables were limited to audit committee competence, audit committee independence and audit committee meetings. The dependent variable, financial sustainability was represented by five ratios. The study then developed and proposed a framework on how audit committee attributes can strengthen the board of directors and internal auditors' attributes for MMDAs to be financially sustainable.

1.11 Limitations

Mugenda (2008: 186) has described limitations as those activities that affect a comprehensive understanding of the study results. The limitations of this study are not expected to affect the findings in any way. This study suffered from sample selection criteria bias. Sample bias is the tendency that a sample will differ from the population in a specific manner due to reasons such as the criteria for selecting a sample and the way data is processed (Tshipa et al 2018: 20). This study avoided sampling bias by sampling all the MMDAs in Ghana to be part of the total population. All MMDAs that met the clearly defined selection criteria formed part of the sample. See Section 1.14.2 for a discussion of the selection criteria. Questionnaires were administered to gather primary data from the respondents. Cooper and Schindler (2014:323) indicated that if the questions of the study are ambiguous, some of the respondents may skip them which will reduce the response rate. Respondent's bias also affected the findings of the study. To avoid respondents' bias, Cooper and Schindler (2014:323) mentioned that the tone of the research questions should be neutral without suggesting answers to the respondents. The authors further mentioned that in preparing questionnaires, the questions must be asked in very simple and concise language. Hence, to avoid ambiguity and increase the response rate, very simple and concise words were used to prepare the questionnaire. The questions were also devoid of pre-empting answers to the respondents. The researcher ensured that the questions were asked in a manner that did not lead the respondents to believe that there are favourable responses. The study thus have limitations. The study used certain identified attributes of boards, audit committees and internal auditors. It is submitted that focusing on different attributes may produce different results. Also, data was gathered by the use of employment of a questionnaire. Conducting interviews and focus group discussions to collect qualitative narrative data may produce different results.

1.12 Research philosophy

Kivunja and Kuyini (2017:26) mentioned that academic and scientific studies are built around two different dimensions. These dimensions, according to Kivunja and Kuyini (2017:26), are the ontological and epistemological dimensions. Ontology is a system of belief that reflects an interpretation of an individual about what constitutes a fact in simple terms (Kivunja & Kuyini 2017:26). Ontology is connected with the question of whether social entities need to be perceived as objective or subjective (Kivunja & Kuyini 2017:26). Conversely, epistemology is a philosophical approach to theory building that investigates the nature, grounds, limits, and validity of human knowledge (Kivunja & Kuyini 2017:26). Ontology dimension is associated with the human beliefs about the natural and social world, whilst epistemology is associated with how new knowledge is searched (Kivunja & Kuyini 2017:26). If a researcher adopts objectivism ontology, there is also a need to select positivism epistemology. Positivism requires a deductive methodology that needs quantitative approach (Thompson 2015:1).

Thomas (2009: 72) indicated that positivist researchers rely on the principle that everything can be measured. Thomas (2009: 72) further clarified that to test or reject a set of hypotheses, positivist studies make assumptions and concentrate on the use of quantitative approach. Collins and Hussey (2014: 44) indicated that positivist researchers use large sample sizes and observations to test hypotheses. The authors further mentioned that positivist researchers use questionnaires, secondary data or archival records and surveys as research methods. Positivist researchers use deductive reasoning and descriptive and inferential research approaches and quantitative numerical methods for data analysis (Collins & Hussey 2014: 44).

Ryan (2018: 41) indicated two basic principles of positivism including; isolating, analysing and understanding the reason for human behaviour and objectivity. Gratton and Jones (2010: 25) believed that the emphasis of positivism is on methodology to facilitate duplication and quantifiable observations for statistical analysis. This study used a structured questionnaire and empirical data from existing documents (audited financial reports) which is within the scope of positivism (Collins & Hussey 2014: 44). This study followed the ontological position of objectivism and avoid the influence of subjectivism by considering only data from the sampled MMDAs. This led to the epistemological position of positivism that required the study to use a deductive reasoning through quantitative data from secondary and primary sources of sampled MMDAs and quantitative techniques through structural equation modelling analysis.

1.13 Research methodology

Bass and Milosevic (2018: 174) referred to research methodology as a framework that defines the research problem, how the problem should be investigated and the hypotheses to be tested. Research methodology shows the research design, target population, sampling techniques, data collection tools and the data analysis that will be used in the research (Petty, Thomson & Stew 2012: 378). A comprehension of the research methodology process helps the researcher to choose the appropriate methodology to employ methods that will provide the intended results and specify the unit of analysis in the study (Petty, Thomson & Stew 2012: 378). The research methodology shows how a study is conducted and what philosophical assumptions can be used to underpin the study (Quinlan, Babin, Griffin & Zikmund 2015: 143; Murphy, Williams & Pridmore 2010:18). The research methodology is essential as it depicts the direction to the whole study. Because the main objective of this study was to analyse how the audit committee variables can moderate the relationship between the internal auditors and the board of directors' attributes to determine the financial sustainability of MMDAs, the researcher considered it appropriate to use the quantitative research method to conduct the study. A quantitative approach is based on the numerical measurement and thus, it can be simpler to generalise than qualitative research (Ortega 2021: 69; Callaghan 2019: 179). It is also easier to illustrate the results on graphs for explanatory purposes. Therefore, the quantitative approach was appropriate for this study because the study examined the relationship between the independent and dependent variables (Ortega 2021: 69; Dawadi et al 2021: 25). The choice of quantitative approach in the study was also appropriate because the quantitative approach is in alignment with the view of positivism paradigm (Ortega 2021: 69; Dawadi et al 2021: 25). Both quantitative approach and positivism paradigm aim to identify the relationship between internal governance and financial sustainability (Ortega 2021: 69; Dawadi et al 2021: 25). The assumption of positivism supports quantitative studies rather than qualitative studies (Ortega 2021: 69; Dawadi et al 2021: 25).

1.13.1 Research design

Samson and Lillykutty (2018: 20573) referred to research design as a plan for conducting a study. According to Cooper and Schindler (2014: 125), data collection, measurement and analysis are based on a framework of research design. Dougherty, Slevc and Grand (2018: 361) mentioned that research design is important because it explains how and when data is collected, analysed and interpreted. According to Creswell (2014:6), when a quantitative research approach is adopted in a study, a corresponding quantitative design (descriptive, correlational, experimental and quasi-experimental designs) should also be used for data collection and (a deductive reasoning) for data analysis should be chosen. This study explained the key variables and the hypotheses were formulated; hence, a descriptive design was appropriate for this study. Narkhede (2019:1) as well as Creswell and Clark (2017: 470) confirmed that descriptive design is appropriate since it provides sufficient information on the relationship between the independent and the dependent variables. The study used descriptive research design, which involved the collection of longitudinal data for a period of five years from 2016 to 2020 in investigating the relationship between the audit committee, board of directors and internal auditors' attributes and financial sustainability of MMDAs in Ghana. This design facilitates the description of dependent, independent and moderating variables and also helps to develop and propose a framework for MMDAs to be financially sustainable. This position is supported by Ortega (2021: 69), Callaghan (2019: 179) and Cooper and Schindler (2014:134), who indicated that a descriptive design is, appropriate for a study that has formulated hypotheses or research questions. The use of descriptive research design to collect longitudinal data is discussed in detail in Sections 5.6.6 and 5.7.

1.13.2 Target population

Ayub, Onditi and Michael (2017: 335) referred to the population as all the subjects or elements from where a sample is taken for the study. The population comprises all MMDAs for the period 2016 to 2020. When the study commenced, there were two hundred and sixty (260) MMDAs in Ghana which comprise 6 Metropolitans, 111 Municipalities and 143 District Assemblies (Hackman et al 2021: 382; Republic of Ghana 2019: 212). Therefore, the study's target population was all 260 MMDAs in Ghana. The study period from 2016 was considered so that all MMDAs which were created in 2016 were included in the study. Also, 2020 was considered as the last period because as of the time of conducting this study, financial reports of MMDAs available at the Ghana Auditor General's website were up to 2020. The total MMDAs who submitted their financial reports for auditing from 2016 to 2020 were 252 (Republic of Ghana 2018:165; Republic of Ghana 2019: 212). Forty-five (45) of the 252 MMDAs did not have their internally generated funds in the Auditor General's report concurrently from 2016 to 2020 and eight (8) did not submit their report within that period. Therefore, the total MMDAs who met the criteria was 207 (260-53). The study used the census approach and thus the entire 207 MMDAs were studied. Charman, Petersen, Piper, Liedemanv and Legg (2017: 36) argued that the census method gives a higher degree of accuracy in a panel data study.

1.13.3 Sampling technique

The study used purposive sampling which is a non-probability sampling technique to select the MMDAs. In purposive sampling, MMDAs whose audited financial reports were available were selected during the study period to achieve the objectives of the study. Purposive sampling is a non-probability sampling technique that helps to select participants based on judgment (Yin 2016: 93). A purposive sampling technique was used to determine the sampled MMDAs based on the criteria discussed in Section 5.9.2.3. The data collected on financial sustainability from the Auditor General's report and internal governance variables through questionnaire administration helped to develop and propose a framework for MMDAs on how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for them (MMDAs) to be financially sustainable.

1.13.4 Data collection instruments

The study used both secondary and primary data. Secondary data is used for historical studies and such studies begin and end at a particular point in time (Bouchrika 2023:1; Harper & Cole 2012: 510). Such data is normally kept in archives or exists as records of organisations (Harper & Cole 2012: 510). Since the study took a historical perspective to gain insight into how audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and financial sustainability, published and archival or documentary records were appropriate (Harvey 2012: 400). The secondary data set in this study comprised of financial sustainability information in the Auditor General's report. The financial sustainability information of the sampled MMDAs was retrieved from the Auditor General's reports. The financial sustainability information in the Auditor General's report was used to measure the financial sustainability of the sampled MMDAs. Based on the scores of financial sustainability ratios computed from the secondary data obtained from the Auditor General's reports from 2016 to 2020, each of the ratios was operationalised by one structured question which was administered to the respondents using a 5-point Likert Scale for respondents to indicate their level of agreements of the financial sustainability scores.

Primary data is data collected for the first time for a specific study (Bouchrika 2023:1; Wang, Zhang & Guo 2017:1274). Primary data can be collected using interviews, questionnaires, focus groups, observations, simulation exercises, investigations and experimentation (Bouchrika 2023:1). Wu et al (2016: 240) expressed that the use of primary data is beneficial because it helps to obtain reliable information for the study. Therefore, in addition to the secondary data source, a structured questionnaire was used to collect primary data on internal governance variables from the chief audit executives, chairpersons of audit committees and board of directors of the sampled MMDAs. Chief audit executives and chairpersons of audit committees and boards of directors were chosen to respond to the questions because they play a key role in the internal governance of MMDAs. Questionnaires can be used for large-scale surveys, and they are preferable under positivist and phenomenological methodologies (Bell, Bryman & Harley 2019).

To propose an implementation framework on how audit committee attributes could strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable, this study used a survey strategy through questionnaire administration. Self-administered questionnaires include online questionnaires, postal questionnaires, as well as personally-administered surveys (Bell et al 2019:1). Therefore, personally-administered surveys and online surveys were adopted in this study. The online survey was considered for this study due to its ability to cover a wide range of people for a short period. Also, an online survey is cost-effective in terms of delivery (Bell et al 2019; Zhou, Wang et al 2017:1274). Additionally, online surveys offer the opportunity for respondents to respond to the questions at their own convenience time and comfort (Bouchrika 2023:1). Since the response rate from online surveys is normally not encouraging, a personally-administered survey was also used due to its high response rate (Bouchrika 2023:1). Bouchrika (2023:1) mentioned that the use of a personally-administered survey is relatively cost-effective, quick to administer and convenient for the respondents to respond to the questions. To avoid double counting, the responses received from the personally-administered survey were excluded from an online survey. The questionnaire distribution started in early July 2022 and continued until December 2022. This ample time helped the researcher to remind the respondents to fill out and return the questionnaires to achieve a high response rate. The questionnaire was divided into six sections to collect the information needed to measure the internal governance variables. The study used Qualtrics survey software to administer the online questionnaire. The Qualtrics survey software was used because it is capable of handling complex questionnaires (Bell et al 2019). However, to establish the moderating effect of audit committee variables on the relationship between internal governance variables and financial sustainability using structural equation modeling, the scores of the financial sustainability ratios and the internal governance variables were entered in the structural equation modelling as interval data using a 5-point scale. The measurement of the variables in the study is discussed in detail in Section 5.10. Also, the detailed questionnaire design is discussed in Section 5.8.2.2.

1.14 Data presentation and analysis

The study used panel data. Panel data is data sets that consist of multiple observations on each sampling unit (Baltagi 2001: 6). Baltagi (2001: 6) indicated that panel data gives the researcher a large number of data points by combining both cross-section and time series. The study sampled observations for five years (from 2016 to 2020). The study with 5 years of observations for 207 MMDAs had a total of 1035 observations which is better as compared to only 207 observations if a time series analysis is selected. The main purpose of using panel data is to increase the number of observations. Therefore, 5 years of time series data coupled with 207 MMDAs, is assumed to provide the study with a rich input from 1035 observations.

Data analysis was performed by using Statistical Package for Social Science (hereafter referred to as SPSS) and Smart Partial Least Square Structural Equation Modelling (hereafter referred to as SPLS-SEM). Data received from the questionnaire (from both online and hard copy) was cleaned, sorted and coded in an Excel sheet and directly transferred into SPSS, which was later saved in an Excel sheet and transferred to SPLS-SEM 4 software for analysis. As such, the data was freed from coding errors. Nevertheless, a careful and detailed check against the survey instrument was made to ensure the accuracy of the transferred data. To determine how the audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs, both descriptive and inferential analyses were conducted. Measurements were recorded as scores indicated by the data collection sheet. The study used statistical software SPSS version 24.0 for descriptive analysis. The study examined the mean, standard deviation, minimum value and maximum value of each indicator or variable.

The study used SPLS-SEM 4 to establish the moderating role of the audit committee on the relationship between internal governance mechanisms and the financial sustainability of MMDAs under the perspective of agency and resource dependency theories. SPLS-SEM is a multivariate statistical analysis that combines multiple regression and principal factor analysis and can estimate causal effect models simultaneously (Massawe, Abayo & Macha 2020: 97; Shaukat, Qiu & Trojanowski 2016: 569; Lowry & Gaskin 2014: 123). Smart Partial Least Square Structural Equation Modelling path modelling was chosen due to the small population which was restricted to a small sample size, non-normal data distribution, and model complexity where latent variables were measured reflectively by indicators and explanatory of the dependent variable (Hair, Howard & Nitzl 2020: 101; Shaukat et al 2016: 569). SPLS-SEM was also chosen due to its appropriateness for the confirmation of theories (Massawe et al 2020: 97; Lowry & Gaskin 2014: 123; Shaukat et al 2016: 569).

The study aimed to establish the relationship between the audit committee, internal auditors and board of directors' attributes and financial sustainability of MMDAs. The model was developed on structural equation modelling partial least squares based on the construct generated from the agency and resource dependency theories. SPLS-SEM has two parts that are measurement model which relates indicators to their respective latent variables and the structural model which relates latent variables against another latent variable (Massawe et al 2020: 97; Henseler, Hubona & Ray 2016; Jiang, André & Richard 2018: 264). The structural model included an audit committee, internal auditors, a board of directors and financial sustainability variables extracted from both agency and resource dependency theories. The measurement model included measures of latent variables developed from prior studies.

The measurement model was checked for the achievement of quality criteria of construct reliability and construct validity (HairJr, Howard & Nitzl 2020: 101; Massawe et al 2020: 97). Construct reliability or internal consistency was checked using composite reliability, Cronbach alpha and pilot study (Hair Jr. et al 2020: 10; Massawe et al 2020: 97) whilst the construct validity was measured by both convergent validity and discriminate validity (Massawe et al 2020: 97).

The structural model was checked for the coefficient of determination (R2), path coefficient (Beta-Value), t-statistics, p-values and predictive relevance (Q2) (Hair Jr. et al 2020: 101; Massawe et al 2020: 97). To examine the moderating effect of audit committee variables on the board of directors and internal auditors' variables, multi-group causal analysis in structural equation modelling was employed. Using smart partial least square, the data were divided into four (board of directors' variables and internal auditors' variables) and the multi-group analysis was performed. A parametric test was examined to determine the significance of these potential moderating variables.

1.15 Significance of the Study

This study is required to make a significant contribution to the conceptual and theoretical studies by highlighting issues concerning internal governance variables and the financial sustainability of MMDAs.

- Theoretically, this study will contribute through its justification of the underpinning theory (agency and resource dependency theories) in providing insights into internal governance variables and financial sustainability globally. This study followed the ontological position of objectivism and avoided the influence of subjectivism by considering only data from the sampled MMDAs. This led to the epistemological position of positivism that required the study to use a deductive reasoning through quantitative data from secondary and primary sources of sampled MMDAs and quantitative techniques through structural equation modelling analysis. Therefore, the study followed the positivism paradigm to empirically test hypotheses to either affirm or disaffirm existing theories in corporate governance studies. The findings of the study contribute to the theory by revealing the relationships among the variables. Jensen and Meckling (1976) stated that an agency theory is used to understand the relationship between an agent and a principal. The agent (in this case board of directors, internal auditors and audit committees) represents the principal (in this case communities) in a particular transaction (oversight and monitoring) and is expected to represent the best interests of the principal (enhancing financial sustainability through internally generated revenue) without regard to personal interests. The study intended to broaden and add to the internal governance literature by identifying internal governance variables that could improve the financial sustainability of MMDAs. The study extended the prior literature by not investigating the effect of either board of directors' or internal auditors’ attributes on financial sustainability in isolation, but it contributed new insights by showing how audit committee attributes moderate either the board of directors or internal auditors’ attributes to determine the financial sustainability at the local government level. This study extended the academic debate on audit committees, boards of directors and internal audits as corporate governance mechanisms for managing the agency problem inherent in MMDAs. It thus advanced the theory of explaining that financial sustainability is a solution to the agency problem. The findings provided evidence of whether audit committee attributes are the drivers of the financial sustainability of MMDAs. Thus the findings confirmed the importance of the audit committee as an important component of internal governance as a key driver to enhance the financial sustainability of MMDAs. The existing literature has provided evidence that, due to omitted variables from econometric models, a number of the findings from the prior studies reported spurious relationships. This study extended the literature on a methodology that accounts for unobserved variables and also endogeneity.

- Practically, this study benefited policy-makers and public sector organisations to clarify the status and limitations of the internal governance structures. The findings from this intended study may be useful to policy-makers to set regulations and policies that will ensure that all MMDAs and other public organisations make effective use of audit committees to strengthen financial sustainability. This will lead to improved financial sustainability and continued service delivery to the general public. The findings may help the regulators to appoint independent outside directors with accounting and or auditing qualifications to the audit committee and board of directors. The findings will again provide information to the stakeholders to assess the contribution of audit committees, board of directors and internal auditors to the collection of internally generated funds of MMDAs. This study also offered a framework for implementing internal governance and financial sustainability in MMDAs. If the recommendations of the study are implemented, it will have the potential to help MMDAs solve service delivery problems due to their inability to increase internally generated funds. The framework will have the potential to assist and empower the board of directors in MMDAs to take a holistic and strategic approach to internal governance mechanisms. It can provide the board of directors with the ability to understand, interpret and respond to current financial sustainability challenges, and to conceive and explore new approaches and solutions to these problems to enhance the financial sustainability of MMDAs.

- Academically, this study could provide an opportunity to further analyse the influence of internal governance variables on financial sustainability in public sector organisations globally by concentrating on other public sector areas such as government business enterprises. The empirical evidence shows that there have not been previous studies to date that have addressed how the audit committee attributes moderate the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs. Hence, the study will fill this gap by determining the moderating role of the audit committee on the relationship between internal governance variables and financial sustainability. This study will provide literature for further studies.

1.16 Structure of the study

The thesis was organised into the chapters as outlined below:

Chapter 1: Introduction: This chapter will provide insight into the background of the study. It will then explain the research problem and present the research objectives as well as research hypotheses. The thesis statement will also be explained in this chapter. It will give a brief description of the research design and methods for data collection. It will then explain the significance of the study and the structure of the thesis.

Chapter 2: The concept of local government system and financial sustainability: This chapter gave an overview of the study area in Ghana. It described the Ghanaian system of local government in brief. It then gave an overview of the structure of governance of MMDAs in Ghana. It also explained the concept of financial sustainability and internally generated funds of MMDAs.

Chapter 3: The concept of internal governance and theories: This chapter presented an outline of the literature regarding the concept of internal governance and its related theories. The chapter discussed the concept of audit committees, internal audits as well as boards of directors at the local government level. The chapter discussed agency and resource dependency theories. The chapter further discussed and justified the agency and resource dependency theories about the internal governance variables.

Chapter 4: Empirical literature review and hypotheses development: This chapter discussed the conceptual framework for the dependent, independent and moderating variables. The chapter reviewed the literature in relation to the direct relationship between the audit committee, board of directors and internal auditors' attributes and financial sustainability. It further discussed the literature in relation to the moderating role of the audit committee on the relationship between the board of directors and internal auditors' attributes and financial sustainability. This chapter further presented and discussed the hypotheses thereon.

Chapter 5: Research methodology: This chapter gave a detailed description of the research design and the methods employed in this study. The study described the data collection methods. It again discussed the population, sample size and the sampling technique used in the study. Data analysis methods were described in this chapter. Both descriptive and inferential analysis methods were explained in this chapter. As well as the measurement of the variables in the study were explained in this chapter.

Chapter 6: Descriptive analysis and discussion of findings: This chapter gave a detailed analysis of descriptive results in the form of frequency distribution tables. The chapter analysed the results in relation to independent, dependent and moderating variables. The results were analysed in accordance with the specific objectives formulated. The chapter discussed the results in relation to the literature and accordance with the research objectives.

Chapter 7: Inferential analysis and discussion of findings: This chapter gave a detailed analysis of structural equation modelling results. The chapter analysed the results in relation to independent, dependent and moderating variables. The results were analysed in accordance with the specific objectives formulated. The chapter discussed the results in relation to the empirical literature, perspective of agency and resource dependency theories, and in accordance with the research objectives.

Chapter 8: Summary, conclusion and recommendations: This chapter gave a summary of the study's findings. It further drew conclusions and recommendations based on the findings of the study. The chapter finally gave areas for future studies based on the limitations of the study.

1.17 Chapter summary

Chapter 1 introduced the study. The chapter provided brief background information for Ghanaian municipalities, internal governance mechanisms and financial sustainability. The chapter provided the contextual meaning of financial sustainability and the motivation for the choice of internal governance variables. The chapter discussed previous studies informing the research gap. These discussions led to the identification of the research problem, followed by the aim, primary and secondary objectives of this study. This study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. The chapter further provided a brief discussion of the theoretical framework underpinning this study. Both agency and resource dependency theories were discussed briefly. The chapter discussed the delineation, limitations, definition of key terms, and significance; brief research methodology and the structure of the study were also discussed. The next chapter will discuss the concept of local government and financial sustainability.

CHAPTER 2

THE CONCEPT OF LOCAL GOVERNMENT AND FINANCIAL SUSTAINABILITY

2.1 Introduction

Chapter One provided an insight into the background of the study. The chapter explained the research problem and presented the research objectives as well as the research hypotheses. The chapter explained the thesis statement and gave a brief description of the research design and methods for data collection. In this chapter, Section 2.2 discusses a brief history of the Republic of Ghana; Section 2.3 discusses the concept of decentralisation; Section 2.4 discusses benefits of decentralisation; Section 2.5 discusses the concept of local governance; Section 2.6 discusses the concept of decentralisation and local governance system in Ghana; Section 2.7 discusses the concept of financial sustainability of MMDAs; Section 2.8 discusses the measurement of financial sustainability in MMDAs; Section 2.9 discusses the concept of internally generated funds; and Section 2.10 discusses chapter summary.

2.2 Brief history of the Republic of Ghana

Republic of Ghana is a geographically small country in Africa, specifically along the West Coast of the continent. The country has an area of 238,537 square kilometres and it is bounded on the West by Cote d'Ivoire, the north by Burkina Faso; the East by Togo; and the south by the Gulf of Guinea (Aryee 2007: 1). Before Ghana attained independence in 1957, it was called the Gold Coast because Ghana had a lot of gold in stock. Currently, the country is divided into 16 regions and is subdivided into 260 districts and 275 constituencies. The population as recorded in the 2000 and 2019 censuses was 18.9 million and 29.5 million respectively (Kpentey 2019: 168). In 2021, the population of Ghana has increased to 30.8 million (Republic of Ghana 2021b). The increase in population has earned Ghana the reputation of having one of the highest population growth rates in the world (Kpentey 2019: 168). Ghana has a youthful population as over 50% of its population is under the age of 15. The country is secular however its population is predominately Christian (Kpentey 2019: 168).

Ghana has a diverse culture. The country has over 90 ethnic groups and speaks more than 79 dialects (Kpentey 2019:168; Commonwealth Local Government Forum 2017). However, the country has chosen Akan, Dagare, Dangwe, Ewe, Ga, Gonja, Kasem, and Nsema as formal local dialects (Kpentey 2019:168; Commonwealth Local Government Forum 2017). The country has adopted English as her formal language used in schools and formal settings (Kpentey 2019:168; Commonwealth Local Government Forum 2017). The currency of the Republic of Ghana is the cedi. Ghana recorded an 8.5% economic growth in 2017; a gross international reserve of US$ 7.6 billion; and a gross domestic product of USD 42.69 billion (World Bank 2019). In 2018, the quarterly gross domestic product (GDP) growth was estimated at 5.4% in the first quarter and 5.4% in the second quarter (World Bank 2019).

Ghana is a major exporter of cocoa and gold and has a mixed economy with traditional agriculture as the dominant sector (Kpentey 2019: 168). In the field of education, many affirmative measures have been put in place to encourage female child education and offset the existing imbalance in the ratio of boy/girl education. In 2016, under the authority of the New Patriotic Party, free public education has been extended from the Junior High School level to include the Senior High School level in public Schools. The average life expectancy rate of a Ghanaian is 63 years (Kpentey 2019: 168).

Ghana experienced military dictatorship from February 1966 to October 1969; January 1972 to June 1979; June 1979 to September 1979; and December 1981 to January 1993 (Langnel 2019: 2; Aryee 2010: 2). In November 1992, the country held a multi-party, presidential elections and returned to constitutional rule and has remained till date (Langnel 2019:2; Aryee 2010: 2). Even though Ghana has some persistent challenges yet there has been a progressive improvement in democratic ruling and is regarded as one of Africa’s success stories (Langnel 2019: 8; Aryee 2010: 2). The 1992 Constitution, which is the current enforced Constitution of the country, is based on the quasi-executive presidential system of government. It states that the majority of ministers of state are appointed from among the parliament (Langnel 2019: 5).

Ghana is a unitary state and currently, practices decentralised democratic form of governance. It was created as a parliamentary democracy at independence in 1957 from British colonial rule (Langnel 2019:2; Aryee 2010:2). From the middle of the 1960s to the end of 1992, the country followed a process of sporadic military and civilian rule until it ushered in its fourth republic after presidential and parliamentary elections in 1992 (Langnel 2019:2; Aryee 2010:2). The 1992 constitution which currently governs the country divides powers among the various arms of government namely, the executive, parliament and the judiciary (Langnel 2019:2; Aryee

2010:2). The government is elected by universal adult suffrage every four years. Political, administrative and decision-making power is distributed across several spatial levels in the country (Langnel 2019:2; Aryee 2010:2). Administratively, the country is divided into sixteen political and administrative regions and two hundred and sixty (260) administrative districts as at the end of the year 2019 (Langnel 2019: 2). Thus, the evidence indicates that Ghana is dedicated to the processes of democracy and democratic governance.

2.3 The concept of decentralisation

The concept of decentralisation is rooted in the non-centralised political structures in the era of the Greek kingdoms, followed by the Roman Empire which went through mass advanced decentralisation reforms (Sinde 2016: 20; Widmalm 2008: 27). Decentralisation concept has further gone through different stages of power transfer and assignment of responsibilities from central governments to local governments. Decentralisation has also evolved around different terminologies to reflect reforms in different times. According to Sinde (2016: 20) and Petak (2004: 1), in the 1950s the emphasis was on the deconcentration of decision-making where power was transferred from the central government to lower levels of government in dispersed locations. Later, the term decentralisation emerged in the 1970s. Decentralisation called for the transformation in the public sector globally. Decentralisation refers to the transfer of power and responsibilities from the central to lower levels of government and the private sectors. Another new term, devolution, emerged in addition to decentralisation to reflect the scope of institutional changes coupled with the transfer of decision-making to lower levels of government. However, devolution itself is considered as the higher level of decentralisation that involves the transfer of both fiscal and political powers to lower levels of government (Sinde 2016: 20).

In contrast, Wildmam (2013: 1) identified three aspects that together define decentralisation, particularly when referring to the vertical transfer of power: geographical location, legal status and area of responsibility, and power distribution. For reforms to be considered decentralisation, they should involve the transfer of real power to lower levels of government, corresponding with the allocation of geographical areas and legal recognition of responsibility. Otherwise, decentralisation is merely delegation, which implies that responsibilities are assigned to an organisation that will have no means of influencing the method of implementation. Given this, evaluation of the success of decentralisation through decentralised agencies becomes impracticable. Wildman (2013: 1) indicated that the assignment of power to decentralised agencies must move with the allocation of resources. Wildman (2013: 1) explained further that if an organisation is assigned responsibilities and legal recognition but without resources has no power in terms of resources. In this case, the 1992 Constitution and the Local Government Act 2016 (Act 936) give the legal right to MMDAs to mobilize their funds to carry out their assigned responsibilities.

It has been contended that countries around the world differ considerably in governance quality and financial sustainability (Honyenuga & Wutoh 2019: 2; Faguet 2014: 2). The idea of governance refers to how political energy is exercised in the management of a country's economic and social resources for development (Honyenuga & Wutoh 2019: 2; Faguet 2014: 2). Further reforms have been announced in countries such as Cambodia, France, Indonesia, Japan, Peru, South Africa, South Korea, Uganda, the United Kingdom and many others (Faguet 2014: 2). Generally, decentralisation is being implemented everywhere in the world (Faguet 2014: 2). Honyenuga and Wutoh (2019: 2) as well as Antwi (2011:1) mentioned that governance and decentralisation are essential means of enhancing national and local governance.

The literature has shown that there is no single and universally accepted definition of decentralisation. Clausen (2020: 119-128) referred to decentralisation as the process by which the central government transfers power and decision-making authority to lower tiers of government. Decentralisation involves the devolution of responsibilities and resources to independent and autonomous sub-national authorities that are accountable to both the central government and their communities (Rosenbaum 2000: 93). Decentralisation is one of the important reforms of the past generation, both in terms of the number of countries affected and the potentially deep implications for the nature and quality of governance (Clausen 2020: 119-128; Rosenbaum 2000: 93).

Faleti (2004: 314) referred to decentralisation in broader terms as a set of state reform processes that are aimed at transferring responsibilities, resources, or authority from higher to lower levels of government. The author stressed that in terms of state reforms, decentralisation does not include transfers of authority to organisations that do not belong to the state as in the case of privatisation. Faleti (2004: 314) further intimated that the recent decentralisation reform followed the collapse of the developmental state and accompanied the move towards free market economies characteristic of the last quarter of the 21st century. The author also asserted that decentralisation reforms may take place in authoritarian as well as democratic contexts; hence the concepts of decentralisation and democratisation should not be unconnected.

Ahwoi (2010: 111) referred to decentralisation as a tool of public administration reform that involves the transfer of functions and powers, skills and competencies and means and resources to lower levels of governance, normally structures of local government. Ahwoi (2010: 111) indicated that decentralisation is what Ghana's public administration reforms have committed itself to since the 1980s. The author further avered that the decentralisation programme in Ghana aimed to transfer functions and powers in a programme of political decentralisation; to transfer skills and competencies in a programme of administrative decentralisation and decentralised planning, and to transfer means and resources through a programme of fiscal decentralisation.

Faguet (2015: 2) referred to decentralisation as the transfer of power, authority and resources to sub-national officials with independent electoral mandates whom the centre cannot control. The author further referred to decentralisation as how the central government delegates specific functions, with all of the administrative, political and economic attributes to local governments, which are independent within a legally enclosed area.

Olum (2014: 23-28) referred to decentralisation as the process through which the central government transfers decision-making powers, functions, responsibilities and finances to other organisations (in this case MMDAs) away from the centre to either lower levels of government, or dispersed agencies, or the private organisations. In this study, decentralisation refers to the process of transferring political, fiscal and administrative powers to the MMDAs to raise funds within their jurisdictions to enhance continued service deliveries and promote development. In general, there are three main types of decentralisation according to the type of authority or function being transferred to the local levels. The three main types of decentralisation are administrative, fiscal and political decentralisation (Akotey 2017: 46; Alonso et al 2011; Cabral 2011; Awotwi 2010: 111).

The first type of decentralisation is administrative decentralisation (Akotey 2017: 46; Alonso et al 2011; Cabral 2011; Awotwi 2010: 111). Administrative decentralisation refers to a set of policies that transfer the administration and delivery of social services such as education, health and social welfare to sub-national governments(Akotey, 2017: 46; Alonso et a 2011; Awotwi 2010: 111; Cabral 2011). Administrative decentralisation requires the transmission of resources, decision-making authority and responsibilities from the central to local governments for the delivery of certain public services (Yusheng et al 2019: 30). Awortwi (2010: 111) referred to administrative decentralisation as the transfer of bureaucratic and functional procedures from the central government to the local administration. The bureaucratic procedures refer to laws and regulations governing local administration while functional areas fall under the ambit of planning and delivery of services (Akotey 2017: 46; Awortwi 2010: 111).

The second type of decentralisation is fiscal decentralisation (Akotey 2017: 46; Barako & Shibia 2015: 205; Alonso et al 2011; Awotwi 2010: 111). Fiscal decentralisation, on the other hand, cuts across all forms of decentralisation (Yusheng et al 2019: 30; Barako & Shibia 2015: 205). Fiscal decentralisation involves transferring financial resources from the central to local governments including grants and ceded revenue (Yusheng et al 2019: 30; Barako & Shibia 2015: 205). This amount of resource allocation may help local governments to function properly. However, such engagements for asset distribution are usually arranged between central and local governments. The arrangements often depend on many factors such as the availability of local and central resources, considerations for interregional equity, and local fiscal management capacity (Yusheng et al 2019: 30; Barako & Shibia 2015: 205). Fiscal decentralisation refers to the transfer of power to the local governments to collect their revenues aiming at increasing the revenue base of sub-national governments (Akotey 2017: 46). Such a policy may lead to an increase of transfers from central government, the creation of new sub-national taxes, and the delegation of the tax authority that was previously national (Akotey 2017: 46; Barako & Shibia 2015: 205). There are four policies involved in the fiscal decentralisation process (Akotey 2017: 46; Awortwi 2011; Barako & Shibia 2015: 205). The policies include expenditure assignments which delineate the division of labour between the central and local governments regarding their respective responsibility of providing and paying for specified services to citizens; revenue assignments which also demarcate revenue sources as well as tax raising powers between the local and central governments including the authority on the part of local governments to allocate their funds by their priorities; an inter-governmental policy that enables central government to make the transfer of financial resources in the form of grants to local governments and a regulatory regime to monitor and set limits on local government finances.

Fiscal decentralisation, which is also referred to as fiscal federalism is a long-term gradual process of assigning revenue sources and expenditure functions from central to local government (Sinde 2016: 21; Salman & Iqbal 2011).

Fiscal decentralisation is regarded as the study of the structure and functioning of central and local governments (Sinde 2016: 21; Salman & Iqbal 2011: 407). The authors recogonised the assignment of responsibilities and allocation of resources as key ingredients in fiscal decentralisation. Crook and Manor (2000:1) also emphasised that the allocation of financial resources is the main concern for effective decentralisation reforms. The fiscal decentralisation theory explains how the fiscal system should be designed at different levels of government to establish an optimal government. The fiscal decentralisation theory was propounded by Wallace Oates in 1972 (Sinde 2016: 21; Salman & Iqbal 2011: 407). This theory is linked with Musgrave's theory of public finance in 1959 (Sinde 2016: 21; Salman & Iqbal 2011: 407). This theory categorised functions of national governments into three groups: allocation of resources, income distribution and macroeconomic stabilisation (Sinde 2016: 21; Salman & Iqbal 2011: 407). Thus, fiscal decentralisation theory requires each level of government to have the resources to carry out its assigned responsibilities effectively.

In different levels of government, the fiscal decentralisation theory proposes that the central government should be responsible for macroeconomic stabilisation policies, and income distribution and monitor and balance the provision of public goods whenever there is the possibility of negative spillover between the local government organisations (Sinde 2016: 20; Salman & Iqbal 2011: 407). In contrast, MMDAs should provide local public goods because their proximity to people enables them to know local preferences. Demand and preferences for some public services vary across localities, which puts MMDAs in a better position than the central government to provide such services (Sinde 2016: 20; Salman & Iqbal 2011: 407). Also, the MMDAs' proximity to people minimises the cost of extracting information on local preferences and needs (Sinde 2016: 20; Salman & Iqbal 2011: 407). Services that reflect both the interest of local people and also external users should be dealt with by the central government. In addition, the central government should be responsible for the provision of services which significantly benefit individuals of all jurisdictions. As a result, the Central government should manage capital-intensive projects such as electricity and transport infrastructure, because of the likelihood of economies of scale (Sinde 2016: 20; Smoke 2001: 1).

The third type of decentralisation is political decentralisation (Akotey 2017: 46; Alonso et al 2011; Cabral 2011; Awotwi 2010: 111). Political or democratic decentralisation has been referred to as the transfer of some powers from central government politicians or legislators to elected local government politicians, who are given independence to determine all their local processes of development (Akotey 2017: 46; Awortwi 2010:111). This transfer of power is normally in the constitution or legal instruments of a country (Akotey 2017: 46). Political decentralisation involves the transfer of political power or authority to local governments (Yusheng et al 2019: 30). The clear demonstration of this form of decentralisation is identified with the election of some residents to the sub-national governments and their empowerment (Yusheng et al 2019: 30). This may range from community area councils to state-level bodies. Awortwi (2011) asserted that in political decentralisation, constitutional amendments, legal instruments and electoral reforms are designed to create a platform for local government elections such as the election of metropolitan, municipal and district chief executives or councillors and mayors; creation of local councils with the power to make laws and authorise the use of budgeted finance by executives; enabling of citizens to recall their councillors for underperformance or vote them out during elections; and independence of local councils to hire, motivate, manage, and fire local bureaucrats without the interference on the part of the central government.

In Ghana, administrative, political and fiscal decentralisations are practiced (Yusheng et al 2019: 30). According to Akotey (2017: 46) and Ahwoi (2010: 111), Ghana’s public administration reform is based on decentralisation since the 1980s. The authors further asserted that the decentralisation programme of Ghana sought to transfer powers and functions that are related to political decentralisation; to transfer skills and competencies which are in the form of administrative decentralisation and decentralised planning, and to transfer means of resources such as finance through fiscal decentralisation. Akotey (2017: 46) concluded that none of the three types of decentralisation discussed could be effective without the others. Akotey (2017: 46) cited an example that without adequate means of financial resources, the decentralised local administration will not be able to provide services to residents and provide effective bureaucratic support; further, without an effective local legislative system to provide legitimacy of actions, local administrators will not be able to provide responsively the needs of local people and be accountable to them.

Agrawal and Ribot (2002: 10) suggested that if powers are decentralised to actors who are not accountable to their constituents, or who are accountable only to themselves or superior authorities within the structure of the government, then decentralisation is not likely to accomplish its stated aims. It is only when constituents come to exercise accountability as a countervailing power that decentralisation is likely to be effective (Agrawal & Ribot 2002: 10). Posner (2007) asserted that at the centre of the concept of accountability is the checking and balancing of potential abuse of power by public officials to limit the potential for corruption by public officers and officials.

According to Brinkerhof and Westerberg (2016: 275), accountability is concerned with the obligation of one actor to provide information about and/or justification for actions that are taken in response to another actor with the power to make those demands and apply sanctions for non-compliance. The emphasis of this definition is the social interaction between two or more actors of accountability characterised by an asymmetry of power in favour of those who have the right to demand answers from those who have an obligaton to respond (Lodenstein 2019:16; Mulgan 2003). This further implies that accountability is primarily retrospective in the public sector (Lodenstein 2019:16). It is about opportunities to demand officials to explain their conduct after policies have been developed and outcomes have been observed (Lodenstein, 2019:16; Grandvoinnet, Aslam & Raha 2015; Harlow & Rawlings 2007). Accountability assumes the prior definition of technical, political, social or moral responsibility and tasks to implement this responsibility (Lodenstein, 2019:16). Accountability is about the (failure to) fulfillment of basic responsibilities rather than superior or exceptional performance (Lodenstein 2019:16; Brinkerhof & Weterberg 2016:275). The concept of accountability is analysed in terms of answerability and enforcement (Lodenstein 2019:16). Answerability refers to the obligation to provide information and explanation concerning an action (Lodenstein 2019:16; Brinkerhof & Weterberg 2016:275), enforcement, on the other hand, is the ability to oversee actors apply sanctions if they do not like the answers they are getting (Lodenstein 2019:16; Brinkerhof & Weterberg 2016:275). In the field of service delivery, accountability is a situation where citizens seek answerability from providers (in this case MMDAs) with regard to the relevance, accessibility, quality and equity of the services they provide or fail to provide (Lodenstein

2019:18; Joshi & Houtzager 2012: 1; Olmen 2012: 6).MMDAs are required to raise funds within their territories but there are some obstacles hindering the process. Therefore, this study sought to determine whether audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable.

2.4 Benefits of decentralisation

Hackman et al (2021: 382) expressed that centralisation practices are characterised by bureaucratic corruption due to the inadequate monitoring and evaluation of performance, whereas decentralisation makes the monitoring of local decision-makers easier since they are closer to the people. The decentralised system of governance makes the government and politicians at the local level very visible (Hackman et al 2021: 382). This increases citizens' perceptions of accessibility to political institutions and policy-making (Hackman et al 2021: 382) processes as well as their confidence that the misbehaviour of officials can be more detected (Hackman et al 2021: 382; De Mello 2004: 18).

The main argument for decentralisation is the fact that the local people are more involved in decision-making processes (Sujarwoto 2017: 1-10). At the local government level, Ghana's decentralisation policy seeks to achieve sustainable, equitable economic growth and reduction in poverty through local participation in development and accelerated public service delivery. The well-being of people across developing countries is offered new relevance by the quality of local governments (Sujarwoto 2017: 1-10; Grindle 2007).

Decentralisation offers local governments new responsibilities, provides them with increased resources, and allows them to exercise greater autonomy in deciding local policies and services aimed at promoting the well-being of the citizens (Sujarwoto 2017: 1-10). Across the globe, decentralisation of fiscal, administrative, and political responsibilities gives the local government the ability to deliver public services at the local level, as well as improve the well-being of the people. Decentralisation has a lot of benefits and has been captured in a number of literature.

Decentralisation increases democratisation and local participation in development, leads to enhanced transparency, and reduces the incidence of corruption (Hackman et al., 2021: 382). Decentralisation improves accountability as it is easier to link the performance of local services to local political representatives, ensures local jurisdiction autonomy in decision-making, improves fiscal management, and improves economic growth and market security (Hackman et al 2021: 382). The aforementioned benefits of decentralisation enhance efficiency in governance and less corrupt governments (Hackman et al 2021: 382; Sujarwoto 2017: 1).

Sujarwoto (2017: 1) indicated that the benefits of decentralisation in improving local public services include competitive and fair local elections, transparency, checks and balance, citizen participation and community social capital. Faguet (2014: 2) also asserted that decentralisation enhances political stability in the sense that the minority populace is given control over local governments and local issues that affect them. Decentralisation improves the relationship between the government and the citizens by shortening the distance between political authority and the citizenry and thus empowering the latter (Tang & Huhe 2016: 216). Nevertheless, the absence of measures for the effective implementation of decentralisation means that these benefits cannot be realised.

Decentralisation is a means of ensuring efficiency with regards to the use of public funds mainly through improved governance as a result of (i) increased ownership of the development process and outcomes by local people; (ii) better fine-tuning to local circumstances; and (iii) increased and more direct mechanisms of accountability of public officials to local young populations (Osei 2017; Kpentey 2019:168). Among the basis of this argument is that decentralisation is associated with increased efficiency, as lower levels of government are more likely to assess demand and to know peoples' priories (Osei 2017; Kpentey 2019:168).

Another argument in support of decentralisation is that it promotes democracy because it brings governance to the people at the grassroots (Osei 2017; Kpentey 2019:168; World Bank 2003; Ahmad et al 2005). Decentralisation enhances accountability, partition, checks and balances and widens people's choices (Osei 2017; Kpentey 2019:168; World Bank 2003). Since the late 1980s, many developing countries initiated fiscal decentralisation as one of the components of decentralisaon reforms that came with political and administrative structures (Benedicto & Chalam 2016). Many agree that the objectives for fiscal decentralisation include the efficient allocation of resources through a responsive and accountable government, an equitable provision of services to citizens at the subnational levels, and the promotion of economic growth (Benedicto & Chalam 2016).

2.5 The concept of local governance

Kpentey (2019: 168) mentioned that the concept of local government can be traceable to the beginning of civilisation. Despite the long history of local government, there are inconclusive definitions by scholars for the term local government (Kpentey 2019: 168). The idea of local government like many other terms can be associated with democracy, decentralisation, and governance - has been characterised contrastingly by various researchers (Kpentey 2019: 168). The issue of subsidiarity is mostly emphasised and generally seen as the root and basis for all local government concepts. Scholars agree that local government is to bring administration nearer to the individuals in a particular area (Kpentey 2019: 168).

The United Nations Development Program (UNDP 2014:1) referred to governance as the application of political, economic and administrative power to manage a country's business. The UNDP further explained that governance is made up of complex structures, institutions and processes whereby residents and groups exercise their rights and responsibilities as well as express their interests. From the viewpoint of the UNDP, good governance, in conjunction with democracy and the rule of law is crucial for sustainable development, social development, sustainable and inclusive economic growth, environmental protection, hunger and poverty eradication (UNDP 2014: 1)

Fukuyama (2013: 347) referred to governance as the government's ability to make and implement rules, and to deliver public services, irrespective of the governing style (authoritarian or democratic). This definition implies that governance involves authority, processes, procedures, management, citizens, resources and purpose. This means that governance is a system that requires authority (exercising the power of right and responsibility) from citizens to manage (control with prudence) resources through processes and procedures (structure) for public good or interest (purpose). The type of governance that focuses on local or small areas is referred to as local governance.

Kpentey (2019: 168-188) and Shah (2006: 1) referred to local government as the specific organisations created by national constitutions (Brazil, Denmark, France, India, Italy, Japan, Sweden), by state constitutions (Australia, the United States), by ordinary legislation of a higher level of central government (New Zealand and the United Kingdom), by provincial or state legislation (Canada, Pakistan), or by executive order (China) to deliver a range of specified services to a relatively small geographically delineated area.

Totikidis, Armstrong and Francis (2005: 28) referred to local governance as grassroots involvement and decision-making in public issues. The authors further explained that local governance is referred to as community governance, social governance, network governance and participatory governance. By this principle, local governance can be referred to as a system of governance where local people organise themselves and their resources for their development. It is a type of governance that has a direct touch with the people without any mediation. It is governance for the people by the people with the people (Yusheng, Asare, Tampuri & Bawuah 2019: 30). Local governments are governments established in districts or municipalities directly under the central governments. Often, their activities are coordinated by regional or sub-provincial governments (Yusheng et al 2019: 30). It has been argued that all local governments receive authority, power and resources from the central government. Local governments are located within demarcated administrative jurisdictions and function as grassroots governments in urban or local areas. Local governments ensure the local administrative system (Yusheng et al 2019: 30; Guo 2013: 1). In this sense, the term may be described as a community decision-making and management body that aim at addressing challenges and building capacity and ensuring the well-being of the grassroots. It concerns involving community members in decision-making, resource mobilisation, ensuring transparency and accountability. In this case, the study shares the opinion that if indeed, local governance was an emerging one, sustainable.

Generally, local governments are a public legal organisation with special revenues, budgets and personnel who have duties and powers laid down by law, whose decision bodies are determined by the local people to meet the common needs of the local community living in a particular geographical area (Özer & Akçakaya 2014: 3). Within its historical development, it is seen that the first local administrations were created to fulfill the tasks of the monopoly of the central government today such as military structuring, national defense, criminal follow-up and punishment (Yusheng et al 2019: 30; Guo 2013: 1).

However, there are various views and different approaches to the emergence of local governments. However, it is stated that local governments first emerged in Western Europe in the 11th and 12th centuries (Akyol 2012: 5). Relatedly, the origin of contemporary local government, is attributed the Western and traditional culture. Modern local government emerged as an answer to a succession of separate needs and demands (Wilson & Game 1994: 41), and was seen as an expression of freedom of society (Yusheng et al 2019: 30; Guo 2013: 1). Local government appeared in different countries for various reasons. In the Scandinavian as well as other countries, local government surfaced as a deliberate attempt to limit the intrusion of the central government in the affairs of local communities. In the United States of America, local government organisations grew in response to a combination of citizen demand, interest group pressure and state government acquiescence (Kpentey 2019: 168).

In Turkey, the local government did not come about as a result of indigenous development; it was set up without a demand from the public. It was introduced from the top as a result of great influence from the Western world when the country opened up to the outside world. Another major influence was the country's interest in the efficient and effective provision of public services throughout its boundaries (Polatoglu 2000: 156). In sharp contrast to the United States of America, but similar to Turkey, the local government in Ghana was established in a top-down manner. It was initiated to promote popular grassroots participation in the management and administration of local governance institutions for improved conditions of life (Ahenkan, Bawole & Domfeh 2013: 191).

Broadly, local government exists for diverse reasons. The basic reason perhaps has to do with the concept of subsidiarity. Özer and Akçakaya (2014: 85) classified the reasons for the existence of local government into four categories - social, political, administrative and economic reasons. Administratively, it is impossible for the central government to singlehandedly coordinate all the affairs of a country efficiently and effectively (Özer & Akçakaya 2014: 85). Therefore, the central government has to assign administrative duties and responsibilities to the people at the local levels.

Politically, local government is a means of instituting a sense of nationalism and participation (Özer & Akçakaya 2014: 85). Local governance enables people to participate more directly in governance processes and empowers citizens previously excluded from decision making thereby forging a strong sense of involvement and belonging in the citizens of a nation (Özer & Akçakaya, 2014: 85). Local government, because of its direct connection with the grassroots level is a means of economically providing and distributing public services to specific areas and localities of a country (Yıldızhan 2012: 13).

The local government is very intimate and affects the citizens in all sorts of ways from the cradle to the grave. The local government refers to an individual who cleans the community and ensures that houses are properly built; the young children have a place to learn; and makes sure that the sick, the poor and the aged are catered for (Kpentey 2019: 168). In totality, local government can be viewed as an indigenous government having sway to settle on whatever choice, approaches and guidelines wanted locally with very minimal or no control by any legislature or influence of the central government (Kpentey 2019: 168). In this study, local government refers to organisations set up by the central government to bring development to the people at the MMDAs.

2.6 The concept of decentralisation and local governance system in the Republic of Ghana

Decentralisation in the Republic of Ghana is designed to decentralise central administrative authority and delegate implementation responsibilities to the MMDA level (Hackman et al 2021: 382; Adaapiim 2012: 1). This process brings government agencies at the regional and MMDA levels together into one administrative unit, through institutional integration, manpower absorption, composite budgeting, and the allocation of funds for decentralised services (Hackman et al., 2021: 382; Adaapiim 2012: 1). The policy aims to divide tasks among the different organisations and divisions of the government (Hackman et al 2021: 382; Adaapiim 2012: 1). The headquarters organisations of ministries, departments and agencies take on the role of policy planning, monitoring, evaluation and promotion, whilst Regional Coordinating Councils are responsible for programme coordination and monitoring(Hackman et al 2021: 382; Adaapiim 2012: 1). MMDAs, meanwhile, have become the main points of contact for local development activities. This means that, under the decentralisation policy, development in Ghana is now a shared responsibility of the government, MMDAs, civil society organisations, the private sector and beneficiary communities(Hackman et al 2021: 382; Adaapiim 2012: 1). MMDAs are now more autonomous and have the capability to deliver services that are better suited to local needs (Hackman et al 2021: 382; Adaapiim 2012: 1).

According to Honyenuga and Wutoh (2019: 2), the local governance system in Ghana is traceable to the colonial era when the system of indirect rule was in operation. The colonial administration (British Authorities) by the indirect system of rule established decentralisation in the colony because the colony was divided into provinces, then further divided into districts, and in each district, a native authority was set up composed of the chief and elders (Honyenuga & Wutoh 2019: 2). The local government system had gone through several reforms.

However, the current practice of decentralisation and local government system restructuring emerged from the repealed Local Government Law 1988 (PNDCL, 207), as part of local government reform of the erstwhile Provisional National Defense Council (hereafter referred to as PNDC) in 1988 (Honyenuga & Wutoh 2019: 2). Article 240 (1) and (2) of the 1992 Constitution of Ghana further deepened the reforms on local governance and decentralisation (Hackman et al 2021: 382; Kpentey 2019:168). It provides that, the system of local government and administration shall be decentralised, and the functions, powers and responsibilities and resources shall be transferred from the central government to local government units for coordination (Hackman et al 2021: 382; Kpentey 2019:168). The 1992 Constitution also made provisions encouraging larger grassroots participation in the governance and accountability process from the top hierarchy to the bottom and vice versa (Hackman et al 2021: 382; Kpentey 2019:168).

To operationalise the above provisions, the Local Governance Act, 2016 (Act 936) and the Local Government Establishment Instrument of 1994 (L.I 1589) have been promulgated and enacted to promote and encourage popular participation in decision-making, and decentralised governance systems and processes to ensure the efficient and effective operation of the entire government machinery (Honyenuga & Wutoh 2019: 2). There are other legislative instruments, for instance, Local Government (Sub -Metropolitan, District Councils) Legislative Instrument 2223 which equally encourage popular participation (Hackman et al 2021: 382; Kpentey 2019:168).

Decentralisation aims to promote accountability and development at the grassroots and a system that serves the needs and interests of citizens, including citizen participation in local government decision-making (Richards 2021: 1). This implies decentralisation is a means of extending democracy to the people at the grassroots. However, Richards (2021: 1) and Makara (2018: 22) further mentioned that decentralisation favoures less democratic governments because such policies are used as cover to retain central control. An essential part of decentralisation at the local government level is the ability of the people at the grassroots of government to make their own decisions and to have independence from the national level. Decentralisation tends to democratise and transfer power and therefore few central government actors want to implement it fully (Richards 2021: 1; Makara 2018: 22). In countries where there is the successful implementation of decentralisation, it has resulted in more inclusive and more responsive governance to the needs of local communities (Richards 2021: 1; Makara 2018: 22).

Ghana has had political history characterised by military takeovers (Richards 2021: 1). After independence and the establishment of a one-party system in the era of Kwame Nkrumah, Ghana experienced six different military regimes between 1966 and 1992 (Richards 2021: 1). Notwithstanding these political changes, Ghana's current model of decentralisation has continued to exist since 1980's when it was introduced along with many other developing countries under a structural adjustment programme aimed to reform the public sector (Richards 2021: 1; Zakaria 2014: 1). In Ghana, governance at the local level is through MMDAs. The main purpose of MMDAs in Ghana is to encourage grassroots participation in development (Richards 2021: 1). This implies that the ideology underpinning decentralisation is to transfer power to the people at the local levels.

In the Ghanaian context, as already indicated, the history of decentralisation and local governments can be traceable to the introduction of indirect rule by the British colonial authorities in 1878, lasting until 1951 (Nkrumah 2000:55; Ayee 2000:48). During the colonial period, decentralisation was characterised by mere deconcentration of central administrative structure (Ayee 2000:48). Thus, the colonial government consolidated its control over the entire nation. There was no conscious effort at the delegation of power and involvement of the local people in the decision-making process (Nkrumah 2000:55; Ayee 2000:48). The colonial administration ruled indirectly through the chiefs, by constituting the chief and elders in a given district as the local authority, with powers to establish treasuries, appoint staff and perform local government functions (Nkrumah 2000:55; Ayee 2000:48).

In the post-independence period from 1957 onwards, local government was generally weak and subject to the centralisation of power that was typical of the post-colonial state in Africa (Nkrumah 2000: 58; Ayee 2000:48). In this era, development activities were mostly initiated and implemented by the centre with little involvement of the local units (Nkrumah 2000: 58). Large scale industrial activities were planned and executed by the centre with little involvement of the people (Nkrumah 2000: 58; Ayee 2000:48). In this way, the ability of the local units to encourage development from within was weakened thereby ensuring a form of dependency syndrome on the centre (Nkrumah 2000:58). Attempts at decentralisation reforms were introduced at different times, for instance in 1974 and this was generally characterised by de-concentration, and aimed at strengthening central government control at the local level (Nkrumah 2000: 58; Ayee 2000:48).

Ghana has a long history of democratic political life, dating back to the 1870s (Ayee 2000: 28). Decentralisation has taken many forms throughout this time, from the British-run aberrant principle framework to deconcentration in the post-independence period (Nkrumah 2000: 57). This framework used traditional authority figures such as paramount chiefs, sub-chiefs and elders to assist with law and order in their localities (Crawford 2004: 9). Through the years, efforts have been made to create and maintain a strong local government while keeping up a vibrant central government as well (Crawford 2004: 9). The British established 37 regional chambers to manage the general welfare and peace in the state. It was soon realised that granting local committees some power was more likely to ensure the realisation of British interests (Boafo-Arthur 2001: 3). With the country's independence on the horizon, the British allowed the Gold Coast inner self-government, thus increasing local authorities' involvement in 1949 (Boafo-Arthur 2001: 3). It is also worth noting that Ghana inherited a legacy of a concentrated centralised system of governance that did not favour local governments (Boafo-Arthur 2001: 3). In a bid to combat this, the administrative decentralisation model was implemented, to provide public services to all corners of the country (Awortwi 2016: 355).

After becoming an independent nation in 1957, Kwame Nkrumah, under the banner of the National Liberation Movement, began to focus on local changes to the government (Knierzinger 2009: 23). As leader of the Convention People's Party, Nkrumah divided the former Gold Coast into five distinct provinces, each with its self-governing bodies. This included giving more autonomy to local chiefs and participating in the National Liberation Movement's 'positive action' initiative to ensure progress and development (Crawford 2004:9). In addition to these regional changes, Nkrumah also abolished the Gold Coast legislative council in favour of a unicameral legislature as part of a new constitution (Nkrumah 2000: 68).

Awortwi (2016: 355), Ahoi (2017: 1) and Nkrumah (2000: 10) indicated that the predominant interest that prevailed in the first move from independence up until the 1970s was that of the central government and not the local government. The military regime led by National Redemption Council in the year 1974 abolished the distinction, which existed before this date, between the local council and the central government bodies at the local level and established a single structure of the District Councils and assigned to it the responsibility of the totality of government at the local level (Awortwi 2016: 357). The most drastic revolution of the local government administration in Ghana happened during the military regime of Flight Lieutenant Jerry Rawlings under the Provincial National Defence Council (Awortwi 2016: 357).

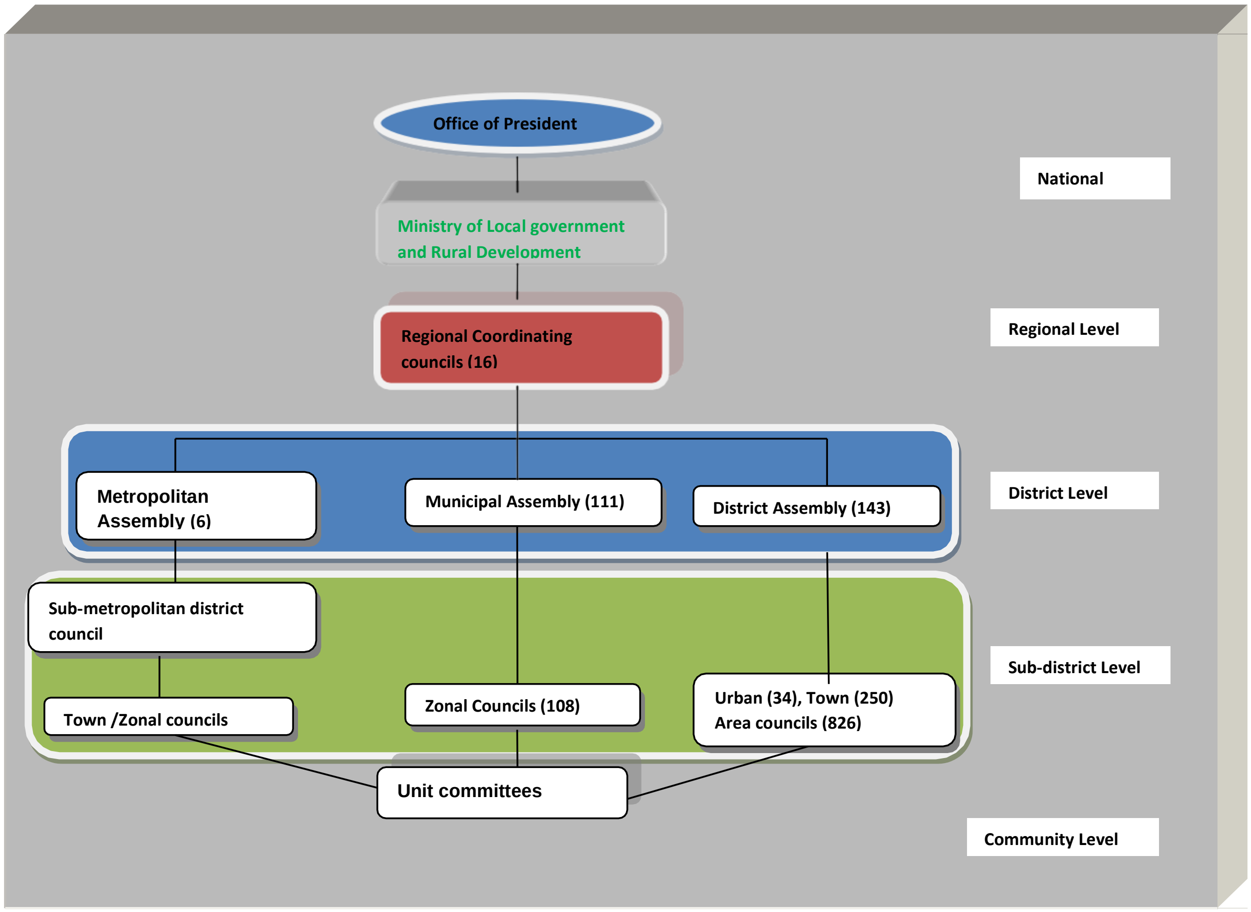
In 1982, the Provincial National Defence Council regime issued an 11-point decentralisation plan designed to reform the state-local relationship and promote democracy, grassroots institutional empowerment, stronger and more effective local governance and all-around government efficiency (Awortwi, 2016: 358). The regime announced the deconcentration of the central and top levels of government and favoured the encouragement of participatory government with great emphasis on the grassroots level. In other words, the philosophy of the regime was to develop a decentralisation programme that was meant to 'give power to the people' and bring 'democracy to the doorstep' of the people (Ayee 2008). In July 1987, the PNDC launched a three-tier local government system. More so, additional 45 local territories were created under the jurisdiction of the district assemblies (Ayee 2008).

The PNDC Law No. 207 which made the local government the highest political and administrative authority at the local level was also later introduced (Ayee 2008). Despite these tremendous efforts and milestones toward autonomous local governance, there were elements of centralisation in the process. A typical example is the appointment of the Metropolitan, Municipal and District Chief Executives by the central government. This situation is still the case although there has been a great outcry by several stakeholders against this prevailing situation. The 1992 constitution consolidated the laws on local administration and this remains the present and prevailing arrangement of decentralisation in Ghana (Ayee 2000: 26). After, the significant changes brought about by the Provisional National Defence Council regime, the local government of Ghana has not seen any significant reforms. Nowadays, few adjustments have been made by ruling political parties to manage the system which has set tongues wagging by criticising and highlighting the weaknesses of the local government system. Examples of these adjustments include the reorganisation of constituencies in the year 2004 and currently the increase in the number of regions and subsequently the Reginal Coordinating Council from 10 to 16 in 2016 (Republic of Ghana 2019a). Currently, Ghana is contemplating whether there should be a referendum to determine whether the Metropolitan, Municipal and District Chief Executives should remain appointed or be elected by universal adult suffrage. This could be a huge determinant of change in the line of the local government administration of Ghana.

Local government is considered a unit of government worldwide (Yusheng et al 2019: 30). This implies it exists in different forms and different political systems with different contextual and conceptual perspectives. According to Yusheng et al (2019: 30), local governments are charged with administrative and executive responsibilities. To achieve full democracy, local government should be seen as a form of political and administrative body that promotes a sense of belonging at the grassroots (Yusheng et al 2019: 30; Agagu 2004). No matter the form, the local government system has been accepted as the key to efficiency in administration, effectiveness in service delivery, and participatory development (Yusheng et al 2019: 30; Hackman et al 2021: 69). Yusheng et al (2019: 30) stressed on local government as a critical level of government that is close to the people and appeals to both the people and government as a feedback institution that puts forward the opinions and demands of the grassroots to a higher government (Yusheng et al 2019: 30; Adejo 2003).

The Republic of Ghana is governed by a constitution (hereafter referred to as the 1992 Constitution) with two spheres of government namely; national and local government (Republic of Ghana 2019a). The local government is enshrined in the 1992 Constitution of Article 241 (3) and it is governed by the Local Government Act 2016 (Act 936). The local government is a decentralised system where governance, power and freedom are given to the individual communities to raise revenue at the local level for developmental projects (Republic of Ghana 2019a). The main objective of decentralisation is to bring governance to the people at the grass root level. The Republic of Ghana is divided into sixteen administrative regions whereby each region is headed by a regional minister appointed by the president (Republic of Ghana 2019a). Koranteng (2011) indicated that the inadequate establishment and relatively low calibre of staff at the local government levels have been a constraining factor to efficient local-level public administration. Therefore any automatic transfer of staff from public institutions to the local government level needs to be complemented by capacity building of the staff. Figure 2.1 below shows the structure of the local governance in Ghana.

Figure 2.1: Structure of local governance in Ghana



Source: Adapted and modified from: (Hackman, Ayarkwa, Osei-Asibey, Adjei-Kumi and Kissi 2021: 386)

With reference to figure 2.2 above, there are sixteen (16) Regional Coordinating Councils, two hundred and sixty (260) MMDAs and six thousand seven hundred (6,700) Urban, Zonal or Town or Area Councils and thirty-three thousand five hundred (33,500) Unit Committees (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). The head of state and government is the executive president, who is directly elected for a maximum of two four-year terms by universal adult suffrage, with a minimum of 50% of the vote. The 275 members of parliament (hereafter referred to as MPs) are directly elected by universal suffrage from single-seat constituencies under the first-past-the-post system for four-year terms (Hackman et al 2021:

382; Honyenuga & Wutoh 2019: 2). The cabinet, known as the Council of Ministers, is nominated by the president and approved by parliament. There is also an advisory hereditary House of Chiefs. The president has an appointed advisory body, the Council of State, made up of 25 prominent citizens (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). Of these 25, there must be one member who has held each of the following positions: chief justice, chief of defense, staff inspector-general of police, and president of the national House of Chiefs (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). One further representative member is indirectly elected from each of the ten regions by an electoral college made up of two nominated councillors from each district within the region; and the final 11 members are appointed by the president(Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2).

Currently, the local governance system in Ghana comprises a four-tier structure. These structures operate at the regional, district and sub-district levels. These structures consist of Regional Coordinating Councils on the first tier, MMDAs on the second tier, Urban or Town or Zonal or Area Councils on the third tier and Unit Committees on the fourth tier (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). Therefore, the Local Government system in Ghana has the following structure: (i) Regional Coordinating Council, (ii) Four-tier Metropolitan Assembly, (iii) Three-tier Municipal or District Assembly, (iv) Urban or Town or Area or Zonal Council, and (v) Unit Committee (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2).

2.6.1. The regional coordinating council

The regional-level administration of Ghana is interwoven into the local government structure and administration through the regional coordinating council (hereafter referred to as RCC). At present, Ghana has sixteen (16) RCCs that co-ordinate the activities of the MMDAs (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). This system was created by the 1992 Constitution and the Local Governance Act, 2016 (Act 936). The RCC is the overall head of the local government system in the Republic of Ghana, on top of the MMDAs. The Regional Coordinating Council of each of the regions comprises the following members: The Regional Minister as chairman appointed by the President and vetted by a Parliamentary Committee on Appointments and approved by the National Parliament, the Deputy Regional Minister, the Presiding Member of each Metropolitan, Municipal or District Assembly, District Chief Executive of each MMDA in the region, two chiefs from the Regional House of Chiefs and the Regional

Heads of decentralised ministries who do not have the rights to vote (Hackman et al 2021: 382; Asah, Mintah & Nigel 2017: 1; Republic of Ghana, 1992; Republic of Ghana 2016).

The RCC is an administrative and coordinating rather than a policy-making body (Hackman et al 2021: 382; Republic of Ghana 2016). It is important to mention that the RCC does not command a local resource base in the form of locally generated revenues and also has a very limited service delivery function (Hackman et al 2021: 382; Ayee 2008). Regardless, of practice and function, the Regional Coordinating Council is powerful. This has a lot to do with the undue influence it exerts on the MMDAs under the auspices of 'supervising' MMDAs' activities (Hackman et al 2021: 382). More so, reference can be made to the fact that the regional minister is an appointee of the central government and therefore holds some inherent authority over the MMDAs. Therefore, the RCC directs and controls the activities of the MMDAs in practice.

The functions of the RCCs are to monitor, coordinate and evaluate the performance of the MMDAs in the region (Hackman et al 2021: 382; Republic of Ghana 2016). The RCC again monitors the use of all monies allocated to the MMDAs by any agency of the central government and reviews and coordinates public services generally in the region. It is also mandated to perform such other functions as may be assigned to it by or under any enactment (Hackman et al 2021: 382; Republic of Ghana 2016). The Regional Minister is who is the administrative head of RCC, is appointed by the President of the Republic of Ghana.

The MMDAs in Ghana are either metropolitan (with a population over 250,000), municipal (one town assembly with a population over 95,000) or district (population 75,000 and over) (Hackman et al 2021: 382; Republic of Ghana 2016). The structure started with three (3) metropolitan assemblies, four (4) municipal assemblies and one hundred and three (103) district assemblies in 1988 (Hackman et al 2021: 382). An MMDA is created basically to ensure the development of people in a defined area (Hackman et al., 2021: 382; Republic of Ghana, 2016). The Metropolitan, Municipal and District Chief Executive is the administrative head of the MMDA who is appointed by the President and approved by at least two-thirds of the membership of the general assembly (Hackman et al 2021: 382; Republic of Ghana 2016). The MMDAs remain the key focus of this study as it is the main local government organasation and the highest political authority in the district, with deliberative, legislative and executive powers.

2.6.2 The metropolitan, municipal and district assemblies

At the local government level, there are three types of assemblies namely: metropolitan, municipal and districts. MMDAs have the mandate to provide a wide range of services to their communities, the most notable being those that affect their daily living experience (Hackman et al 2021: 382; Mashamaite 2013:89). Central government's main mechanism for service delivery is through the efforts of MMDAs and structures, since they are closest to and most accessible by the residents (Hackman et al 2021: 382; Koelbe & LiPuma, 2010:565). In Ghana, the MMDAs are responsible for the setting and collection of local revenues (taxes, rates, duties and fees) for developmental projects as enshrined in the 1992 Constitution of the Republic of Ghana (Hackman et al 2021: 382; the Republic of Ghana 2019a). The MMDAs are responsible to embark on developmental projects within their area of jurisdiction, including the promotion of basic education and public health, environmental protection and sanitation, local economic development, and the improvement and management of human settlements (Republic of Ghana 2019a). With reference to Figure 2.2 above, the regional coordinating councils are the MMDAs. These are constitutionally provided for in Article 241(3) as the highest political authority within their respective areas, with legislative, deliberative as well as executive powers (Hackman et al 2021: 382; Republic of Ghana 1992). The membership of the MMDAs is varied depending on their population, size, and the number of villages/towns it covers.

With reference to Figure 2.1 above, there are currently 260 MMDAs in Ghana which are made up of six (6) Metropolitan Assemblies, (111) Municipal Assemblies and (143) District Assemblies (Hackman et al 2021: 382). District Assemblies, Metropolitan Assemblies and Municipal Assemblies all have the same internal political structures (Hackman et al., 2021: 382). The Metropolitan, Municipal and District Chief Executive is the political administrative head as well as the chief representative of the central government in each district including the Metropolitan and Municipal (Hackman et al 2021: 382). The MMDAs have full discretion to establish further committees as they deem fit (Hackman et al 2021: 382). MMDAs are empowered to establish committees joined together with other assemblies for projects of joint interest: Sub-Metropolitan District Councils, Urban Councils, Town or Area Councils, and Unit Committees (Hackman et al 2021: 382).

The structure of a metropolitan is four-tiered while the municipal and district assemblies have a three-tiered system (Republic of Ghana 2019a: 212). In Ghana, a district is referred to as a metropolitan if it covers urban areas with a population of over 250,000 people (Republic of Ghana 2019a: 212). A district is also referred to as a municipal if it covers urban areas with a population of 95,000 or more people (Republic of Ghana 2019a). On the other hand, a district assembly covers a wider geographical area combining rural areas and small towns with a minimum population of 75,000 or less than 95,000 people (Republic of Ghana 2019a: 212). In addition, Sub-Metropolitan District Councils, Urban Council, Zonal Council, Town/Area Council and Unit Committee all work to promote effective local government in Ghana. These sub-structures do not hold any legislative or rating powers. The town/area/zonal councils are composed of five (5) representatives of the district assembly, ten (10) representatives of unit committees in the area and five (5) persons appointed by the government. The MMDAs delegate tasks to these. The intermediate tier councils and unit committees are composed of representatives of the district assemblies. Similarly, the unit committees, the lowest level of the structure, have both elected and appointed members. There are around 16,000 unit committees countrywide. The combination of metropolitan (M), municipal (M) and district assemblies (A) in Ghana is referred to as MMDAs. In this study, MMDAs were used to represent local government organisations or municipalities.

The Local Government Act 2016 section 245 states that the functions of MMDAs shall include the formulation and execution of plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district (Republic of Ghana 2016: 245). This puts the local governments in a position to promote the development of all sectors and their areas including economic development. The main legal framework that emphasises the involvement of local governments in promoting the economic development of their areas is the Local Government Act 2016, Act 936 of the Republic of Ghana. It states that they are to promote and support productive activities and social development in their districts and take steps to remove any obstacles to initiative and development (Republic of Ghana 2016). This function, therefore, puts MMDAs in a position to ensure that the economic and social development of their areas is supported and promoted through diverse ways and means. Though these legal frameworks support the MMDAs in local economic development promotion, they fail to critically specify what they are supposed to do and how they are to do it. The framework also fails to provide sanctions to MMDAs which fail to actively get involved in local economic development. These then can allow MMDAs to do whatever they think is appropriate in this direction.

The MMDA is a hybrid composition that combines both elected and appointed officials. 70% of its members are elected by universal adult suffrage whilst 30% are appointed by the central government, specifically, the president in consultation with the traditional authorities and other interest groups but subject to the approval of two-thirds of the MMDA members present and voting (Ayee 2012: 628, Ahwoi 2010: 111). Generally, the MMDAs have the same compositions and similar functions but the major distinction is in the population sizes- 250,000, 95,000 and 75,000 for metropolitan, municipal and district assemblies respectively.

The MMDAs according to Article 241 (3) of the 1992 Constitution of Ghana are described as the highest political authority in the district that has deliberative, legislative and executive powers (Ayee 2012: 628, Ahwoi 2010: 111). The MMDA is the basic unit of the local government system of Ghana and is found in the 170 districts of the country (Ayee 2012: 628, Ahwoi 2010: 111). Consistent with what is mentioned above, the MMDA is composed of the District Chief Executive, an appointee of the president serving in the capacity of the executive authority and the Members of Parliament whose constituencies fall within the area of authority of the MMDA (Ayee 2012: 628, Ahwoi 2010: 111).

The Local Government Act of 2016 (Act 936) in Ghana imposes responsibilities and functions on the MMDAs and these responsibilities demand an effective and efficient collection and management of financial resources (Fosu, Krah & Obeng 2013: 19). According to Fosu et al (2013: 19), the decentralisation concept could be materialised only when the MMDAs can generate funds internally. For MMDAs to be financially sustainable, it is paramount for them to ensure that effective internal governance mechanisms are in place (Fosu et al 2013: 19).

The MMDAs are saddled with several weaknesses, thus reducing their effectiveness and efficiency. The main weakness is the issue of autonomy, both fiscally and politically (Nkrumah 2000: 60). Nkrumah (2000: 60) stated that the financial accounts of MMDAs are audited by the central agents, although this in its rights is not a bad situation, it comes with other complications and restrictions. The author also mentions the inability of MMDAs to borrow money without the approval of the central government is a challenge (Nkrumah 2000: 60). More so, the presence of the central government is felt strongly at the district level through the metropolitan, municipal and district chief executives. Because the metropolitan, municipal and district chief executives are presidential appointees they are always restricted to championing the cause and agenda of the ruling political party and central government instead of the cause of the locality they are supposed to be representing (Nkrumah 2000: 60).

Moreover, despite the provisions made by the Local Government Act (2016) for the fiscal autonomy of local government, the central government through the ministries has significant power over the revenues and spending of the MMDAs (Nkrumah 2000: 60). Some control mechanisms put in place by the central government such as championing the cause and agenda of the ruling political party tends to suffocate MMDAs to undertake major development projects (Crawford 2003: 22; Ayee 2000; Nkrumah 2000: 10).

2.6.3 Sub-district and sub-metropolitan structures

The sub-district structures constitute the last tier of Ghana’s local government system. Hackman et al (2021: 382) and Honyenuga and Wutoh (2019: 2) described these structures as subordinate bodies of the MMDAs. They are constituted by the sub-metropolitan district councils, Urban or Town or Zonal or Area Councils, and Unit Committees. The sub-metropolitan district councils are structures immediately below the metropolitan assemblies. Their conception is based on the principle of subsidiarity and in recognition of the large size of the metropolitan assemblies (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2). It enables the city administrators to become more effective. The sub-metropolitan councils, which are divided into electoral areas, consist of not less than 25 and not more than 30 members, made up of all elected members of the Assembly in that Sub-metropolitan District and as such other person resident in the Sub-metropolitan district appointed by the Presiden (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2).

The Urban Councils are created for settlements with populations above 15,000 (Ahwoi 2010: 114). The Urban Councils consist of not less than 25 and not more than 30 members made up of not more than 8 persons elected from among the members of the relevant district assembly, not more than 12 representatives from the unit committee in the area of authority of the urban councils and not more than 10 persons ordinarily resident in the urban area (Ahwoi 2010: 114). Such settlements are usually cosmopolitan, with urbanisation and management problems, though not of the same scale associated with the metropolis (Hackman et al 2021: 382;

Honyenuga & Wutoh 2019: 2). The problem with this classification is that it blurs the lines in defining what is urban and what is not.

The zonal councils are established for settlements with a population of 3,000. The zonal councils are based on the electoral commission's criteria of commonality of interest which include a population of 3,000 and identifiable streets, and landmarks, as boundaries (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). The zonal councils consist of not less than 15 and not more than 20 members made up of not more than 5 persons elected from among the members of the relevant municipal assembly, not more than 10 representatives from the unit committees and not more than 5 persons ordinarily resident in the zone (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). The zonal councils are in the one town municipal assemblies for which the establishment of town/area councils will raise problems of parallel administrative structures (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). The zonal councils are based on the following criteria: commonality of interest, a population of 3,000 and identifiable streets and other landmarks as boundaries. The town councils are found in the metropolitan and district assemblies (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). In the MMDAs, Town Councils are established for settlements with populations between 5,000 and 15,000. Area councils exist for several settlements/villages which are grouped but whose individual settlements have populations of less than 5,000 in the districts (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). The Town councils cover areas with predominantly rural populations and in some cases can be identified with spheres of influence of a particular traditional authority. The town councils are essentially rallying points of local enthusiasm in support of a new local government system (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111).

The Town and Area Councils are found in the metropolitan assemblies and district assemblies. In the district assemblies, the Town Councils are established for settlements with populations between 5,000 and 15,000. The Area Councils exist for several settlements or villages which are grouped but whose individual settlements have populations of less than 5,000 (Hackman et al 2021: 382). The Area Councils cover areas with predominantly rural populations and in some cases can be identified with spheres of influence of a particular traditional authority. The Area Council is essentially rallying points of local enthusiasm in support of a new Local Government system. The Town and Area Councils are composed of five (5) representatives appointed by the government, ten (10) representatives of the unit committees in the area, and five (5) district assembly representatives (Hackman et al 2021: 382).

The Unit Committees are the lowest level of the structure that has both elected and appointed members. In the MMDAs, A unit is normally a settlement or a group of settlements with a population of between 500 and 1,000 in the rural areas, and a higher population of 1,500 in the urban areas (Hackman et al 2021: 382; Sana 2011). The Unit Committees being in close touch with the people play the important roles of education, organisation of communal labour, revenue-raising and ensuring environmental cleanliness, registration of births and deaths, and implementation and monitoring of self-help projects, among others (Hackman et al 2021: 382; Sana 2011). The Unit Committees are subordinate bodies of the MMDAs. A Unit Committee consists of not more than 15 persons made up of 10 elected persons ordinarily resident in the unit and not more than 5 other persons resident in the unit and nominated by the District Chief Executive, acting on behalf of the President (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). The Unit Committees perform functions assigned to them by the instruments setting them up and by the MMDAs or delegated to them by the MMDAs. The Unit Committees play an intermediary role between the grassroots communities and the MMDAs (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). In other words, the Unit Committees offer a means of channeling community needs and demands from the grassroots to the MMDA level. The Unit Committees also play a very vital role in encouraging local participation in government since they are a direct link to the grassroots level (Crawford 2009: 67). It should be noted that Urban, Zonal and Town Councils are not elected bodies and consist of the representatives of the relevant MMDAs, Unit Committees and the government appointees. The Urban, Zonal and Town Councils help to raise the morale of the grassroots in projects and developmental agenda of the MMDAs (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111; Crawford 2009: 67).

2.6.4 Administration structures of MMDAs in Ghana

Section 10(3) of the Local Government Act of 2016 (Act 936) has sumarised the functions of MMDAs to include: political and administrative, deliberative, legislative and executive. Under political and administrative functions, MMDAs shall (i) exercise political and administrative authority in the district; (ii) promote local economic development; and (iii) provide guidance, give direction to and supervise other administrative authorities in the district as may be prescribed by law (Republic of Ghana 2016: 19; Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111).

Under deliberative, legislative and executive, MMDAs shall exercise: (i) be responsible for the overall development of the district; (ii) formulate and execute plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district; (iii) promote and support productive activity and social development in the district and remove any obstacles to initiative and development; (iv) sponsor the education of students from the district to fill particular manpower needs of the district especially in the social sectors of education and health, making sure that the sponsorship is fairly and equitably balanced between male and female students; (v) initiate programmes for the development of basic infrastructure and provide municipal works and services in the district; (vi) be responsible for the development, improvement and management of human settlements and the environment in the district; (vii) in co-operation with the appropriate national and local security agencies, be responsible for the maintenance of security and public safety in the district; (viii) ensure ready access to courts in the district for the promotion of justice; (ix) act to preserve and promote the cultural heritage within the district; (x) initiate, sponsor or carry out studies that may be necessary for the discharge of any of the duties conferred by this Act or any other enactment; and (xi) perform any other functions that may be provided under another enactment (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111).

As already discussed, the regional-level administration of Ghana is interwoven into the local government structure and administration through the Regional Coordinating Council. The main role of the regional level is to serve as a mediator between the central government and the local government. The Regional Coordinating Council under the chairmanship of the regional minister is thus established to serve a coordinating and monitoring role in the local administration. According to Act 462, the Regional Coordinating Council is an administrative and coordinating rather than political or policy-making body (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). As stated in the Act 462, the functions of Regional Coordinating Council include: i) to monitor, coordinate and evaluate the performance of the MMDAs in the region; ii) to monitor the use of all monies allocated to the MMDAs by any agency of the Central Government; iii) to review and coordinate public service generally in the region; iv) to resolve any conflict between an MMDA and an agency of Central Government, public corporation, statutory body, non-governmetal organisations and individuals; v) to provide security, including managing conflicts within the region, settling chieftaincy, tribal, land and religious disputes; vi) to coordinate district development plans and programmes and ensure that these plans and programmes are compatible with national development objectives; and vii) to Integrate economic, spatial and sectoral plans of ministries and sector agencies and ensure that these plans are compatible with national development objectives (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111). The last stipulation creates an opportunity for the Regional Coordinating Council to exercise power, albeit implicitly, over the assemblies in the formulation of plans for the provision of basic infrastructure, under the remit of integrating sectoral and spatial plans.

The functions of the Urban or Town or Zonal or Area Councils include: i) to enumerate and keep records of all rateable persons and properties in the urban area, zone or town; ii) to assist any person authorised by the MMDA to collect revenues due to the Assembly; iii) to recommend to the Assembly, the naming of all streets in its area of authority and all buildings to be numbered; iv) to plant trees and to erect tree guards to protect them so that streets are not unduly obstructed; v) to prevent and control fire outbreaks including bushfires; and vi) to prepare annual budgets of revenue and recurrent, as well as, prepare development budget of the Urban or Town Council for the approval by the MMDAs (Hackman et al 2021: 382; Honyenuga & Wutoh 2019: 2; Ahwoi 2010: 111).

As already discussed, the metropolitan, municipal and district chief executive is the political administrative head as well as the chief representative of the central government in each MMDA (Hackman et al 2021: 382). Furthermore, Section 20 of the Local Government Act 2016 (Act 936) requires the government to exercise state power through the shareholding minister (Minister of Local Government and Rural Development) to form a council (hereafter referred to as a board of directors) in each MMDA. The board of directors ensures the efficient administrative running of each MMDA (Republic of Ghana 2016).

Section 86 of the Public Financial Management Act of 2016 (Act 936) requires each MMDA to form an audit committee to strengthen the effectiveness of the board of directors and audit functions in MMDAs (Republic of Ghana 2016: 49). The audit committee members are appointed by the board of directors of the MMDAs (Republic of Ghana 2016).

Section 16 (1) of the Internal Audit Agency Act, 2003 (Act 658) in Ghana also requires all

MMDAs to set up internal audit units (Republic of Ghana 2003). The board of directors, internal auditors and audit committees who form part of internal governance ensure that MMDAs achieve value for money (Republic of Ghana 2016). The Metropolitan, Municipal and District Chief Executives are in charge of the day-to-day running of MMDAs. The president of the Republic of Ghana nominates the Metropolitan, Municipal and District Chief Executives who are required to be approved by a two-thirds majority of all the members of the MMDA present through voting and appointed by the president (Republic of Ghana 2019b). The functions of the audit committees, internal auditors and board of directors are discussed in Chapter 3.

The local government system in Ghana, especially the MMDAs, has been part of the country for a long period (Arthur 2016: 454). The current local government system in Ghana began following the promulgation of the Provincial National Defence Council Law 207 of 1988 (Arthur 2016: 454; Ahwoi 2000). The erstwhile Provincial National Defence Council's government increased the number of MMDAs from 65 to 110. However, after Ghana adopted a constitutional rule in 1992, the Provincial National Defence Council Law 207 of 1988 was succeeded by Chapter 20 of the Constitution and replaced by the local government Act 462 of 1993. Currently, the total number of MMDAs in Ghana stands at 260 (Republic of Ghana 2020). The increase in the number of the MMDAs is a reflection of the government's intention to deepen democracy, and improve service delivery to promote local-level development (Arthur 2016: 454; Ahwoi 2010:111).

In Ghana, the local government has responsibilities to provide a range of social services such as water, sewers, solid waste collection and disposal, local streets and roads, street lighting, fire and police protection, healthcare, and education (Arthur 2016: 454; Ofei-Aboagye 2009: 3). However, little progress has been achieved since the local government reform was launched about two and half decades ago due to several internal and external challenges affecting the system (Arthur 2016: 454; Ofei-Aboagye 2009: 3). One of the challenges is that MMDAs in Ghana are not financially sustainable which affect their continued service deliveries. These challenges have hindered the MMDAs' ability to provide basic public goods and services to people in their localities (Arthur 2016: 454).

The Public Financial Management Act 2016 (Act 936), Financial Administration Act, 2003 (Act 654), the Financial Administration Regulations, 2004 (Legislative Instrument 1802), and the Financial Memorandum for MMDAs, 2004 are laws that govern the management of public funds

(Fosu et al 2013: 19). These laws set out the basic budget and accountability structures in all public organisations including MMDAs and the various sources of revenues and how the revenues so generated should be managed (Fosu et al 2013: 19). The Public Financial Management Act 2016 (Act 936) section 124 (3) mandates and provides the basis for MMDAs to raise funds internally for their developmental projects (Republic of Ghana 2016: 64). The sources of internally generated funds for MMDAs as enshrined in section 124 (3) of the Public Financial Management Act 2016 (Act 936) include licenses, fees and miscellaneous charges, taxes, investment income, and rates (Republic of Ghana 2016: 64). Despite these laws, there have been many reports of the inability of MMDAs to generate funds internally (Republic of Ghana 2018). Saasi (2019: 6) expressed that notwithstanding these laws, MMDAs in Ghana have not been able to raise adequate funds internally to pay their operational expenses and to continue their service deliveries. The MMDAs, therefore, depend on the central government for financial support to carry out their responsibilities. Also, the inability of MMDAs to raise adequate funds internally has been attributed to the weaknesses in the internal governance mechanisms in the MMDAs (Fosu et al 2013: 19). This study, therefore, examined how the internal governance mechanisms can determine the financial sustainability of MMDAs. If MMDAs are financially sustainable, they will be able to continue service deliveries in their localities.

2.7 The concept of financial sustainability of MMDAs

Cabral (2011: 1) emphasised that the success of decentralisation reforms largely depends on the appropriate design and execution of the reform programmes and processes. The decentralisation concept influences both MMDAs’ functions and their financial sustainability. Furthermore, Wang and Ma (2014: 756) noted that the inappropriate operationalisation of fiscal decentralisation can result in inconclusive findings on the impact of decentralisation. Smoke (2001:1) also emphasised matching decentralised responsibilities with stable and assured financial resources if reforms are to be effective. This study recognises the need for decentralisation to ensure that MMDAs become financially sustainable. Being financially sustainable would help MMDAs to discharge the responsibilities entrusted to them, effectively over time.

Empirical evidence suggests that financial unsustainability hinders the ability of MMDAs to deliver services. Liubov, Svitlana, Oksana, Milena & Anna (2020: 48) indicated that there is a positive relationship between MMDAs' financial sustainability and their ability to provide public services. MMDAs with relatively poor financial sustainability were observed to have delivered poor services in subsequent years. Thus, if fiscal decentralisation does not enhance the financial sustainability of MMDAs, success is less likely to materialise (Liubov et al 2020: 48). Specifically, it will be difficult to (i) improve access and efficiency in service provision if responsibilities overwhelm financial ability; and/or (ii) bring equity in accessing public services if poor MMDAs are marginalised (Liubov et al 2020: 48). It has been argued that financial sustainability is a precondition for the attainment of objectives in any organisation (Sinde 2016: 14; Cabaleiro, Buch & Vaamonde 2012: 1-23). The financial sustainability of organisations has also drawn the attention of unions and countries such as the European Commission, European Union member states, as well as the UK, the USA, Canada, and other countries and scholars (Liubov et al 2020: 48; Umanskyi 2015: 9; Tverdokhlibova 2018: 7).

Liubov et al (2020: 48) referred to financial sustainability as the ability of local governments to fulfill their obligations to provide services to the population on an ongoing basis, ensuring a satisfactory financial condition of the local budget, both in the short and long term. Gorina (2013: 1) referred to financial sustainability as the ability of MMDAs to ensure the execution of the expenditure side of budgets from their revenues. Liubov et al. (2020: 48) contended that the financial sustainability of MMDAs does not mean only the ability to generate sufficient income, but also how MMDAs' income and expenditure obligations are met.

Caruana et al (2019: 12) referred to financial sustainability as the ability of MMDAs to generate sufficient revenue to meet their current and long-term financial obligations and to enhance continued service delivery. Skidmore and Scoresone (2011: 360) argued that the ability of MMDAs to raise revenues from their sources is vital in determining their financial sustainability.

Mutinda and Ngahu (2016: 81) referred to financial sustainability as the ability of income or revenue of an organisation to cover its operational costs for a sustainable future, regardless, of whether these funds come from donors, subsidies or internally generated.

Nganga and Kibiti (2016: 356) also referred to financial sustainability as the ability of an organisation to generate sufficient funds to sustain the costs of its activities which are not limited to product pricing, costs of funds, administrative overheads, loan transactional cost and inflation and each cost has its significance way of being controlled to influence financial sustainability. Financial sustainability encompasses sound financial management, resource mobilisation and internal revenue generation (Abdelkarim 2012: 10).

In local governments, financial sustainability is the ability of MMDAs to generate enough revenue internally to meet their expenses and to continue service deliveries to their local citizens (Arunachalam et al 2017:40; Dollery, Crase & Grant 2011:162). An MMDA is financially sustainable when it can generate funds to continue service deliveries (Saasi, 2019: 6). Financial sustainability is a determinant of the ability of MMDAs to raise funds internally to be able to deliver their services continuously in their local communities (Huang & Ho 2013: 1182). It is an indicator of MMDAs' ability to mobilise revenue internally to meet their financial and service obligations (Huang & Ho 2013: 1182).

Maher and Deller (2011:455) referred to financial sustainability as the ability of local governments to continue service deliveries and meet their financial obligations as well as satisfy the requirements of growth. Ritonga (2014:48) also referred to financial sustainability in the context of local governments as the ability of the MMDAs to meet short-term and long-term financial obligations (which is referred to as short-term solvency and long-term solvency), the ability to cover their operational expenses (which is referred to as budgetary solvency) and the ability to render the needed to the communities (which is referred to as service-level solvency). However, MMDAs are financially unsustainable if they are unable to meet their short-term as well as long-term financial obligations when due and to continue service deliveries. Kloha, Weissert and Kleine (2005:313) referred to financial unsustainability in the context of local government as the inability of the MMDAs to meet operational standards, debt and the needs of society for several consecutive years. Hendrick (2004:78) also referred to financial unsustainability as the inability of MMDAs to meet financial obligations as well as services to the community.

Financial sustainability refers to the ability to deliver responsibilities continuingly, in both the short and long term (Dollery & Crase 2006: 1; Dodor, Gupta & Daniels 2009: 1-12). It determines the ability of MMDAs to meet current and future obligations as they arise throughout the fiscal year, without compromising the existing level of public services. The flow of central government grants to MMDAs is essential in determining their financial position. In the USA, the structural deficit in Michigan caused a reduction in revenue share to local government organisations and contributed to the financial unsustainability of MMDAs (Skidmore & Scoresone 2011: 360). On the other hand, the ability of MMDAs to raise revenues from their sources is essential in determining their financial sustainability. It facilitates their flexibility in mitigating financial shocks. If there is a reduction in intergovernmental grants, MMDAs will not be able to respond to the demands in their communities if their ability to generate revenues from their sources is embarrassed (Reschovsky 2003: 1). If MMDAs are not financially sustainable, it compromises the level and quality of service delivery (Huang & Ho 2013: 1182).

Schick (2006: 107) referred to the financial sustainability of MMDAs through the following components: solvency (the MMDAs' ability to pay their financial obligations); growth (the MMDAs' ability to stimulate fiscal policy for economic growth); stability (the MMDAs' ability to fulfill future obligations with the existing tax burden); and equity (the MMDAs'ability to meet current obligations without deferring expenses).

According to Huang and Ho (2013: 1182), financial sustainability is the ability of MMDAs to meet short-term and long-term financial obligations arising from service delivery functions and borrowings as they come due. In decentralisation, if financial resources are not matched with MMDAs' responsibilities, then the financial sustainability of MMDAs will be affected negatively.

Financial sustainability is generally referred to the ability of MMDAs to generate sufficient revenue to meet operational expenses, and debt payments and, where applicable, to allow growth while continuing service deliveries at the local level (Liubov et al 2020: 48). Financial sustainability means MMDAs can meet their expenditure out of revenue, without depending on government grants and borrowings (Moloto & Lethoko 2018: 749; Kanyane 2011:936). MMDAs in Ghana are experiencing financial sustainability challenges that are perpetuated, amongst others, by operational issues such as revenue collection ability within the MMDAs. Revenue collection ability is dependent on factors such as the attributes of internal governance (Moloto & Lethoko 2018: 749; Kanyane 2011:936).

Financial sustainability is an important concept to determine the ability of MMDAs to provide services. For MMDAs to be financially sustainable they must have a relatively resilient and sustainable economic base where people are working and earning living wages, and organisations, small and large, are facilitating the steady exchange of goods and services (Moloto & Lethoko 2018: 749). Without a robust and sustainable economic base, MMDAs will struggle to fulfill their constitutional and legislative responsibilities (Moloto & Lethoko 2018: 749). The financial sustainability of MMDAs is essential in the sense that MMDAs are legally authorised to levy taxes and charge for the services that they provide. This allows the MMDAs to cover their costs in providing such services. However, MMDAs face challenges when they are not able to collect revenues due to them. This affects the financial sustainability of MMDAs and the continuous provision of services.

According to Moloto and Lethoko (2018: 749), MMDAs that are financially sustainable can provide services continuously to the taxpayers in their communities. However, MMDAs that are not financially sustainable are at risk of providing services since financial sustainability is an unavoidable element that is directly linked to service delivery (Moloto & Lethoko 2018: 749; Kanyane 2011:936). Financial sustainability is a fundamental factor in MMDAs' service delivery if MMDAs are to address their development role effectively (Moloto & Lethoko 2018: 749; Sing 2003:879).

The success of decentralisation reform depends on how the decentralised organisations carry out their responsibilities (Side 2016: 20). This determines the distribution of responsibilities and resources between government tiers. For the decentralisation system to be materialised there is the need to assign financial resources to the MMDAs to carry out their assigned roles and responsibilities (World Bank 2010: 1). If MMDAs will be able to carry out decentralised functions effectively, they must have adequate internally generated funds or transfers from the central governments and the right to make expenditure decisions (Sinde 2016: 20). A well-designed decentralisation system is an essential precondition to achievement of the decentralisation benefits (Sinde 2016: 20). It establishes the system which enables MMDAs to meet their expenditure obligations continuingly, which is a function of financial sustainability.

In relation to income distribution, the central government should be responsible for the equitable offering of public services across MMDAs. MMDAs will be unable to carry out their functions effectively if the central government allows them to finance themselves wholly. If MMDAs are allowed to finance all their operations without financial assistance from the central government, then fiscal inequalities among them will persist unless they all have the same fiscal capacity

(Sinde 2016: 20; Huang & Ho 2013: 1182). However, in reality, it is difficult to find a country whose MMDAs have the same fiscal capacity. As a result, financially unsustainable MMDAs will impose higher tax rates than financially sustainable MMDAs, with corresponding poor service deliveries (Sinde 2016: 20; Huang & Ho 2013: 1182). Needy people in financially sustainable MMDAs will enjoy better services than those in financially unsustainable MMDAs because their MMDAs can collect more taxes, which enhances the level of public services. Alternatively, if MMDAs are required to offer the same level of services, then the tax burden on residents of different MMDAs will be different (Sinde 2016: 20; Huang & Ho 2013: 1182). This is likely to cause the movement of people from one jurisdiction of MMDA to another with more attractive tax policies.

The population of Ghana has increased from approximately 24.6 million to 30.8 million in 2010 and 2021 respectively (Republic of Ghana 2021). The consistent increase in the population of Ghana has increased the demands of societies. These increases in the demands of society have called for more effective and efficient mobilisation of financial resources as well as the management of such resources (Fosu, Krah & Obeng 2013: 19). In Ghana, Article 240 (1) of the 1992 Constitution requires that Ghana shall have a system of local government and administration which as far as practicable be decentralised. Therefore, the finances of the MMDAs can be examined in the context of the decentralisation principles and practices enshrined in the Local Government Act, 2016 (Act 936). In support of this view, Fosu et al (2013: 19) and Awaitey (2003: 1) mentioned that financing of MMDAs depends on the level of decentralisation of the government machinery of a country. The authors further contended that effective financial management of MMDAs can be attributable to the success rate of the central government’s decentralisation programme and especially to the level of financial autonomy granted to the MMDAs in a country.

According to Skidmore and Scorsone (2011: 360-371), the two options MMDAs can take during a period of financial unsustainability are to either increase efficiency or minimise expenditure. If MMDAs can increase efficiency, it will enable them to continue with the same level of public services with smaller amounts of resources, and minimisation of expenditure will enable them to match internally generated funds with expenditure. Nevertheless, taking into consideration how MMDAs will be able to fulfill their assigned responsibilities indicated in their annual budgets, the first option could be possible, especially for difficulties that arise during the current budget. It would be difficult for MMDAs to deliver services within a short period to solve the problem through enhanced efficiency. Alternatively, the second option has negative implications for the provision of services and the overall success of decentralisation reforms. Inadequate revenue to finance social and economic infrastructure, for instance, negatively affects service delivery (Sinde 2016: 20; Folscher 2007: 79). In the short run, the consequence will be to reduce the quality and level of services while in the long run, it will be to extinguish economic competitiveness and its underlying benefits. The difficulty of obtaining a solution to the financial unsustainability of MMDAs without compromising service provision enhances the need for appropriate reform design and its operationalisation.

Therefore, the literature has revealed that there is an inherent relationship between decentralisation and financial sustainability of MMDAs. Firstly, the design and operationalisation of decentralisation influence financial sustainability through the assignment of responsibilities and resources to MMDAs. Stone (2015: 453-460) discovered that decentralisation could have both positive and negative influences on the financial sustainability of MMDA. Secondly, the financial sustainability of MMDAs influences the success of decentralisation through the carrying out of devolved functions. Krueathep (2014: 51-72) affirms the importance of assigning responsibilities to key actors within decentralisation settings, to save MMDAs from being financially unsustainable. This highlights the essence of decentralisation to assign responsibilities to the internal governance in MMDAs to achieve financial sustainability objectives. Despite the intrinsic relationship between decentralisation and the financial sustainability of MMDAs, no study has investigated how audit committee attributes to strengthen the relationship between the internal auditors and the board of directors attributes for MMDAs to be financially sustainability. Considering this gap, this study examined the moderating role of the audit committee on the relationship between internal governance and the financial sustainability of MMDAs in Ghana.

2.8 Measurement of financial sustainability in MMDAs

To measure financial sustainability in MMDAs, as recommended by the International Federation of Accountants, a wide range of data is required, including financial and non-financial information on current economic and demographic conditions, assumptions about national and global trends, such as productivity, the relative competitiveness of the national or local economy, and expected changes in demographic variables such as age, life expectancy, gender, income, education, and morbidity (IPSASB 2011: 6).

In assessing the financial sustainability of local government, there is the need to identify risks and measure their impact on financial sustainability (Liubov et al 2020: 48). Financial sustainability of MMDAs has been regarded as a complex and multifaceted phenomenon, which is influenced by both external and internal factors (Liubov et al 2020: 48). The reasons for the violation of financial sustainability are external to MMDAs if they are outside their control (Liubov et al 2020: 48). Internal risks include real unsatisfactory factors of influence on the internal local government and the political environment. Financial risks are aggravated by a combination of both external and internal factors (Liubov et al 2020: 48; Capalbo & Grossi 2014: 107). Financial sustainability analysis is complex, open to many methodological approaches, and often provides many estimates (Liubov et al 2020: 48; Capalbo & Grossi 2014: 107). This implies the system for assessing financial sustainability is not unified; different countries and different sectors use different sets of indicators.

Hong, Kweon, Lee and Kim (2019: 1) distinguished the main indicators and additional indicators in the system of indicators of financial sustainability of MMDAs. Most of the key indicators are quantitative and relatively easy to calculate using available data. Additional indicators are composed of both quantitative and qualitative ones. Perciun, Stratan and Timush (2014: 383) substantiated a system of indicators of financial sustainability and stability, reflecting the macroeconomic situation; prices; the level of savings and investment in the economy; financial processes and the state of financial markets; banking activities; foreign exchange market and domestic exchange rate.

Barbera, Jones, Saliterer and Steccolini (2014: 1) compared the financial sustainability of municipalities in Austria, Italy and England in the face of severe budget constraints. The study found that the assessment of financial sustainability depends on specific conditions and characteristics. Thus, threats from governance or policy (internal factors) tend to significantly affect the financial sustainability of municipalities in England; while external shocks (external factors) affect the financial sustainability of municipalities in Austria and Italy (Liubov et al 2020: 48).

Given the large number of indicators by which the financial sustainability of municipalities can be assessed, it is important to make the right choice. A wrong choice of indicators will create an excessive burden on MMDAs and difficulties in the proper quality of data evaluation. The established system of indicators for assessing the financial sustainability of MMDAs must meet the following criteria: complexity, clarity, ease of accessibility, speed, ease of selection of indicators and assessment by the needs of the MMDA, raising the awareness of municipalities on the financial situation and risks associated with possible poor internal governance (Szarowská, Majerová & Šebestová 2018: 25).

In the Czech Republic, municipalities are monitored and assessed financially. In 2016, all 6,254 self-governing municipalities of the Czech Republic were included in the monitoring and financial sustainability assessment (Szarowská et al 2018: 25; Liubov et al 2020: 48). Assessment and rating of municipalities are carried out with the involvement of third-party expert organisations (Liubov et al 2020: 48). To assess financial sustainability in municipalities, Czech municipalities applied the Czech Credit Bureau to determine their rating. The rating assessment includes a comprehensive evaluation of the economic condition of a particular municipality (Liubov et al 2020: 48). For the ranking, the state of each municipality is assessed by financial and non-financial Indicators. Budget balance and debt are the most important indicators. Nonfinancial indicators refer, for example, to basic information about the municipality's infrastructure or the age structure of its population. The disadvantage of this form of evaluation is its high cost and inability to assess the impact of internal risks on the financial sustainability of the municipality (Szarowská et al 2018: 25).

In Poland, the concept of financial sustainability is not regulated by law. However, the law on Public Finance sets out certain requirements or restrictions that allow for maintaining the financial sustainability of local government budgets: budget balance; rules for financing the budget deficit; creation of a reserve system; municipal financial management rules; measures to maintain financial sustainability and stability; and debt ratio. In addition, the Polish Ministry of Finance has developed a system of twenty indicators that can be used to assess the financial sustainability of the municipalities (Liubov et al 2020: 48; Filipiak 2016: 13).

In practice, in assessing financial sustainability, much attention is paid to the monitoring and evaluation of financial sustainability indicators, strategic planning, and security management mechanism (Perciun et al 2014: 383). In Bulgaria, MMDAs vary significantly by size, economic potential, population size and density. The indicators of financial sustainability of Bulgarian MMDAs' are regulated by the Law on Public Finance. An assessment of financial sustainability factors for rural MMDAs in Bulgaria showed that the majority of small MMDAs (up to 10,000 inhabitants) cannot achieve basic financial indicators. There is a close dependence of the financial condition of MMDAs' budgets that are located in rural areas on internal factors, namely, population, income and unemployment. At the same time, external factors and the macro-environment do not affect the level of fiscal discipline, which is a function of the quality of the MMDAs' financial and operational financial management (Liubov et al 2020: 48; Aleksandrova-Zlatanska 2019: 156).

Hong et al (2019: 1), when studying the sustainability of MMDAs in South Korea and calculating the financial indicators of local government sustainability, considered the state of socio-economic development of the country, in particular, indicators assessing social (security, social provision, culture and leisure), economic (population, economy), environmental (construction, environmental protection, transport) and institutional (land use control, administrative capacity, participation of residents) characteristics of certain areas.

In the United Kingdom, local authorities provide a municipality financial sustainability report, which includes: a description of the financial and non-financial problems faced by local governments and how they can be addressed; an analysis of the sustainability of the expenditure side of the budget and public services; assessment of the level of financial pressure (debt, tax pressure) and its consequences for financial sustainability (Liubov et al 2020: 48). In addition, the level of awareness of local governments about risks and measures to control them is taken into account (Liubov et al 2020: 48; Logan City Council 2019: 1).

Strengthening the financial sustainability of MMDAs does not exclude the provision of subsidies for implementing local infrastructure projects in cooperation with businesses, which is important to prevent disruption of the MMDAs' financial sustainability (Liubov et al 2020: 48). In New South Wales, Australia, an independent Commission led by Professor Graham Sansom was established to implement a local infrastructure rehabilitation project. The aim was to assess and develop measures for increasing the financial sustainability of MMDAs. To assess the financial sustainability of MMDAs, four groups were identified among a number of basic indicators (financial flexibility, liquidity, debt service, asset recovery and capital expenditures), as well as their relative importance in terms of ensuring the financial sustainability of MMDAs (Liubov et al 2020: 48). The identified indicators were adjusted depending on the specifics of a particular area and were refined depending on the severity of its development problems (Liubov et al 2020: 48).

In the United States of America, municipalities have a high level of decentralisation and heterogeneity of economic, financial, and organisational structures, and institutional environment, therefore the general concept of financial sustainability is almost impossible to apply to all MMDAs (Liubov et al 2020: 48). Most American cities have fiscal federalism. According to researchers, this interferes with the quick and easy observation of the elements of financial and organisational structures to determine the reasons for the financial sustainability of some MMDAs (Liubov et al 2020: 48). In the United States of America, the structural deficit in Michigan caused a reduction in revenue share to MMDAs and contributed to the financial unsustainability of MMDAs (Skidmore & Scoresone 2011: 360). On the other hand, the ability of MMDAs to raise revenues from their sources is vital for budget execution and in determining their financial sustainability. It facilitates their flexibility in mitigating financial unsustainability. MMDAs will not be able to respond to fiscal stress that may arise from a reduction in intergovernmental grants if their ability to generate revenues from their sources is constrained (Reschovsky 2003: 1). If MMDAs become financially unsustainable they are unlikely to meet devolved responsibilities properly. Considering various factors and characteristics of the country, Gorina (2013: 1) proposed to assess the financial sustainability of municipalities in the US based on three key aspects: financing of pension obligations, debt burden and budget balance.

In Ukraine, financial sustainability is the ability of MMDAs to pay their financial obligations (solvency); the ability to develop steadily and maintain the level of financial sustainability and security under the influence of external and internal factors (Kostyrko & Velenteichyk 2016: 83; Kaminska 2008: 168; Vorobiov & Kohut 2012: 249). It is also the ability to ensure the socio-economic development of the territory at the expense of internal financial resources (Kostyrko & Velenteichyk 2016: 83; Kaminska 2008: 168; Vorobiov & Kohut 2012: 249). Within a general approach, the financial sustainability of MMDAs generally characterises their ability to withstand internal and external threats to ensure that MMDAs perform socially significant functions and responsibilities, including financial, economic and social responsibilities (Lysiak & Kushnir 2020: 48).

In Ukraine, there is no legally established system of indicators for assessing the financial sustainability of MMDAs, which would be appropriate given the deepening of decentralisation processes in the country (Bondaruk & Znamenskyi 2022: 60; Korytko 2008: 140). Some indicators, in particular those related to the maximum size of local borrowings, are fixed in the budget code of Ukraine (Bondaruk & Znamenskyi 2022: 60; Korytko 2008: 140). Researchers use many indicators to assess the financial sustainability of MMDAs (Bondaruk & Znamenskyi 2022: 60; Korytko 2008: 140; Kostyrko & Velenteichyk 2016: 83). In assessing the financial sustainability of MMDAs, it is important to form a systematic approach to managing the risks of its violation (Bondaruk & Znamenskyi 2022: 60; Kostyrko & Velenteichyk 2016: 83). For an objective and comprehensive assessment of the financial sustainability of MMDAs, a system of indicators should be grouped according to the features characterising the most important components of financial sustainability (Bondaruk & Znamenskyi 2022: 60; Kostyrko & Velenteichyk 2016: 83).

Prior studies have proposed to study the financial sustainability of MMDAs according to the following groups of indicators: indicators of balance, financial independence and budget efficiency, as well as the size of budgetary arrears (Bondaruk & Znamenskyi 2022: 60; Dolozina 2017: 33; Kostyrko & Velenteichyk 2016: 83; Vorobiov & Kohut 2012: 249). The indicators with the highest significance level are selected from each analysis group. The specification of the indicators is determined by the need for an objective assessment of the financial sustainability of the studied MMDAs based on factors of the MMDAs' ability to cover planned expenditures through various revenue items, the degree of financial autonomy (independence from the state budget) and financial performance of MMDAs (Dalievska 2017: 214).

According to Skidmore and Scorsone (2011: 360), the two options MMDAs can take during a period of financial unsustainability are to either increase efficiency or cut down on expenditure. The first enables them to continue with the same level of public services with fewer resources, and the second cuts down expenditure to match generated funds/revenues. However, considering the execution of MMDAs' responsibilities is reflected in their annual budgets, the first option seems rarely possible, especially for difficulties that arise during the current budget.

It would be difficult for MMDAs to reorganise their service provision arrangements within a short period to solve the problem through enhanced efficiency. On the other hand, the second option has negative implications for the provision of services and the overall success of decentralisation reforms. Insufficient revenue to finance social and economic infrastructure, for instance, negatively affects service delivery (Folscher 2007: 1). In the short run, the consequence is to reduce the quality and level of services while in the long run, it is to extinguish economic competitiveness and its underlying benefits. The difficulty of obtaining a solution to financial sustainability challenges without compromising service provision enhances the need for appropriate reform design and its operationalisation.

Huang and Ho (2013: 1182) mentioned that if reforms do not match resources following an increase in responsibilities, then the financial sustainability of MMDAs will deteriorate. MMDAs should be efficient in mobilising revenues from internal sources so that intergovernmental transfers aimed to equalise their financial capacity become meaningful. Otherwise, the people who are the beneficiaries of the services provided by MMDAs will not benefit from the equalising system. Less efficient MMDAs will distort the whole fiscal system by depending heavily on intergovernmental transfers. Thus, for MMDAs to have sustainable finance, the system should ensure financial resources match devolved responsibilities while simultaneously ensuring equity and discouraging slack in revenue mobilisation (Huang & Ho 2013: 1182). These are vital components for decentralisation reform to succeed. If this is the case, then evaluating the financial sustainability of MMDAs offers the prospect of identifying whether the design and/or operationalisation of the decentralisation system is likely to succeed. It will provide insight into the impact of decentralisation on MMDAs' financial sustainability and the likely impact of MMDAs' financial sustainability on the success of decentralisation. Despite financial sustainability not being an ultimate measure of MMDAs' success in exercising their functions, its absence compromises the level and quality of services provided (Huang & Ho 2013: 1182). This implies although financial sustainability is not the sole indicator of success for MMDAs in carrying out their duties, the lack of it undermines the level and standard of services they offer.

Moreover, the financial sustainability of MMDAs is assessed based on their ability to discourage soft budget constraints (Sinde 2016: 33; Petak 2004). Soft budget refers to the ability and accountability systems aimed to make officials in MMDAs work hard to collect revenues in their localities (Sinde 2016: 30). The issue of Soft budget undermines the success of decentralisation because MMDAs will remain relaxed and will not seek alternative ways of achieving financial needs (Sinde 2016: 30). MMDAs will always be dependent on intergovernmental transfers to finance their budgets instead of making an effort to collect revenues from their sources (Sinde 2016: 30).

Dziobek, Gutierrez, Mangas and Kufa (2011: 1-30) used four indicators to assess the financial sustainability of MMDAs. These indicators included internally generated revenue, tax effort, expenditure and compensation of employees. Additionally, Uchimura and Suzuki (2012: 39-72) used five indicators to assess intergovernmental financial positions. These indicators were: the share of MMDAs in total financial expenditure, the share of MMDAs in total financial revenue, dependency of MMDAs on financial transfer, MMDA's financial autonomy and discretion in MMDAs' expenditure. The diversity of measures reflects the variety of aspects that each study wished to evaluate.

Financial sustainability focuses on revenues to meet public demands and potential changes in the expenditure patterns of MMDAs (Lotta-Maria 2020: 1-16). Likewise, sound financial performance is the MMDAs' ability to meet their financial obligations and to satisfy their citizens with continuous service deliveries (Lotta-Maria 2020: 1-16). Regardless of the different definitions of financial sustainability used in different sectors, any approach to measure financial sustainability has to contain the required information to be able to assess whether the present activities of MMDAs might put their capacity to provide services in the future at risk ((Lotta-Maria 2020: 1-16; Bolívar, Galera, Muñoz & Subirés 2014: 31). Determining the financial sustainability of MMDAs is a relatively straightforward operation. External financial statements are prepared and subjected to an independent audit to inform readers that the statements present the financial position of the organisation (Lotta-Maria 2020: 1-16; Riverbark, Roenigk & Allison 2010: 149). Thus, in addition to the explanation of the financial position of organisations, indicators to explain financial sustainability are equally important. However, there is a lack of concurrence on the indicators to be used to measure financial sustainability (Lotta-Maria 2020: 1-16; Riverbank et al 2010: 149).

Prior studies used different concepts and definitions for financial sustainability as the ability of MMDAs to meet their ongoing financial, service and capital obligations based on the status of resource flow and stock as interpreted from annual financial statements (Lotta-Maria 2020: 1-16; Riverbank et al 2010: 149). Riverbank et al (2010: 149) mentioned that definitions of financial sustainability can be specific in nature or broad in scope. A specific definition of financial sustainability could be solvency. Solvency is used as an indicator to measure financial sustainability by considering the fund balance as a percentage of expenditures using data from annual financial statements (Riverbark, Roenigk & Allison 2010: 149). This is a simple measurement of financial sustainability which simplifies the phenomenon but may shadow the view of the real financial sustainability within MMDAs. A broader definition would refer to the ability of MMDAs to finance their services continuously, including their ability to maintain existing service levels, resist systematic and unsystematic risk, and meet the demands of natural change over time (Riverbank et al 2010: 149; Groves & Valente 2003: 1), which could be measured with financial and environmental indicators that reflect dimensions of financial sustainability and dimensions that impact financial sustainability, respectively, taking into account the characteristics of time, environment, multidimensional relationships, and implicit and explicit obligations((Lotta-Maria 2020: 1-16; Riverbank et al 2010: 149).

Financial sustainability is the ability of MMDAs to adjust to current and future financial obligations and demands of citizens through proper income tax, state transfers, and service charges while managing to sustain a certain level of public services (Lotta-Maria 2020: 161; Brusca & Aversano 2015: 161). From the internal sources of revenue, the MMDA's financial sustainability can be determined in cash, budgetary, long-run, and service solvency of the organisation (Lotta-Maria 2020: 1-16; Groves & Valente 2003: 1). However, financial sustainability can be determined by the MMDAs' revenues from internal resources received by MMDAs to finance activities that provide basic services to their inhabitants, and revenues from external resources, such as governmental aids (Lotta-Maria 2020: 1-16; Hajilou, Mirehei, Amirian & Pilehvar 2018: 77; Montazeri & Khodaei 2012: 25). Taxes, service charges, and administrative fees (such as building permits) can be considered as internal MMDA revenue sources, and governmental grants (general grants and grants for specific purposes) and loans from governmental sources and private capital markets as external MMDA revenue sources (Lotta-Maria 2020: 1-16; Hajilou et al 2018: 77).

As indicated earlier, prior studies have discussed various indicators used to measure financial sustainability. Several diverse models have been developed to assess the financial sustainability of a given MMDA (Brusca, Rossi & Aversano 2015: 161). Measurement of financial sustainability can start with different techniques, starting basic approaches such as accounting information and financial reporting analysis (Brusca, Rossi & Aversano 2015: 161; Rossi 2011: 17; 13. Kleine, Kloha & Weissert 2003: 18), to a more complicated statistical modeling approach, to distinguish financially sustainable MMDAs from those that are financially unsustainable (Cohen, Doumpos, Neofytuo & Zopounidis 2012: 270; Rossi, Zito & Costanzo 2012: 627; Zafra-Gomez, Lopez-Hernandez & Hernandez-Bastida 2009: 175). In addition, the financial sustainability of MMDAs can be measured using variables or indicators such as long-term debt, cash solvency, and revenue structure from the financial statements of MMDAs (Pina, Bachiller & Ripoll 2020: 6880: López Subires, Muñoz, Galera & Bolívar 2019: 6008). Over the last 40 years, international literature has focused on creating models that monitor and measure the financial sustainability and predict the financial unsustainability of MMDAs (Garmini & Grossi 2018: 179).

There is also an increasing amount of literature on this topic that aims to identify the different factors that may cause the financial unsustainability of organisations (Brusca et al 2015: 161). Environment factors, such as socioeconomic determinants, can influence the financial sustainability of MMDAs by assuming that they have impacts on both the need and demand of citizens for public services as well as production costs (Boyne, Ashworth & Powell 2001: 859; Capalbo & Grossi 2014: 107). Current literature has tried to analyse the impacts of the inhabitants, population density, or gross domestic product (Vicente, Ríos & Guillamón 2013: 46; Zafra-Gomez et al 2009: 175). The effects of factors on financial sustainability can be divided into external and internal factors (Lotta-Maria 2020: 1-16; Garmini & Grossi 2018: 179). External factors include demographic and socioeconomic factors, such as population, population density, population wealth, unemployment, immigration, and education. Internal factors deal with managerial factors, those being, for instance, weak management culture, fiscal framework, expenditure costs, debt, and budget surpluses (Lotta-Maria 2020: 1-16). Internal factors also include factors such as political fragmentation, cycle, and competition, as well as the power relations between left- and right-wing parties (Lotta-Maria 2020: 1-16). Additionally, other authors consider that political and organisational factors may influence the financial sustainability of MMDAs (Lotta-Maria 2020: 1-16; Carmeli & Cohen 2001:893).

However, several studies employed different indicators to measure financial sustainability (Lotta-Maria 2020: 1-16; Carmeli & Cohen 2001:893. Even though the literature on financial sustainability is encouraging yet there has not been any study that has concentrated on how audit committee attributes can strengthen the relationship between internal auditors and board of directors attributes for MMDAs to be financially sustainable. Therefore, there is a need to study and identify the financial sustainability of this phenomenon. The concept of how audit committee attributes can strengthen the relationship between internal auditors and the board of directors' attributes for MMDAs to be financially sustainable is required to understand sustainable decision-making, management, and how to manage financial sustainability. Thus, the relationship between internal governance mechanisms and financial sustainability in the context of MMDAs is essential.

Therefore, prior studies have indicated that to assess MMDAs' financial sustainability, it is essential to distinguish between the two main types of financial sustainability, namely operational financial sustainability and financial self-sufficiency (Waweru 2018:11; Kinde 2012:1; Quayes 2012). Operational financial sustainability has been referred to as the ability of MMDAs to cover operational expenses from income generated, whether internally or externally, including subsidies, grants and soft loans. This financial sustainability is measured using either the pay-out ratio or operational efficiency ratio (Waweru 2018:11; Bliss, Cheng & Denis 2015:521; Kinde 2012:1; Nuhu, Musah & Senyo 2014:109; Ongore & Kusa 2013:237; Paradi & Zhu 2013:61). The pay-out ratio indicates the MMDAs' ability to create wealth for its stakeholders, whilst the operational efficiency ratio refers to the MMDAs' ability to continue raising regular income internally, which will be used to meet operational costs in the future (Waweru 2018:11; Ongore & Kusa 2013:237; Paradi & Zhu 2013:61).

Financial self-sufficiency, on the other hand, refers to the MMDAs' ability to cover all operational and financial costs from their internally generated income, excluding subsidies, grants and other externally generated incomes (Waweru 2018:11; Kinde 2012:1; Pradhan 2012:1; Quayes 2012:3421). Financial self-sufficiency is measured using the financial self-sufficiency ratio, which is a ratio of adjusted revenues (after adjusting for interest), to adjusted expenses (Waweru 2018:11; Kinde 2012:1). If the financial self-sufficiency ratio is greater than one, then it means that the MMDA is financially sustainable. However, if the financial self-sufficiency ratio is less than one, then it means that the MMDA is not financially sustainable (Waweru 2018:11; Kinde 2012:1). The financial self-sufficiency ratio is a good measure of financial sustainability, because it indicates sustainability of the main internal revenue sources generated by MMDAs and the ability to meet the expenses incurred (Waweru 2018; Kinde 2012:1; Manos & Yaron

2009:101; Quayes 2012:3421). Since the determination of the financial self-sufficiency ratio does not consider externally generated revenue such as grants and subsidies, which are not guaranteed (Waweru 2018; Cull & Morduch 2007:949), it was the only measure of financial sustainability considered in this study. Waweru (2018:11), Kinde (2012:1), Manos and Yaron (2009:101) and Quayes (2012:3421) used the financial self-sufficiency ratio in their studies based on the aforementioned reason. Details of the determination of financial self-sufficiency ratios are discussed in section 5.10.2.1.

However, to assess the success of local government reforms to enhance continuous service deliveries; this study considered it appropriate to assess MMDAs' financial sustainability using internally generated funds. Based on the various definitions discussed, this study conceptualised financial sustainability in the context of local governments as the ability of MMDAs to generate enough revenue internally to meet their short-term and long-term financial obligations and to satisfy their communities with continuous service deliveries. As shown in the previous definitions, none of the definitions conceptualised financial sustainability based on internally generated revenues. However, this study conceptualised financial sustainability based on internally generated revenues which served as a guideline in determining the elements or dimensions of MMDA's financial sustainability. The underlying principle is that the financial sustainability of MMDAs determines their ability to deliver services and hence attain decentralisation's objectives. Financial sustainability determines the ability of local governments to deliver what is expected of them in the course of meeting the service demands of their local communities. It is an indicator of MMDAs' ability to meet their financial and service obligations (Waweru 2018:11; Huang & Ho 2013: 1182). MMDAs that are financially unsustainable cannot sustain service deliveries as compared to financially sustainable MMDAs. This is in line with Salman and Iqbal (2011) in assessing the effect of decentralisation. Salman and Iqbal (2011: 407-421) mentioned that decentralisation can achieve its objectives only when the MMDAs can collect adequate revenues within their jurisdictions. Likewise, Scott (2018: 215) discovered that MMDAs can continue service deliveries if they can intensify internal revenue collections. If MMDAs are to carry out their assigned responsibilities without adequate financial resources, their ability to deliver them will be limited and hence their objective will not be achieved (Sinde 2016: 30). Therefore, it is appropriate to operationalise financial sustainability by using internally generated funds. Internally generated funds help MMDAs to continue and enhance service deliveries.

2.9 The concept of internally generated funds

The concept of internally generated funds is defined variously by authors. According to Kazentet (2011: 31), internally generated funds consist of funds collected exclusively by or for sub-national governments. Operationally, the internally generated fund is revenue that is directly generated by MMDAs within their areas of jurisdiction, and as such is the only revenue over which MMDAs have absolute control.

According to Adamtey and Amoako (2021: 1-5), internally generated funds are financial resources from licenses, fees and miscellaneous charges, taxes, investment income and rates that local governments are permitted by law to mobilise at the local level for the implementation of their development plans.

Several developed and developing countries have implemented fiscal decentralisation policies in various forms with some successes and challenges (Adamtey & Amoako 2021: 1-5; Hankla 2009: 632). At the local government level, Russia has reformed its intergovernmental fiscal system to replace ad hoc grants with a formula-based transfer leading to some gains in transparency of the revenue system; though this was not accompanied by increased local discretion in the expenditures. Similarly, South Africa has assigned significant non-property taxing powers to subnational governments, including a payroll and turnover tax, and has granted local governments some borrowing powers. However, the South African government still has not put in place a hard budget constraint for local governments to force the efficient use of these instruments (Adamtey & Amoako 2021: 1-5). China’s 1994 fiscal reform dramatically changed the national revenue-sharing system, gave local governments more control over the administration of locally assigned taxes, and changed the balance of revenue availability between the two levels of government. However, no commensurate changes in expenditure assignment were made (Adamtey & Amoako 2021: 1-5).

Among the administrative and technical weaknesses in fiscal decentralisation common to many countries in Africa and even some more advanced countries are that, tax bases of local governments are static, mechanisms for collecting internal revenues are ineffective, and appropriate sanctions or punishment for tax defaulters are absent (Adamtey & Amoako 2021: 1-

5). Some residents and traders believe that they are not obliged to pay local taxes (Adamtey & Amoako 2021: 1-5). Also, the cooperation and exchange of data between the local governments and other public organisations and state agencies seem not to function very well (Adamtey & Amoako 2021: 1-5). Additionally, transparency in fiscal decentralisation either remains limited and financial information does not reach or is not understood by the general public (Adamtey & Amoako 2021: 1-5).

If the decentralisation system fails, it disrupts any local government systems and can undermine economic development (Adamtey & Amoako 2021: 1-5). Successfully implementing fiscal decentralisation leads to economic development, mobilisation of adequate local revenue, effective service delivery, accountability of elected local officials to the people, capacity development for local government officials, and local participation in the governance process (Adamtey & Amoako 2021: 1-5; Akindele, Olaopa & Obiyan 2002: 557). Given this context, there is a need to have effective internal governance mechanisms that can enhance internally generated funds for MMDAs to be financially sustainable.

In Ghana, the design of the local government system is backed by regulatory and legal frameworks (Adamtey & Amoako 2021: 1-5; Republic of Ghana 2016). Article 240 of the 1992 Constitution of Ghana states that Ghana shall have a system of local government and administration that shall, as far as practicable, be decentralised. Article 245 has also stated that the functions of the MMDA shall include the formulation and execution of plans, programs, and strategies for the effective mobilisation of the resources necessary for the overall development of the district, and levying and collection of taxes, rates, duties, and fees. Section 34 of the Local Government Act, 1993, Act 462, states that in line with the implementation of decentralisation policy, the Minister shall, by legislative instrument, establish an Assembly for each district, municipality, and metropolis which, by clause (3) of Article 241 of the 1992 Constitution, shall constitute the highest political authority in the district. Amendment to Act 462 led to the Local Governance Act, 2016, Act 936 which states in Section 12, subsection 1 that all MMDAs are mandated to ensure the overall development of areas under their jurisdiction (Adamtey & Amoako 2021: 1).

Therefore, an MMDA shall exercise political and administrative authority in the district; promote local economic development; and provide guidance, give direction to, and supervise other administrative authorities in the district as may be prescribed by law. In line with this, MMDAs, as the highest political authorities at the local level, are responsible for the preparation of their budgets for the implementation of their respective medium-term development plans (Adamtey & Amoako 2021: 1). To deepen the decentralisation process and promote socioeconomic development, Ghana implemented fiscal decentralisation reforms by entrusting MMDAs with the authority and capacity to generate, allocate, and utilise financial resources at the local level. The 1992 Constitution of Ghana recognises the importance of fiscal decentralisation and financing of local service delivery. Thus, Section 240 (a) of the 1992 Constitution of the Republic of Ghana provides that Parliament shall enact appropriate laws to ensure that functions, powers, responsibilities, and resources are at all times transferred from central government to local government units in a coordinated manner. Section 240(2) (c) also recognises the development role of the MMDAs and emphasises the adequacy and reliability of local government financial resources and states that there shall be established for each local government unit a sound financial base with adequate and reliable revenue (Adamtey & Amoako 2021: 1).

In line with these legal provisions, District Assemblies Common Fund was established by the District Assemblies Common Fund Act, 1993 (Ac 455), as a major source of development funds for MMDAs for the implementation of their medium-term objectives (Adamtey & Amoako 2021: 1-5). The District Assemblies Common Fund was created to supplement the internally generated funds of the MMDAs to undertake development projects. To further deepen the fiscal decentralisation agenda and ensure transparency and accountability in the use and control of public financial resources, several key legal instruments and regulations have been enacted; these include Ghana Audit Service Act, 2000 (Act 658); Financial Administration Act, 2003 (Act 654); Public Procurement Act, 2003 (Act 663); Internal Audit Agency Act, 2004 (Act 656); and Local Government Act 2016 (Act 936) (Adamtey & Amoako 2021: 1-5).

Available evidence shows that MMDAs' response to the various legislations seeking to deepen fiscal decentralisation has been the poor mobilisation of internally generated funds. MMDAs have resorted to high dependence on the District Assemblies Common Fund to implement their plans (Adamtey & Amoako 2021: 1; Ayee 2008: 34). Implementation of the mandate of the MMDAs requires adequate financial resources. Therefore, under the fiscal decentralisation policy, the greater part of the resources of MMDAs to implement their plans is expected to be mobilised from internal sources in the form of internally generated funds to finance and manage local development (Adamtey & Amoako 2021: 1; Ayee 2008: 34).

However, it is important to emphasise that revenue mobilisation efforts by MMDAs are undermined by several factors. These undermining factors include inadequate data on revenue sources, lack of enforcement of revenue collection by-laws, inadequate revenue collectors, and inadequately trained revenue collectors (Adamtey & Amoako 2021: 1-5; Ayee 2008: 34). Additionally, the lack of billing resulting from an outdated property valuation list and a lack of electronic databases of property owners show that MMDAs struggle to mobilise internally generated funds. These contribute to ineffective revenue collection. In most MMDAs in Ghana, only a small proportion of properties have been valued. Only a third of MMDAs in the country have employed the services of the Land Valuation Division to estimate the values of some properties to form the basis of property rate fixing. As a result, most MMDAs fixed property rates without proper valuation (Adamtey & Amoako 2021: 1). The consequences of poor property valuation also result in decreased in internally generated revenue of MMDAs.

Other constraints to the mobilisation of internally generated funds by MMDAs include a lack of human and financial resources, weak legal capacity and political interferences (Adamtey & Amoako 2021: 1-5; Crook 2003: 77). For many MMDAs, cash is still by far the most common payment method for property rates and business licenses. Yet cash payments allow unacceptably high rates of leakages leading to declining revenues which reduce funds available for MMDAs (Adamtey & Amoako 2021: 1-5; Crook 2003: 77). The leakages may result from theft and related fraud, corruption, and loss of cash payments and will result in declining revenues.

MMDAs also spend substantial proportions of their internally generated funds to pay for the processes of revenue collection such as paying commissioned revenue collectors and contracted revenue collectors. MMDAs in Ghana have been experiencing budget deficits for years, and they consistently spend more than they can generate as revenue (Adamtey & Amoako 2021: 1). The cost of collecting internally generated funds is very high in most MMDAs, particularly among salaried revenue collectors. For the median salaried revenue collectors, their monthly salary is about 60% as high as the revenues collected. About one out of five revenue collectors earn a monthly salary that is greater than their revenues collected. There are reports of corruption and dishonesty among revenue collectors, which impedes the effective mobilisation of internally generated funds. Some collectors also complain of low remuneration, which affects their morale, and ultimately revenue collection efforts. Due to the many challenges of revenue collection, most MMDAs continue to depend heavily on central government transfers. There is also evidence that MMDAs are not exploring other sources of revenue, which makes them over-reliant on the central government for support (Adamtey & Amoako 2021: 1-5). The inability of MMDAs to raise local revenue is also influenced by weakened internal governance mechanisms, noncooperative local actors, declining local economies and leakages in the mobilisation process of internally generated funds (Adamtey & Amoako 2021: 1).

With regard to all these issues, the National Development Planning Commission of Ghana monitored and evaluated internally generated fund mobilisation performances of MMDAs across the country. In the 2013 Annual Progress Report on the Implementation of the Ghana Shared Growth and Development Agenda, 2010–2013, the National Development Planning Commission identified the inability of many MMDAs to mobilise adequate internally generated funds as a major factor that undermines the fiscal decentralisation policy in Ghana (Adamtey & Amoako 2021: 1-5). The National Development Planning Commission's evaluation indicated that MMDAs in the northern parts of Ghana are lagging behind those in the south (Adamtey & Amoako 2021: 1-5).

Without questioning the differences, it must be reiterated that available evidence shows that several MMDAs have unimpressive internally generated funds mobilisation records. Such poor performance can undermine the ultimate objective of fiscal decentralisation policy in Ghana. For the decentralisation policy to succeed, MMDAs are required to mobilise adequate internally generated funds. One way to achieve this objective is to have effective internal governance mechanisms that can support MMDAs to enhance internally generated funds for them (MMDAs) to be financially sustainable.

In 2006, Ghana's Ministry of Local Government, Rural Development and Environment indicated that internally generated funds for MMDAs stood at 18% of revenues, compared to central government grants at 82% (Appiah-Agyekum, Danquah & Sakyi 2013: 90). This implies a wide gap between revenues generated internally and those coming from external sources. MMDAs' inability to generate substantial internal revenues for development projects is a national problem

(Puopiel & Chimsi 2015: 4848). Funding often fails to meet budgeted requirements, which means that development projects are not completed on schedule or are often left uncompleted (Puopiel & Chimsi 2015: 4848). It is thus essential for MMDAs to mobilise internally generated funds, to implement development plans without necessarily relying on central government and development partners.

The local government system of Ghana undoubtedly forms an integral part of this development agenda; hence, its transformation to be financially sustainable is very critical. Although the local government system has experienced some reforms to improve efficiency and effectiveness, there are critical challenges including the abusive and unscrupulous utilisation of the limited financial resources in a manner that contributes very minimal to local-level development (Williams 2017: 705). For instance, in 2016, deficiencies in the operations of MMDAs created an avenue for some officials of the MMDAs to mismanage funds and resources valued at approximately USD12 320 000 (Williams 2017: 705). In the following year, Williams (2017: 705) published the results of a study focusing on MMDAs' projects to find out the proportion of finished projects to unfinished projects. The study confirmed that nearly one-third of the projects that get started never get finished because of insufficient revenue, and they also consume almost 20% of all local government investments. These confirm that steps need to be taken to ensure that the MMDAs can increase their internally generated funds to advance local-level development.

For MMDAs to deliver on their mandate, it requires enough financial resources and therefore renders revenue mobilisation important among the MMDAs in Ghana (Scott 2016: 216). Oriakhi and Ahuru (2014: 92) noted that an internally generated fund has the potential to foster political and administrative accountability by making local communities powerful. Baumann (2000: 1) also noted that decentralisation will be materialised only when MMDAs can increase internally generated funds to embark on developmental projects at the local levels. Oyugi (2000: 3) added that MMDAs need adequate finances to enable them to cope with numerous developmental activities within their jurisdiction. Akpa (2008: 1) observed that revenue is an important resource for the effective functioning of MMDAs. Oriakhi and Ahuru (2014: 92) conversely, hypothesised that regular payment of taxes by taxpayers will help MMDAs to be financially sustainable.

Adu-Gyamfi (2014: 97) referred to revenue mobilisation as the act of marshaling, assembling, and organising financial contributions from all incomes accruing from identifiable sources in an economic setting. Scott (2018: 216) identified revenue mobilisation as one of the key components of public financial management. Scott (2018: 216) indicated that revenue mobilisation influences service delivery. Despite the overriding importance of the need for revenue, MMDAs contend with limited internal revenue generation, remaining tremendously dependent on the central government for their financial resources (Scott 2018: 216; Rakner 2001: 125).

Given the limited internally generated funds raising ability, Bird and Slack (2010: 1) argued that adequate revenue collection by MMDAs is an essential precondition for the success of fiscal decentralisation. The MMDAs, therefore, need to carefully implement practical and revenue generation mechanisms which are acceptable to the residents (Finch 2015: 1; Ojide 2015: 8). Even though, MMDAs can generate revenue through taxation but they are limited to certain taxes. Nkrumah (2000: 53) contended that the central government has access to taxes such as income tax, sales tax, and import and export duties while MMDAs have access to low sources of income only.

In Ghana, MMDAs collaborate with the central government in national development. As collaborators, MMDAs are required to generate adequate internal revenue to enable them to undertake development projects. The internally generated funds are used to support the statutory District Assemblies Common Fund to provide infrastructural development and services to the people (Agyapong 2012: 27). It is the responsibility of MMDAs to provide municipal and other services as well as maintaining law and order, all which require enough financial capital and internal revenue generation is therefore paramount (Agyapong 2012: 27). Over the years, both the central and local governments in Ghana have been experiencing budget deficits every year (Agyapong 2012: 27). The MMDAs in Ghana have continuously spent more than the revenue they can generate. In the case of central government, the gap is often financed with foreign aid which has perpetuated the country‘s aid dependency (Agyapong 2012: 27; Gberegbe 2007; Osei & Quartey 2005). However, MMDAs in Ghana cannot secure loans to finance their revenue-expenditure gaps. This revenue-expenditure gap has led to the financial unsustainability of MMDAs (Agyapong 2012: 27).

Financing local government development programmes in Ghana by the MMDAS has become a typical problem as a result of the inability of the MMDAs to collect adequate revenue from their areas of jurisdiction (Agyapong 2012: 27; Korkor 2003). Despite the resources available to the MMDAs, they are not able to mobilise revenue which has led them being dependent on the central government for their development programmes. Strengthening internal revenue collection is essential for MMDAS to continue service deliveries and embark on developmental projects (Adu-Gyamfi 2014: 97; Dick-Sagoe 2014; Akorsu 2015; Puopiel & Chimsi 2015: 147). The current MMDAs in Ghana were created as integrated decentralised authorities, combining oversight of deconcentrated line ministries with the revenue powers and functions of devolved democratic local government (Agyapong 2012: 27; Korkor 2003). Korkor (2003) indicated that before the presidential assent of the 1992 constitution, the central governments in Ghana restricted the MMDAs'ability to mobilise revenues to meet their development obligations and to remain financially sustainable. The ongoing augument indicates that because of the previous situation of MMDAs being restricted in their abilities to mobilise revenue, decentralisation without creating the capacity required to mobilise and collect such revenues resulted in financially unsustainable local government in Ghana.

Even though the Local Government Act 2016 (Act 293) requires MMDAs to raise internal revenue but research has shown that over the years MMDAs have not been able to raise funds internally which has made them financially unsustainable. Empirical studies have shown that more than 60% of revenues for MMDAs come from central government and partner sources (Puopiel & Chimsi 2015: 4848). Osei-Akoto, Osei, Quartine and Adiah (2007: 8) found that between 1994 and 2004 internally generated funds constituted an average of just 31.8% of MMDA revenue, whereas nearly 60% came from other sources such as development partners, the District Assemblies Common Fund and the District Development Fund. The Auditor General's report has also indicated that the internally generated funds performance of MMDAs for the past years is not encouraging.

In 2014, the total income received by the 195 MMDAs amounted to USD 168 376000. Out of this, the total internally generated funds for the 195 MMDAs amounted to USD 32 917 038 and this accounted for 19.5% of the total revenue of the MMDAs (Republic of Ghana 2015: 5). Internally generated funds collections have generally been low in all MMDAs (Republic of Ghana 2015: 5). As a result of inadequate internally generated funds, 116 MMDAs owed USD

1683 254000 to suppliers and other service organisations at the end of 2014 financial year (Republic of Ghana 2015: 5).

In 2017, the total income received by the 214 MMDAs amounted to USD 223 290 537(Republic of Ghana 2017: 3). Out of this, the total internally generated funds for the 214 MMDAs amounted to USD 52 432 810 and this accounted for 23.5% of the total revenue of the MMDAs (Republic of Ghana 2017: 3). As a result of inadequate internally generated funds, 114 MMDAs owed USD 2 878 486 to suppliers and other service organisations at the end of 2014 financial year (Republic of Ghana 2017: 4).

In 2018, the total income received by the 240 MMDAs amounted to USD 236 323 828 (the Republic of Ghana 2018: 29). Out of this, the total internally generated funds for the 240 MMDAs amounted to USD 46 482 943 and this accounted for 19.7% of the total revenue of the MMDAs (the Republic of Ghana 2018: 7). As a result of inadequate internally generated funds, 240 MMDAs owed USD 4 652 413 to suppliers and other service organisations at the end of 2018 financial year (Republic of Ghana 2018: 4).

In 2019, the total income received by the 258 MMDAs amounted to USD 333 718 (Republic of Ghana 2019: 29). Out of this, the total internally generated funds for the 258 MMDAs amounted to USD 68 314 330 and this accounted for 20.5% of the total revenue of the MMDAs (Republic of Ghana 2019: 7). As a result of inadequate internally generated funds, 258 MMDAs owed USD 442 250 to suppliers and other service organisations at the end of 2019 financial year (Republic of Ghana 2019: 29).

Generally, MMDAs are required to generate revenue to meet service delivery objectives. Minyoso (2020:97) established that financial sustainability can be achieved when organisations operate on internally generated funds. Maaldu (2019), as well as Manyeruke (2012:1), added that the ability of organisations to generate their revenue could significantly influence their financial sustainability. For MMDAs to generate their revenue, they must maintain a sound tax revenue base and put in systems to manage and collect revenue from property rates, taxes and other charges for providing services such as refuse removal and sanitation. The key challenges facing MMDAs to generate internal revenue are ineffective revenue collection strategies, the absence of comprehensive records on properties and businesses and a culture of nonpayment

(Republic of Ghana 2019: 132; Moloto & Lethoko 2018: 749; Kanyane 2011:935). These have the potential to weaken the financial sustainability of MMDAs.

According to Drew (2020: 262-287), globally, several MMDAs are facing financial sustainability challenges. Du, Zhang and Yang (2019: 5-19) opined that the rise in debt level hurts the financial sustainability of MMDAs. This implies that as debt levels increases, MMDAs will be required to pay their debts using the inadequate internally generated funds. However, Drew (2020: 262-287) mentioned that the ability of MMDAs to minimise their outstanding debt may mitigate the financial sustainability challenges. However, this study proposed that audit committee, internal auditors and board of directors' attributes could enhance the financial sustainability of MMDAs. The 1992 Constitution of the Republic of Ghana gives power to MMDAs to charge for services rendered, to collect money due and to levy interest on outstanding amounts. However, the MMDAs in Ghana are not able to collect monies due to them. These outstanding amounts also have the potential to affect their financial sustainability (Republic of Ghana 2019: 132; Moloto & Lethoko 2018: 749; Kanyane 2011:935).

From 2017 to 2019, the Auditor General's report disclosed that the total debtors of 260 MMDAs amounted to USD 2, 080, 962000 (Republic of Ghana 2019: 240). This was mainly property rate, dislodging fees and business operating permits. The MMDAs usually do not have rate registers to guide collection and also did not devise effective revenue collection strategies (Republic of Ghana 2019: 240). The report also emphasised that MMDAs' failure in the collection of debts results both from the municipal board of directors not supporting revenue enhancement programmes and inadequate administrative capacity for revenue collection (Republic of Ghana 2019b: 240). The Auditor General recommended to the management of the MMDAs to engage their Finance & Administration Sub-Committees of the General Assemblies to devise effective strategies to track and collect all revenue from property rates and business permits.

Revenue collection in MMDAs has become a major challenge because of the increase in debtors' value in recent years. This compromises MMDAs' financial position and thus increases the risk of financial sustainability. Moloto and Lethoko (2018: 749-757) and Kanyane (2011:939) mentioned that debt collection challenges in MMDAs are attributed to poor bookkeeping systems; an excessive number of indigent people; ratepayer boycotts aggravated by the culture of non-payment; accounts not sent to debtors or sent to the incorrect address; and consumers not willing to pay for services utilised. Meanwhile, the Local Government Act 2016 (Act 936) requires the management (especially the account officers) of MMDAs to ensure that the MMDAs maintain effective systems of revenue collection. This means the MMDAs are not complying with the Local Government Act 2016 (Act 936) because Sections 151 to 169 of the Local Government Act 2016 (Act 936) outline systems that deal with debt collection and debt management. Non-compliance with debt collection procedures outlined in the Local Government Act 2016 could affect the revenue base of MMDAs which, in turn, will affect their financial sustainability.

MMDAs in Ghana have three sources of revenue (Nkrumah 2000: 53). These include District Assemblies Common Fund, ceded revenue and internally generated funds (Nkrumah 2000: 53). Ceded revenue refers to revenue received from several lesser tax fields such as betting and advertisement taxes that the central government has ceded to the MMDAs. It is collected by the Internal Revenue Authority, and finally transferred to MMDAs through the Ministry of Local Government and Rural Development (Scott 2018: 216; Botchie 2000: 42). Nkrumah (2000: 53) suggested that ceded revenue has contributed quite substantial sums to MMDAs. On the contrary, Ayee (2000: 48) cited that several MMDAs in Ghana do not receive such disbursements from the central government.

However, Salisu (2017: 23-24) also classified local government revenue into two main categories for MMDAs in Ghana: These are internally generated funds which include rates, fees and fines, miscellaneous and licenses and transfers from the central government usually in the form of grants and District Assemblies Common Fund (Dick-Sagoe and Djimatey, 2015). In some countries, MMDAs are allowed to borrow money for capital investments in infrastructure. In Ghana, the laws make purchase of equity shares by local government authorities illegal. The sources of MMDAs’ revenue are property rates, business licenses, fees, fines and rent, District Assemblies Common Fund, District Development Fund and donor support (Salisu (2017: 23-24; Adu-Gyamfi 2014:97; Asante et al 2014; Akorsu 2015; Dick-Sagoe 2015; Puopiel & Chimsi 2015:147; Agyapong 2012: 27).

2.9.1 Property rates

Property revenue; the property revenue comprise rent on commercial buildings and land, ground rent, building plan approval and inspection fees, sale of boarded assets, land search and registration fees (Agyapong 2012: 27). Property rates entail a substantial part of the total revenue for MMDAs, but the collection of property rates is often not efficient. This is a common problem not only for Ghana but for many developing countries (Salisu 2017: 23-24; Adu-Gyamfi 2014:97; Dick-Sagoe & Djimatey 2015; Puopiel & Chimsi 2015:147). Property rate is a major source of revenue for several MMDAs. This is because real property is visible, immobile, and a clear indicator of one form of assets (Salisu 2017: 23-24; Adu-Gyamfi 2014:97; Dick-Sagoe 2012; Dick-Sagoe & Djimatey 2015:625; Puopiel & Chimsi 2015:147). Hence, in principle, property rate is difficult to avoid and if well administered it can represent one of the sources of revenue for MMDAs. Property rates can be mobilised by both local and central governments. When MMDAs administer the tax, they are responsible for maintaining property and ownership records, determining taxable property values, calculating and distributing property tax bills, managing receipt payments, and applying tax enforcement against non-payers (Salisu 2017: 23-24). In this case, MMDAs have the right to choose the tax rate, while the administration aspect of the tax is performed by the national revenue authority.

In some countries, including Malawi, property valuation is done by the central government, while MMDAs set rates for collection (Salisu 2017: 23-24; Akorsu 2015; Adu-Gyamfi, 2014:97). According to Salisu (2017: 23-24), West African French-speaking countries in general rely on the traditional French model, in which the property tax is administered and collected by the central government, whereas East and Southern African countries rely on local administration. This is usually recommended in the literature that stresses that taxes should be administered by the government that is entitled to their revenue. However, mixed results prevail in both cases in Africa. Expert opinion diverges on how to improve property taxation in developing countries. Some experts blame the excessive centralization of property tax policy, which bars setting higher tax rates (Salisu 2017: 23-24; Puopiel & Chimsi 2015:147). Others blame what they consider the almost total anarchy deriving from local government freedom in this field. There is also a dispute over tax administration.

2.9.2 Business licences

Business licenses are based on economic activities in the district (Salisu 2017: 23-24; Dick-Sagoe & Djimatey 2015: 625). This license serves as the permit for undertaking any such activity in the district (Salisu 2017: 23-24; Dick-Sagoe & Djimatey 2015: 625). Business operating permits and development permits are forms of licenses given to people to allow them to carry out some activities in the district. Licenses also comprise beer bar operators, palm wine and “pito” brewing fees, “akpeteshie” sellers and distillers, artisans, kiosk permits, private clinics, “chop” bars, trading stores, sawn millers, sawn board dealers, corn millers, bakers, contractors, hotels, herbalist, drug stores, “susu” operators, traditional birth attendant, lotteries, petroleum, health certificate, chain saw operator, block makers, bicycle, billboard, burial permit, hawkers, sale of tender forms and student levy (Dick-Sagoe & Djimatey 2015: 625). It provides revenue to support MMDAs in the performance of their functions (Salisu 2017: 23-24; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147; Adu-Gyamfi 2014: 97; Kokor 2001: 30). A study in Malawi concerning revenue mobilisation showed that local business license registers contain only information on those few smaller businesses being issued licenses by the MMDAs (Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147).

Local business taxes are generally levied in one of two ways, either as a fixed amount, which usually varies by type, size, or location of the business, or as a percentage of turnover or profits (Salisu 2017: 23-24; Devas & Kelly 2001: 381). It is always difficult to assess the profitability of small businesses because of the lack of or inadequate records keeping in the various jurisdictions of MMDAs (Kokor 2001: 30; Adu-Gyamfi, 2014: 97; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147). Thus, local business taxes often use proxies for turnover or profitability, such as the size of premises, type of business, number of employees, and installed electricity power among others (Salisu 2017: 23-24).

In Francophone countries in Africa, MMDAs levy a tax called the Patente, which was originally based on the French Taxe Professionelle (Salisu 2017: 23-24; Devas & Kelly 2001: 381). In Cote D‘Ivoire, the Patente was the largest single local revenue source in the 1990s, financing about 17 percent of the local government budget, and more in the capital Abidjan (Salisu 2017: 23-24). The calculation of this tax which involves the determination of the value of premises, number of employees, turnover and machinery employed is quite complex, however, if well administered can contribute a substantial amount to the revenue base of MMDAs (Salisu 2017: 23-24; Devas & Kelly 2001: 381).

2.9.3 User fees, fines and rents

The user fees are made up of hotel tax, trading licenses, parking fees (cars, taxis, buses and motorcycles), market dues, and fish monger permits, tender application fees, tourist license fees, registration fees for certificates of birth, marriage, death and political party registration

(Dick-Sagoe & Djimatey 2015: 625; Agyapong 2012: 27). Fees, fines, and rents are payments made by users of services provided by the MMDA. These services include markets, lorry parks, entertainment, kiosk fees, sand and stones winning, and court fines. The fees and fines are primarily funded by the District Assemblies Common Fund (Salisu 2017: 23-24; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015:147; Devas & Kelly 2001: 381). Hence, users of these facilities pay for the usage of these facilities. Rents are also collected from the hiring of market stores and the apartments of MMDAs. Fines include court fines on people who violate the MMDAs' bye-laws. The revenue from fees, fines and rents also comprise slaughter fees, traditional healers' practice fees, brewing and sale of alcohol, transportation of charcoal and wood, lumbering, and permits for stage plays and public entertainment (Dick-Sagoe & Djimatey 2015: 625; Agyappong 2012: 27).

Bahl et al (2003: 71-93) contended that user fees should play a prominent role in MMDA's finance. Fjeldstad et al (2004) mentioned that the rationale for user fees is to encourage the efficient use of resources within the public sector. User fees provide information to public sector suppliers on how much clients are willing to pay for particular services and by ensuring that what the public sector supplies are valued by citizens (Salisu 2017: 23-24; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147). User fees for trading services including water, electricity, sewage, and solid waste removal, are major sources of revenue in MMDAs in the urban areas (Salisu 2017: 23-24; Bahl & Smoke 2003). Salisu (2017: 23-24) highlighted that an increasing amount of evidence that suggests that the rate of contribution to payment of rates, taxes among others for the public good is affected by factors such as citizens' trust in others and the trustworthiness of the MMDAs to deliver quality and timely services. According to Salisu (2017: 23-24), these trusts are trust in the MMDAs to use revenues to provide expected services, trust in MMDAs to establish fair procedures for revenue collection and trust in other citizens to pay their taxes and rates.

2.9.4 District assemblies' common fund

The district assemblies' common fund is an additional source to the internal sources of revenue which is embodied in the 1992 Constitution of Ghana and implemented for the first time in 1994. The District Assemblies Common Fund is the largest source of revenue for the Assembly and contributes about 75% of the annual revenue of the MMDAs and other funds released to MMDAs from the Central Government (Salisu 2017: 23-24; Dick-Sagoe & Djimatey 2015: 625;

Puopiel & Chimsi 2015: 147). The fact emerging from the analysis above is that much of the funding received using central government transfers, including the District Assemblies Common Fund, is earmarked in some way and, as a result, MMDAs have little flexibility over how the funding is spent(Salisu 2017: 23-24; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147). The monies received for salary payments, which is the majority of the funds received by MMDAs are for staff in decentralised departments who report directly to sector ministries.

The need for the central government to provide financial support for MMDAs has been highlighted in the 1992 constitution. The 1992 Constitution of the Republic of Ghana recognised the need to strengthen the financial base of the MMDAs. The Constitution, therefore, requires the establishment of the district assemblies' common fund under section 252 (Salisu 2017: 23-24; Kelly, Montes, Maseya, Nkankha & Tombere 2001: 1). Section 252 of the 1992 Constitution requires the parliament to set aside not less than 5% of the national revenue to be shared among MMDAs for developmental purposes and ensuring effective discharge of statutory functions. Currently, the fund is 7.5% of the national revenue; about 50% of the total Common Fund is earmarked by the central government for specific purposes of MMDAs (Salisu 2017: 23-24; Adu-Gyamfi, 2014: 97; Akorsu, 2015: 1; Puopiel & Chimsi 2015: 147). This implies that the MMDAs have flexibility over 50% of the amounts allocated to support their local investment needs. Under the devolved form of fiscal decentralisation, MMDAs should have the ability to plan and budget for their own local needs.

2.9.5 The district development fund

The District Development Fund is a new funding source for MMDAs. The District Development Fund is pooled funding from both development partners and the Government of Ghana used to fund the MMDAs (Adu-Gyamfi 2014: 97; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147). The District Development Fund includes performance-based criteria to serve as an incentive to enhance financial management practices in the MMDAs (Adu-Gyamfi 2014: 97; Puopiel & Chimsi 2015: 147). The performance criteria are designed in such a way that no MMDAs are punished for actions beyond their control (Salisu 2017: 23-24; Adu-Gyamfi, 2014: 97; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi, 2015: 147). The MMDAs who meet the criteria receive additional resources. The District Development Fund also provides a more systematic approach to capacity building as capacity building is targeted at those MMDAs that are not performing adequately based on the functional and organisational assessment tool. But the district development fund is targeted toward development and capacity building and does not impact recurrent expenditures (Salisu 2017: 23-24).

2.9.6 Donor support

Donor support is the support that most district assemblies benefit from donor grants from development partners such as DANish International Development Agency and others to carry out certain projects in the MMDAs in Ghana (Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147). The evidence shows that DANish International Development Agency has provided water and sanitation facilities to some communities in the MMDAs in the northern part of Ghana (Adu-Gyamfi 2014: 97; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147). Other communities in some MMDAs have also received support from European Union, World Vision International and other donor organisations (Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147).

However, the low level of revenue collection by MMDAs, along with the mismanagement of funds by certain individuals within these organisations, has caused concern, particularly for the central government (Salisu 2017: 23-24; Adu-Gyamfi 2014: 97; Akorsu 2015: 1; Puopiel & Chimsi 2015: 147). Having realised that a decline in revenue constitutes a hindrance in local level development, MMDAs are empowered to adopt several strategies to strengthen revenue collection in MMDAs (Salisu 2017: 23-24). These strategies include the revaluation of land property rate; fair increase in rate payment levels; formation of an effective revenue task force for enforcement of revenue payments; strengthening the revenue mobilisation campaigns and education; and strengthening the internal governance of MMDAs (Salisu 2017: 23-24; Akorsu 2015: 1; Dick-Sagoe & Djimatey 2015: 625; Puopiel & Chimsi 2015: 147). When these strategies are well implemented, they will enhance the development of various communities within the jurisdictions of various MMDAs (Puopiel & Chimsi 2015: 147; Salisu 2017: 23-24; Adu-Gyamfi 2014: 97).

Despite MMDAs' inability to raise enough funds to support local-level development, utilisation of funds has been considered to be indiscriminate, with little regard for efficiency considerations (Williams 2017: 705; Republic of Ghana 2016: 9). Internally generated funds are integral component of MMDAs revenues, and its effective and efficient mobilisation and utilisation has strong positive implications on achieving a self-reliance regime in Ghana (Hackman et al 2021: 69; Yeboah & Andrew 2020: 69).

Notwithstanding, issues surrounding internally generated funds have been given very limited attention compared to central government's transfers to the MMDAs (Hackman et al 2021: 69; Yeboah & Andrew 2020: 69). Internally generated fund is composed of property rates, royalties from natural resources such as land; levies from commercial activities and businesses, fines and fees, rent from local government properties/facilities, and other miscellaneous revenues (Hackman et al 2021: 69; Yeboah & Andrew 2020: 69). Rates, fines, fees, charges and rents are fixed and approved by MMDAs through its annual fee-fixing and rate imposition resolutions. Among all the sources of internally generated funds, property taxes usually constitute the major component of the local tax revenue (Hackman et al 2021: 69; Yeboah & Andrew 2020: 69). It is worth noting that land; places of worship, cemeteries public educational institutions, public hospitals and clinics, public charitable organisations, palaces and premises of foreign embassies approved by the Ministry of Foreign Affairs are excluded from property taxation (Hackman et al 2021: 69; Yeboah & Andrew 2020: 69).

The empirical literature has shown that MMDAs in Ghana have several sources of internally generated funds but they are not financially sustainable (Hackman et al 2021: 69; Dzansi et al 2018: 4; Fosu et al 2013: 19). The empirical literature has also shown that little revenue MMDAs raise internally cannot cover their expenditure which has made them financially unsustainable (Hackman et al 2021: 69; Saasi 2019: 6; Saasi, 2019: 6; Fosu et al 2013: 19). The financial sustainability challenges facing MMDAs in Ghana obstruct their ability to effectively deliver services to the local communities (Hackman et al 2021: 69; Saasi 2019: 6; Saasi, 2019: 6). For MMDAs to be financially sustainable in order to continue service deliveries in their local communities, internal governance mechanisms are required to strengthen their internal revenue collection (Yeboah & Andrew 2020: 68; Hackman et al 2021: 69; Frank & Martinez-Vazquez 2014: 1).

2.10 Chapter summary

The chapter discussed a brief history of the Republic of Ghana. It discussed the concept of decentralisation in Ghana and the emergence of local governments in Ghana. The chapter indicated that the concept of decentralisation of the local governance system in Ghana is traceable to the colonial era when the system of indirect rule was in operation. According to Honyenuga and Wutoh (2019: 2), the local governance system in Ghana is traceable to the colonial era when the system of indirect rule was in operation. The local government system had gone through several reforms. However, the current practice of decentralisation and local government system restructuring emerged from the repealed Local Government Law 1988 (Provisional National Defense Council 207), as part of local government reform of the erstwhile Provisional National Defense Council in 1988 (Honyenuga & Wutoh 2019: 2). Article 240 (1) and (2) of the 1992 Constitution of Ghana further deepened the reforms on local governance and decentralisation (Hackman et al 2021: 382; Kpentey 2019:168). The Constitution also made provisions encouraging larger grassroots participation in the governance and accountability process from the top hierarchy to the bottom and vice versa (Hackman et al 2021: 382; Kpentey 2019:168). To operationalise the above provisions, the Local Governance Act, 2016 (Act 936) and the Local Government Establishment Instrument of 1994 (Legislative Instrument 1589) have been promulgated and enacted to promote and encourage popular participation in decision-making, and decentralised governance systems and processes to ensure the efficient and effective operation of the entire government machinery (Honyenuga & Wutoh 2019: 2). The chapter has made it clear that currently, there are 260 MMDAs in Ghana which consist of 6 metropolitan, 111 municipal and 143 districts.

The chapter has revealed that at the moment, the local governance system in Ghana comprises a four-tier structure. These structures operate at the regional, district and sub-district levels. These structures consist of Regional Coordinating Councils on the first tier, MMDAs on the second tier Urban or Town or Area or Zonal Councils on the third tier and Unit Committees on the fourth tier (Hackman et al., 2021: 382; Honyenuga & Wutoh, 2019: 2). Therefore, the Local Government system in Ghana has the following structure: (i) Regional Coordinating Council, (ii) Four-tier Metropolitan Assembly, (iii) Three-tier Municipal or District Assembly, (iv) Urban or Town or Area or Zonal Council, and (v) Unit Committee (Hackman et al., 2021: 382; Honyenuga & Wutoh 2019: 2).

The chapter has further shown that from the immediate period after independence in 1957 to the mid-1980s, the central government was responsible for local-level development. However, the 1992 Constitution of the Republic of Ghana mandated the creation of MMDAs to enhance developments at the local levels. Additionally, the chapter has revealed that despite the adoption of decentralisation concept, several MMDAs in Africa have faced governance challenges and poor service deliveries as a result of inadequate funds. The chapter has indicated that the main sources of revenue for MMDAs in Ghana come from three different avenues namely: intergovernmental transfers including District Assemblies Common Fund, recurrent expenditure transfers and ceded revenue; internally generated funds which comprise own revenues from tax and nontax sources such as rates, lands, licenses, fees, investment, rent and miscellaneous sources; and an additional source of finance from other financial arrangements for their capital investments such as borrowings, investment fund and nonmonetary arrangement that include community contributions (Fosu et al 2013: 19; Dzansi et al 2018: 4).

Additionally, the chapter has shown that MMDAs in Ghana are not able to raise adequate funds internally and therefore the little revenue raised internally cannot cover their expenditure (Saasi 2019: 6; Fosu et al 2013: 19). It has also been mentioned that the delegation of revenue collection and spending powers to lower levels of government, in turn, has had its share of challenges (Masaki 2018: 173; Fjeldstad & Heggstad 2012: 38). Fosu and Ashiagbor (2012) also added that a number of the MMDAs in Ghana are financially weak and depend on financial transfers and assistance from the central government. MMDAs in Ghana are faced with revenue collection challenges, which in turn affect continued service deliveries and developmental projects at the local levels (Hackman et al 2021: 382; NALAG 2021: 24; Saasi 2019: 6). As a result of inadequate internally generated funds, which in turn have resulted in financial unsustainability of MMDAs, this study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable.

CHAPTER 3

THE CONCEPT OF INTERNAL GOVERNANCE AND THEORIES

3.1 Introduction

The chapter 2 discussed a brief history of the Republic of Ghana, the concept of decentralisation and local governance in Ghana, and the concept of financial sustainability and internally generated funds. In this chapter, Section 3.2 discusses the concept of corporate governance; Section 3.3 discusses corporate governance mechanisms; Section 3.4 discusses internal governance mechanisms; Section 3.5 discusses the relationship between audit committee and internal auditors; Section 3.6 discusses the relationship between audit committee and board of directors; Section 3.7 discusses the theoretical literature review; Section 3.8 discusses the theoretical justification of the internal governance variables; Section 3.9 discusses the moderating role of audit committee on internal governance; and Section 3.10 discusses chapter summary.

3.2 The concept of corporate governance

The interest in corporate governance studies started due to the great depression of 1929 resulting from the stock market crash in the USA (Hazzaa, Abdullah & Aldhahebi 2022:1). Following the great depression of 1929 due to the poor governance, a number of studies on the concept of corporate governance have been conducted (Hazzaa et al 2022:1; Nordberg 2020:337; Pucheta–Martínez & Gallego–Álvarez 2020:1251; Pong 2017:1). The concept of corporate governance originated from the credibility that separation of ownership from management within organisations might result in abuse of managerial discretion or conflict of interest (Dwamena 2021: 1; Almoneef & Samontary 2019: 147). Nonetheless, the success of instituting corporate governance in a number of organisations in different countries commenced in 1990s (Hazzaa 2022:1; Ramedies 2020:1). Since then, corporate governance has been one of the significant phenomenon of concern among organisations and governments globally.

Corporate governance is recognised as one of the most important factors to build market-place confidence and attract positive investors in the organisation specifically and the economy generally (Mustapha et al 2020: 1; Abdelbadie & Salama 2019: 85). Promoting good corporate governance is considered to be essential in attracting investment and boosting the confidence of individuals (Mustapha et al 2020: 1; Abdelbadie & Salama 2019: 85). Corporate governance has become an issue of discussion in the public domain, which has attracted the attention of a number of academic researchers and practicing managers. Fraudulent activities in organisations all over the world in the recent years have clearly shaken stakeholders' confidence and historical antecedents in financial practice (Mustapha et al 2020: 1; Abdelbadie & Salama 2019: 85).

The financial crises is a consequence of poor corporate governance, especially management fraud (Vadasi, Bekiaris & Andrikopoulos 2020: 175; Musa 2018:1). The public sector in Africa, particularly Ghana, had its own share of such infectious financial crises. MMDAs in Ghana have witnessed untold financial sustainability issues due to persistent financial infractions exposed by a number of audit reports. These financial infractions and inability of MMDAs to increase their internally generated funds have made the MMDAs in Ghana financially unsustainable. Vadasi et al (2020: 175) and Musa (2018:1) indicated that corporate governance failure is the result of most organisations such as MMDAs being financially unsustainable. The Financial Reporting Council (2018:4) emphasised the fact that effective corporate governance contributes to the reinforcement of long-term performance of organisations. This implies that effective corporate governance could help MMDAs to be financially sustainable. A financially sustainable MMDA will be able to continue service deliveries to their communities and other stakeholders. In order to augment the effectiveness of the leadership structures, reaffirm the legal, regulatory and organisational frameworks, enhance transparency and accountability, corporate governance provides the measures by which MMDAs are governed to enable them to meet their financial sustainability objectives (Almaqtari, Shamim, Al–Hattami & Aqlan 2020:165; Bunget, Mateș, Dumitrescu, Bogdan & Burcă 2020:2; Rashid, Zobair, Chowdhury & Islam 2020:615; IoDSA 2016:111). Accordingly, the effect of corporate governance practices is essential for growth and contributes to the strengthening of long-term performance of organisations (Bunget et al 2020; Rashid et al 2020; Financial Reporting Council 2018:4). Corporate governance facilitates sustainable value creation such as financial sustainability and ensures checks and balances, strengthens organisations, enhances mitigation of risks, decreases corrupt practices, fights against poverty and enhances employment creation (IoDSA, 2016:1; Curi, Gedvilas & Lozano-Vivas 2016:1340; Monks & Minows 2011:4).

Recent studies such as Dwamena (2021: 1), Almoneef and Samontary (2019) and Ljubojevic et al (2013) have indicated that corporate governance can be conceptualised and understood in two dimensions namely relationship or association and system or mechanism. Firstly, corporate governance as a *relationship* is underlined by a relationship existing between the organisation and its stakeholders (such as communities, employees, creditors and competitors). Secondly, corporate governance as a *mechanism* is underlined by its use as a monitoring, supervision and checking behavioral tool by top level management of nations and corporations (Dwamena 2021: 1; Ljubojevic et al 2013). Despite these two projected meanings, Dwamena (2021:1) contended that the *relationship* aspect of corporate governance is a sub-dimension of the general *mechanism* aspect. Thus, the study adopted the mechanism aspect of corporate governance. Farber (2005:539) indicated that there is no single generally accepted definition of corporate governance. The definition of corporate governance by scholars is underscored by the objective of the study.

Corporate governance has both narrow and broad concepts (Callahan & Soileau 2017: 122; Chan & Kogan 2016: 121). The narrow concepts of corporate governance identify the relationships between shareholders, the board of directors, management and auditors (Chan & Kogan 2016: 121). However, the broad concept is how the organisation maintains honesty and openness, which is essential for the efficiency of capital allocation, market confidence, and development of the organisation (Callahan & Soileau 2017: 122). Both the narrow and broad concepts work together to ensure efficiency and effectiveness in allocations of resources to organisations (Chan & Kogan 2016: 121).

There is no generally accepted definition of the concept of corporate governance at the local government level. Different studies use diverse organisational governance definitions, instrumentations, and guides depending on the study (Marsidi, Annuar & Rahman 2017: 563; Wilbanks, Hermanson & Sharma 2017: 21). Thus, a number of diverse definitions have been used to measure corporate governance. However, the descriptions of corporate governance can generally be classified into two categories. The first category identifies financial structures, growth, efficiency, performance, and behavioral relationship with shareholders (Zainuldin, Lui & Yii 2018: 297). The financial structures look at the behavior patterns of organisations based on current study. The second category of definitions looks at the framework of corporate governance and the rules and regulations that govern, control, and supervise the activities of organisations (Garcia-Sánchez & Garcia-Meca 2018; Selmier 2016: 238). The second category looks more at the normative framework of corporate governance, also based on current study. Even though the two categories are different, there are some overlapping ideas. For this study, several definitions were discussed, mainly the ones that were consistent with the agency and resource dependency theories.

Bezawada and Adavelli (2020: 83) referred to corporate governance as the organisational structure that seeks to enhance the achievement of organisational objectives. Corporate governance depicts critical policies and procedures entrenched in an organisation to prevent it from falling into financial crisis because of ineffective management (Bouziane & Belhadef 2017: 645). Corporate governance is a system of rules, practices, and processes that an organisation uses to balance the interest of the organisation's stakeholders, senior management, executives, employees, and communities (Tarchouna, Jarraya & Bouri 2017: 645).

Sarkar and Sarkar (2018) indicated that corporate governance covers the institution of an appropriate legal, economic and institutional setting that provides the ground upon which agencies strive to achieve long term shareholder value and optimise human-focused growth while remaining conscious of their other critical roles and duties to diverse stakeholders and the society as a whole. It is succinct to maintain that corporate governance is a very vital and broad concept that encompasses significant organisational values or structure and processes (Sarkar & Sarkar 2018). It provides the framework upon which organisations can be governed, managed and controlled (Sarkar & Sarkar 2018).

Selmier (2016: 253) referred to corporate governance as the framework of rules that the board of directors uses to ensure the organisation operates transparently while maintaining fairness. Garcia-Sánchez and Garcia-Meca (2018: 238-254) identified several fundamental corporate governance principles that are perceptible regardless of the organisation definition of corporate governance. Accountability, integrity, transparency, and responsibility are the basic principles that a number of studies use to interpret corporate governance. Since there is no standard definition of corporate governance, management scholars define corporate governance concerning their organisation (Callahan & Soileau 2017: 122).

According to Ofuani, Sulaimo and Adebisi (2018: 192), corporate governance is the manner in which organisations are directed, controlled and held to account with special concern for effective leadership of the organisations to ensure that they deliver on their promises as the wealth creating organ of the society in a sustainable manner. Corporate Governance is the system by which organisations are directed and controlled (Datta 2018: 1).

While the individual definitions of corporate governance differ, they all contain one essential element concerning how corporate governance supervises and controls the organisation's management behaviour (Silva, Quelhas, Gomes & Domingos 2017:144). Corporate governance refers to the control mechanism that governs the management activities monitored by the board of directors (Vadasi et al 2020: 175). The organisations' system that is controlled and monitored is called corporate governance (Heenetigala, Armstrong & Clarke 2011: 43). The traditional definitions of corporate governance do not focus on the guidance that shareholders exercise on the board of directors and management to ensure they behave in the best interests (Yeh 2017: 245). Furthermore, corporate governance has many definitions to avoid the traditional approach (Vadasi et al 2020). The traditional corporate governance approach focused on the legal relationship between management, shareholders, and the board of directors.

Ghosh (2018: 78) referred to corporate governance as a system of rules and regulations that allow the institutional market to arise to pursue different categories. To increase the organisation's future revenue, an organisation needs to maintain stable corporate governance. Douissa and Azrak (2017: 467) also referred to corporate governance as a system where organisations are governed, monitored, and directed through the distribution of rights from the board of directors, stakeholders and management. The purpose of this definition shows how the relationship between boards of directors and management are controlled and governed by the stakeholders.

Adiloglu and Vuran (2012: 543) furthermore referred to corporate governance as a set of rules that monitor the connection between the organisations' principals and agents and how they relate to the rights and responsibilities of stakeholders. This particular definition emphasises the system used to regulate the controls of the organisation. Hence, corporate governance identifies the policies, procedures, and rules that the organisation must follow to properly control and monitor organisation performance (Primec & Belak 2018: 203). Corporate governance effectiveness depends on the broader environment in which it functions. For example, legislative environments include enforcement and efficient shareholder protection laws and general environmental support for businesses (Zainuldin, Lui & Yii 2018: 297). The focus of these definitions is how corporate governance governs, monitors, and controls organisations by identifying responsibilities and rights among management, the board of directors, and shareholders (Inya, Psaros & Seamer 2018: 1425).

Additionally, governance is not a new concept and does not have a single definition (da Cruz & Marques 2016: 1). A straightforward definition is that governance is the process of making decisions and the process of how those decisions are implemented or not implemented. Governance can be implemented in various contexts such as corporate governance, international governance, national governance, and local governance (Rahayu & Rahayu 2020: 7). Good regulations in a variety of settings, such as economic, social, political, legal, administrative, personnel, and other environments, are called good governance. Adedokun et al (2016) alluded that effective corporate governance enables organisations to pursue their goals effectively and timely. This implies effective corporate governance can help MMDAs to be financially sustainable. A financially sustainable MMDAa will be able to deliver services contineously.

The most common definition used for corporate governance is the distribution of rights and responsibilities among different organisations (Cretu 2012: 621). This implies once the rules and responsibilities are identified, the organisation will see an improvement in its decisions. Hence, this definition focuses on corporate governance that provides the proper foundation to set the organisation objectives and determines how the goals are achieved while monitoring organisation performance. Corporate governance is often seen as an essential component for organisations that need to improve their financial sustainability while increasing the confidence of communities. In this case, a corporate governance system encompasses the connection between the board of directors, auditors, communities, and management. It also creates how MMDAs set financial sustainability objectives while monitoring and controlling the process (Gupta & Sharma 2014: 4; Agyei-Mensah 2018:349).

Also, corporate governance refers to the set of mechanisms that affect organisations to determine the effective decisions in order to enhance financial performance (Abdelbadie &

Salama 2019: 85). Furthermore, corporate governance shows the providers of funds the returns received on their investments. This definition of corporate governance directly relates to the principal-agent relationship in agency theory. Agency theory centres on the delegation to management to act in the best interests of the owners. Management also has responsibilities to the stakeholders, leading to an adverse selection that leads to agency costs (Maxfield, Wang & de Sousa 2018: 485). Therefore, organisation activities are greatly affected by the involvement of the board of directors, internal auditors and audit committees. The board of directors, internal auditors and audit committees control and monitor how management act on behalf of the shareholders (communities).

The final definition of corporate governance addressed is the structure and processes used by management to improve corporate accountability, financial sustainability, and improving and protecting the interest of stakeholders (Vadasi et al 2020: 175). The basis of this definition is the interests of the communities and how they connect with the MMDAs' financial sustainability decisions. In this definition, an MMDA's structure and process can enhance its financial sustainability (Ghosh 2018: 78). The different groups of definitions connect corporate governance to both the prosperity of the organisation and the increase in value of stakeholders. For this reason, the main component of corporate governance definitions is that both the MMDAs and communities see an improvement in revenue collection, which in turn enhances financial sustainability. Therefore, this study refers to corporate governance as the process in which the board of directors, internal auditors, and audit committees work together to guide and supervise management. Its purpose is to establish and manage relationships between MMDAs and communities, with the aim of increasing internally generated funds. This, in turn, will improve the financial sustainability of MMDAs (Hazzaa et al 2022:1; Ahmed, Alabdullah, Shaharudin & Putri 2020:1; Bunget et al 2020:2; Huy, Thuy, Dat, Dung & Manh 2020:56; Rashid et al 2020:615). Effective corporate governance enhances the efficiency of MMDAs, resulting in the improvement in financial sustainability (Caprio & Levine 2002:17). A financially sustainable MMDA will be able to deliver on its mandate in terms of provision of services to the communities.

The differences between the above definitions of corporate governance illuminate the different views of researchers. The variance between the different definitions is because of the diverse subjects covered by corporate governance and the views of different people. Every scholar has a different intellectual background or interest that affects their definition of corporate governance. The definitions of these scholars are revised based on the topic researched. Even with several definitions corporate governance, there are some common aspects. All the different definitions and explanations to corporate governance refer to a conflict of interest between management and stakeholders (communities) when management and ownership are separate (Vadasi et al 2020: 175). Corporate governance will be effective in MMDAs when the board of directors, auditors, management, communities, and employees have the same objective in mind for the MMDA. With the same objectives, MMDAs can increase revenue generation thereby enhancing their financial sustainability.

3.3 Corporate governance mechanisms

As a result of global financial crises such as the collapse of Enron and Worldcom and financial scandals, corporate governance has become a substantial issue in the public sector organisations. Many solutions have been built upon effective corporate governance mechanisms and external monitoring mechanisms (El Khoury 2018: 83). The mechanisms were put in place to reduce the inefficiencies arising from adverse selection and moral hazard (Agrawal & Cooper 2017: 1). Corporate governance mechanism aims to assure that the actions taken by the management is truly for the stakeholders' interest. Iskander (2017: 9) argued that monitoring mechanism in the corporate governance can be divided into two categories: internal mechanism and external mechanism. The internal mechanisms relate to board directors, internal auditors and the audit committees (Iskander 2017: 9). The external mechanisms relate to market control and debt financing (Iskander 2017: 9). Ntim (2018:1) indicated that the external corporate governance mechanisms may comprise the legal system, the market for managerial labour and corporate control, regulators, local communities, cultural, political, social and economic policies, and institutions within which organisations operate. The organisations' activities are monitored and controlled through internal mechanisms, while external mechanisms comprise the control exercised over organisations by external stakeholders (Onofrei, Firtescu & Terinte 2018: 317). Todorovic (2013:47) argued that corporate governance comprises the relationship between organisations and their different stakeholders and that this relationship determines the organisations' strategic direction and performance. Gregory (2013:31) claims that effective corporate governance mechanisms position board of directors to make timely and objective decisions in support of improvement in financial sustainability, while preventing the individual self-interest of any participant from influencing outcomes that would be detrimental to the organisation's interests. Similarly, Daryaei and Nejad (2012:200), as well as Jerab (2012:1), argued that the presence of internal governance can result in the improved financial sustainability of organisations.

Governance in the public sector can be tricky, as governments around the world strive to create an effective system of checks and balances while maintaining transparency and efficiency. Nashwa (2005:42) argues that many MMDAs lack either an effective administrative structure or the ability to manage resources properly, leading to greater risks and often resulting in mismanagement. To counter these hazards, according to Nashwa (2005:42), there are various strategies that can be implemented to enhance governance. These include modernising bureaucratic procedures, establishing clear guidelines for decision-making and operations, improving monitoring systems at all levels of government bureaucracy to ensure accountability, and introducing independent bodies like audit committees.

Public sector audit committees are often overlooked, but they are incredibly important in ensuring good governance and preventing fraud. Davies (2009:42) provides a comprehensive guide to public sector audit committee work, offering up practical advice on key elements such as designing an effective committee structure, making sure the right resources are in place including technical expertise and support, strengthening internal controls and risk management procedures, developing audit strategies to cover current risks,and demonstrating how performance is being managed. This is essential guidance for all audit committees active in the public sector – providing insights into best practice and allowing committees to be well informed about their roles and responsibilities. Davies (2009:42) also recognises that the public sector audit committee tends to adopt the private sector audit committee as a blueprint for their audit committee development.

A key principle of the transition from private sector to public sector, as highlighted by Purcell (2012:28), is that public sector organisations need to focus on a goal-based agenda rather than bottom line results. This means that instead of focusing solely on revenues, public sector organisations should aim to ensure the successful delivery of services in order to best serve their citizens. To do this, organisations must develop strategies for operations and resource management that take into account both the short and long term effects of their decisions. Furthermore, public leaders should be able to recognise the interconnectivity between departments within their organisation, allowing them to make informed decisions based on an understanding of how different areas interact with each other (Purcell 2012:28). Finally, effective collaboration between government entities and external stakeholders can help achieve objectives more efficiently and effectively while also leveraging resources more efficiently (Purcell 2012:28).

The importance of audit committees in the public sector cannot be overstated. As Hardiman (2006:50) outlines, audit committees are an invaluable asset for ensuring that public authorities are held accountable and transparent in their operations, preventing wasteful or fraudulent expenditures and improving internal controls and financial reporting systems. Furthermore, audit committees can help organisations create cost-effective budgets while identifying areas where greater efficiency can be achieved essentially maximising value for taxpayers' money. On a more proactive level, audit committees also act as advisors on developing public sector policies and procedures that adhere to relevant regulations and laws. Without these watchdogs keeping a keen eye on the numbers, it would be impossible to maintain the high standards of governance expected from organisations. Good governance is critical in Ghana, and the Public Finance Management Act 2016 seeks to ensure this through a set of principles. These include having clear roles and responsibilities within government, ensuring transparency and accountability in public finance management, promoting financial inclusion, and encouraging private sector participation (Republic of Ghana 2016b:6). The Act also serves to create an efficient and cost-effective system of public financial management backed by strong internal controls (Republic of Ghana 2016b:6). Ultimately, the aims of this Act are to improve management and oversight of Ghana's public finances for greater efficiency and effectiveness in delivering on socio-economic objectives (Republic of Ghana 2016b:6). The Public Finance Management Act 2016 clearly states the applicability of the principles of good governance in both the public (government) and private (corporate) organisations and the governance code was drafted to refer to organisations and governing bodies rather than refer to companies and boards of directors (Republic of Ghana 2016b:6). In the private sector, there is strong support from various academics and professionals for audit committees to be part of public sector governance structures. Within the different contextual environment, it is necessary to consider whether there are perceived differences in audit committees in the private sector versus the public sector. Whether it is the taxpayer’s money or hard-earned investments of shareholders in the private sector that are being spent, it has become increasingly important that there are proper structures in place to exercise some oversight over the management of others' funds. One of the structures to exercise an oversight role over management is the audit committee (Agulhas 2006:30). Magrane and Malthus (2010:427) mentioned that the aim of the audit committee is to improve either private or public sector governance.

The role of an audit committee in the public sector can be incredibly beneficial; providing an extra level of assurance for organisations and stakeholders. The IIA (2014:15) has developed guidance for audit committees which outlines the fundamentals of this function including their importance to the financial decision-making process, monitoring performance and risk management, as well as their responsibility to report concerns to governing bodies. This can help the organisation to prevent fraud, manage resources more efficiently and create more efficient internal processes. Ultimately audit committee is a vital element in good governance and can be relied upon to identify risks and provide assurance that issues are being addressed correctly (IIA 2014:15). According to IIA (2014:15), an audit committee plays a crucial role in ensuring that reliable information is accessible for effective accountability and transparency. The IIA (2014:15) also acknowledges the similarities between audit committees in both the government and private sectors. However, there is one notable distinction highlighted by IIA (2014:15), which is the public interest that specifically applies to audit committees in the government sector. The IIA (2014:15) referred to the term 'public interest ' as the net benefits derived for, and procedural rigour employed on behalf of, all society in relation to any action, decision, or policy.

Purcell (2012:3) also emphasises that accountability in local government has a broader dimension than in the private sector. Accountability in the private sector relates to the management of business interests for the shareholders while in local government accountability is multifaceted as a result of diverse social, political, and financial goals for the community. The author stated that governance in MMDAs is like corporate governance in the private sector but has the political dimension of elected councillors. MMDAs have legislative and taxing powers and have to provide services. There could also be competing stakeholder demands that range from expectations from government for delivery of services, the 'needs' and 'wants' of the community, expectations from users of council services, and motivations and personal agendas of councillors (Roose 2021: 29; Purcell 2012:30).

3.4 Internal governance mechanisms

Financial failures, which result in financial unsustainability have taken place in developed and developing countries globally and will continue to occur if financial supervision especially in the area of financial sustainability remains unattended (Zeranski & Sancak 2020: 1). Effective internal governance can play a vital role in enhancing financial sustainability (Asogwa, Ofoegbu, Nnam, Chukwunwike & Ntim 2019: 1). A number of studies (Shahroor & Ismail 2022:1; Abdelsalam, Dimitropoulos, Elnahass & Leventis 2016:155; Sáenz González & García-Meca 2014:419) have established that internal governance mechanisms are more effective in enhancing financial performance as compared to the external governance mechanisms. Moreover, Wakaisuka-Isingoma, Aduda, Wainaina, Mwangi & Ntim (2016: 1) argued that internal governance ensures a balance between social and economic and individual and communal goals, aligns the interests of individuals, organisations, and society and encourages efficient use of resources and accountability. The presence of audit committees in organisations helps to reduce agency costs and improves financial performance (Haque, Arun & Kirkpatrick 2011: 673; Hasan & Rahman 2020: 329: 329; Muktadir-Al-Mukit & Keyamoni 2019: 1-9; Rashid, Zobair, Chowdhury & Islam 2021: 615; Razzaque, Ali & Mather 2020: 59).

Buallay (2018: 183) referred to internal governance as bodies responsible for maximising the value of organisations through monitoring, control, trustworthiness, dependability, and management of risk and finance of the organisation in order to avert any gaining of a personal advantage by the managers. Internal governance structure identifies the sharing of responsibilities and rights within various participants in the organisation such as the board of directors, internal auditors and shareholders (Mansur & Tangl 2018: 97). In relation to the organisational stakeholders, internal governance identifies the stakeholder’s rights and gives confidence between the board of directors and stakeholders (Mansur & Tangl 2018: 97). Internal governance also provides the structure through which the goal of an organisation is set (Mansur & Tangl 2018:97). Organisations that have good internal governance structure facilitate the work of an auditor, if auditor works with honesty and diligence (Mansur & Tangl 2018: 97).

Onofrei, Firtescu and Terinte (2018: 317) as well as Apadore and Subaryani (2014:164) argued that the internal governance mechanisms are under the control of the organisation, it is much easier to measure their relationship with financial performance than using the external structures. This study therefore focused on the influence of internal governance mechanisms on financial sustainability at the local government level in Ghana. This study therefore focused on internal mechanisms, particularly the board of director's attributes (size, gender diversity and independence), audit committee attributes (meetings, independence and competence) and internal audit attributes (size, independence and competence). Internal governance improves the financial performance of organisations and financial sustainability in the long run (Gillani, Ramakrishnan, Raza & Ahmed 2018:30; Goel 2018: 1), as well as positively impacts the internal efficiency of the organisations (Tadesse 2004: 701), and it minimises fraud and manipulation which might lead to financial unsustainability (Ragab & Saleh 2021: 1).

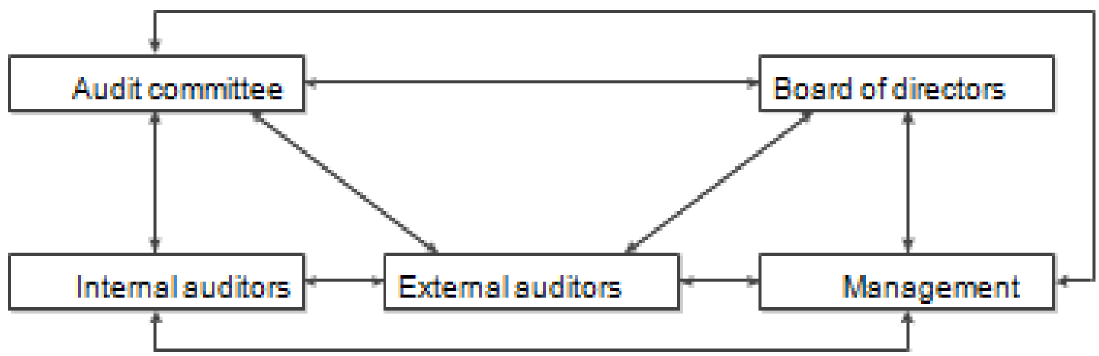
Internal governance mechanisms are the procedures, tools, and systems which direct and control the organisation in the right direction. Through these tools and system, stakeholders of the organisation ensure and track return on their invested finances and also reduces principal-agent problems (Rudkin, Kimani & Ullah 2019: 158; Waheed & Malik 2019: 146). Effective internal governance is essential for any organisation's overall safety and soundness (Greene, Jones & Powers 2004: 3). Effective internal governance help organisations improve accountability, efficient use of scarce resources, and attract quality and long-term investors at lower costs. These, in turn, contribute to organisations' competitiveness and thereby its development (Madhani 2020:45). Gebba (2015:30) referred to the internal governance mechanisms as the tools used to control the behaviour and limit the actions of management in organisations.

The collapse of organisations such as Toshi, Enron and WorldCom called for the need for an establishment of effective internal governance mechanisms in organisations (Al-Sayani et al 2021: 1; Norwani et al 2011: 205). Internal governance involves achieving a balance between individual and communal objectives (Al-Sayani et al 2021:1; Wakaisuka-Isingoma, Aduda, Wainaina & Mwangi 2016: 1261). It aims to promote the efficient utilisation of resources, exercise of power, accountability, and stewardship(Al-Sayani et al 2021:1; Wakaisuka-Isingoma et al 2016:1261). Additionally, it seeks to align the interests of individuals, organisations, and the community (Al-Sayani et al 2021:1; Wakaisuka-Isingoma et al 2016:

1261). Internal governance can play an essential role in ensuring that organisations are financially sustainable (Asogwa, Ofoegbu, Nnam & Chukwunwike 2019: 1). The primary attention has been accorded by the main internal governance players such as the audit committees, board of directors, internal auditors and management (Al-Sayani et al 2021: 1; Norwani et al 2011).

The audit committee attributes are of importance for the practice of corporate governance (Al-Sayani et al 2021: 1; Tušek 2015). The audit committee attributes may enhance its monitoring functions and result in improvement in financial sustainability. The existence of audit committee is important but not adequate to ensure effective monitoring and financial sustainability (Bajra & Cadez 2018). Audit committees monitor the financial sustainability process of organisations. Al-Sayani et al (2021: 1) stated that the presence of audit committees enables the board of directors to ensure high audit quality and monitor the financial sustainability process. Al-Sayani et al (2021: 1) are of the view that an effective internal governance mechanism enables the management to utilise the resources of the organisation to protect the interests of stakeholders. Furthermore, it is argued that the audit committees, board of directors and the internal auditors are responsible to control the management practices in organisations (Al-Sayani et al 2021: 1). Therefore, it is argued that establishment and maintenance of internal governance mechanisms is imperative for MMDAs to improve in financial sustanability. Internal governance mechanisms include board of directors, audit committee and internal auditors (Ismael & Roberts 2018:288; Davidson et al 2005: 241; Cohen et al 2004: 87; Goodwin-Stewart & Kent 2006: 41). Thus, the internal governance mechanisms used in this study include the board of directors, audit committee and internal auditors. Cohen, Krishnamoorthy and Wright (2004:87) proposed a model of internal governance which included five internal governance stakeholders (internal auditors audit committee, management, external auditors and the board of directors).

Figure 3.1: Internal governance mechanisms



Source: Cohen et al (2004: 87).

From the Figure 3.1 above, the model shows that that the internal auditors have direct relationships with the audit committee, senior management and external auditors, and only an indirect relationship with the board of directors. The audit committee also has direct relationship with the board of directors and internal auditors as well as external auditors. The board of directors also have direct relationship with the audit committee, external auditors and management. Management is responsible for monitoring, implementation and development of corporate strategy focused towards achievement of sustainable organisational goals which can eventually achieve financial sustainability (Rehman 2021: 7). In the context of MMDAs, management includes group of experts such as district chief executive officers and the chief financial officers responsible towards performance of the MMDA and is mainly accountable for the achievement of financial performance goals, mission and vision of the MMDA (Rehman 2021: 7; Carcello 2009: 869). Management is responsible for maintaining a positive relationship with various stakeholders of the MMDA, including audit committees, board of directors (council members), and internal auditors (Rehman 2021: 7; Trotman 2013: 15).

However, Figure 3.1 shows that audit committee acts as as an intermediary between the board of directors and internal auditors. The interactions among the audit committee, internal auditors, board of directors and the other governance mechanisms are essential to effective corporate governance (Cohen et al 2004: 87; Gramling, Maletta, Schneider & Church 2004: 194). As already discussed, this study focused on the audit committee, board of directors and internal auditors as the three key internal governance mechanisms. In this study, it is argued that the audit committee attributes can strengthen the relationship between the internal auditors and board of directors attributes to determine the financial sustainability of MMDAs. The sections below discuss the concept of board of directors, internal auditors and the audit committee. This section further discusses the relationship between audit committee, board of directors and internal auditors.

3.4.1 The concept of board of directors

In the public sector, different countries, governments and jurisdictions define the term ‘board’ in different ways (IIA 2014:4). In congressional countries where the government or president holds the executive authority and not a member of the legislature and is separately elected, the responsibilities of the board are vested in individuals (IIA 2014:4). IIA (2014:4) indicates that the term board can also refer to legislative bodies such as state legislatures or city councils in state or local governments. In the Ghanaian context, MMDAs have independent council members similar to the term “board” used in the private sector.

IIA (2019:11) referred to board as the highest level governing body charged with the responsibility to direct and and oversee the activities of the organisation and hold senior management accountable. Edia and Jessica (2020: 31) referred to board of directors as a group of people that are appointed to supervise, take charge of an organisation’s operations, and act in accordance to organisation’s objective. An effective board of directors is an indication of good governance mechanism. Board attributes can be measured in various ways such as: board size, board independence and board gender diversity (Nugroho & Eko 2011).

***Establishment of the MMDA board of directors*:** In the context of public sector organisations especially at the local government level, the governing and management functions may be separated, with a non-executive supervisory board who oversee an executive management board, in what is normally described as a “two-tier” board structure (International Federation of Accountants (IFAC 2001: 7). In some local governments the governance arrangements are also characterised by a two-tier structure. However, the simple model is complicated by the fact that the top (supervisory) tier comprises democratically elected councilors, whose role; while broadly analogous to that a non-executive board is significantly different in that it fulfills essentially a political advocacy and representational function (IFAC 2001: 7). Every public sector organisation needs to be headed by an effective governing body (referred to as the council in the MMDAs and used in this study as board of directors) to lead and control the organisation, and monitor the executive management (Hazzaa et al 2022:9; Keay & Loughrey 2015:1; Ramdani & Witteloostuijn 2010:607; IFAC 2001: 47).

Appointment of board of directors**:** Al-Rawashdeh et al (2017: 283) referred to a board as a cluster of persons elected by the shareholders of an organisation to govern and manage the affairs of the organisation. In this case, the board of directors of public sector organisations is appointed by the government and is accountable to the citizens of the country. In the context of private sector organisations, shareholders nominate the board of directors to supervise the activities of the organisations (Matei & Drumasu 2015: 500). In Ghana, the corporate governance framework for MMDAs is regulated by the Public Financial Management Act 2016 (Act 921), the Local Governance Act 2016 (Act 936) and the Internal Audit Agency Act 2003 (Act 658) (Republic of Ghana 2016). As discussed in Section 1.2.1, Section 20 of the Local Government Act 2016 (Act 936) empowers the government through the shareholding minister (Minister of Local Government and Rural Development) to make sure that the board of directors or council members are appointed and inaugurated in all MMDAs.

Composition of board of directors**:** In the Ghanaian context, Article 242 of the 1992 Constitution states that the board of directors of an MMDA must be composed of one person from each local government electoral area within the district. These individuals are elected through universal adult suffrage. The board also includes the member or members of parliament from the constituencies that fall within the MMDA's area of authority, but they do not have the right to vote. Additionally, the metropolitan, municipal, and district chief executive of the MMDA is a member of the board. The president appoints other members, who should not exceed thirty percent of all the members of the MMDA. These appointments are made in consultation with the traditional authorities and other interest groups in the district (Republic of Ghana, 1992 para. 242).

Role of the board of directors**:** In the context of private sector organisations, the boards of directors serve as a link between the shareholders and the management, and are the instrument through which management is accountable to the shareholders and by which their performance is appraised (IoDSA 2016:40; IFAC 2001: 6). The boards of directors perform both monitoring and supervisory functions, represented by non-executive directors independent of line management; and a management function, represented by executive directors employed directly by the organisation, who are responsible for the day-to-day management of the operations. The board of directors analyse the market expectations and the society's demands and develop a strategy, so as to achieve their proposed objectives (Matei & Drumasu 2015: 500). The boards of directors are responsible for recruitment of managers, supervisors and operational staff, so as to implement the strategy (Matei & Drumasu 2015: 500). The board of directors set the organisation's objectives and based on these; develop policies and strategies in the specific fields of activity (Matei & Drumasu 2015: 500). In order to achieve all the set objectives, the boards of directors establish key performance indicators, which represent targets and which will be part of performance reports (Matei & Drumasu 2015: 500).

The board of directors of public sector organisations need to establish appropriate arrangements to ensure that they have access to all such relevant information, advice and resources as are necessary to enable them to carry out their role effectively (Hazzaa et al 2022:9; Bankewitz 2017:521; Ramdani & Witteloostuijn 2010:607; IFAC 2001: 16). To ensure that the direction and control of the organisation is firmly in their hands, the board of directors of public sector organisations need to establish and maintain an up-to-date framework of delegated or reserved powers that includes a formal schedule of those matters specifically reserved for the collective decision of the governing body (IFAC 2001: 16). To support them in carrying out their duties, the board of directors of public sector organisations need to establish clearly documented and understood management processes for policy development, implementation and review; decision-making, monitoring, control and reporting; and formal procedural and financial regulations to govern the conduct of the governing body's operations (IFAC 2001: 16; Ramdani & Witteloostuijn 2010:607; Hazzaa et al 2022:9; Keay & Loughrey 2015:1). There needs to be a formal and transparent process to ensure that appointments to the board of directors are made in accordance with specified criteria of competence and on the basis of merit and the individual's ability to carry out a defined role within the organisation (IFAC 2001: 16; Ramdani & Witteloostuijn 2010:607; Hazzaa et al 2022:9).

In the area of control functions, the board of directors performs functions in the areas of risk management, internal audit, audit committee and internal controls (IFAC 2001: 17). The board of directors of public sector organisations needs to ensure that effective systems of risk management are established as part of the framework of control. The governing bodies of public sector organisations need to ensure that an effective internal audit function is established as part of the framework of control (IFAC 2001: 17). The boards of directors of public sector organisations need to establish an audit committee, comprising non-executive members, with the responsibility for independent review of the framework of control and of the external audit process and internal control (IFAC 2001: 17). An audit committee, as a sub-committee of the board of directors, needs to be responsible for managing the relationship with the external auditors. The board of directors of public sector organisations need to ensure that a framework of internal control is established operates in practice, and that a statement on its effectiveness is included in the organisation’s annual report (IFAC 2001: 17).

In the area of budgeting, financial management and staff training, the board of directors of public sector organisations need to oversee, and ensure that procedures are in place that will result in, effective and efficient budgeting and financial management, and also need to ensure that training programs are in place so that staff are competent to perform the task at hand (IFAC 2001:18; Frijns et al 2016; Brooks 2016; Ramdani & Witteloostuijn 2010:607; Hazzaa et al 2022:9). The board of directors of a public sector organisation needs to be responsible for overseeing and monitoring effective and efficient financial management in the public sector organisation (Frijns, Dodd & Cimerova 2016:521; Brooks 2016:128; IFAC 2001:18). The objective of a financial management system in the public sector is to support management in their deployment of limited resources with the purpose of ensuring economy and efficiency in the delivery of outputs (i.e. services and or goods produced by organisations in terms of quantity, quality, cost and time), required to achieve desired outcomes (effectiveness) that will serve the needs of the community (Hazzaa et al 2022:9; Frijns et al 2016:521; Brooks 2016:128; Ramdani & Witteloostuijn 2010:607; IFAC 2001:18). Financial management embraces daily cash management as well as the formulation of medium and long-term financial objectives, policies and strategies, in support of the operational plan of the organisation (IFAC 2001: 47). Financial management includes the planning and control of capital expenditure, working capital management, and funding and performance decisions (IFAC 2001: 47). The board of directors supervises the supporting financial and management accounting functions, and the internal control environment, as well as supporting financial information systems (IFAC 2001: 47). An assessment of the performance of staff will ensure that individual performance is linked to the operational plan of the public sector organisation (Ramdani & Witteloostuijn 2010:607; Hazzaa et al 2022:9).

The role of the board of directors in revenue generation according to IFAC (2001:18) is to set the strategic direction, review and approve long-term plans, monitor performance and results, ensure financial sustainability, develop an appropriate control environment, engage stakeholders, contribute to organisational culture, and ensure compliance with laws and regulations. A board must actively evaluate risks associated with revenue generation while also creating an environment that encourages innovation through creative approaches to developing new sources of revenue (Frijns et al 2016; Brooks 2016; Ramdani & Witteloostuijn 2010:607; Hazzaa et al 2022:9). The board should be open to exploring opportunities for diversification in order to secure sustainable long-term sources of revenue (Hazzaa et al 2022:9; Frijns et al 2016; Brooks 2016; Ramdani & Witteloostuijn 2010:607;).

Additionally, board of directors should ensure that budgets are appropriate for strategic implementation and clearly identify intended outcomes as well as measures of success. All these make it clear that board of directors have a vital role in maximising an organisation's potential for revenue growth (Hazzaa et al 2022:9; Frijns et al 2016; Brooks 2016; Ramdani & Witteloostuijn 2010:607). In this case, the boards of directors in MMDAs are required to assess the revenue generation performance of staff in order to enhance the financial sustainability of MMDAs. Incentives need to be given for good performance to ensure continued improved efficiency, and sanctions need to be instituted for non-performance or sub-standard performance. All staff of the public sector organisation should have a financial management responsibility to a lesser or greater extent. Financial management training opportunities need to be provided to all staff in the public sector organisation to ensure that staff members are competent to perform the task at hand(IFAC 2001: 47).

In the field of financial reporting, public sector organisations' boards of directors must publish an annual report, including financial statements, in a timely manner. This report should provide an unbiased, fair, and understandable account and evaluation of the organisation's activities, achievements, financial position, performance, and future prospects (IFAC 2001: 17). The board of directors of public sector organisations should determine whether they have adopted governance standards or codes. This statement should specify the standards or codes adopted and confirm compliance with them. If there is non-compliance, it should identify the areas where compliance has not been met. The boards of directors are responsible for ensuring that the financial statements in the annual report are prepared in accordance with International Public Sector Accounting Standards or another recognised and authoritative set of accounting standards, as well as applicable legislation (IFAC 2001: 17). The boards of directors should establish and report relevant performance measures to ensure and demonstrate that resources are procured economically and utilised efficiently and effectively (Brooks 2016: 128; Derbali & Ayeche 2014; IFAC 2001: 18). Furthermore, the board of directors must maintain an objective and professional relationship with external auditors (IFAC 2001: 19).

Ganesan, Hwa, Jaaffar and Hashim (2017:159) asserted that board of directors plays an essential role in monitoring and establishing corporate governance. Traditionally, the duty of the board of directors is to protect the owners of organisations (Chams & GarcíaBlandón 2019: 67; Martín & Herrero 2019: 15). In the current organisational environment, especially at the local government level, there has been a social paradigm shift that has led the board of directors to assume broader responsibilities in meeting the interest of stakeholders (Rehman 2021: 7). As a result, the role of the board of directors should be broadened to enable them provide the services to communities and other organisations as a whole (Molano-León 2011: 541; Chams & García-Blandón 2019: 67). One of such roles can be that the board of directors should ensure that the policies of the MMDA are geared towards achieving financial sustainability goals.

In the context of MMDAs, the board of directors is the main representative organ of MMDA (Roos 2021). The role of the board of directors as a representative body varies with the development and the procedure of the processes of local government in each country.

Authority of the board of directors: The Public Financial Management (PFM) Act of 2016 requires all public sector organisations, including MMDAs, to have a governing board. Section 90 of the PFM Act mandates the board of directors of MMDAs to establish and maintain policies, procedures, risk management and internal control systems, as well as governance and management practices. These measures ensure that the resources of MMDAs are prudently managed and operate efficiently in line with the objectives for which the MMDAs were established (Republic of Ghana, 2016b: 53-54).

Responsibilities of the board of directors in MMDAs: The board of directors is required to raise awareness of financial sustainability enhancement by adopting a systematic approach that balances the interests of the community and other stakeholders (Rehman 2021: 3). According to Salvioni, Franzoni, and Gennari (2016:139), one of the main responsibilities of the board of directors is to integrate sustainability into the organisational culture. This means that they also play a role in promoting the financial sustainability of the organisation. The board of directors can support and contribute to the development of the organisation's annual plan. Lombardi, Trequattrini, Cuozzo, and Cano-Rubio (2019:667), as well as Naciti (2019:237), have also emphasised the importance of having a majority of independent members on the board who are committed to achieving financial sustainability goals. The boards of directors' attributes are regarded as key to aligning financial sustainability with organisation effectiveness, responding rapidly to community pressures, and enhancing employee participation in financial sustainability commitments (Rehman 2021: 7).

Samuel (2020:174) and Obigbemi, Omolehinwa, Mukoro, Ben-Caleb and Olusanmi (2016:1) argued that the board of directors are required to present the organisation to the public to attract more funding to the organisation. Accordingly, the boards of directors in MMDAs are required to have regular meetings with the community members, educate and sensitise them about the need to pay taxes in order to increase the internally generated funds of MMDAs, which in turn will make them (MMDAs) financially sustainable.

The board of directors is answerable to the community and also have the right and authority to establish the policies and objectives of the MMDA and to have these policies and objectives realised (Rehman 2021: 7; Humes & Martin 1969: 80). The boards of directors are required to make sustainable decisions by setting the aims for financial sustainability and evaluating the result of MMDAs' finances and operations (Lotta-Maria 2020: 2). Therefore, the ideas boards of directors have on financial sustainability is a significant part in sustainable decision-making (Lotta-Maria 2020: 2). Sustainable decision-making refers to the attempts for providing welfare for citizens in a financially sustainable manner (Lotta-Maria 2020: 2). As already discussed in chapter two, there are currently two administrative levels in Ghana namely central and local government, with 260 MMDAs. MMDAs provide public services such as health care, social services, education, cultural services, local infrastructure, housing, and planning services. Public services are mainly financed by means of taxes and government subsidies. The boards of directors have a clear governing capacity in which to shape and direct the development of their communities (Lotta-Maria 2020: 2; Copus, Sweeting & Wingfield 2013: 389). In the

Ghanaian MMDAs, boards of directors are responsible for the MMDAs' activities and finances. The boards of directors exercise the highest decision-making authority in MMDAs. The PFM Act 2016 Section 91 requires the board of directors to decide on the MMDAs' financial strategy, budget and financial plan, corporate governance principles, operating and financial objectives of the MMDAs and principles for internal control and risk management. This implies that the board of directors can assist the MMDAs to be financially sustainable by establishing financial sustainability policies and objectives and have theses policies and objectives achieved. A financially sustainable MMDA will be able to continue service deliveries to the local people.

Section 91 (1) of PFM Act requires the board of directors of MMDAs to ensure the efficient management of the financial resources including the collection and receipt of moneys due to that MMDA. Section 91 (2) of the PFM Act states that if the board of directors wilfully or negligently fails to ensure that moneys due to that MMDA are collected or received, the minister shall, upon the recommendation of the Auditor-General, withdraw or suspend the emoluments of the members of the governing body of the MMDA, either jointly or severally (Republic of Ghana 2016: 53-54).

Section 93 (1) of the PFM Act requires the board of directors of MMDAs to, not later than four months before the beginning of each financial year, submit to the minister the financial plan reflecting the proposed revenue and expenditure estimate of that MMDA in respect of the ensuing financial year. Section 93 (2) of the PFM Act requires the board of directors of MMDAs to, at the end of every quarter and at any other time that the minister may determine, report to them on operations of that MMDA in relation to its approved financial plan for the year; and any other matter that the minister may specify as a matter to be included in the report (Republic of Ghana 2016: 53-54).

Section 94 (1) of the PFM Act requires that the minister may issue a financial directive to the MMDA requesting that MMDA to provide financial information that the minister may specify; and submit to a special audit or review by a person appointed by the minister. Section 94 (2) of the PFM Act requires the MMDA to comply with a financial directive issued under subsection (1).

Section 94 (3) of the PFM Act requires a financial directive issued under subsection (1) to be disclosed in the annual report of the MMDA concerned, covering the year in which the directive was received. Section 94 (4) of the PFM Act requires the annual report referred to under subsection (3) to indicate the extent to which the MMDA concerned complied with the directive.

Section 95 of the PFM Act requires the board of directors of the MMDA to cause to be prepared, not later than two months after the end of each financial year, an annual account in respect of that financial year; and submit to the minister, not later than four months after the end of each financial year, an audited financial statement.

3.4.2 The concept of internal auditing

For any organisation to remain as a going concern, it is expected that such an organisation should be financially sustainable. The internal audit activity is considered as a significant tool in the governance structures of organisations to achieve financial sustainability objective (Eulerich & Eulerich 2020: 83). Internal auditors provide audit services to the board of directors and audit committee, thus improving the organisations corporate governance (Eulerich & Eulerich 2020: 83). As an independent, objective assurance and advisory function, internal auditors are requred to add value through the audit of the internal control system, risk management and the governance processes (Eulerich & Eulerich 2020: 83).

The IIA (2020: 1) referred to an internal audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. IIA (2020: 1) indicated that internal auditors add value to organisations. The internal audit activity adds value to the organisation and its stakeholders when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes (IIA 2020:1). Internal auditors are responsible for adding value to organisations by enhancing and safeguarding them. They do this by providing risk-based and objective assurance, advice, and insight (IIA 2020:1; Eulerich & Eulerich 2020: 83). Anderson (2003:106) referred to an assurance as an objective assessment of evidence with the aim of providing an independent evaluation on risk management, control, or governance processes for the organisation. Assurance engagements may consist of performance, financial, compliance, system security, and due diligence audits. Therefore, assurance gives a guarantee to the leadership of the organisation that the organisation is totally in good shape. Anderson

(2003:106) further reffered to a consulting activity as an advisory and related client service agreed upon with the client, which aims to add value and enhance the operations of the organisation. The consulting activity of the internal auditors is to give support to senior management or district chief the executives (Kinyera 2019:61; Chambers & Odar 2015:34). The consulting services that internal auditors provide facilitates improvements in the areas of internal controls, process improvement and risk management (Kinyera 2019:61; Chambers & Oda 2015:34). Internal auditors provide consulting services such as counselling, advice, facilitation, and training (IIA 2016: 21). In MMDAs, consulting services may include conducting training on internal controls, providing advice to district chief executives on financial sustainability policies, and encouraging team work to enhance revenue generation.

Gramling, Maletta, Schneider and Church (2004: 194) referred to internal audit as an effective tool to monitor and improve corporate governance and see the strongest value of internal audit in the improvement of the corporate governance framework. This perception of the added value of internal audit activity is substantiated by a number of researchers (Eulerich & Eulerich 2020: 83; Archambeault, DeZoort & Holt 2008: 375). Sarens and Abdolmohammadi (2011: 1) affirmed that internal auditors perform a monitoring role in corporate governance, and furthermore indicated that internal auditors help to reduce information asymmetries between the audit committee, board of directors and management. In this study, internal audit could be referred to as independent assessment and evaluation of local government financial sustainability practices, policies and procedures within the framework of the designed system of controls to add value and improve the financial sustainability of MMDAs.

However, prior studies contended that internal auditors do not sufficiently fulfill their oversight role in governance (Leung, Cooper & Perera 2011: 974) and thus stakeholders' expectation of the internal auditors function are significantly lowered (Eulerich & Eulerich 2020: 83; Chambers & Odar 2015: 34). This stream of the literature focuses on monitoring tasks of the internal audit function. Since the audit committee and the senior management are not able to audit and monitor all governance-related activities and processes, they rely on internal auditors as independent and objective support providers (Eulerich & Eulerich 2020: 83).

An additional added value of internal auditors, especially through their assurance activities, is their impact on the issue of fraud. This implies an effective internal audit has a positive influence on the prevention and identification of fraud from the perspective of organisations (Eulerich & Eulerich 2020: 83). The influence on internal auditors to take responsibility in this area increases as they receive more training in this field (Drogalas, Pazarskis, Anagnostopoulou & Papachristou 2017: 434). Even as the prevention and identification of fraud cases can be achieved through direct action by internal auditors, the indirect influence of promoting the ethical culture in organisations is also part of this added value (Ma'ayan & Carmeli 2016: 347). In this context, Asiedu and Deffor (2017: 82) highlighted the influence of internal auditors on corruption in MMDAs in Ghana. The study discovered that internal auditors reduce corruption. Coram, Ferguson and Moroney (2008: 543) discovered similar finding indicating that there is a significant relationship between internal auditors and fraud detection.

Although there is a clear and precise definition of what internal audit activity is and should do, the actual role internal auditors have within organisations is equally significant (Eulerich & Eulerich 2020: 83; Roussy & Perron 2018). The role an organisation assigns internal auditors can either focus on advisory or assurance. This implies internal auditors are expected to establish relationships with the management of an organisation as well as with other stakeholders (Eulerich & Eulerich 2020: 83; Arena & Azzone 2009: 43; Van Peursem 2005: 489), or internal auditors' role focuses on assurance for the audit committee and chief executive officers. In this regard, the internal auditors have the responsibility to audit the effectiveness of the internal control system, the risk management and the governance processes from an independent position (Eulerich & Eulerich 2020: 83; Van Peursem 2005). The role of internal auditors is seen as trusted advisors (Eulerich & Eulerich 2020: 83). However, depending on the specific stakeholder (board of directors, audit committees; external auditors and regulators) the expected role of internal auditors may differ significantly (Eulerich & Eulerich 2020: 83).

Mihret (2014: 771) considers internal auditors as control mechanism that adds value by increasing the organisations' financial performance. Jiang, Messier and Wood (2016: 101) also indicated that involvement of internal auditors in day-to-day operations of organisations has a significant relationship with financial performance. The authors concluded that the business oriented services (strategy consulting) internal audit activity helps organisations to improve their financial performance. Carcello, Eulerich, Masli and Wood (2018: 121) discovered that internal audit activity help to improve risk management; whilst Lin, Pizzini, Vargus and Bardhan (2011: 287) documented that internal audit activity help to improve internal control systems. Oussii and

Taktak (2018: 450) also disclosed that the presence of internal auditors in organisations has significant effect on the quality of the internal control system. In this context, as internal auditors add value to organisations, it is therefore expected that they will be able to help MMDAs to be financially sustainable. The independence, size and competence of internal auditors could help MMDAs to increase their revenue generation, which in turn could help them to be financial sustainable.

In recent times, countries have put effort in place to create an enabling environment for promoting internal audit system in order to promote development and growth of MMDAs in order to grow their economy and reduce poverty within their communities. In Africa, countries such as South Africa, Kenya, Ghana and others, have put more effort in the internal audit so that to identify and analyze the major risks associated with the achievement of the management objectives. Internal audit has become a central player in the measurement of public sector's performance because it covers specific financial operations and all government activities including both organisational and administrative systems. Thus failure of internal audit leads to government failure to meet its objectives such as provision of public services like hospital and education (Loke, Ismail & Hamid 2016: 90).

Alzeban and Gwilliam (2014: 74) have indicated that internal auditors are seen more as faultfinders rather than solution providers or witch hunters rather than watchdogs, and partners in the government strive for organisational excellence. However, in recent years internal auditing has developed a strategic dimension to become an essential component of public sector governance and financial management reforms in many developing countries (Alzeban & Gwilliam 2014: 74).

Johl et al (2013:781) indicated that internal audit activity is an internal monitoring mechanism and as one of the internal governance structures of an organisation. Chambers (2015:34) also regarded an internal audit as one of the corporate governance gatekeepers that failed to prevent the 2008 global financial crisis. As such, the internal audit has been become essential in risk management for an organisation to prevent such financial crises and to ensure quality financial reporting and risk management that improve financial performance through value addition. In this regard, the internal audit activity is expected to contribute to the organisation's governance processes by evaluating and improving the process through which values and goals are established and communicated, the accomplishment of goals is monitored, accountability is ensured and values are preserved (Chambers 2015:34). Specioza (2013: 1) mentioned that the presence of internal audit ensures accountability of MMDAs employees for the efficient and proper management of public resources, and thus improves the financial performance of the MMDAs.

In order to ensure improvement in financial sustainability through effective and efficient public financial management, the use of internal auditors in the MMDAs has gained attention (Vadasi, Bekiaris & Andrikopoulos 2019:12; Hay & Cordery 2018:1). Accordingly, in the context of Ghana, internal audit activity is a statutory requirement in MMDAs. The PFM Act 2016 (Act 921), section 83 (1), requires a covered organisation (in this case MMDA) to have an internal audit unit. Section 83 (1) of the PFM Act requires the head of the internal audit unit (that is chief audit executive) to report administratively to the principal spending officer and functionally to the audit committee of that particular MMDA. Section 83 (3) of the PFM Act requires an internal auditors of MMDAs to appraise and report on the soundness and application of the system of controls operating in the MMDA; evaluate the effectiveness of the risk management and governance process of an MMDA and contribute to the improvement of that risk management and governance process; provide assurance on the efficiency, effectiveness and economy in the administration of the programmes and operations of an MMDA; and evaluate compliance of an MMDA with enactments, policies, standards, systems and procedures (Republic of Ghana 2016:49-50).

Section 83 (4) states that the chief audit executive of MMDA must collaborate with the principal spending officer of the respective MMDA and follow the guidelines set by the Internal Audit Agency. Together, they will create an annual audit work plan that outlines the tasks the internal auditor needs to complete in a given financial year. This plan is based on a risk assessment, which includes evaluating the fiscal risk of the MMDA. Section 83 (5) of the PFM Act states that the annual audit work plan includes an appraisal and report on budget planning and implementation, and compliance with national goals and objectives; the development initiatives of the MMDA; procurement of goods, services and works; value for money on public expenditure; follow-ups on the agreed audit recommendations and required corrective actions; systems of government revenue collections for proper accountability; and proper, timely and effective use of Government financial information systems (Republic of Ghana 2016:49-50).

Section 83 (6) of the PFM Act requires the internal auditor of MMDA to, within thirty days after the beginning of the financial year, submit the annual audit work plan to the principal spending officer of that MMDA and the audit committee established under section 86; and a copy of the annual audit work plan to the Internal Audit Agency. Section 83 (7) requires the the internal auditor of MMDA to submit quarterly reports on the execution of the annual audit work plan to the principal spending officer of the MMDA, the Audit Committee, the Auditor-General and the Director-General of the Internal Audit Agency (Republic of Ghana 2016:49-50).

Section 83 (8) requires the the internal auditor of MMDA to, in the performance of functions under this Act, have access to information and property required to be audited; and be provided with any relevant explanation required by the internal auditor. Section 83 (9) of the PFM Act requires the internal auditor of MMDA to report to the principal spending officer concerned any incidents of suspected fraud or misuse of public funds. Section 83 (10) states that where the internal auditor of MMDA suspects that a principal spending officer is involved in fraud or misuse of public funds, the internal auditor shall report the matter to the director-general of the Internal Audit Agency who shall in consultation with the chairperson of the relevant audit committee initiate investigations into the matter (Republic of Ghana 2016:49-50).

Additionally, the Local Government Act 2016 (Act 932) section 175 requires each MMDA to have an internal audit unit. The Act states that the staff of the internal audit unit are members of the Local Government Service (Republic of Ghana 2016: 81-82). The head of the Local Government Service in appointing the staff of the internal audit units of the MMDAs shall have regard to the standards and procedures determined by the Internal Audit Agency established under the Internal Audit Agency Act, 2003 (Act 658) (Republic of Ghana 2016: 81-82). The chief audit executive of the MMDA is responsible to the MMDA; shall, at intervals of three months, prepare a report on the internal audit work carried out by the unit during the three month period immediately preceding the preparation of the report and submit the report to the Presiding Member of the MMDA; shall make observations necessary as to the conduct of the financial affairs of the MMDA during the period to which the report relates; and shall forward a copy of each report prepared by the unit to the Metropolitan, Municipal and District Chief Executive, the Minister, the Internal Audit Agency, the RCC and the office of the head of the local government service(Republic of Ghana 2016: 81-82). Management is responsible for the implementation of the recommendations of the internal audit reports. In this case, the audit committee of the MMDA provides oversight responsibility by making sure that management implements the recommendations of the internal audit reports (Republic of Ghana 2016: 81-82).

3.4.3 The concept of audit committees

In 1940, the case of McKesson and Robbins in the United States called for the establishement of audit committees (Böhm, Bollen & Hassink 2016:119; Gazzaway, Colson & Ramamoorti 2010). The McKesson and Robbins case was about the falsification of financial records involving sales and inventories. This issue of financial falsifications raised a concern about how independent external auditors are from mamanagement. In this regard, the New York Stock Exchange raised the need to have a special committee of outside directors, selected from the board to make recommendations to shareholders on the appointment of external auditors; hence audit committees were established in various organisations (Braiotta et al 2010). Also, Loi et al (2021:1) opined that the concept of audit committees can be traced back to as long ago as 1939 in the New York Stock Exchange with the promulgation of Sarbox and since then the concept has been applied in both private and public sectors. Since 1940, the audit committee has become popular and widely accepted as an essential element in good governance (Braiotta et al 2010). From 1970 till date, several countries have enacted laws for the establishement of audit committees in varous sectors. In the United Kingdom, the Cadbury Committee (1992) requires organisations to establish audit committees (Braiotta *et al.,* 2010). In South Africa, the King I Report on Corporate Governance (1994), later followed by King II, King III and King IV require organisations to establish audit committees (IoDSA 2016). In Ghana, the PFM Act 2016 also requires all MMDAs to establish audit committees (Republic of Ghana 2016b).

Since the inception of the concept of an audit committee, its role has gone through several changes. Initially, the role of audit committee was primarily to oversee the selection of external auditors and financial reporting quality (Hunt & Carey 2001:37). However, irregular activities in organisations such as fraud and poor financial performance led to regulatory reforms and the establishment of increased responsibilities for the audit committees (Munoz 2005:115). One such regulatory reform occurred in 1999, when the Blue Ribbon Committee (BRC), made several recommendations for improving the oversight effectiveness of audit committees and promoting quality financial reporting in order to make changes in the functions and expectations placed on audit committees (Munoz 2005:115). In 2002, another reform occured when the SOX

Act increased audit committees' responsibilities and set additional requirements to make sure that audit committees members are mostly independent directors (Bala, Amran & Shaari 2021: 167; Munoz 2005:115). Accordingly, the Securities and Exchange Commission and the United States Stock Exchanges suggested new rules and regulations to strengthen audit committees in various organisations. As a result, audit committees became responsible for approving audit and non-audit services, overseeing the audit engagement and auditors' compensation (Bala, Amran & Shaari 2021: 167; Munoz 2005:115). The audit committee is a committee that is applied together with other forms of control such as internal control, internal audit and board of directors in accordance with the trend of international integration (Loi et al 2021: 1). The audit committee promotes the truthfulness and fairness of financial information (Bratten, Causholli & Sulcaj 2020:1).

In the literature, audit committee has been defined in different ways. There is no universal definition of an audit committee. However, DeZoort, Hermanson, Archambeault and Reed (2002) referred to the audit committee as a committee comprising qualified members with authority and resources to protect the interest of stakeholderss. The Combined Code in the United Kingdom (2006) stated that the board of directors should establish an audit committee comprising at least three, or in the case of smaller organisations, two members (Financial Reporting Council 2016:7). The audit committee as a sub-committee of the board of directors which assists the board in fulfilling its corporate governance and oversight duties relating to internal control, financial reporting and disclosure, risk management and internal and external audit functions (Loi et al 2021: 1; Roos 2021: 170; PWC 2018; Golalipour 2016:377).

Marx (2008:39-41) referred to the audit committee as a sub-committee of the board, consisting of the majority of non-executive directors and the responsibilities focusing mostly on dealing with financial reporting, audit, and internal controls. Magrane and Malthus (2010:427) indicated that the aim of the audit committee is to improve organisational governance and provide assurance on financial and compliance issues through increased examination, accountability and the efficient use of resources, and to provide advice on how to improve performance.

Section 86 of the Public Financial Act 2016 (56) of Ghana referred to the audit committee as an independent body with oversight and advisory powers to the board of directors of MMDAs with clearly defined functions, roles, responsibilities and powers (Republic of Ghana 2016: 86).

Based on the ongoing discussion, the conclusion can be drawn that the audit committee is a sub-committee of the board consisting of independent non-executive directors who have accounting and or auditing qualifications, skills and experience to undertake their duties and responsibilities effectively. The audit committee is composed of members who are independent of the organisation. The audit committee members are usually appointed by the members of the board of directors. These members should have professional qualifications and knowledge related to the nature of organisation's operations (Loi et al 2021: 1; Lee, Park, Rhee & Lee 2018:4041). The audit committee plays a role in increasing the reliability and faithful representation of the financial statements by reviewing the faithful representation, appointing an independent auditor, and discussing fees, supervise the audit process, and resolve audit disagreements (Loi et al 2021: 1; Lee, Park, Rhee & Lee 2018:4041). Audit committee monitors the financial statements (Khoo, Lim & Monroe 2020: 348) and impact on the quality of financial statement disclosure or integrated reporting (Agyei-Mensah 2019: 17; Raimo et al 2021: 522), management discussion and analysis (Lee and Park, 2019), social responsibility report (Dwekat et al., 2020: 2879), financial sustainability issues (Loi et al 2021: 1; Buallay & Al-Ajmi 2020: 2018).

Dwumah (2021:1) and Musundi (2016:1) asserted that the reason for the existence of audit committees in public sector organisations is to act as an intermediary for the sharing of ideas, between both the external and internal auditors, management and the governing body (council or board of directors). Additionally, the authors assertd that, audit committee encourages the reliability and independence of internal and external auditors by assuring a high level of objectivity, detection of threats and risks to the organisation which provides an understanding of knowledge in assisting the management in the utmost efficient and effective way in discharging their responsibilities. Dwumah (2021:1) also indicated that audit committees help to enhance the efficiency and effectiveness of corporate governance in organisations.

In addition, the audit committee affects the price of audit fees (Bala, Amran & Shaari 2021: 167), reducing audit reporting latency (Raweh et al 2021: 8), increasing the quality of audit reports (Alhababsah & Yekini 2021: 1). Also, the Audit Committee controls risks by (i) monitoring the operation of the internal control department; (ii) monitor the honest and ethical conduct of individuals, conflicts of interest. Moreover, the audit committee is responsible for monitoring and overseeing the implementation and disclosure of risk management processes.

This has a direct impact on the performance of organisations, as stated by Al-Homaidi et al (2021: 114) and Chiu, Chung, and Hung (2021: 1514). It also helps in reducing financial difficulties (Ashraf, Félix, and Serrasqueiro 2021: 1) and preventing earning management (Alzoubi 2019: 72). The audit committee is the bridge of corporate governance to spread the ideas and ways of rational governance. Since then, the audit committee promotes the formation and development of strategic management tools appropriately and effectively.

As discussed above, the need for audit committees across organisations came as a result of unexpected financial failures in organisations (Dlamini, Mutambara & Assensoh-Kodua 2017: 46; Dodo 2017: 19-29). The existence of audit committees in organisation brings significant benefits to the organisation (Dlamini et al 2017: 46; Badara & Saidin 2014: 76). With the continued changes in organisational environment and an increase in complexities within the modern MMDAs the need for the establishment of audit committees to enhance the governance process is increasingly compelling (Haonga 2020:1; Dodo 2017:19). Unfortunately, audit committee functions require individuals with specialist skills, which are seemingly a global challenge (Dlamini et al 2017: 46; Badara & Saidin 2014: 76). The lack of skilled individuals in accounting and auditing, as well as the technical knowledge of internal control, has led to audit committees including members from other committees. This raises concerns about the effectiveness of the audit committee, as they may simply approve everything without proper scrutiny (Dlamini et al 2017: 46; Endaya & Hanefah 2013: 92). This brings up an issue concerning how effective the audit committee members are. There is, however, a general managerial perception that audit committees are a mere time wasting administrative structure particularly when its mandate is in doubt (Ahmad, Othman & Jusoff 2009: 784).

3.4.4 The role of audit committee in corporate governance

As discussed in Section 3.4.3, the concept of audit committees originated in private sector organisations due to fraudulent activities and lack of independence on the part of internal and external auditors. Also, audit committees can help public sector organisations such as MMDAs to enhance accountability which can result in better financial reporting, minimise fraudulent activities, enhanced board of directors, internal and external audit functions, thereby improving financial sustainability (Hazzaa et al 2022:1 Gal & Akisik 2020; Li, Li, Xiang & Djajadikerta 2020:1; Ellwood & Lacalle 2015). The main focus of audit committees since their inception is to improve governance practices and financial reporting processes in the private sector (Bhasin

2016; IFAC 2014). However, public sector organisations like MMDAs need the same attention of audit committees as in private sector to improve internal governance in order to enhance financial sustainability. It is therefore imparactive to establish whether audit committees can moderate the relationship between board of directors, internal auditors and financial sustainability of MMDAs.

The audit committee is a key accountability instrument that plays an essential role in governance processes at the local government level (Roos 2021: 110). The IIA (2014:4) referred to audit committee as an independent committee which is made up of at least a majority of independent members with responsibility to provide oversight of management practices in important areas in governance. Purcell (2012:76) stated that effective governance assists the performance of any organisation. However, the critical governance factors relate to the diligence of the governing body and the sub-committees including the audit committee and the level of transparency between management and the governing body.

In the local governments, Dlamini et al (2017: 46) referred to the audit committee as a body with independent advisory powers to the board or council members of the MMDA with clearly defined functions, roles, responsibilities and powers. In the MMDAs, the audit committee plays an advisory role and generally helps achieve improved accountability; strengthened control environment; enhances the stewardship, and improves leadership and control responsibilities of the council (i.e. board of directors) and accounting officers (Okolie & Ogbaragu 2022:24). In the Ghanaian local government context, Section 86 of the PFMA Act 2016 (Act 921) referred to the audit committee as the committee consisting of five independent advisory bodies to the council of the MMDA with clearly defined functions, roles, responsibilities and powers. This implies that audit committee is a committee of the council (board) in the MMDAs that assist in discharging oversight responsibility, particularly with regard to issues of financial management, risk management, internal audit and compliance. This is an indication that an audit committee is an important element of internal governance in local governments. Audit committee is an essential source of assurance for MMDAs arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance (Dlamini, Mutambara& Assensoh-Kodua 2017: 53). Audit committees will be able to achieve these responsibilities only they become independent bodies in corporate governance. The independent audit committee ensures the integrity of integrated reporting and financial controls, the proper identification and management of financial risks and the integrity of the reporting practices (Bratten et al 2020:1; Dlamini et al 2017: 53).

The audit committee is meant to be a committee to the board in MMDAs that assist the board in fulfilling its oversight responsibility, particularly with regard to issues of financial management, risk management, internal audit and compliance (Appah & Tebepah 2020:2695; Roos 2021:110; Okolie & Ogbaragu 2022:24; Dlamini et al 2017: 46; Coetzee & Fourie 2015: 959). In the private sector, the audit committee is basically responsible for assisting the board of directors in carrying out their responsibilities as they relate to the organisation's accounting policies, internal control and financial reporting practices (Dlamini et al 2017: 46; Dodo 2017). However, it has been argued in the literature that governance in the public sector deserves the same attention as governance in the private sector (Dlamini et al 2017: 46; Dodo 2017). Nevertheless, whilst the unethical behaviour in the private sector affects the shareholders, unprincipled behaviour in the public sector such as MMDAs affects every citizen and a taxpayer (Dzomira 2020: 85). According to IIA (2014: 15), an effective public sector audit committee ensures that the community will have access to credible information from the public sector organisations. Therefore, it is argued in this study that audit committees in the MMDAs have similar responsibilities like audit committees in the private sector. Thus, as the unethical behaviour in the private sector organisations affects the shareholders, the unethical behaviour in the MMDAs also affects every citizen and a taxpayer of a country (Dlamini et al 2017: 46; Munzhedzi 2013: 97).

The IIA (2014:6) also mentioned that the role of audit committee is to assist the board and chief audit executive in facilitating decision-making, implementing a system of risk oversight and management, and ensuring high-quality internal and external reporting. Turley and Zaman (2004:327) summarised the role of audit committees to including: promoting accountability, assisting the board of directors to meet statutory and fiduciary responsibilities, creating a forum for role-players to deal with risk management, improvements in internal control structures, strengthen the position of internal auditors, playing a role in preventing and detecting fraudulent reporting and improving the quality of financial reporting. The internal control system is part of good corporate governance used to observe activities and provide corrective actions to ensure the accomplishment of organisations' objectives. The internal control system refers to a process that influences an organisation's board of directors, management, and other employees

(Hazzaa et al 2022:1; Napitupulu 2020:1). Internal controls provide significant assurances to achieve the goals of an organisation in terms of operations' effectiveness, reliable audit quality, and relevant rules, policies, and regulations (Hazzaa et al 2022:1; Napitupulu 2020:1). Therefore, audit committees are required to provide corporate assurance relevant to standards, regulations, and laws that maintain efficient control against employee conflict of interests and fraud (Gal & Akisik 2020:1227; Li et al., 2020:1). Napitupulu (2020) argued that an efficient internal control system leads to significant improvements in financial performance. Therefore, it can be argued in this study that if audit committees provide relevant assurances with regard to internal controls in the MMDAs, it will enhance the financial sustainability of MMDAs. This is because effective internal control systems help to prevent financial fraud, increase accountability and promote good governance thereby increasing financial sustainability of organisations (Hazzaa et al 2022:1 Gal & Akisik, 2020; Li et al 2020:1).

In the context of MMDAs where, different from the private sector, inefficient financial management cannot be demonstrated by movement in the capital market and citizens are not necessarily good monitors of MMDAs' finances because of the complexity of financial reports and the difficult in interpreting the information (Gore 2009:6; West & Berman 2003:347), the lack of effective monitoring by citizens can be compensated by having an effective audit committee that does it on behalf of the citizen (Roos 2021: 123). The audit committees can provide value adding services in their review of financial management and reporting. In contrast with shareholders of a private organisation the citizens do not perceive the risk of ineffective financial management as a direct threat to their well-being (Roos 2021: 110). The agency model in the public sector is further complicated by regulation in that information made public by MMDAs are required by law and is not necessarily an indication that the MMDAs are effective or are managing the finances effectively. Al-Shaer, Malik and Zaman (2022: 1443) mentioned that relational attributes or the perception of risk or regulation could prevent or substitute the benefits of effective monitoring. The audit committees need to contribute to effective assurance by assisting board of directors and management in providing advice and oversight on governance related areas (Roos 2021: 124). Marx (2008:3) expressed that it is important for the board to understand and respect the role, position, limitations, and responsibilities of the audit committee. It is also important for the audit committee members to understand their roles, responsibilities, limitations, and importance. All other stakeholders that interact with the audit committee including management, board of directors, external auditors and internal auditors must also have a clear understanding of the roles and responsibilities.

Cullen and Brennan (2017: 1883) analysed the role of audit committee with regard to the differences between control, monitoring, and oversight in the context of investment fund boards. Although this study focussed on local government the analysis of the terms control, monitoring, and oversight by Cullen and Brennan is equally important in this study. According to Cullen and Brennan (2017:1867), the terms ‘monitoring’ and ‘oversight’ are often used interchangeably although they differ in the level of influence implied in each. Cullen and Brennan (2017:1867) referred to monitoring as a direct review or observation of management performance and may be accompanied by consequences where performance is inadequate. Cullen and Brennan (2017:1883) referred to oversight as keeping a watchful eye and acting on behalf of shareholders (in this case board of directors or council). According to Cullen and Brennan (2017:1883), through oversight, an individual or a person cannot take direct action but can obtain consequences through another party. In this study, the audit committee acts on behalf of board of directors. The responsibilities of audit committees are set out in Section 88 of the PFM Act which indicates that the audit committee reports any essential issues to the board of directors (council) for it to take the necessary action, thereby performing an oversight role.

Brennan and Kirwan (2015:476) also emphasised on the monitoring role of the audit committee because of the influence of the agency theory, with the result that an expectation gap occurred between the function, power, and influence of audit committees. Brennan and Kirwan (2015:476) recognise the terms monitoring and oversight are often used interchangeably and collectively to describe the role of the audit coomittee. The authors also argued that there is a difference depending on the level at which it is applied. According to Brennan and Kirwan (2015:476), oversight is a weaker term than monitoring and relates more to the work the audit committee does given their advisory and support role. The IIA (2014:6) refers to the audit committee playing an independent oversight and advisory role but emphasises the importance of the responsibility for decision-making resting with management. Roos (2021) discovered that the role of the audit committee should be advisory and that the audit committee should not interfere with management’s decision-making or management of the MMDAs.

In the context of audit committees in the local governments, MMDAs has the responsibility to account for the public resources that are entrusted to them. An audit committee is an essential oversight mechanism in the process of accounting (Dzomira 2020: 85). Audit committee also an essential oversight mechanism where there is the need for MMDAs to monitor and scrutinise financial performance (Dzomira 2020: 85). In essence, an effective audit committee can assist the board of directors in MMDAs to perform their governance duties and also provide independent advice on financial sustainability, reporting and controls (Dzomira 2020: 85; Van Der Nest 2006:178).

According to the PFM Act 2016 (Act 921), section 86, there is established by this Act, an audit committee that shall serve one particular covered organisation (in this case MMDA) or any other covered organisations in a sector. For the purpose of subsection (1), the minister shall, by regulations, specify (a) the number of audit committees to be established in each sector; (b) the qualification for appointment to an audit committee; (c) the funding of audit committees; and (d) the procedure for meetings of an audit committee (Republic of Ghana 2016: 51-52).

Section 87 (1) of the PFM Act requires the audit committee to consist of five members. Section 87 (2) of the PFM Act requires the majority of members of an audit committee to be independent members. Section 87 (3) of the PFM Act requires the Internal Audit Agency and the Institute of Chartered Accountants, Ghana to nominate the majority of members from among persons who do not work in the covered organisation to which the audit committee relates and two other members to be nominated by the principal account holder. Section 87 (4) of the PFM Act requires the chairperson of the audit committee to be elected from among the independent members of the committee. Section 87 (5) of the PFM Act states that the audit committee may, in the performance of its functions under this Act, co-opt senior management personnel to serve on the audit committee. Section 87 (6) of the PFM Act requires the principal account holder to appoint the chairperson and members of an audit committee (Republic of Ghana 2016: 51-52).

Section 88 (1) of the PFM Act requires the audit committee to ensure that the head of the MMDA, to which the audit committee relates, (a) pursues the implementation of any recommendation contained in (i) an internal audit report; (ii) parliament’s decision on the Auditor-General’s report; (iii) Auditor-General’s Management Letter; and (iv) the report of an internal monitoring unit in the MMDA concerned particularly, in relation to financial matters raised; and (b) prepares an annual statement showing the status of implementation of any recommendation contained in (i) an internal audit report; (ii) parliament's decision on the Auditor-General's report; (iii) Auditor-General's Management letter; (iv) the report on financial matters raised in an internal monitoring unit of a covered organisation; and (v) any other related directive of Parliament (Republic of Ghana 2016: 51-52).

Section 88 (2) of the PFM Act 2016 requires the audit committee to indicate the remedial action taken or proposed to be taken to avoid or minimise the recurrence of an undesirable feature in the accounts and operations of the MMDA; indicate the period for the completion of the remedial action; and be endorsed by the relevant sector minister and forwarded to the minister, parliament, office of the president and the auditor-general within six months after the end of each financial year (Republic of Ghana, 2016b: 51-52).

Audit committee ensures alignment between plans and policy, and it must be proactive and fully involved in risk management within the organisation. Audit committee is also involved with the appointment and removal of the chief audit executive to enhance the independence of the internal audit activity (Lombardi, Trequattrini, Cuozzo & Cano-Rubio 2019: 666). The success of audit committees lies in oversight responsibility and their working relationships with board of directors, internal auditors and external auditors (Rehman 2021: 7; Abdel-Meguid, Samaha & Dahawy 2014: 197; Rezaee, Lo, Ha & Suen 2016: 106). The audit committee role should include assuring and enhancing the control environment for producing non-financial and financial sustainability goals (Rehman 2021: 7; Richez-Baum, Boutellis-Taf & Hobbs 2021: 1). Traditionally, the role of audit committee mostly focussed on financial reporting (Buallay & Al-Ajmi 2020:249; Dwekat, Seguí-Mas, Tormo-Carbó & Carmona 2020:2879). However, the modern organisations such as MMDAs are becoming progressively concerned about the risk of deceiving stakeholders, and therefore the role of audit committees has been extended to the oversignt of sustainability information of organisations (Dwekat et al 2020:2879; Buallay & Al-Ajmi 2020:249). This implies that the audit committees can assist the MMDAs to be financially sustainable by ensuring that the financial sustainability policies and objectives set by the board of directors have been implemented and realised. Based on the above discussion, it can be concluded that there is a clear link between effective internal governance and the audit committee. In its oversight role, the audit committee can be influential in promoting corporate governance which could lead to improved financial sustainability in MMDAs. The audit committee should have both formal and informal interactions with the internal auditors and board of directors in MMDAs. The presence of audit committees in MMDAs helps in compliance with applicable laws and regulations. As part of its duties, the audit committees in MMDAs should make sure that the financial sustainability issues facing MMDAs are adequately addressed. The introduction of audit committees in MMDAs is likely to strengthen the relationship between internal auditors, board of directors and financial sustainability. The audit committees' presence is also likely to strengthen transparency and accountability, mitigate any potential threat against the independence of the board of directors, internal and external auditors in MMDAs. The existence of audit committees in MMDAs is also beneficial in the areas of improvement in financial reporting and practices as well as public financial management and governance.

3.5 The relationship between audit committee and internal auditors

Audit committees rely on the internal auditors as a primary resource to perform their duties and meet their governance mandate (Abbott et al 2010: 1; Gramling et al 2004: 194). The internal auditors provide assurance services to the audit committees over areas such as compliance, financial reporting integrity and internal control, and provide investigations of fraud and organisational governance (Abbott et al 2010: 1; Beasley et al 2009: 65; Cohen et al 2004: 87; Gramling et al 2004: 194; Hermanson & Rittenberg 2003). Audit committees also receive comfort from internal auditors' consulting role in internal control improvements (Sarens, De Beelde & Everaert 2009: 90). Internal auditors can also develop an accountability relationship between the audit committees and management helping to reduce information asymmetry (Gendron Bédard 2006:211) resulting from the audit committee's separation from the operations of the organisation.

Soh and Martinov-Bennie (2011: 605) disclosed that while the chief audit executives see the focus of their department's activities on advisory, audit committee members emphasise internal auditors' assurance function. The authors also argue that the role of internal auditors is complex and constantly evolving, and therefore cannot be limited to a mere governance oversight function. Lenz and Sarens (2012: 532) discovered similar findings. The authors disclosed that there is no single truth for internal auditors' role and value creation because of the numerous different stakeholders' internal auditors serve. Sarens, De Beelde and Everaert (2009: 90) referred to internal auditors as comfort providers of the audit committees, as the latter expects internal auditors to be guard of the corporate culture and to act as a communication instance between the audit committee and the operational level.

Roussy (2013: 550) referred to internal auditors as protectors and helpers for the organisation and the organisation's management. As protectors they guard the management regarding risks, fraud cases or inefficiencies, and as helpers they support the management by giving recommendations to improve organisational performance (Eulerich & Eulerich 2020: 83). Eulerich and Eulerich (2020: 83) and Carcello, Hermanson and Raghunandan (2005: 117) indicated that internal auditors adjust as organisational or environmental circumstances change. For instance, if actual and perceived risks increase, internal auditors are assigned the function of risk management experts (Eulerich & Eulerich 2020: 83; Vinnari & Skaerbaek 2014: 489) because it is familiar with the internal control processes of an organisation (Eulerich & Eulerich 2020: 83; Spira & Page 2003: 640).

As comfort providers, internal auditors support the audit committee by auditing and evaluating risk management, internal controls and governance processes (Eulerich & Eulerich 2020: 83; Soh & Martinov-Bennie 2011: 605). As part of their audit and advisory activities, internal auditors can monitor risks, identify weaknesses in the control systems, facilitate the implementation of enterprise risk management, and raise awareness of these issues among management at the same time (Eulerich & Eulerich 2020: 83; Arena & Azzone 2009: 43). Internal auditors are capable of supporting management and the board in achieving their objectives such as financial reporting quality and risk management (Goodwin & Yeo 2001: 107; Eulerich & Eulerich 2020: 83). Al-Jaifi, Al-Rassas and Al-Qadasi (2017: 592) disclosed that there is a significant relationship between organisations with robust corporate governance and internal audit and financial performance. More so, using data from Australia and New Zealand, Goodwin (2003: 263) focused on audit committees and internal audit in both private and public sector organisations whose results suggested that independence and accountability experience have a complementary impact on audit committee's relations with internal audit. Independence is more associated with issues of process while accounting experience is associated with the extent that the audit committee reviews the work of the internal audit function.

Besides, the internal audit function's conventional assurance role, its involvement in getting better internal controls provides a noteworthy level of comfort to the audit committee (Emmanuel, Ajanya & Audu 2013: 717; Sarens et al 2009). Internal auditors' exclusive knowledge about risk management and internal control, pooled with appropriate inter-personal and behavioural skills, enables them to provide this comfort (Dzomira 2020: 85). In Barbados, the study findings suggested that there was no full-scale adoption of audit committees and there were mixed views on audit committees having broader roles such as business strategy, assessment and management of risks (Dzomira 2020: 85; Alleyne, Howard & Greenidge 2006: 567). There were also tremendous working relationships between audit committees and internal and external auditors, though the independence of audit committees was questionable (Dzomira 2020: 85; Alleyne et al 2006: 567).

Alzeban and Sawan (2015:61) indicated that the existence of internal auditors and the audit committees in organisation is a symbol for good corporate governance. Therefore, frequent communication and interaction between the chief audit executive and the audit committee chairperson are vital in building a constructive relationship (Legodi 2020: 156; Khelil, Hussainey & Noubbigh 2016:423). In the context of Ghana, the Internal Audit Agency Act 2003 (Act 658) Section 16 (4, 5, 6 and 7) requires internal audit departments to report to the management of MMDAs on administrative issues and functionally report to audit committees. The chief audit executive reports to the audit committee on issues relating to the audit charter; independence of the internal audit activity; the audit plan and progress towards execution of the plan; resource requirements; results of audit activities; conformance with the IIA's code of ethics and the IIA Standards(IIA 2017:12). The chief audit executive also reports to the audit committee on issues relating to the action plans to address any significant conformance issues; and management's response to the risk that the chief audit executive's judgment may be unacceptable to the organisation (IIA 2017:12). This implies the internal auditors report to the audit committee regarding its approach to its duties, and the utilisation and management of MMDAs' resources. Roussy and Rodrigue (2018:868) expressed that the chief audit executive should have approval from the audit committee concerning the annual written accountability report that summarises the chief audit executive's work and also describes the processes employed to perform its engagements. Prior studies have indicated that the function of internal auditors is essential because it has an impact on the audit committee operations, in the sense that the audit committee depends expansively on internal auditors' reports (Trotman & Duncan 2018:251; Tusek 2015:248).

The unrestricted communication between audit committees and internal auditors allow the chief audit executive to be independent and objective and to report with courage when discussing sensitive and confidential issues (Legodi 2020: 156; Lindstrom & Johnson 2018:65; Khelil, Hussainey & Noubbigh 2016:423). The continues interaction between the audit committees and internal auditors will help the audit committee to be abreast with current issues concerning risk and business issues as escalated by the chief audit executive using good judgement (Legodi 2020: 156); Khelil et al 2016:423; Baker 2011:34) and the audit committee is afforded the opportunity to appreciate the chief audit executive's views concerning the escalated issues, and to respond timely and appropriately. In the MMDAs, the internal audit unit has the responsibility to prepare agenda and arrange for the audit committee meetings, unless stated otherwise by the accounting officer (Legodi 2020: 156). Therefore, the internal auditors' administrative support to meetings of the audit committee is another legislated role of the internal audit function in MMDAs (Legodi 2020: 156; Republic of Ghana 2016a). The chief audit executive can further support the audit committee by identifying the key areas where the audit committee lacks understanding of issues concerning the MMDA and come up with appropriate training programmes (Legodi 2020: 156; Khelil et al 2016:423), and participate in the orientation of new audit committee members (Legodi 2020: 156).

The leadership and management in public sector organisations is required to make certain that effective internal control and sound governance are functional in their responsibility areas, and the amplified accountability is necessary for good social equality and for improved service delivery (Dzomira 2020: 85; van der Nest, Thornhill & de Jager 2008). In Ghana, the PFM Act 2016 encourages the MMDAs to create a culture of performance by having board of directors and at the same time, hold them accountable for their deployment of resources in service delivery. The IIA (2020: 1) noted that in managing the activities of MMDAs, management should involve internal auditors, government officials, board of directors, chief executive officers and on behalf of taxpayers and the general public. Nevertheless, the effectiveness of the internal audit activity is a function of the audit committee, which is a central part of an MMDAs' public accountability and governance (Dzomira 2020: 85). Audit committees have a role in measuring the performance of the internal audit function, appointing heads of internal audit and supporting and promoting the audit function within the organisation (Dzomira 2020: 85; Davies 2009).

The audit committees monitor and review the effectiveness of the internal audit function in the area of risk management and consider and make recommendations on the programme of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and by the relevant professional standards (Oncioiu et al 2020: 3114; Namakavarani et al 2021: 237). The MMDAs in Ghana are not financially sustainable despite the presence of internal governance mechanisms. The relationship between the audit committees and internal auditors are expected to enhance the financial sustainability of MMDAs.

3.6 The relationship between audit committee and board of directors

The IIA (2014: 6) also recognises the significance of an audit committee for organisations. The IIA (2014: 6) states that effective audit committees assist the board in facilitating decision-making, implementing a system of risk oversight and management, and ensuring high-quality internal and external reporting. The audit committees' oversight may strengthen fiscal accountability, accuracy and transparency of financial reporting and improve oversight of the audit of financial information (Al-Shaer et al 2022: 1443; Liu 2005:50). In MMDAs, audit committees is a sub-committee of the board of directors (council) that provides advice to management and the board on various matters including financial reporting, audit, and internal control. The audit committee as a sub-committee of the MMDAs' governing board is mandated to report to the board of directors in line with the requirement of the law and the guidelines from the Internal Audit Agency for reporting on audit committee activities. The specific role and responsibilities of audit committees are further discussed below:

Turley and Zaman (2004:327) summarised the benefits of audit committees as part of corporate governance to include: contributing to greater accountability, assisting the board of directors in MMDAs to meet statutory and fiduciary responsibilities, creating a forum for role-players to deal with risk management, improvements in internal control structures, strengthen the position of internal auditors, playing a role in preventing and detecting fraudulent reporting and improving the quality of financial reporting. The role of the audit committee with an advisory role in the MMDAs include assisting board of directors (council members) and management with their stewardship, compliance with regulations, service delivery and internal controls (Legodi 2020: 160; Purcell et al 2014:362). This advisory role is significantly different from the oversight role, as the audit committee is not only monitoring after events and transactions have occurred but is actively involved in providing strategies in decision-making even prior to the occurrences of events and transactions (Legodi 2020: 160).

Audit committees assist board of directors to undertake their responsibilities with probity and effectiveness, especially in respect of financial control (Dzomira 2020: 85; Davies 2009: 41). As a result, the audit committee is perceived by its stakeholders as being an important tool to aid the board in realising good governance (Dzomira 2020: 85; Malthus 2010: 427). In MMDAs, the legislative requirements for the audit committee are to advise board of directors and management on various matters including internal financial controls and internal audits, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, and effective governance (Erasmus & Matsimela 2018:1; Dodo 2017: 19-29; Brennan & Kirwan 2015:476). In agreement with Brennan and Kirwan (2015:476) oversight is the work the audit committee does given their advisory and support role culminating in advice to the board and management to improve processes and systems. Audit committees oversee and monitor the financial accounting and auditing process, and also serve as a communication link between the board, as representative of citizens, on the one hand, and the independent auditors on the other hand (Dzomira 2020: 85; West & Berman 2003:330).

However, Thompson and Ansoglenang (2018: 1) indicated that the audit committee is formed to assist the board of directors of MMDAs in carrying out their duties concerning audit reports and regulatory conformance. The audit committee also serves as a forum for interaction between the board of directors and the internal and external auditors (Thompson & Ansoglenang 2018: 1). For the audit committee to be useful in the performance of its functions, Githinji (2012) and Thompson and Ansoglenang (2018: 1) contended that the audit committee should embrace a broad concept of risk assessment. Accordingly, the audit committee would be useful if the management of MMDAs focuses on monitoring, financial and carrying out of organisational controls in their duties. The primary purpose of an audit committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations (Gelman, Rosenberg & Freedman 2015: 1). The audit committee reviews significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements (Gelman et al 2015: 1).

In reference to the 1992 Constitution of the Republic of Ghana, the objects of local government are set out in Section 152 of the *Constitution,* of which are to provide democratic, accountable government and ensure the provision of services to communities in a sustainable way. In this regard, governance refers to the means by which direction and control are applied to stewardship of MMDAs' tangible and intangible assets, financial and non-financial in the pursuit and delivery of the primary objective of sustainable value creation (Fourie et al 2011:99- 100). The Local Government Act 2016 (Act 932) empowers the MMDAs and enhances the MMDAs' revenue mobilisation capacity. The Local Government Act 2016 effectively regulates MMDAs' expenses and revenues, including the allocation of the resources from the District Assemblies Common Fund and the sources of internally generated revenue. A number of policies and interventions have been introduced to strengthen and enhance service delivery in the financial sector of the central and sub-national government levels. These include the PFM 2016 (Act 921) and the Ghana Integrated Finance Management and Information System. To improve the understanding of the financial management framework of Ghana, the PFM 2016 (Act 921) aims to ensure discipline, effective and efficient use of public funds as well as safety, custody and integrity of public funds in line with the new global trends in accounting (Republic of Ghana 2016).

In the context of MMDAs in Ghana, internal auditors report to audit committees, which in turn reports to board of directors (council) (Republic of Ghana 2016a). If internal auditors report to audit committees, it helps to eliminate the influence of organisational management on internal auditors' function and mode of operations (Rehman 2021: 3; MacRae & Gils 2010: 1). Although the role of internal auditors is independent from organisational management, it is driven by the approvals and authorities provided by the board of directors and audit committees (Rehman 2021: 3). In addition, board of directors also approves other policies in the MMDA which can have a direct impact on internal auditors' function (Rehman 2021: 3).

The board of directors are required to approve the policies and oversee the performance of management in MMDAs, with the aim of creating sustainable values for the stakeholders

(Rehman 2021: 3). As audit committees are considered as a strategic resource and the best control activity available within MMDAs, audit committees are required to be interactive and proactive with the board of directors in order to achieve sustainable development goals such as financial sustainability in organisations (Rehman 2021: 3). With the support from board of directors and audit committees, internal auditors can assimilate information from all angles in the organisation to improve governance and risk management, can apply professional and sustainable practices uniformly, and can also identify the control weakness within organisations timely (Rehman 2021: 3). Audit committees can become the drivers for sustainable development policies such as financial sustainability as a result of their continuous interaction with the board of directors (Rehman 2021: 3; Rahayu & Rahayu 2020: 1). Since board of directors and audit committees are the essential components of internal governance of MMDAs, it can therefore be inferred that audit committee attributes can have a major impact on internal board of directors' attributes for MMDAs to be financially sustainable.

Mazibuko (2013: 57) mentioned that the role played by audit committee and board of directors in MMDAs can have a negative or positive impact on revenue collection through the actions of planning, implementation and oversight of their operations of the MMDAs revenue collection. Mazibuko (2013: 57) further mentioned that the role of audit committees can have influence on the revenue collection which in turn, will enhance the financial sustainability of MMDAs. An audit committee is an independent advisory body appointed by the board of directors and tasked with specific responsibilities as set out in an audit committee charter approved by the board. Audit committees are needed for governance requirements (Mazibuko, 2013: 57). Mazibuko (2013: 55) urged MMDAs to develop procedures to enhance revenue collection since revenue collection is critical for ensuring financial sustainability, which in turn will ensure continue service deliveries.

The audit committee may be one of the major operating committees of the governing board that is responsible for the review of financial sustainability policies and the internal and external audit process (Roos 2021: 110). The audit committee may help the MMDAs ensure that management develops and adheres to internal control systems, procedures are in place to assess management practices, and that the independent external auditors, objectively assess the MMDAs' financial performance and reporting practices(Roos 2021: 110). Audit committees also address issues such as the approach being adopted by the board of directors and management to address organisational risks, corporate and financial governance responsibilities and legal compliance (Namakavarani, Abbas, Davood & Saeed 2021: 237; Oncioiu, Anca-Gabrirla, Florentina-Raluca, Marius, Melinda & Dan 2020: 3114). The board of directors may also refer issues of a strategic nature such as financial sustainability to their audit committees. Audit committees provide a significant independent role between the board of directors and its management and between the board of directors and its stakeholders (community members). One of the primary roles of audit committees is to provide suggestions and recommendations to the board of directors about actions to be taken to enhance financial sustainability, considered to be in the best interests of MMDAs (Oncioiu et al 2020: 3114; Namakavarani, Abbas, Davood & Saeed 2021: 237). Therefore, this study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. The following sections discussed and justified the two main theories that were selected as the most appropriate for the current study.

3.7 Theoretical framework

Adeyemi (2019: 106) referred to a theoretical framework as one of the key presentations of the theories, models and concepts that help to shape a particular study from the commencement. Grant and Osanloo (2016: 12) also referred to a theoretical framework as the blueprint for the whole study. The theoretical framework plays a crucial role in guiding the study by incorporating relevant theories that enhance the credibility of the study (Adeyemi 2019: 106; Grant & Osanloo 2016: 12; Imenda 2014: 185). A good theoretical framework provides reassurance to the reader that the research is not solely based on the researcher's personal opinions or guesses. Instead, it is informed by established concepts and empirical evidence from reliable sources (Adeyemi 2019: 106; Grant & Osanloo 2016; Imenda 2014). A theoretical framework is like a roadmap and the existence of a map implies that others have gone the same route before and documented the steps they have taken which acts as a guide to follow by the researcher (Grant & Osanloo 2016: 12; Imenda 2014: 185).

The choice of theory provides a structure to the entire research, and it provides a lens or worldview from which to support one's reasoning on the problem and the data analysis (Adeyemi 2019: 106; Grant & Osanloo 2016: 12). Similarly, Mohammad, Hamdeh and Sabri (2010: 453) opined that theory is the fundamental organisation of knowledge concerning a problem as well as its solution. Imenda (2014:190) contended that without a theoretical framework, there would not be a proper direction and basis for the study to review meaningful literature as well as explain and interpret the study's findings. Therefore, the theoretical frameworks discussed in the following sections provided direction for this study and also provided the basis for the explanation and interpretation of the study's findings. In this regard, the study considered both agency and resource dependency theories as an essential theoretical framework for the study. This study was grounded on agency and resource dependency theories to understand how audit committee, internal auditors and board of directors' attributes can determine the financial sustainability of MMDAs, and how audit committee can strengthen the relationship between internal auditors and board of directors for MMDAs to be financially sustainable.

3.7.1. Agency theory

As discussed in Section 1.9.1, the first theory that the study relied on is the agency theory. Bosse and Phillips (2016: 276) confirmed that the agency theory dates back as far as 1976 when Jensen & Meckling conducted a study on the theory of an organisation. The underlining object of the agency theory was born out of the realisation that the management of an organisation fails to manage the risk of the organisation unlike if it was their own (Hussainey & Hassanein 2017:266). In the accounting literature, agency theory has been used extensively to explain and interpret accounting practices as a whole (Aldredge, Cooley & Mallett 2017:27). Agency theory focuses on the relationship that arises between two parties when one (the principals) engages the other (the agents) to perform an act on their behalf (Hussainey & Hassanein 2017: 266; Jensen & Meckling 1976:305). Agency theory is often used to describe the relationship between an organisation's owners and managers; the owners (the principals) give the managers (the agents) power to administer their interests and make decisions on their behalf. An agency relationship is a contract under which the principal engages the agent to perform some services on their behalf and thus delegating some decision-making authority to the agent (Bosse & Phillips 2016: 276; Jensen & Meckling 1976: 305).

In the context of the private sector, agency theory refers to the relationship between the principals, such as shareholders, and agents, such as the organisation executives and managers (Cossin & Lu 2019: 1; Ali & Kamardin 2018: 17; Boshkoska 2015:204). This theory hypothesises that the shareholders who are the owners or principals of private sector organisations hire agents to perform work. The principals (shareholders) assign duties or tasks to the directors or managers, who are the shareholder's agents (Ali & Kamardin 2018: 17; Boshkoska 2015: 204; Cossin & Lu 2019:1). In the private sector, the board of directors is set up as a monitoring mechanism of the organisation's resources and protects the interest of shareholders (Erasmus & Matsimela 2020: 2; Erasmus & Coetzee 2018). Jensen and Meckling (1976:305) indicated that shareholders appoint the board of directors to act on their behalves because management may act in their personal best interest and not in the interest of the shareholders. Jensen and Meckling (1976: 305) argued that management acting for their own benefit rather than the benefit of stakeholders creates agency problems. Jensen and Meckling (1976: 305) further contended that agency problems could be minimised by the contractual obligation to provide an independent body, such as an audit committee, which is a sub-committee of the board, to monitor the agents (management), while reporting back to the principal (shareholders). From the era of Jensen and Meckling in 1976, agency theory has been extensively used as the basis to establish audit committees in organisations (Erasmus & Matsimela 2020: 2; Ahmed et al 2020:1; Erasmus & Coetzee 2018: 90; Arora & Sharma 2016:420).

From the local government perspective using the agency theory, the audit committee should therefore provide the MMDAs' board of directors with the assurance that management is acting in the best interest of its community (which is known in the private organisations as shareholders). Therefore, in the context of MMDAs in Ghana, the community members as the shareholders and principals hire the board of directors, internal auditors and audit committees to perform the work of MMDAs. The board of directors, internal auditors and audit committees are thus the agents of the community members. An example of this can be found in Section 20 of the Local Government Act 2016 (936) and Section 91 (1) of the Public Financial Management Act of 2016 in Ghana, which shows the government exercising state power through the shareholding minister (Minister of Local Government and Rural Development) who appoints the board of directors, internal auditors and audit committees. These boards of directors, internal auditors and audit committees oversee the work of the MMDAs with the Metropolitan, Municipal and District Chief Executive in charge of the day-to-day running of MMDAs. In the context of MMDAs, the audit committees, board of directors and internal auditors do not perform only a monitoring role but also perform an advisory role. The role of the board of directors, audit committee and internal auditors is to assist the agents, who are the management to attain the principal's (community's) objectives (Thomas & Purcell 2019: 419). This study argues that the interest of the community will be achieved if the presence of a board of directors, audit committee and internal auditors contributes to the improvement in the financial sustainability of MMDAs. A financially sustainable MMDA will be able to deliver services to the community. However, the agency theory captures the oversight role performed by the audit committee, board of directors and internal auditors but fails to capture the advisory role (Legodi 2021:38).

In agency theory, the principal-agent relationship is governed by several key concepts. These include information asymmetry, moral hazard, and adverse selection (Shahroor & Ismail 2022:1; Al-Sayani, Nor & Amran 2020: 1; Jensen & Meckling 1976:305). Information asymmetry occurs when one party possesses more information than the other, creating the potential for exploitation (Shahroor & Ismail 2022:1; Al-Sayani, Nor & Amran 2020: 1; Jensen & Meckling 1976:305). Moral hazard refers to situations where agents might act in their self-interest rather than on behalf of the principal (Shahroor & Ismail 2022:1; Al-Sayani, Nor & Amran 2020: 1; Jensen & Meckling 1976:305). Adverse selection, on the other hand, occurs when one party bears the consequences of the other party's actions (Shahroor & Ismail 2022:1; Al-Sayani, Nor & Amran 2020: 1; Jensen & Meckling 1976:305). The agency theory states that agents have more information concerning organisations as compared to principals and that where the asymmetry information negatively impacts the principal's ability to successfully monitor whether their interests are effectively fulfilled by the agents or whether the agents' interests are also protected. The agency problems occur when the agents hide information or take action for their self-serving interests (Al-Sayani, Nor & Amran 2020: 1; Mirza, Malek & Abdul-Hamid 2019: 218). This information asymmetry induces the principals to invest in monitoring and in providing incentives to agents to align their interests with principals (Al-Sayani, Nor & Amran 2020: 1).

The underlying principle of financial sustainability can be explained by the agency theory, which states that the interest of management does not align with the interest of principal (Jensen & Meckling, 1976:305; Shahroor & Ismail 2022:1), resulting in management making financially unsustainable decisions to fulfill personal interest (Shahroor & Ismail 2022:1; Rehman 2021: 7; Alam, Ramachandran & Nahomy 2020:1; Afza & Nazir 2014: 55). From the agency theory perspective, internal governance mechanisms such as the audit committee, internal auditors and the board of directors are implemented to align the objectives of agents and owners in enhancing financial sustainability (Shahroor & Ismail 2022:1; Panda & Leepsa 2017:74). The agency theory hypothesises that agents (management) are less likely to continuously operate in the interest of the principal (community) because of the ownership and control of modern MMDAs. Therefore, owners (communities) must notify the audit committees, internal auditors and the board of directors to supervise ’management’s behaviours to compel them to meet their contractual duties (Shahroor & Ismail 2022:1; Muhanguzi 2018:31).

Agency theory discusses agency problems and the agency costs that are incurred in a principal-agent relationship. When the principal-agency relationship is created, management decides to satisfy their interests first by using the resources belonging to the principal for their egocentric interest by ignoring their duties as agents, which consequently creates agency costs (Chenchehene 2019: 1; Hay & Cordery 2018: 1; Jensen & Meckling 1976: 305). This theory helps to understand how problems with corporate governance directly affect financial sustainability. MMDAs can easily fall into agency problems, prejudicing their financial sustainability, without a well-structured board, internal auditors and audit committees. Poor management and deficiencies in internal governance can have implications for stakeholders (Marino et al 2021: 305; Ragab & Saleh 2021: 1). This idea is closely related to the hypothesised relation between internal governance and financial sustainability. The agency theory regards the board of directors, internal auditors and audit committees as those who prevent management from opportunism and their self-serving motives through effective monitoring (Ragab & Saleh 2021: 1; Cheng et al 2019: 1). Monitoring by the board of directors, internal auditors and audit committees lowers the agency problems, thereby enhancing financial sustainability of organisations (Ragab & Saleh, 2021: 1; Hillman & Dalziel 2003: 383).

The agency theory recommends that the internal governance mechanisms (boards of directors, internal auditors and the audit committees) are required to minimise these agency problems and conflicts to align executives’ financial interests with those of stakeholders by fixing the benefits and compensations of stakeholders, appointing an independent board of directors, internal auditors and audit committees for monitoring managerial behaviour to minimise agency cost (Hazzaa 2022:1; Bhatt & Bhatt 2017; Danoshana & Ravivathani 2019:62). In this context, MMDAs employ internal auditors and board of directors together with the service of audit committees as internal monitoring mechanisms to monitor the opportunistic behaviour of management, which in turn could enhance financial sustainability (Hazzaa et al 2022:1; Ahmed et al 2020:1; Ismael & Roberts 2018: 288). It is evident from the agency theory that corporate governance is entirely dependent upon the agents who are hired by the principals. The management of MMDAs is also liable for the delivery of services and safeguarding the interests of community members and these interests can only be protected by achieving financial sustainability and usage of audit committees, board of directors and internal auditors. The audit committees, board of directors and internal auditors are agents for the principal (community) and assist in identifying potential control weaknesses and financial sustainability issues in MMDAs. The audit committees, board of directors and internal auditors are also the main components of the internal governance that can bring satisfaction to the community members and other stakeholders through continuous service deliveries by MMDAs and also making ensure that MMDAs are financially sustainable (Hazzaa et al 2022:1; Ismael & Roberts 2018: 288).

The literature has confirmed that the audit committee, board of directors and internal auditors are seen as key internal governance mechanisms to solve the agency problem and prevent management from taking advantage to gain from the organisation (Asiedu & Deffor 2017:82; Ibrahim, Diibuzie & Abubakari 2017:684; Pappa & Filos 2019:30; Beasley, Carcello, Hermanson & Neal 2009: 65). Carpenter and Feroz (2001: 565) mentioned that an agency theory explains that improvement in internal governance will positively affect financial performance. Based on the agency theory, Rahahleh and Hamzah (2019: 242) indicated that the presence of an independent audit committee provides a significant relationship between internal auditors and the board of directors. The agency theory states that the presence of an audit committee within organisations is sufficient to enhance financial sustainability and to reduce information asymmetry (Sarens, Beelde & Everaert 2009: 90). Consistent with the agency theory, the audit committee, board of directors and internal auditors are part of the internal control mechanisms in MMDAs who guarantee that the interests of community members and other stakeholders are being protected. For instance, as the audit committees play an oversight role (Zhang & Rich 2016: 439) then they represent agency cost to the principal, thus the agency theory is the dominant theory in the study of audit committees. Audit committees helping to strengthen the relationship between the board of directors and internal auditors’ attributes to determine the financial sustainability of MMDAs, will help to protect stakeholders’ interests (Johari, Alam & Said 2018: 1).

Nevertheless, the agency theory has been used in a number of studies but it has some limitations such as the agent may surrender to self-interest by other agents (Peters & Bagshaw 2014:103) as well as opportunistic behaviour and falling short of similarity between the desires of the agent's and principal's pursuits (Rahahleh & Hamzah 2019: 242; Abdullah & Valentine 2009: 89). Agency theory does not also consider all aspects of corporate governance (Santosh 2006:1). Santosh (2006:1) mentioned that it is difficult to use one theory that can encompass and unify all aspects of corporate governance. However, given the different contexts of sectors and countries in which organisations operate, an all-embracing corporate governance theory would prove rather difficult to develop. In the public sector, especially at the local government level, the assumptions of agency theory might not work. The most popular theoretical framework, agency theory, is proving to be a straight jacket that could be useful in some contexts but quite restrictive, mostly when the fundamental assumptions do not hold. Therefore, as a result of the limitations of the agency theory, this study considered it necessary to explore the resource dependency theory in addition to the agency theory.

3.7.2 The resource dependency theory

Resource dependency theory was propounded by Pfeffer (1973) and Pfeffer and Salancik (1978) in corporate governance studies (Hazzaa et al 2022:1; Hillman, Withers & Collins 2009:1404; Pfeffer & Salancik 2003:309). Resource dependency theory emphasises the essential role of the independent boards of directors to provide access to resources, improve organisational functions and linkage with the external environment, and enhance the organisation's financial performance (Hazzaa et al 2022:1; Rubino & Napoli 2020:1; Zona, Gomez–Mejia & Withers 2018:589; Drees & Heugens 2013:1666). Therefore, resource dependency theory proposes that it is essential to link the organisation to the external environment and resources. The resource dependency perspective posits that the board is a partner of management, where management can rely on the board to acquire resources and set strategy to help achieve their objectives (Hazzaa et al 2022:1; Nordberg 2020: 337; Yusoff & Alhaji 2012; Hillman et al 2009:1404; Tricker 2012: 67). Important resources are not defined as resource dependency theory is drawn from both management and sociology disciplines (Nicholson & Kiel 2007), however corporate governance actors can provide resources including information (Hatch 2018; Nicholson & Kiel 2007), advice, counsel, and help to foster legitimacy (Nordberg 2020: 337). This theory has a strategic view of value creation (Nordberg 2020:337) and therefore the board plays more of a role as a collaborator with management and not the role of a monitor (Cohen, Krishnamoorthy & Wright 2008: 181). With the strategic focus of this perspective, highly valued attributes of board members include knowledge and skills, industry expertise and reputation, and relevancy of resources (Cohen et al 2008: 181; Tricker 2012: 67).

Accordingly, industry expertise provides the corporate governance actors, such as the board of directors, internal auditors and the audit committee members, with a greater ability to interpret, understand and assess important areas within their duties (Cohen et al 2008: 181).

As discussed in Section 1.10.2, the second theory that the study relied on is resource dependency theory. This theory suggests that the internal governance mechanisms of an organisation, such as audit committees, board of directors and internal auditors are not only essential for ensuring that managers are effectively monitored, but also they serve as an essential link between the organisation and the significant resources needed to maximise financial sustainability (Ntim 2009: 88). Firstly, the board and non-executive directors particularly can give essential resources, such as experience, expert advice, knowledge and independence (Hazzaa et al 2022:1; Nordberg 2020: 337; Haniffa & Cooke 2002: 319). Secondly, the board and non-executive directors can link the organisation to essential business contacts and a reputation (Hazzaa et al 2022:1; Nordberg 2020: 337; Haniffa & Hudaib 2006: 1039). Thirdly, the board and non-executive directors can link the organisation to have access to information, capital and political favour (Nicholson & Kiel 2003: 589). Finally, the board and non-executive directors can link the organisation to the external environment and major stakeholders, such as suppliers, creditors, competitors and customers (Hazzaa et al 2022:1; Nordberg 2020: 337). Nicholson and Kiel (2003: 589) argued that if the organisation has more links to the external environment, then it has better access to resources. This means that if MMDAs have access to resources they can increase the internally generated funds which will then make them financially sustainable.

The resource dependency theory is regarded as a theory for strategic management that emphasises the use of resources to determine strategies that can lead to the financial sustainability of organisations (Holdford 2018:1; Gao, Tate, Zhang, Chen & Liang 2018:47; Shan, Luo, Zhou & Wei 2018:407). The resource dependency theory is based on the premise that both tangible and intangible resources should be utilised effectively and efficiently to achieve the objective of an organisation. Greer, Lusch and Hitt (2017:139) referred to resources as anything internal or external that can be utilised to achieve the objectives of organisations. The theory is often applied to the private sector, but it could be suitable for MMDAs by a new dimension to its application. The first aspect to support the application of this theory is the new public management concept of promoting the transformation of public administration by employing private-sector management styles (Hegazy & Stafford 2016: 848). The second endorsement for the application of this theory is that it is used to provide strategies to improve the audit committee's role in respect of MMDAs (Roos 2021).

According to Weller, Hymer, Nyberg, and Ebert (2019:152), for an organisation to gain a competitive advantage, it is crucial to align its activities and positions with its human capital resources and embrace innovation. Gao et al (2018:45) applied the resource dependency theory to develop a specific social media strategy. Therefore, MMDAs can also apply this theory by ensuring that all the categories of resources are present to be financially sustainable. Since the theory is linked to strategic management theory, audit committees, board of directors and internal auditors can also apply it to provide useful advice by generating effective strategies regarding the resources required to enhance the financial sustainability of MMDAs.

The resource dependency theory is also based on the premise that both tangible and intangible resources are needed in enhancing the financial sustainability of organisations (Halimah 2015: 95). One of the objectives of the resource dependency theory is to assist managers to value why intangible assets such as competence, skills and organisational knowledge can be seen as important assets and to understand how these assets can be used to improve the organisations' financial sustainability (Halimah 2015: 95; Caldeira & Ward 2003). This theory was built around the internal competencies of organisations (Halimah 2015: 95). According to the resource dependency theory, organisations are required to look for unique attributes of internal governance that can provide support for financial sustainability (Halimah 2015: 95). Given resource dependency theory, it is essential to investigate how the board of directors, the audit committee and the internal auditors' variables can support the financial sustainability of MMDAs. The resource dependency theory has also emerged as one of the key theoretical perspectives guiding investigation into the determinants of organisational performance (Halimah 2015: 95; Crook, Ketchen, Combs & Todd 2008: 1141; Newbert 2007: 121). Despite its important insights, the resource dependency theory has not observed further than the properties of organisational resources in influencing sustainable competitive advantage. Particularly, it has not investigated the social context within which resources are embedded and how this context might affect the financial sustainability of MMDAs.

Even though a number of theoretical frameworks have been used to establish the relationship between the audit committee, board of directors and internal auditors' attributes and financial performance, the moderating role of audit committee attributes on the relationships between the board of directors and internal auditors' attributes and financial sustainability can be theorised using arguments of either the agency theory or resource dependency theory or a combination of both. Agency theory posits that audit committees, boards of directors and internal auditors serve as agents of principals of organisations and play a monitoring role to ensure that managers act in the interest of stakeholders, as the owners of the organisation (Jeong & Harrison 2017: 1219). It has been argued that audit committees, board of directors and internal auditors can reduce agency costs (Hillman & Dalziel 2003) and ensure appropriate processes of strategy development and formulation (Endrikat et al 2020: 1). However, the adoption of agency and resource dependence-related arguments in this study is by the prior studies that emphasised that board of directors, audit committees and internal auditors perform a monitoring role and ensure that the financial performance of organisations is enhanced (Hazzaa et al 2022:1; Nordberg 2020: 337; 1041). On the other hand, Hazzaa et al (2022:1) and Nordberg (2020: 337) mentioned that the board of directors performs two main functions namely monitoring and resource provision. The resource dependency theory requires the board of directors, internal auditors and audit committees to link the MMDAs to the needed resources. This implies that the board of directors, internal auditors and audit committees are to provide resources to the MMDAs; therefore, they, in turn, are seen as an important resource to the MMDAs (Hazzaa et al 2022:1; Nordberg 2020: 337; Abdullah & Valentine 2009: 89; Peters & Bagshaw 2014: 111). Peters and Bagshaw (2014: 111) argued that whilst the agency theory is based on the monitoring and controlling role of the board of directors, internal auditors and audit committees, the resource dependency theory focuses on the advisory and counseling role of the board of directors, internal auditors and audit committees to organisation's management. The use of this theoretical framework in the current study is argued in Section 1.10. The use of multiple theories was based on the position that a single theory cannot give more understanding and detailed explanation of the research phenomena and account for the relationship among all the hypothesised variables. The section below justifies the adoption of agency as well as resource dependency theories on the internal governance variables used in the study.

3.7.3 Justification for using agency and resource dependency theories

Prior studies (Abang'a & Wang'ombe 2020:160; Mbithi, Wang'ombe & Moloi 2020:125; Fulgence 2019:251; Hussain et al 2018:441; Nakpodia & Adegbite 2018:17) emphasised that using a single theoretical framework is inadequate to give more insights on corporate governance and financial performance studies. The authors further indicated the use of a single theory in corporate governance studies resulted in inconclusive findings. Ntim, Soobaroyen and Broad (2017:65), and Al-Bassam et al (2018:335) added that the use of a single theoretical framework in corporate governance studies limits the understanding and advancement of new theoretical insights. Abang'a and Wang'ombe (2020:160); Mbithi et al (2020:125), and Rahman, Hussain and Hossin, (2019:203) advised that factors affecting corporate governance keep on changing and therefore the use of multiple and dynamic theoretical frameworks help to gain more insights. Whilst agency theory focuses on internal monitoring problems, resource dependency theory focuses on strategic links of the organisation to the external and internal resources and building relationships and securing resources in a dynamic environment (Abang'a & Wang'ombe 2020:160; Mbithi et al 2020:125; Ntim et al 2017). As a result, both internal and external pressures are essential in determining the financial sustainability of MMDAs. Abang'a and Wang'ombe (2020:160), and Mbithi et al (2020:125) advised that care should be taken when choosing multiple theoretical frameworks in a study because each theory may have different assumptions, concepts, and projections, which might be shared.

However, Fulgence (2021:77), Ntim, Lindop, Thomas, Abdou Opong (2019:921) and Kuhn (1970) mentioned that in choosing a multiple theoretical framework, there should be some ontological and semantic commensurabilities to measure and compare the validity of the scientific paradigms used in the study. In this case, Fulgence (2021:77) as well as Chen and Roberts (2010:651) recommended that when adopting a multi-theoretical perspective, theories that have some similarities such as predictions, concepts, and assumptions should be selected. Legodi (2020:341) indicated that resource dependency theory does not apply to organisations within the same sector such as MMDAs that do not compete, but share the same strategies, resources and capabilities. Legodi (2020:341) further indicated that to include organisations that do not compete, such as MMDAs in the perspective of resource dependency theory, the element of competitive advantage in the perspective of resource dependency theory should be adjusted to the contextual circumstances. In this case, competitive advantage should be replaced by an ‘increase in internally generated revenue’ in the context of MMDAs. Legodi

(2020:341) further stated that the main purpose of the resource dependency theory is the development of strategies that will increase the internally generated revenue by using the available resources, which in turn will enhance the financial sustainability of MMDAs.

As indicated above, agency theory addresses how the MMDAs' internal pressure, including the board of directors, internal auditors, audit committees, and management, may help in resolving the principal-agent conflict of interest thereby enhancing financial sustainability. This supports Fulgence (2021:77), Ntim et al (2019:921), and Kosnik (1987), who indicated that both agency and resource dependency theories share a common focus of the board of directors, internal auditors and the audit committee's relationship to management and their communities and that they all view how the corporate governance mechanisms help enhance financial sustainability. Also, as manifested in the prior review, resource dependency theory focuses on the MMDAs' internal and external forces, including knowledge, experience, counseling, suppliers and customers, which may help in enhancing financial sustainability. In this case, the resource dependency theory considers internal human resources (such as audit committees, internal auditors and board of directors) of MMDAs to enhance financial sustainability (Legodi 2020:341). These internal human resources and their attributes are only used by the MMDAs to enhance financial sustainability, without sharing such resources with other organisations.

MMDAs also have some external resources such as independent non-executive member serving on audit committees. The independent non-executive members serving on audit committees are considered external resources to MMDAs because such members are mostly from outside the MMDAs (Legodi 2020:341). Therefore, both agency and resource dependency theories explain how internal and external forces may affect financial sustainability, hence sharing semantic commensurabilities. It has also been argued that the role of audit committees, internal auditors and board of directors are both oversight and advisory (refer to section 3.3.1). If audit committees, internal auditors and the board of directors perform only oversight role then agency theory would have been the only theory for this study. However, the advisory roles perform by audit committees, internal auditors and the board of directors made resource dependency theory applicable in this study. From the perspective of both agency and resource dependency theories, the optimum board size, independent non-executive directors, gender diverse boards, optimum internal audit size, regular meetings between the board of directors and internal auditors, auditors with accounting and or auditing qualifications, regular audit committee meetings, and non-executive members serving on audit committees are all essential monitoring attributes which help to mitigate agency issues (agency theory), and to provide resources (resource dependency theory) thereby enhancing financial sustainability of MMDAs. Both agency and resource dependency theories predict how the internal governance mechanisms can influence the financial sustainability of MMDAs. Therefore, the adoption of agency and resource dependency theories in the study was appropriate to share common ontological views and justify how audit committee attributes can determine and strengthen the relationship between the board of directors and internal auditors' attributes to determine the financial sustainability of MMDAs. The use of an integrated theory approach means that MMDAs' utilisation of the resources provided by their agents can lessen their agency issues, which in turn will enhance financial sustainability.

3.8 Theoretical justifications of the internal governance variables in the study

This section describes the theoretical justifications of the board of directors, internal auditors and audit committee attributes using the agency and resource dependency theories perspective. The main purpose of this section is to use both agency and resource dependency theories to develop the research hypotheses in Chapter 4 to deepen the understanding of the relationship between internal governance mechanisms and the financial sustainability phenomenon. This section addresses each of the internal governance variables about financial sustainability within the context of agency and resource dependency theories.

3.8.1 Board Size

Board size is considered one of the important attributes of a board of directors because it determines how effectively a board of directors can monitor and control management in organisations (Naimah & Hamidah 2017; Shin-Ping & Hui-Ju 2011: 252). Board size is an indicator of the board quality and the variable has received attention among researchers, particularly when it comes to its influence on the board's oversight strength. In this regard, it is believed that the larger the board, the higher its capability of monitoring top management (Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249). The size of the board is described as the number of directors present on the board and it is seen as a key to corporate governance mechanisms, through which the board can effectively monitor management on behalf of stakeholders (Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249). Aktas, Andries and Croci (2018: 25) referred to board size as the composition of members on an organisation's board. The board of directors has two key functions, advising and controlling (Chan, Pan, Weng & Nianhang 2018: 423). Both agency theory and the resource dependency theories offer fundamental support for an appropriate board of directors to control agency costs and provide valuable resources to the organisation in the form of financial performance, experience, counseling, links to the external environment and important stakeholders (Chan et al 2018: 423; Al-Bassam, Ntim, Opong and Downs 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). However, both agency and resource dependency theories failed to recommend the number of board members. It is therefore argued that the effect of board size on financial performance may differ from one sector or organisation to another (Habbash & Bajaher 2014: 152; Nicolaescu 2012: 203).

From the agency theory perspective, Isik and Ince (2016:74) mentioned that a large board may result in less effective management and decision-making. This argument is supported by Guest (2009) and Jackling & Johl (2009) who discovered that boards of directors will be inefficient to manage the organisation when the board members exceed seven or eight. From the agency theory perspective, a small board helps the members interact and debate effectively (Reddy & Locke 2010: 190). Also, some scholars argued that a large board may have a significant relationship with financial sustainability (Tai 2015: 12). Other studies indicated that large boards are symbolic, while small boards mitigate the agency problem and become more effective in the management process (Vintila & Gherghina 2012: 175). Ciampi (2015:1012) argued that smaller boards could work together resourcefully compared to larger boards. Ntim et al (2015:194) argued that larger boards suffer from coordination, monitoring, and communication issues. Ntim, Soobaroyen and Broad (2017:65) as well as Coy, Fischer and Gordon (2011:1) also maintained that large boards struggle to safeguard the public interest such as financial sustainability. Ntim, Opong and Danbolt (2015:194) added that large boards are more likely to struggle in enhancing conflict monitoring roles. Contrary to the aforementioned views, large boards have a pool of experience, expertise and qualifications; which enhances the boards' monitoring role and improves the financial sustainability of organisations (Edia & Jessica 2020: 31; Hu & Loh 2018:1; Akbas 2016:7; Alfraih 2016:154). However, Al-Bassam et al (2018:335) argued from the perspective of agency theory that large boards enhance stakeholders' interest by reducing information asymmetry. Muttakin, Khan and Mihret (2018:41) also argued that smaller boards are dominated by chief executive officers, which gives them the flexibility to dominate board decisions that serve their selfish interests. As a result, this stifles the agency's financial performance, thus increasing organisation's financial sustainability issues. Manzaneque, Priego and Merino (2016:111) argued that large boards are essential during periods of financial unsustainability. On the other hand, some studies have reported that a larger board is an opportunity for the board to supervise management, an increased pool of experience, and access to a wider range of resources (Brédart 2014; Reddy & Locke 2010: 190). Large boards can monitor management (Edia & Jessica 2020: 31; Abdullah 2016:384). Large boards are capable of reducing financial manipulations thereby enhancing the financial performance of organisations (Edia & Jessica 2020: 31; Swastika 2013). Also, large boards can minimise the agency problem during periods of financial unsustainability by performing their strategic function more effectively (Edia & Jessica 2020: 31; Al-Bassam et al 2018:335; Swastika 2013). The agency theory prefers smaller boards to larger boards because larger boards are less effective than smaller boards due to the difficulties in organising, communicating and coordinating large boards (Arosa, Iturralde & Maseda 2013:127; Zheng 2019:421). Also, larger boards delay decision-making, which leads to hesitated decisions and postponement (Guney, Karpuz & Komba 2020:53; Zhai 2019:665).

In contrast, the resource dependency theory prefers larger boards to smaller boards in that larger boards could provide MMDAs with needed resources to enhance financial sustainability (Guney et al 2020:53; Zhai 2019:665). Larger boards have different board members with a variety of experience, qualifications and skills (Waheed & Malik 2019:146; Zheng 2019:421). Besides, larger boards have higher capacity in counseling, supervising and monitoring management (Gaur, Bathula & Singh 2015:911; Zhai 2019:665), thereby enhancing their services (Guney et al 2020:53). Also, larger boards are capable of monitoring and overseeing management (Anderson, Mansi & Reeb 2004:315), linking the organisation to external resources (Guney et al 2020:53; Lorca et al 2011:613), and representing various ideas (Zheng 2019:421). Guney et al (2020:53) recommended that organisations should have an average board size of 11 to be able to enhance financial sustainability. From the resource dependency theory perspective, organisations do business with each other to acquire the resources which are necessary for continuity (Rubino & Napoli 2020: 6; Hillman & Dalziel 2003: 28). In support of the resource dependency theory, large boards improve the ability of the organisation to adapt the harsh conditions, which in turn improves the financial sustainability of an organisation (Appiah & Amon 2017). Large boards enhance financial sustainability because some of the board members may have accounting and or auditing competencies (Al-Bassam et al 2018:335; Ghazali 2010: 109; Habbash & Bajaher 2014: 152). The resource dependency theory proposes that large boards are better for MMDAs because MMDAs with diversified board members could give good advice, greater expertise based on experience as well as knowledge, and access to financial resources and work effectively to enhance financial sustainability because of the collective ideas and opinions from many different diversified board members (Rubino & Napoli 2020: 6; Pfeffer & Salancik 1978: 358; Volonté 2015:25; Hillman & Dalziel 2003: 28). Wang, Li & Qi 2020: 1172). Switzer and Wang (2013:91) added that chief executive officers and other management members will find it difficult to control large boards. Boards have two typologies of tasks: the tasks of monitoring (based on agency theory) and resource providing (based on resource dependence theory) (Rubino & Napoli 2020: 6; Hillman & Dalziel 2003: 383). According to Rubino and Napoli (2020: 6), organisations attempt to gain access to any knowledge that will help them deal with uncertainty over financial sustainability strategies by having a large board. Consequently, there is a higher probability of finding a board of directors with more experience and expertise in dealing with financial sustainability issues on large boards (Fariha et al 2021: 2443; Ntim & Soobaroye 2013: 468; Jizi, Aly & Robert 2014: 601). Similarly, large boards have a greater influence on strategies and programmes as they participate in their initiation and execution (Rubino & Napoli 2020: 6; Wang et al 2020: 1172). It is also likely that larger boards will include directors whose areas of expertise and interest vary. Therefore, it is easier to find a board member with knowledge of how financial sustainability strategy can improve MMDAs' service deliveries. These directors will tend to be the source of advice for other board members on the opportunities and difficulties they face, as well as being in a good position to offer financial sustainability expertise and help acquire any necessary resources or knowledge. Rwakihembo, Kamukama and Nsambu (2020:1) reported that large boards bring on board more diversified skills, which in turn enhances decision-making and improves the financial performance of organisations. In this context, it could be argued that large boards could bring on board different skills and knowledge to enhance the revenue generation of MMDAs, which in turn could improve their (MMDAs) financial sustainability.

In the Ghanaian context, corporate governance is developed from a stakeholder perspective, and then a large board of directors will enable a wider range of stakeholder representation, to compromise the potentially conflicting demands of these stakeholders and translate them into financial sustainability policies. Based on resource dependency theory, improvement in financial sustainability requires specific and valuable resources such as large boards (Al-Bassam et al 2018:335). Usually, organisations do not have the needed resources for enhancing the financial sustainability of MMDAs (Choi, Park & Hong 2012:267). Therefore, this study posits that large boards can bring in the needed external resources, which in turn can result in an improvement in the financial sustainability of MMDAs. Based on agency theory, large boards may have different board members with different expertise to be able to monitor the opportunistic behaviour of management to protect the interest of communities. Therefore, large boards can alleviate the problems arising from the opportunistic behaviour of management, which in turn can result in improvement in the financial sustainability of MMDAs. However, both agency and resource dependency theories failed to give an acceptable board size. Paniagua, Rivelles, and Sapena (2018:229) expressed that the argument about the ultimate board size still exists and as such, there is no specific useful method for defining the number of board directors. While some studies advocate for smaller boards, others find boards with more members beneficial. Some studies have recommended the maximum number of board members to be between 7 and 8 (Kerzner 2017:1; Reddy & Locke 2010: 190). Reddy and Locke (2010: 190) expressed that when the board members exceed eight, then the board is less likely to control effectively which may empower the chief executive officers to control the MMDAs. Mehrotra (2016:15) recommended 8 to 10 as an ideal board size for those in both executive as well as non-executive positions. McGaffigan, Ullem and Gandhi (2017:267) recommended the ideal board size of 6 to 15 members to minimise agency problems. Lipton and Lorsch (2016:59) recommended 8 to 10 members as ideal for communication as well as coordination. Aktas et al (2018:467) recommended that the minimum board size should be 7 and the maximum should be 13 members. Musallam (2015:70) recommended 7 as minimum and 8 as maximum, Dang et al (2018:159) recommended 12 or 13 as maximum and Boubacar (2018: 629) recommended a minimum board size of 5 and a maximum of 15 as appropriate for MMDAs since it will help to integrate diverse skills and the active involvement of all board members in financial decisions. Regarding board size, prior studies such as Tjano (2021:116) reported an average of 11 in public sector organisations in South Africa, Cheung (2019:212) reported an average of 10; Habbash (2012:77) reported an average of 9 in the United Kingdom, Cheng, Lui and Shum (2015:534) reported an average of 9 in Hong Kong of listed organisations respectively. Additionally, Ogbechie and Koufopoulos (2007:350) found an average board size of 7.8 in Nigeria; Abeysekera (2010:504) reported an average board size of 8 in Kenya; Okeahalam (2004:358) reported an average board size of 7 in Ghana, 8 in Ivory Coast, 9 in Zimbabwean, 8 in Zambia, 10 in Mauritania, 12 in Namibia organisations respectively, and Abdelsalam et al (2008:953) reported average board size of 19 in Egypt.

However, the Local Government Act 2016 (Act 936) does not give a minimum and maximum number of board or council members for MMDAs in Ghana. According to the 1992 Constitution, the Electoral Commission has the right to determine the board or council members of each MMDA. The board or council members in the MMDAs constitute all the elected assembly members in that locality. Therefore, the number of assembly members in the electoral area of each MMDA determines its board or council members. As discussed in Section 2.6, there are currently 260 MMDAs in Ghana which are made up of six (6) Metropolitan Assemblies, (111) Municipal Assemblies and (143) District Assemblies (Hackman et al 2021: 382). District Assemblies, Metropolitan Assemblies and Municipal Assemblies all have the same internal political structures (Hackman et al 2021: 382). The MMDA is a hybrid composition that combines both elected and appointed officials. 70% of its members are elected by universal adult suffrage whilst 30% are appointed by the central government, specifically, the president in consultation with the traditional authorities and other interest groups but subject to the approval of two-thirds of the MMDA members present and voting (Ayee 2012: 628, Ahwoi 2010: 111). Generally, the MMDAs have the same compositions and similar functions but the major distinction is in the population sizes- 250,000, 95,000 and 75,000 for metropolitan, municipal and district assemblies respectively. During the study period, the information available indicated the Kumasi Metropolitan Assembly had the highest number of board or council members 55 whilst the smallest was unknown. Therefore, the study proposed a range of board or council members between 10 and 60 for questionnaire distribution. Although boards in MMDAs tend to be bigger than boards in smaller organisations (Machold et al 2011), it is expected that the board size increases as the size of the MMDAs expands.

To achieve secondary objective 1, the study investigated whether board size as the first board of directors' attributes used in the study, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that large boards are capable of monitoring and advising management to alleviate agency costs, which can enhance the financial sustainability of MMDAs (Edia & Jessica 2020: 31; Hu & Loh 2018:1; Akbas 2016:7; Alfraih 2016:154Edia & Jessica 2020: 31; Al-Bassam et al 2018:335; Ntim et al 2017). The study also relied on the assumption of resource dependency theory to argue that a large board can bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge and link the MMDAs to the external financial resources, which in turn will enhance the financial sustainability of MMDAs (Rubino & Napoli 2020: 6; Wang et al 2020: 1172; Berrone & Gomez-Mejia 2009: 103; Jensen & Meckling 1976; Al-Bassam et al 2018). Therefore, based on agency and resource dependency theories, this study expected that an average board consisting of 8 to 15 members can determine the financial sustainability of MMDAs.

3.8.2 Board independence

The second board of directors attribute used in the study is board independence. Board independence is one of the attributes of the board of directors that has gained the attention of regulators because it is essential to reduce the management's influence over the board of directors (Abdelbadie & Salama 2019: 85; Tulung & Ramdani 2018:1). An independent director is a director of a board of directors who does not have a material or pecuniary relationship with the organisation or related persons, except sitting fees (Kanakriyah 2021: 341). The appointment process of independent directors is independent of the organisation management and the appointment of independent director(s) of the organisation is done by and approved at the meeting of the stakeholders (Fuzi, Halim & Julizaerma 2016:460). The independent or non-executive directors are the persons entrusted by stakeholders to represent them to reduce agency problems (Kanakriyah 2021: 341; Fuzi et al 2016). Corporate governance regulations expect a certain number of board members to be executive and non-executive directors (Fuzi et al 2016:460; Mathew, Ibrahim & Archbold 2018:52). The argument is that if the board consists of non-executive members from the chief executive officer and other management members of MMDAs, such non-executive directors are more likely to protect the interest of communities (Abdelbadie & Salama 2019: 85; John, DeMasi & Paci 2016: 303). Independent non-executive members on the board are essential because such members have control mechanisms that allow the MMDAs to be financially sustainable (Darko et al 2016; Chan, Koh & Karim 2016:291; Chahine & Safieddine 2011:207). Both agency theory and the resource dependency theories offer fundamental support for independent directors to control agency costs and provide valuable resources to the MMDAs in the form of financial, experience, expertise, counseling, links to the external environment and important stakeholders (Chan et al 2018: 423; Al-Bassam, Ntim, Opong and Downs 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194).

From the agency theory perspective, the responsibility of the board is to monitor management to protect the stakeholders from conflict of interests (Kanakriyah 2021: 341; Fuzi et al 2016: 460; Rashid 2018: 34). Independent non-executive members on the board are capable of monitoring management and prevent them from their opportunistic interest because such members do not have any internal influence (Al-Matari & Al- Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85). It is argued that board of directors is an essential mechanism in monitoring and controlling management from pursuing their interests at the expense of stakeholders (Hillman & Dalziel 2003: 28; Darko et al 2016). Agency theory argues that independent members on the board are more important than internal board members because such members do not succumb to management decisions (Kaczmarek 2017: 879; Abdelbadie & Salama 2019: 85). Internal board members are often apprehensive about raising sensitive issues related to the performance and actions of management because such members feel obliged to the management. Independent members on the board do not have a professional relationship with the chief executive officers; therefore, such members are free to express their views on any issues concerning the organisation (Al-Matari & Al-Arussi 2016: 93; Abdelbadie & Salama 2019: 85). Both internal and external board members have a legal obligation to make sure the decisions are significant to both the organisation and the stakeholders. However, external members on the board can face difficulties because such members are not directly communicating with management (Ararat, Black & Yurtoglu 2017: 113). This implies independent directors can align with management because they do not have a stake in the organisation (Chan & Kogan 2016: 121). External members on the board have a significant influence on the organisation's financial performance (Abdelbadie & Salama 2019: 85; Abdallah & Ismail 2017). Therefore, the agency theory recommends a large number of independent non-executive directors on the board and the separation of the chief executive officer and chairperson of the board roles to enhance the board's independence and to discharge its oversight role effectively (Abdelbadie & Salama 2019: 85; Abdallah & Ismail, 2017; Hillman & Dalziel 2003: 28; Darko et al 2016 Jensen & Meckling 1976). In this case, independent non-executive directors can oppose any pressure from management and act in the best interest of the organisation (Rubino & Napoli 2020: 6) and are inclined to support financial sustainability strategies. Moreover, The board room function of the board of directors is to keep a check on the initiatives of chief executive officers and the consensus is that independent boards perform this function more effectively as they observe and evaluate the performance of the organisation and its management more objectively(Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85).

From the perspective of resource dependency theory, the boards of directors' monitoring function stem from resource dependency theory which indicates that boards of directors can provide diverse benefits to the organisation (such as the human capital of board members, legitimacy, advice and counsel, and access to external resources, that is financial resources) (Rubino & Napoli 2020:1; Liu et al 2015:223; Pfeffer & Salancik 1978: 163). Drawing from the perspective of resource dependency theory, the boards of directors are required to have experience and to link the organisation to external financial resources (Hazzaa, Abdullah & Aldhahebi 2022:1). Accordingly, the independent non-executive directors can bring in the boardroom different perspective and experience that can contribute significantly to the financial sustainability of MMDAs (Cuervo–Cazurra, Mudambi & Pedersen 2019:491; Rubino & Napoli 2020:1; Zona, Gomez–Mejia & Withers 2018:589). Independent directors can advise and counsel management on how the financial sustainability of MMDAs can be enhanced (Rubino & Napoli 2020:1; Liu et al 2015:223; Pfeffer & Salancik 1978: 163; Carpenter & Westphal 2001).

Mohammad, Wasouzzaman and Salleh (2016:726) as well as Abdallah and Ismail (2017:98) mentioned that independent non-executive directors provide experience and objectivity, which in turn leads to the improvement in financial sustainability. An organisation is not financially sustainable due to limited resources and has to link with the external environment to survive (Pfeffer & Salancik 2003:1). Therefore, the resource dependence theory argues that independent non-executive directors can tap into essential external resources such as financial and human capital, technology and relevant information (Kiel & Nicholson 2003:189; Ujunwa 2012:656; Lückerath-Rovers 2013:491). These resources can improve the effectiveness of the MMDAs' strategic financial decisions (Kiel & Nicholson 2003:189; Arora & Sharma 2016:420) and can increase MMDAs' legitimacy (Lückerath-Rovers 2013). About the independent non-executive directors on the board, prior studies such as Tjano (2021:115) reported an average of 83.3% of public sector organisations in South Africa, Cheung (2019:212) reported an average of 38 percent in Hong Kong, Ghafran and Sullivan (2017:578) reported an average of 48.23 percent in the United Kingdom, Mohammad, Wasouzzaman and Salleh (2016:726) reported an average of 4 percent in Malaysia, Garven (2015:67) reported an average of 74.2 percent in the United States, Lin and Liu (2013:227) reported an average of 33 percent in Hong Kong, Cheng, Lui and Shum (2015:534) reported an average of 39.5 percent in Hong Kong. Additionally, Ogbechie (2012:131) reported 65 percent in Nigeria; Abdelsalam, El-Masry and Elsegini (2008:953) reported 55 percent in Egypt; PriceWaterCoopers report (2011) reported 63.6 percent in South African organisations respectively. Samuel (2020:140) reported an average of 76.5 percent of independent non-executive directors on boards in Nigerian listed organisations. In Ghana, the boards of MMDAs consist of non-partisan board members of which 70% of the board members are directly elected while 30% are presidential appointees. This is consistent with Che and Langli (2015:1216), who argued that as conflicts of interest between communities and management are commonly found in MMDAs, it is, therefore, essential to have independent non-executive directors to monitor and control chief executive officers who are government appointees in MMDAs in Ghana from their opportunistic behaviour. From the resource dependence theory perspective, independent directors can have a significant influence on financial sustainability through strategic decision-making (Cheung 2019:212; Rodriguez-Fernandez, Fernandez-Alonso & Rodriguez-Rodriguez 2014: 485). Cheung (2019:212) as well as Pfeffer (1972:218) confirmed from the resource dependency perspective that to access diverse external sources of financing, MMDAs should have a higher percentage of independent non-executive directors in the boardrooms. In this case, both the agency and the resource dependence theories posit a significant relationship between board independence and financial sustainability (Al-Sahafi et al 2015; Bhattrai 2017; Bace 2017).

To achieve secondary objective 1, the study examined whether board independence as the second board of directors' attributes used in the study, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that independent non-executive directors can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role (Al-Matari & Al- Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85). The study also relied on the assumption of resource dependency theory to argue that independent directors can bring to the boardroom diverse perspectives, qualifications, knowledge, advice and counsel and link the MMDAs to the external financial resources, which in turn will enhance the financial sustainability of MMDAs (Cuervo–Cazurra et al 2019:491; Rubino & Napoli 2020:1; Zona et al 2018:589). Therefore, based on agency and resource dependency theories, this study expected that independent directors can enhance the financial sustainability of MMDAs.

3.8.3 Board gender diversity

Board gender diversity is the third board of directors attributes used in the study. Board gender diversity is an essential board of directors attributes in internal governance which needs further studies (Abdullah, Ismail& Nachum 2016: 466; Sanan 2016). A board of directors comprises elected people by stakeholders to govern and manage the organisation's affairs and is known as the governing body of an organisation. The board of directors carries out corporate policies, selects the organisation's officers, and makes certain major decisions on the organisation’s finances and operations (Hazzaa et al 2022:1; Alfraih 2016:154; Zona, Gomez–Mejia & Withers 2018:589). The board is vital for the existence and survival of both public and private organisations as a monitoring tool for effective corporate governance to improve the integrity and quality of accounting information (Hazzaa et al 2022:1). The board of directors is an essential internal control mechanism to monitor the activities of management and to protect the interest of stakeholders (Hazzaa et al 2022:1; Unda 2015:353). Within corporate governance, the diversity of the board has emerged as a major concern, whereby several studies attempted to examine the effect of board diversity on an organisation’s performance (Asensio–López, Cabeza–García, & González–Álvarez 2019:266; Buallay et al., 2017:78; Kostyuk, Mozghovyi & Govorun 2018:50; Lombardi, Trequattrini, Cuozzo & Cano–Rubio 2019:666; Madhani 2017:7; Naciti 2019:1; Zubeltzu–Jakaet, Álvarez–Etxeberria & Ortas 2020:1361). Diversified boards benefit the boardroom by improving connections and networking, expanding the areas of organisations that might be overlooked (Khatib, Abdullah, Elamer & Abueid 2021:985; Viviers, Mans-Kemp & Fawcett 2017:1), make room for different views for decision-makings of underrepresented groups (Tingbani, Chithambo, Tauringana & Papanikolaou 2020:2194) and promotes better discussions within boardroom (Green & Homroy 2018; García–Meca, García–Sánchez & Martínez–Ferrero 2015:202). Women on boards have problem-solving skills due to diversified views (Nyatichi 2016:1; Sahar et al 2018:556), enhance communication and more comprehensive critical scrutiny of problems (Abdullah et al 2016:466). Women are largely more financially risk-averse as compared to men (Rao & Tilt 2016:327) and are less over-optimistic (Terjesen et al 2016:447), which in turn enhances financial sustainability (Aribi et al 2018).

In developing countries especially as those in Sub-Saharan Africa, such as Ghana, are patriarchal societies where men dominate in decision making in domestic and organisational activities (Wadesango, Rembe & Chabaya 2011: 121; Chijoke-Mgbame, Boateng & Mgbame 2020: 4). It is argued that African countries have weak legal and institutional frameworks which do not support women in decision making in organisational activities (Chijoke-Mgbame & Mgbame 2018: 252; Nakpodia, Adegbite, Amaeshi & Owolabi 2018: 391); Agyei-Boapeah, Machokoto, Amankwa-Amoah, Tunyi & Fosu 2020: 1). Both formal and informal organisations in Sub-Saharan Africa are weak and under-developed due to political instability, poor political leadership, conflicts and wars (United Nations Economic Commission for Africa 2009; Nakpodia et al 2018: 391; Agyei-Boapeah et al 2020: 1). Sub-Saharan African countries such as Kenya and South Africa have legal institutions that support women at work (Chijoke-Mgbame, Boateng & Mgbame 2020: 4; Hughes, Paxton & Krook 2017: 331). In a similar vein, despite progress made in recent years, most African cultures continue to distinguish between women's and men's roles, thereby implicitly defining the expected behaviours of females and males. Both agency theory and the resource dependency theories offer fundamental support for appropriate gender-diverse boards to control agency costs and provide valuable resources to the organisation in the form of financial performance, experience, counseling, links to the external environment and important stakeholders (Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Chan et al 2018: 423; Al-Bassam, Ntim, Opong and Downs 2018:335; Ntim et al 2015:194).

From the agency theory perspective (Sheikha et al 2021: 1; Shin, Chang, Jeon, 96 & Kim 2019:1; Jensen & Meckling, 1976; Fama and Jensen 1983: 327), the board of directors has a primary responsibility for monitoring management to lessen agency costs. The monitoring responsibility is even more effective when the board is gender-diversed (Chijoke-Mgbame, Boateng & Mgbame 2020: 4; Shin et al 2019:1; Carter, Ye, Deng, Liu, Szewczyk & Chen 2019: 1). This is because gender diversity increases the quality of the board and enhances board independence (Chijoke-Mgbame et al 2020: 4; Shin et al 2019:1; Adams & Ferreira 2009: 291; Adams & Kirchmaier 2016: 277). The agency theory posits that gender-diverse boards have a variety of perspectives to help evaluate alternatives available to solve problems such as financial sustainability issues (Sheikha et al 2021: 1; Chijoke-Mgbame et al 2020: 4; Campbell & Minguez-Vera 2008: 435). Women on board can affect corporate governance and thus enhance organisational performance (Sheikha et al 2021: 1; Alabede 2016: 67). In support of this, Adams and Ferreira (2009:291) reported that women are more dedicated to attending meetings which influence men to improve their presence during meetings. Women directors with requisite qualifications and experience contribute immensely when making important decisions (Dah, Jizi and Kebbe (2020: 1; Solimene, Coluccia & Fontana 2017: 569). Women understand the needs of communities better (Arguden 2012: 65), which in turn improves organisations' financial sustainability (Kaur & Singh 2017: 111; Gavious, Segev & Yosef 2012: 4). Women directors are effective in monitoring and controlling management resulting in improvement in financial sustainability (Sheikha et al 2021: 1; Woschkowiak 2018:1; Bennouri et al 2018).

From the perspective of resource dependency theory, the main function of the board is to provide resources (Hillman & Daziel 2003: 383). The resource provision function of the board is embedded in the resource dependence theory, which was greatly shaped by the work of Pfefer and Salancik (1978). The authors assert that four primary benefits can be provided by boards, which are i) advice and counsel, ii) legitimacy, iii) channels for communication between external and internal organisations and iv) preferential access to commitments and support from important elements outside the organisation. Resource dependency theory argues that women directors bring different valuable resources to the boards and connect the organisation to a valuable external environment (Hassan & Marimuthu 2016:1737). Women on boards enhance constructive and professional ideas (Adams & Borsellino 2015:1) and introduce knowledge, skills and experiences to the boards that differ from those of their male counterparts (Gyapong, Monem & Hu 2016:370; Terjesen, Sealy & Singh 2009: 320). Liu, Wei and Xie (2014:169) added that women on boards enhance board independence. In addition, women directors can create linkages to different parties such as customers, suppliers, future employees or suppliers than men (Hillman, Shropshire & Canella 2007: 941). Hillman, Canella and Paetzold (2000: 941) extended the resource dependence view on the role of directors by combining theory and empirical findings to develop four different types of directors: insiders, business experts, support specialists and community influentials. Based on this, Hillman et al (2007: 941) found that women directors are better community influentials than men. Community influentials are considered to provide the expertise of an impact on powerful groups in the community surrounding the organisation (Nyatichi 2016:1; Sahar et al 2018:556; Hillman et al 2007: 941). The finding that women directors fill this role better than their male counterparts is supported by the conclusions of Brammer, Millington and Pavelin (2007: 393), who observed a positive reputational effect of women's boards of directors. As mentioned above, one of the benefits of board linkages described by Pfeffer and Salancik (1978) is the creation of legitimacy for the organisation. Based on the benefit, Dang, Bender & Scotto (2015: 489) as well as Sheikha et al (2021: 1) discovered that the appointment of women directors can enhance the legitimacy of the organisation. Women have stronger networks and better access to external financial resources, bring different viewpoints, perspectives, and experiences and therefore prefer to make riskier decisions, which improves the financial sustainability of organisations (Sheikha et al 2021: 1; Wang, Holmes, Oh & Zhu 2016: 775; Farrag & Mallin, 2016: 1528; Wang, Holmes, Oh & Zhu 2016: 775; Hoobler, Masterson, Nkomo & Michel 2016: 160). Seierstad (2016: 390) as well as Gul, Srinidhi and Ng 2011: 314) added that having women directors on boards will contribute new skills that will in turn have an impact on improving financial sustainability.

For the past decade, there has been a noticeable increasing trend of women on organisations' boards in several countries globally. Although European countries were the leaders in advocating for promoting women's rights in the workplace, other countries followed the trend through mandatory laws or recommendations (Wang 2020: 1). Nevertheless, Terjesen, Couto and Francisco (2015:447) emphasised that some countries have set out quotas for women to serve on boards. Alkebsee, Habib, Huang and Tian (2022:1) as well as Usman, Zhang, Wang, Sun & Makki (2018: 1065) reported that France has a quota of 44.4% of women serve on boards, the United Kingdom has 30.3% and Australia has 29.6%. Deloitte (2019: 1) reported that the global average women on boards constitute 21.1%. Nonetheless, the laws in Ghana such as the PFM Act, Local Government Act 2016 and the Companies Act 2019 have not spelled out a quota for women to serve on boards in private and public organisations. From the global analysis conducted by UN Women (2021:24), the proportion of women to men in the local government elections in Ghana is 3.80%, indicating that women's representation in the local government is negligible. The councilors elections held in Ghana in 2012 indicate that women constituted 512 out of the total of 5681 representing 6.7% and in 2015, women constituted 276 out of the total of 5654 representing 4.7% (Boateng & Kosi 2015:1). This indicates that women as board or council members at the local government level are very low. The percentage of women representation in local government elections is less than the thirty percent (30%) benchmark of the United Nations (Manuh 2011:4). According to 2020 Women on Boards (2020), women hold 22.6% of the board seats of 3000 organisations in Russell, whereas Catalyst (2020:1) reported that 26% of S&P 500 organisations' boards constitute women. Concerning technology organisations in the United States, Sullivan et al (2020:1) found that women board members, on average, accounted for 20.6%. As the board of organisations is becoming more balanced in gender, Kumar and Zattoni (2016:1), as well as Jourová (2016), expressed that 40% of women on boards could improve organisations' financial sustainability. Ben Slama et al. (2019) affirmed that organisations' financial sustainability is improved when

40% of women are represented on boards. Kiflee et al (2020:552) as well as Wahid (2018:705) also added that a board that constitutes 30% of women enhances financial sustainability. About women on boards, prior studies such as Tjano (2021:115) reported an average of 36% of public sector organisations in South Africa, whilst Samuel (2020:140) also reported an average of 33.7% of listed organisations in Nigeria. The presence of women on the board enhances the competencies of the board members since it brings diversity to the board (Fariha et al 2021: 2443). Muttakin and Ullah (2012: 1) reported that the presence of women on the board does not affect financial sustainability. Ofoeda (2017: 854) also reported that the presence of women on boards has a significant relationship with financial sustainability.

To achieve secondary objective 1, the study established whether board gender diversity (women directors) used in the study as the third board of directors' attribute, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that women on board can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. Drawing from the perspective of agency theory, improving financial sustainability requires the board of directors who will be able to monitor and advise management. MMDAs in Ghana need to have more women serve on their boards for enhancing financial sustainability. As a result, this study expects that women directors can monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Ahmadi, Nakaa & Bouri 2018:218; Kakabadse Figueira, Nicolopoulou, Hong Yang, Kakabadse & Özbilgin 2015:265). The study also relied on the assumption of resource dependency theory to argue that women directors can bring to the boardroom diverse perspectives, qualifications and knowledge and link the MMDAs to external resources, which in turn will enhance the financial sustainability of MMDAs. Drawing from the perspective of resource dependence theory, improving financial sustainability requires specific and essential resources. As a result, this study expects that women directors can bring in the necessary external financial and human resources, which will result in an improvement in financial sustainability (Sheikha et al 2021:1; Wang, Holmes, Oh & Zhu 2016: 775; Farrag & Mallin 2016: 1528; Hoobler, Masterson, Nkomo & Michel 2016: 160). Both agency and resource dependence theories support board diversity on the basis that diverse boards help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on agency and resource dependency theories, this study expected that board gender diversity can enhance the financial sustainability of MMDAs.

3.8.4 Internal auditor independence

Internal auditor independence is the first internal auditors' attribute used in the study. Independence refers to the concept of being free from any management influence while auditors perform internal audit activities and issue audit reports (Cooper et al 2009). Internal auditor independence represents one of the essential attributes for achieving internal audit effectiveness, which is also considered an essence of auditing (Chun 2007). Internal auditor independence is seen as a key driver of the internal audit function (Alzeban & Gwilliams 2014). Internal auditors must maintain independence in order to ensure the integrity of their opinions, recommendations, and conclusions. Failure to do so may lead to suspicions of bias. As a result, the auditor's independence is necessary for the effective achievement of the function of internal audit. It is also fundamental to the reliability of auditor's reports (Alzeban & Gwilliams 2014).

IIA (2017: 3) referred to independence as the freedom from conditions that threaten the ability of the internal auditors' activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board (IIA 2017: 3). This can be achieved through a dual-reporting relationship (IIA 2017: 3). Threats to independence must be managed at the individual auditor, engagement, functional, and organisational levels (IIA 2017: 4). Independence is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made (Jachi & Yona 2019; Mwende & Nasieku 2018:11; IIA 2017: 4). The chief audit executive must report to a level within the organisation that allows the internal auditors to fulfill their responsibilities. The chief audit executive must confirm to the audit committee on an annual basis the organisational independence of the internal auditors (IIA 2017: 4). This is achieved by receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters (IIA 2017: 4; Mwende & Nasieku 2018:11). The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results (IIA 2019; Jachi & Yona 2019; Lily 2019: 9). The chief audit executive must disclose such interference to the board and discuss the implications

(IIA 2017:3). In this case, the chief audit executive must communicate and interact directly with the audit committee and the board (IIA 2017:3; Jachi & Yona 2019; IIA 2019; Lily 2019: 9).

From the agency theory perspective, IIA (2019) indicates that the internal auditors act from the position of being an advisor or specialist who has several qualities and one of the qualities must be independence. Internal auditors must therefore show independence throughout the audit. Internal auditor's efficiency comes when they are independent from the organisation management which will then allow for objective assessment of the activities to be audited. Djordjevic and Dukic (2017:231) stated that an idependent mental attitude makes the internal audit function perform engagements in such a manner that they believe in their work's final product and that no quality compromise was made. Jachi and Yona (2019) indicated that independence is one the attributes that an internal auditor should have where the auditor can carry out an audit without bias creeping into the mind and this is a crucial element in conducting an audit because the auditors can pass their judgment without any bias contributing to the judgment as audit evidence but rather the audit can then come up with recommendations from the evidence they have obtained in carrying out the audit with independence and objectivity. Abbott et al (2016:3) argued that independent internal auditors can monitor the management, financial reporting and financial sustainability performance. Internal auditors' independence is also a key used to bridge the information asymmetry gap between principals and agents (John & Chukwumerije 2012:25; Mardiah & Erlina 2012:22; Panda & Leepsa 2017:74). In this regard, Ndubuisi, Okeke and Chinyere (2017: 216) as well as Albeksh (2017:680) expressed that, internal auditors' independence reflects unbiased mental attitude in reporting a financial statement. Independent Internal auditors can provide effective feedback to management on how to continuously enhance effective control policies (Ariga & Gathogo 2016:2319).

From the resource dependency theory perspective, independent internal auditors conduct assessments and offer recommendations where necessary (Mbelwa & Lenatusi 2019: 13). In the event of serious findings that involves management, the chief audit executive may report such to the audit committee and board for the board to hold management accountable (Mbelwa & Lenatusi 2019: 13). Also, in the case of consulting assignments, internal auditors offer advice and guidance to management for ineffective use of the organisations's resources (Mbelwa & Lenatusi 2019: 13; Pfeffer & Salancik 2015: 1). Management has autonomy over financial or human resources, and instead, it is the management that supplies resources to internal audit units. From the resource dependency theory perspective, Pfeffer and Salancik (2015:1) argued that the functions of the internal auditors are compromised due to over-dependence on resources from the management. Therefore, independent internal auditors can approach management for the supply of human and material resources to the internal audit unit (Mbelwa & Lenatusi 2019: 13; Pfeffer & Salancik 2015: 1). Independent internal auditors will be able to control the department that is deprived of the resources in the organisation. Again, independent internal auditors can assist the board of directors in search for the needed resources for the organisation (Mbelwa & Lenatusi 2019: 1: 13; IIA 2017: 3). Ayobami (2018: 50) expressed that a number of public sector organisations including MMDAs are experiencing financial sustainability issues, as a result, lack of internal auditors' independence. In the context of MMDAs in Ghana, the independence of internal auditors is said to be compromised by their level of position and recognition (Hay & Cordery 2018:1; Asiedu & Deffor 2017:82; Ibrahim, Diibuzie & Abubakari 2017:684; Pappa & Filos 2019:30). The authors alluded that internal auditors occupy lower positions as compared to those who make financial decisions in MMDAs. As a result of this, internal auditors offer recommendations to management in financial decisions, which in turn can enhance the financial sustainability of MMDAs. From the agency and resource dependency theories' perspective, independent internal auditors advice management (Chief finance officers and Metropolitan, Municipal and District Chief Executives (MMDCEs)) to work towards enhancing financial sustainability of MMDAs (Ofosuhene, Amaglo, Baah, Deku & Van-Brocke 2021: 55). If internal auditors are independent and advice management on financial decisions in MMDAs, management will seek their expert advice regarding how financial sustainability can be improved (Ofosuhene et al 2021:55). This will help strengthen financial discipline in MMDAs.

To achieve secondary objective 2, the study established whether internal auditor independence (regular meetings between internal auditors and board of directors) used in the study as the first internal auditors' attributes, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that internal auditor independence can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. Drawing from the perspective of agency theory, improving financial sustainability requires internal auditors who will be able to monitor and advise management without any interference. Internal auditors in MMDAs in Ghana need to have regular meetings with the board of directors to discuss financial sustainability issues. As a result, this study expects that independent internal auditors can monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Ofosuhene et al 2021: 55; Chan et al 2018: 423; Al-Bassam, Ntim, Opong and Downs 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). The study also relied on the assumption of resource dependency theory to argue that independent internal auditors can bring to the boardroom diverse perspectives, qualifications and knowledge and link the MMDAs to the external resources, which in turn will enhance the financial sustainability of MMDAs (Hay & Cordery 2018:1; Asiedu & Deffor 2017:82; Ibrahim, Diibuzie & Abubakari 2017:684; Pappa & Filos 2019:30; Mbelwa & Lenatusi 2019: 13; Pfeffer & Salancik 2015: 1). Both agency and resource dependence theories support independence of internal auditors on the basis that diversed reguar meetings between internal auditors and board of directors help to alleviate agency costs (agency theory), facilitates access to untapped resources and networks (resource dependency theory), and enhances financial sustainability (Hay & Cordery 2018:1; Asiedu & Deffor 2017:82; Ibrahim, Diibuzie & Abubakari 2017:684; Pappa & Filos 2019:30; Ofosuhene et al 2021: 55). Therefore, on the basis of agency and resource dependency theories, this study expected that independence of internal auditors can enhance the financial sustainability of MMDAs.

3.8.5 Internal audit size

The second internal auditing attribute used in the study is the internal audit size. Bednarek (2018:1) indicated that one of the essential attributes for an internal auditor to conduct an efficient internal audit activity is the availability of a sufficient number of internal auditors. Alzeban (2020), Carcello et al (2018), Christopher (2019), Hazaea et al (2020), Jiang et al (2020), Oladejo and Nwachukwu (2021) and Zain, Subramaniam and Goodwin (2004: 20) also argued that the the internal audit size is likely to enhance the quality of the internal audit. Alzeban (2020), Carcello et al. (2018), Christopher (2019), Hazaea et al (2020), Jiang et al (2020), Oladejo and Nwachukwu (2021) and Zain et al (2004: 20) explained that in a larger internal audit unit, there will be more staff and consequently, it can be expected that the scope of the internal audit work covered would be much greater than in a smaller size of internal auditors. Internal audit size is deemed to be a fundamental driver of the effectiveness of the internal audit unit. In support of this, the IIA (2017) indicated that the chief audit executive should ensure that the internal audit department is allocated adequate resources to enable them to perform their duties more efficiently and effectively. In this regard, adequate resources for the internal audit department will help them to oversee the day-to-day activities of the organisation and to help detect and prevent the management's self-serving actions (Prawitt, Smith & Wood 2009:1255). Empirical evidence shows a relationship between internal audit size, competency and financial reporting quality (Prawitt et al 2009: 1255). Similar to the above findings, a positive relationship was reported between the features of internal audit (size), and audit financial statements (Subramaniam & Stewart 2006: 1). Both agency and resource dependency theories offer fundamental support for an appropriate internal audit.

From the agency theory perspective, prior studies argued that internal audit size can help to reduce information asymmetry and provide better monitoring (Oladejo & Nwachukwu 2021:97; Alzeban 2020:437; Jiang, Messier & Wood 2020:101; Kotb, Elbardan & Halabi 2020:1969; Sattar, Javeed & Latief 2020:4153; de Fine Licht 2019:233; Khan & Subhan 2019:1; Christopher 2019:472; Carcello, Eulerich, Masli & Wood 2018:121). Carey, Simnet and Tanewski (2000: 37) also argued from the agency theory perspective that the presence of internal auditors helps to reduce the problem of separation between ownership and control. In general, internal auditors provide monitoring projected to reduce the agency costs (Alzeban 2020; Carcello et al 2018; Christopher 2019; Hazaea et al 2020; Jiang et al 2020; Ismael & Roberts 2018:288; Jensen & Meckling 1976). The large size of the internal audit is capable of reducing the information asymmetry problem between chief executives and the board of directors (Alzeban 2020; Carcello et al 2018; Christopher 2019; Hazaea et al 2020; Jiang et al 2020; Oladejo & Nwachukwu 2021; Ismael & Roberts 2018:288). Chang, Chen, Cheng and Chi (2019:1) as well as Arena and Azzone (2009:43) proposed that a large number of internal auditors could help internal auditors' monitoring ability as well as strengthen the independence of internal auditors. As a result, the large number of internal auditors is seen as a significant aspect that may have an impact on the effectiveness of internal auditors (Chang et al 2019:1).

From the resource dependence theory perspective, a larger internal audit size means the members can bring more resources such as experience and expertise to the organisation, which contributes to the internal auditors' effectiveness in monitoring management, hence leading to improvement in financial sustainability (Al-Rassas & Kamardin 2015: 460). From the resource dependency theory perspective, internal auditors who have knowledge and expertise bring important resources to the organisation which leads to increasing the organisation's internal monitoring and enhancing financial sustainability (Al-Rassas & Kamardin 2015: 460;

Hillman & Dalziel 2003: 383). A member of the internal audit unit can be an expert who can help to increase the auditors' internal monitoring effectiveness because such a member may have experience in auditing, internal control and financial statements (Alzeban 2020:437; Carcello et al 2018:121; Christopher 2019:472; Jiang et al 2020:101; Oladejo & Nwachukwu 2021:97; de Fine Licht 2019:233; Khan & Subhan 2019:1; Kotb et al 2020:1969; Sattar et al 2020:4153; Al-Rassas & Kamardin 2015: 460). According to resource dependency theory, internal auditors add value to organisations (IIA 2020: 1). The internal auditors add value to the organisation and their stakeholders when they provide objective and relevant assurance, and contribute to the effectiveness and efficiency of governance, risk management, and control processes (IIA 2020). Internal auditors are responsible for adding value to organisations by enhancing and safeguarding them. They do this by providing risk-based and objective assurance, advice, and insight (IIA 2020:1; Eulerich & Eulerich 2020: 83). The internal audit size is also determined by the resources allocated and the amount of money spent on the internal audit (Alzeban 2020; Carcello et al 2018; Christopher 2019; Hazaea et al 2020; Jiang et al 2020; Alhajri 2017:75). Bednarek (2018:1) added that the internal auditor competence is enhanced when the internal auditors are more in the organisation. Ege (2015:495) and Arena and Azzone (2009:43) used the number of internal auditors to determine the internal audit size and concluded that a large internal audit could contribute to improvement in financial sustainability. However, Section 16 (1) of the Internal Audit Agency Act 2003 (Act 658) requires the establishment of internal audit units in all the MMDAs. Section 16 (2) has mentioned that the number of internal auditors to be appointed to the MMDAs depends on the requirements of a particular MMDA. This implies that the law does not give the number of internal auditors to be appointed to each MMDA.

To achieve secondary objective 2, the study investigated whether internal audit size as the second internal auditing attribute used in the study, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that large size of internal audits can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. Drawing from the perspective of agency theory, improving financial sustainability requires internal auditors who will be able to monitor and advise management. As a result, this study expects that large-size of internal audit can monitor and advice management to alleviate agency cost, which will result in improvement in financial sustainability (Alzeban 2020:437; Carcello et al 2018:121; Christopher 2019:472; Jiang et al 2020:101; Oladejo & Nwachukwu 2021:97; de Fine Licht 2019:233; Khan & Subhan 2019:1;

Kotb et al 2020:1969; Sattar et al 2020:4153; IIA 2020: 1; Eulerich & Eulerich 2020: 83; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). The study also relied on the assumption of resource dependency theory to argue that large size of internal audit can bring to the boardroom discussions diverse perspectives, qualifications and knowledge and link the MMDAs to the external resources, which in turn will enhance the financial sustainability of MMDAs (Alzeban 2020:437; Carcello et al 2018:121; Christopher 2019:472; Jiang et al 2020:101; Oladejo & Nwachukwu 2021:97; de Fine Licht 2019:233; Khan & Subhan 2019:1; Kotb et al 2020:1969; Sattar et al 2020:4153; Chan et al 2018: 423; Al-Bassam et al 2018:335; Prawitt et al 2009: 1255; Al-Rassas & Kamardin 2015: 460). Both agency and resource dependence theories support the independence of internal auditors on the basis that diverse regular meetings between internal auditors and the board of directors help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on agency and resource dependency theories, this study expected that the independence of internal auditors can enhance the financial sustainability of MMDAs.

3.8.6 Internal auditor competence

The third internal audit attribute used in the study is internal auditor competence. Arens et al (2014:131) referred to competency as knowledge and skills necessary for a person to accomplish a task. Regarding internal auditors, competency consists of the development of specialised expertise that enhances the quality of internal auditing. It comprises internal auditor experience, skills, knowledge and professional proficiency (Mahzan & Hassan 2015:92). The internal auditors' competency has often been viewed as a guarantee of fraud detection. It is also one of the most essential elements in determining internal audit quality. The internal auditors are required to have the requisite knowledge, skills, experience and professional qualification to work more effectively (IIA 2017: 11; Bello, Ayoib & Zalina 2017; Subhi & Stanišić 2016: 1; Ching, Teh, San & Hoe 2015: 1). Alzeban and Gwilliam (2014: 74) linked internal auditor competence with the level of education, working experience, professional qualifications and training, all of which assist internal auditors to add value and improve organisational financial sustainability. This is consistent with IIA (2017: 11), which states that internal auditors must possess high skills, knowledge and other competencies to perform their responsibilities. Badara and Saidin (2014:176) indicated that management generally pays more attention to recommendations from competent internal auditors, unlike inexperienced internal auditors. This confirms that the competence of internal auditors is essential to enable an auditor to provide good audit outcomes and good recommendations to the organisation. Based on IIA (2017: 11), a sufficient number of internal auditors and their competence has been stressed. Abbott et al (2016) indicated that there is greater financial reporting quality if the internal auditors are highly competent. Similarly, competent internal auditors can provide better insight into the issues that surround management bias when it comes to financial reporting (Lee & Park 2016: 185). This implies internal auditors with accounting and or auditing qualifications can ensure the quality of financial reporting which could lead to improvement in financial sustainability (Lee & Park 2016: 185).

The competency of internal auditors is important in promoting good governance and ensuring effective utilisation of public resources (Subhi & Stanišić 2016: 1). Internal auditors should be qualified, competent and knowledgeable to enable them perform their duties effectively (Subhi & Stanišić 2016: 1; Ching, Teh, San & Hoe 2015: 1). Internal auditors need to be experienced and have the expertise in accounting and auditing (Subhi & Stanišić 2016: 1; Morgan 2009: 56). The uniqueness of internal auditor's competency is fostered by ensuring internal auditor's independence, expertise, integrity and diligence to perform their role effectively (DeZoort, Hermanson, Archambeault & Reed 2002: 38). Prior studies argued that without the aid from competent internal auditors, it is difficult to observe how the board of directors and management can fulfil the requirements of stakeholders to make meaningful reports on the state of their MMDAs' financial sustainability (Hazzaa et al 2022:1; Arslan, Abidin, Alqatan & Roudaki 2019:1; Aureli, Del Baldo, Lombardi & Nappo 2020:2392; Eulerich, Kremin & Wood 2019:1). Internal auditors who are resourceful and competent play a crucial role in helping organisations achieve their goals(Hazzaa et al 2022:1; Vadasi, Bekiaris & Andrikopoulos 2019:656; D'Onza & Sarens 2018:1; Ismael & Roberts 2018:288). Resourceful internal auditors also provide management with valuable insights into various important areas such as financial sustainability, corporate governance, and risk assessment (Hazzaa et al 2022:1; Vadasi et al 2019:656; D'Onza & Sarens 2018:1; Ismael & Roberts 2018:288). A number of studies have emphasised the significance of internal auditors in promoting effective corporate governance. This is due to their position as a centralised function that reports and consults functionally with audit committees, while also being administratively accountable to management (Hazzaa et al 2022:1; Kumar & Vignesh 2020:5; Shakeel, Rasheed, Ahmed & Bakhsh 2020:75; Sulub, Salleh & Hashim 2020:152; Arniati, Puspita, Amin & Pirzada 2019:188; Gebrayel, Jarrar, Salloum & Lefebvre 2018:197). Internal auditors may have limited experience in fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect if they are not competent (Nieschwietz, Schultz & Zimbelman 2000: 190). Hence, the MMDA would be optimally served by identifying and utilising those internal auditors who have accounting and or auditing qualifications to help prevent and detect fraud to enhance the financial sustainability of MMDAs. Internal auditors play an important role in fraud detection with most frauds identified by the internal audit function (KPMG 2013). Therefore, competent internal auditors provide effective controls and check fraud through compliance audits that ensure transparency and accountability (Jachi & Yona 2019:64; Abdullah, Ismail & Smith 2018:385; Tumwebaze, Mukyala, Ssekiziyivu, Tirisa & Tumwebonire 2018:1; Raiborn, Butler, Martin & Pizzini 2017:10).

From the agency theory perspective, an increase in the internal control system could lead to an increase in the monitoring process of the organisation to reinforce and increase financial sustainability (Al-Rassas & Kamardin 2015: 461; Jensen & Meckling 1976: 305). Internal auditors have become a crucial internal monitoring mechanism in corporate governance (Al-Rassas & Kamardin 2015: 461; Al-Shetwi, Ramadili, Chowdury & Sori 2011: 11189). Soetan, Owolabi and Asein (2018: 237) indicated that internal auditors as agents should be employed based on their level of competence, which requires education and professional certifications, experience, and other competencies to perform effectively. Prawitt et al (2009: 1255) argued that internal auditors who have accounting and auditing knowledge have a greater monitoring ability to detect and deter material misstatements, which results in an improvement in financial sustainability. Increased resources enable the internal audit unit to hire and retain more competent persons (Al-Rassas & Kamardin 2015: 460). The board should set up an internal audit unit, which is directly accountable to the audit committee, to recognise and manage risks (Al-Rassas & Kamardin 2015: 460). Competent internal auditors can help management to establish stronger controls over financial reporting, thus reducing the existence of control problems (Al-Rassas & Kamardin 2015: 460; Lin, Pizzini, Vargus & Bardhan 2011: 287; Yasin & Nelson 2012: 2). Abbott et al (2016: 3) established that internal auditor competence enhances financial reporting monitoring, thereby promoting transparency and accountability in organisations. Both agency and resource dependency theories offer fundamental support for internal auditor competence to control agency costs and provide valuable resources to the organisation in the form of financial resources, experience, counseling, links to the external environment and important stakeholders (Chan et al 2018: 423; Al-Bassam et al 2018:335;

Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). Endaya and Hanefah (2013: 92) considered internal auditors as agents and monitors for a variety of internal audit users that include the board of directors, audit committee and senior management. Agency problems could occur when the board or its audit committee is inefficient, and hence, the senior management is likely to be a powerful influence over the internal audit (Endaya & Hanefah 2013: 92). Internal auditors as agents must perform audit processes at the professional level requiring education and professional certifications (accounting and auditing), experience, and other competencies needed to perform their responsibilities effectively (IIA 2020: 1; Endaya & Hanefah 2013: 92; Winiarska, 2017). Having internal auditors with such requirements and the existence of training programs for internal auditors would increase the confidence level of the board of directors and the audit committee in the internal auditor (IIA 2020; Endaya & Hanefah 2013: 92). At the same time, competent internal auditors, by performing their duties by the professional level, can refute charges of neglecting their duties (Endaya & Hanefah 2013: 92). Competent internal auditors are capable of assessing the adequacy and effectiveness of internal controls (Przybylska & Kańduła 2019:6; Coetzee & Erasmus 2017: 237; Coetzee 2016:348) and reducing information asymmetry (Przybylska & Kańduła 2019:6; Coetzee & Erasmus 2017:237; Coetzee 2016: 348; Ackermann et al 2016: 44; Jones & Beattie 2015: 59). Therefore, competent internal auditors are considered as a tool for ensuring corporate governance is understood as balancing the expectations of all members of the organisation and their egocentric behaviour (Dobija 2019: 28). Competent internal auditors can question the corporate governance practices in the organisations (Gurama & Mansor 2018:70; Groff, Pietra and Sitar 2016:51), ensure corporate governance compliance (IIA 2016:21; Abbott et al 2016:3; Gramling et al 2013:581) and enhances the overall quality of internal auditing (Jiang et al 2014; Al-Matari et al 2014: 34).

From the perspective of resource dependency theory, Gramling, Maletta, Schneider and Church (2004: 194) considered the competent internal auditors as essential resources to other parties such as audit committees and the board of directors of the governance framework and emphasised the coordination between external and internal auditors. Bame-Aldred, Brandon, Messier, Rittenberg and Stefaniak (2013: 251) emphasised that external auditors rely on internal auditors to take decisions relating to financial statements audit only when the external auditors see internal auditors to be competent. Chalmers, Hay and Khlif (2019: 80) also indicated that competent internal auditors are an important element of an organisation's internal control environment. Chalmers et al (2019: 80) concluded that competent internal auditors are instrumental in affecting internal control quality. Chalmers et al (2019: 80) indicated that competent internal auditors can assess the effectiveness of internal controls. Erasmus and Coetzee (2018: 90) also mentioned that competent internal auditors can access human and other resources as well as every area and process within the organisation that is of interest within the scope of internal audit activity. Erasmus and Coetzee (2018: 90) further indicated that competent internal auditors can fulfill their assigned role and potentially uncover fraudulent behavior in the organisation. From the resource dependency theory perspective, IIA (2017: 1) argues that it is the responsibility of the chief audit executive to make sure that the internal audit unit has the appropriate resources. As a result of this, a competent chief audit executive will be able to provide the internal audit unit with the needed resources to monitor the activities of the organisation (Hazaea 2020: 867; Prawitt, Smith & Wood 2009). Competent internal auditors are capable to handle complex activities in public sector organisations (Alqudah, Amran & Hassan 2019:76; IIA 2018:11). The IIA Standards require the human capital resources to possess the right mix of skills and knowledge, with an adequate quantity to accomplish the audit plan (IIA 2017:11). This emphasises the significance of the resource dependency theory in respect of the internal audit function. The resources and capabilities of the internal auditors can, therefore, contribute to implementing a strategy for the effective administration of MMDAs. Competent internal auditors are also capable of issuing credible audit reports, putting in place internal audit plans, follow-up internal audit recommendations (IIA 2020; Endaya & Hanefah 2013: 92); and evaluating the internal control system (IIA 2020; Endaya & Hanefah 2013: 92) which increases the confidence level of internal auditors (Endaya & Hanefah 2013: 92). In addition, internal auditors with accounting and auditing qualifications can provide more valuable input towards improving the internal controls (Ofosuhene et al 2021:55; Vadasi et al 2019:12) and external auditors rely on them for their decisions (Badara & Saidin 2014:460; Alzeban & Gwilliam 2014:74). Thus, it can be argued that a higher proportion of internal auditors with accounting and or auditing qualification can contribute to the enhancement in the financial sustainability of MMDAs. In the Ghanaian context, Section 18 (a, b and c) of the Internal Audit Agency Act 2003 (Act 658) requires internal auditors to exhibit the highest level of professionalism in the gathering, evaluation and communication of information when auditing and shall act only in areas for which they have the necessary knowledge, skills, experience and competence; perform internal auditing by Generally Accepted Principles of internal auditing and the standard and guidelines of the Agency as established under section 3(1); and make balanced assessment of all issues of relevance to the work and should not be influenced by their interest or the interests of other persons (Republic of Ghana 2003: 8).

To achieve secondary objective 2, the study investigated whether internal auditor competence as the second internal auditor attribute used in the study, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that internal auditor competence can enhance financial sustainability and alleviate agency costs through monitoring and advisory role. Drawing from the perspective of agency theory, improving financial sustainability requires internal auditors who will be able to monitor and advise management. As a result, this study expects that internal auditors with accounting and or auditing qualifications can monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Przybylska & Kańduła 2019: 6; Jones & Beattie 2015: 59; Ackermann et al 2016: 44). The study also relied on the assumption of resource dependency theory to argue that competent internal auditors can bring to the boardroom discussions diverse perspectives, qualifications and knowledge and link the MMDAs to the external resources, which in turn will enhance the financial sustainability of MMDAs (IIA 2020: 1; Hazaea 2020: 867; Prawitt, Smith & Wood 2009). Both agency and resource dependence theories support competent internal auditors on the basis that internal auditors with accounting and or auditing qualifications help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on agency and resource dependency theories, this study expected internal auditor competence can enhance the financial sustainability of MMDAs.

3.8.7 Audit committee meetings

The first audit committee attribute used in the study is audit committee meetings. Audit committee meetings refer to the number of meetings that the committee holds in a year (Omesi & Appah 2022:1; Appah & Tebepah 2020:48). Active audit committees are more likely to monitor management effectively, which can lead to improved organisation financial sustainability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48). Prior studies have argued that an increase in the number of meetings provides more effective monitoring, which leads to the improved financial sustainability of organisations (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Alqatamin 2018; Raghunandan & Rama 2017).

From the perspective of agency theory, audit committees are required to hold meetings regularly to minimise agency issues (Omesi & Appah 2022:1; Qeshta et al 2021: 1667; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa, & Ali 2020: 5979). Several scholars argue that holding regular audit committee meetings have positive outcomes. Financial sustainability of the organisation may be improved by the audit committee reviewing the financial information regularly, identifying areas that required attention and making recommendations to achieve financial targets

Regular audit committee meetings improve the monitoring and control capabilities of audit committees, leading to better financial sustainability (Musallam 2020: 1; Rahman, Meah and Chaudhory 2019:59; Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Fama & Jensen 1983). These meetings also protect the interests of stakeholders and enhance efficiency and accountability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Qeshta et al 2021: 1667). To ensure the quality of financial reporting and compliance with corporate governance principles, the audit committee must meet regularly throughout the year (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Buallay & Al-Ajmi 2018).. This allows stakeholders and community members to access accurate and timely data for making informed financial decisions (Bhuiyan & D'Costa 2020). Additionally, the frequency of audit committee meetings helps reduce financial problems, such as misappropriations, and improves financial reporting quality and sustainability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Abbott, Daugherty, Parker & Peters 2016: 3; Habbash & Alagla 2015: 41; Bamahros & Bhasin 2016; Bédard & Gendron, 2010: 174). In the Ghanaian context, an audit committee should meet at least four times a year (Krismiaji, Aryani & Suhardjanto 2016:1). The frequency of meetings could enhance the earnings quality, identify potential deception and increase organisation's financial sustainability (Qeshtaa & Ali 2020: 5979; Buallay, Hamdan & Zureigat 2017: 78). Regular meetings improve communication between audit committee members and internal auditors and make the committee more effective (Garas & ElMassah 2018:1; Qeshtaa & Ali 2020: 5979). Regular audit committee meetings help to strengthen the internal controls in organisations (Ali & Oudat 2020: 3258; Ajili & Bouri 2018: 1). Therefore, regular audit committee meetings are an imperative attribute that can significantly influence the MMDAs' financial sustainability.

From the perspective of resource dependency theory, regular audit committee meetings could link the organisation to more external resources such as financing, which in turn will help improve financial sustainability (Allegrini & Greco 2011:1; Januarti et al 2020: 179). Also, regular audit committee meetings would make audit committees more informed and knowledgeable about relevant accounting and auditing issues (Allegrini & Greco 2011:1). Frequency of audit committee meetings enhances the monitoring role of audit committees in the preparation and presentation of financial reports and discuss issues relating to the financial sustainability of organisations (Al-Lawati et al 2021: 557; Gebrayel, Jarrar, Salloum & Lefebvre 2018: 197; Januarti et al 2020: 179; Wu 2012: 321; Hoque, Islam & Azam 2013: 503; Lisic, Neal, Zhang & Zhang 2016: 1199; Farooq, Kazim & Usman 2018: 94). Audit committee meetings are an effective medium of communication among audit committee members to share their views and expertise about financial sustainability (Januarti et al 2020: 179; Chariri, Januarti & Yuyetta 2017: 19). Therefore, audit committees should hold more regular and scheduled meetings in MMDAs since this could help minimise financial sustainability issues. In the MMDAs in Ghana, the guidelines on the conduct of audit committee meetings are contained in the PFM Act 2016 Section 86 (2) requires the sector minister to determine the procedure for meetings of audit committees in MMDAs (Republic of Ghana 2016b: 51). The PFM Act specifies that for audit committees to discharge their responsibilities effectively, it should meet at least once every quarter in a year. This means that audit committees in MMDAs are required to meet four (4) times a year. However, opinions vary on the minimum and maximum number of meeting audit committees are required to hold in a year. Audit committees should meet at least three times a year (Namakavarani et al 2021: 2; Sultana 2015: 120). KPMG (2002: 8) reported that audit committees are expected to meet eight (8) or more times a year. Financial Reporting Council (2016: 8) has also indicated that audit committees should hold a minimum of three (3) or four (4) meetings a year, regardless of the type of organisation or sector. Abbott et al (2007:803) reported that audit committees should have at least four (4) meetings in a year, depending on the size and activities of the organisation. Yang and Krishnan (2005:201) argued that for an audit committee to be effective in its monitoring function, it should have a minimum of four (4) meetings in a year. Chaudhry (2013: 1) also mentioned that if audit committees meet three (3) or more times in a year, the financial sustainability of the organisation is improved. Regarding audit committee meetings, prior studies such as Samuel (2020:140) reported an average score of 47.7% of audit committees that meet three times a year and 30.9% of audit committees that meet four times a year of listed organisations in Nigeria. Cheung (2019:211) also reported an average of 3 meetings in a year of listed organisations in Hong Kong.

To achieve secondary objective 3, the study investigated whether audit committee meetings as the first audit committee attribute used in the study, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that regular audit committee meetings can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. Drawing from the perspective of agency theory, improving financial sustainability requires the audit committees to meet regularly to be able to monitor and advise management. As a result, this study expects that regular audit committee meetings will help audit committee members monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa, & Ali 2020: 5979). The study also relied on the assumption of resource dependency theory to argue that if audit committees meet regularly, they can bring to the boardroom discussions diverse perspectives, qualifications and knowledge and link the MMDAs to the external resources, which in turn will enhance the financial sustainability of MMDAs (Al-Lawati et al 2021: 557; Gebrayel, Jarrar, Salloum & Lefebvre 2018: 197; Januarti et al 2020: 179; Wu, 2012: 321; Hoque, Islam & Azam 2013: 503; Lisic, Neal, Zhang & Zhang 2016: 1199; Farooq, Kazim & Usman 2018: 94). Both agency and resource dependence theories support audit committee meetings on the basis that regular audit committee meetings in a year help to alleviate agency costs (agency theory), facilitates access to untapped resources and networks (resource dependency theory), and enhances financial sustainability. Therefore, based on agency and resource dependency theories, this study expected audit committee meetings can enhance the financial sustainability of MMDAs.

3.8.8 Audit committee independence

The second audit committee attribute used in the study is audit committee independence. The principle of independence states that the audit committee must work autonomously and carry out all their duties as well as responsibilities with professional diligence and skillfulness (Banda 2019:43; Jiraporn & Nimmanunta 2018:1237). According to Omesi and Appah (2022:1) as well as Haddad, Anis and Abdelfattah (2021: 176), an audit committee member is an independent when the member has no personal or financial connection with the organisation or executive management. An independent audit committee helps to minimise fraud in organisations (Omesi & Appah 2022:1; Haddad et al 2021: 176). The independent members of the audit committee understand the successful implementation of internal audit recommendations (Haddad et al 2021: 176).

Bruynseels and Cardinaels (2013: 113) referred to audit committee independence as the extent to which the audit committee is not under the influence of management in the performance of its oversight functions. The independence of the audit committee will make it easier for them to serve stakeholders to achieve their interests (Appah & Tebepah 2020:1932). According to Appah and Tebepah (2020:48) as well as Mhagama (2013: 6), the audit committee is a committee consisting of non-executive directors who can view an organisation’s affairs in a detached and independent way and liaise effectively with the internal auditors and the board of directors. Mhagama (2013: 16) mentioned that audit committees provide independent assurance to the board of directors through their oversight and monitoring roles. Audit committees also play a significant role in the oversight of the organisations’ risk management policies and programms (Omesi & Appah 2022:1; Mhagama 2013: 16). Independent audit committee members are those who have no relationship with the organisation’s management team (Hazzaa et al 2022:1; Danoshana & Ravivathani 2019:62). Therefore, independent audit committees are capable of monitoring and counseling management to properly develop and adhere to the internal controls (Hazzaa et al 2022:1). The independent audit committees can evaluate the performance of management and internal controls to improve the overall financial sustainability of the organisation and to boost the confidence of community members (Omesi & Appah 2022:1; Sharhan & Bora 2020:1).

From the agency theory perspective, independent audit committees can withstand the pressure from management (Naimah 2017:1; Alqatamin 2018:48; AlMatari 2013:1; Kallamu & Saat 2015:206), monitor and review the internal control to reduce agency costs (Januarti, Darsono & Chariri 2020: 179) and promote transparency, accountability and responsibility of the audit committee members (Alqatamin 2018:48; Legodi 2020: 188; Thomas & Purcell 2019:424). Audit committee independence can be enhanced by having the chair of the committee being an independent director who has no personal or financial ties with management (Ajili & Bouri 2018:470; Nekhili et al 2016), thereby strengthening their monitoring role and subsequently reducing agency problems (Naimah 2017:1; Alqatamin 2018:48; Yeh et al 2011:437). Similarly, the audit committee monitors and enhances the quality and information flow between communities, management, internal auditors and the board of directors, which lessens agency problems (Omesi & Appah 2022:1; Chan & Kogan 2016:121). An audit committee's independence is achieved when the members' monitoring mechanism is not interfered with by third parties (Qeshta et al 2021: 1667; Al Farooque, Buachoom & Sun 2019:54). Audit committee members should be allowed to carry out their monitoring role without interference from the management and the board of directors (Omesi & Appah 2022:1; Eyenubo, Mohammed & Ali 2017:487; Naimah 2017; Alqatamin 2018:48; Avison & Cowton 2012:42). Therefore, MMDAs are required to select individuals who are capable of opposing the influence of the board of directors, politicians, their colleagues and other stakeholders in MMDAs. Tellmann (2017:326) argued that external members on audit committees normally have more authority because such members apply the professional values and standards from their discipline, dominating the internal members. Ali (2018:165), Samoei and Rono (2016:87) and Bansal and Sharma (2016:103) argued that independent audit committee members can prevent fraud, financial misstatements or inappropriate business transactions in organisations. Roos (2021:170) also asserted that independent audit committee members are capable of identifying and managing financial risk in organisations.

Prior studies have disclosed that a number of financial scandals that occurred in organisations after the establishment of the audit committee resulted from an audit committee's failure to discharge their duties as expected (Ali & Oudat 2020: 3258; Kallamu & Saat, 2015:206; Qeshta et al 2021: 1667). Likewise, the irregularities and criticism facing organisations are due to an audit committee's failure to carry out their financial oversight role (Ali & Oudat 2020: 3258; Bin-Ghanem & Ariff 2016:430). Some audit committee members may also end up colluding with the management to carry out fraudulent schemes (Qeshta et al 2021: 1667; Bansal & Sharma, 2016:103). As a result, the independence of audit committee members is paramount in performing their financial oversight role (Qeshta et al 2021: 1667; Bansal & Sharma, 2016:103).

The audit committee is accountable for overseeing the financial reporting processes, the section of external auditors, and the receipts of internal and external audit recommendations and ensures the implementation of such recommendations (Hazzaa et al 2022:1; Endrawes, Feng & Shan 2020:2361). These committee members assist the board of directors to fulfill the corporate governance goals by giving information and advice and overseeing the organisation's financial reports, risk management, internal control system, and external and internal audit functions (Handayani & Ibrani 2020:104; Hazaea, Zhu, Alsharabi, Khatib & Yueying 2020:2096).

The audit committee has the oversight responsibility of supervising management to examine the financial activities of the organisation. This includes identifying any inefficiencies, reducing costs, investigating potential threats of theft, fraud, or errors, ensuring compliance with rules and procedures, evaluating and managing risks, and ultimately achieving the goals of the organization (Hazzaa et al 2022:1; Adegboye, Ojeka, Alabi, Alo & Aina 2020:469; Endrawes et al 2020:2361; Sharhan & Bora 2020:1).

From the resource dependency theory perspective, the role of audit committees in monitoring organisation policies cannot be separated from the independence of its members (Januarti et al 2020: 179; Chariri & Januarti 2017). A large number of independent audit committee members is an indication that there are adequate resources available for effective supervision. When the number of independent committee members is large, the desire for higher-quality financial reports increases (Hassan & Naser 2013: 8). Additionally, from the perspective of resource dependence theory, Buallay and Al-Ajmi (2019: 249) mentioned that independent members on audit committees can improve the strategic decisions conducted by the board of directors by bringing unique resources and competences, to provide continuity, and to assist in identifying alliances and achievements. Thus, the presence of independent members on audit committees may help audit committees balance divergent views of management and auditors to produce timely financial reports and to enhance financial sustainability (Saona, Muro & Alvarado 2020: 98; Sultana, Singh & Van Der Zahn 2015: 72; Kusnadi, Leong Suwardy & Wang 2016: 197). The resource dependency theory affirms that the presence of independent members on audit committees improves communication between the audit committee and both internal and external auditors (Dezoort & Salterio 2001; Sultana, Singh & Rahman 2019: 947); reduces financial fraud (Chee & Tham 2020: 1) and protects internal auditor independence (Carcello & Neal 2003: 95; Yang & Krishnan 2005); improves financial sustainability (Trinh, Elnahass, Salama & Izzeldin 2020: 774; Cheng, Rai, Tian & Xu 2020: 1). Assenga, Aly and Hussainey (2018:1089) added that a large proportion of independent directors serving on audit committees help to protect the stakeholder' resources from the management conflicts of interest. Audit committees must consist of at least three members (Liew 2007: 724). A greater proportion of the audit committee members must be independent directors and at least one must be competent in accounting and auditing (Liew 2007: 724).

However, the Local Government Act 2016 (Act 392) requires all MMDAs in Ghana to set up audit committees. An audit committee is a committee that is responsible to the board of directors and assists the board in overseeing internal and external audit functions (Januarti et al 2020: 179). Al-Najjar (2011: 291) and Carcello and Neal (2003: 289-299) mentioned that independent audit committee members can hold management accountable for poor financial performance. Audit committees ensure a higher quality of financial reporting as they are independent (Hamid, Othman & Rahim 2015: 754; Ebrahim & Fattah 2015: 46). In the Ghanaian context, MMDAs are run on a committee basis, as such; it is a statutory requirement, as pronounced by the Public Financial Management Act 2016 (Act 921) that membership of the audit committee is strictly by law. Section 87 (1) of the PFM Act 2016 requires that the audit committee of MMDAs should consist of five (5) members. Section 87 (2) of the PFM Act requires that the majority of audit committee members shall be independent non-executives. Section 87 (3) requires the Internal Audit Agency and Institute of Chartered Accountants to nominate the majority of the audit committee members from among persons who do not work in the MMDA to which audit committee relates and two other members shall be nominated by the principal account holder. Section 87 (4) requires the election of the audit committee chairpersons to be done by the independent members of the committee. Section 87 (5) requires that an audit committee may, in the performance of its functions, co-opt senior management personnel to serve on the audit committee. Section (6) gives authority to the principal account holder to appoint the chairperson and members of an audit committee. (Republic of Ghana 2016b:51-52). The PFM Act failed to give the number of independent non-executive members that should serve on audit committees in MMDAs. About independent non-executive directors on audit committees, Tjano (2021:115) reported an average of 90% of public sector organisations in South Africa, Samuel (2020:140) reported an average score of 47% in Nigeria, Cheung (2019:211) reported an average of 91 percent in Hong Kong, Ghafran and O'Sullivan (2017:578) reported an average of 95.29% in the United Kingdom, Mohammad, Wasouzzaman and Salleh (2016) reported an average of 7% in Malaysia and Chan, Lau, Artie and Ng (2011:74) reported an average of 90.6% in Hong Kong-listed organisations respectively.

To achieve secondary objective 3, the study investigated whether audit committee independence as the second audit committee attribute used in the study, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that audit committee independence can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. As a result, this study expects that independent non-executive members serving on audit committees will be able to monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Omesi & Appah 2022:1; Qeshta et al 2021: 1667; Al Farooque, Buachoom & Sun 2019:54; Naimah 2017; Alqatamin 2018:48; Avison & Cowton 2012:42). The study also relied on the assumption of resource dependency theory to argue that independent non-executive members serving on audit committees can bring to the boardroom discussions diverse perspectives, qualifications and knowledge and link the MMDAs to the external resources, which in turn will enhance the financial sustainability of MMDAs (Chan et al 2018: 423; Al-Bassam et al 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). Both agency and resource dependence theories support audit committee independence on the basis that independent non-executive directors serving on audit committees help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on agency and resource dependency theories, this study expected audit committee independence can enhance the financial sustainability of MMDAs.

3.8.9 Audit committee competence

Audit committee members with accounting and or auditing qualifications and experience are considered an important dimension for an audit committee's effectiveness because they can assist the audit committee members to be more conversant with financial and operational reports that enable them to execute their oversight duties effectively (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Emeh & Appah 2013:14). Oussii and Taktak (2018: 40) referred to audit committee competence as the proportion of audit committee members with the requisite knowledge in accounting, finance and auditing. Alzeban (2015: 543) expressed that audit committee members need to acquire knowledge in auditing and accounting, as this will help members to get a better understanding of the financial issues in the organisation. Given this, expertise in accounting and or auditing is seen as crucial to audit committee members (Januarti et al 2020: 179; Abernathy, Beyer, Masli & Stefaniak 2015: 1). A number of studies showed that audit committee effectiveness is determined by the knowledge and expertise in accounting or auditing of its members (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Abernathy, Herrmann, Kang & Krishnan 2013: 1). Audit committee members with accounting and auditing qualifications tend to respond quickly to changes in the business environment and innovation (Januarti et al 2020: 179; Badolato, Donelson & Ege 2014: 208). Audit committees with members who are experts in accounting and auditing will increase the number of items disclosed in the financial reports (Chariri & Januarti 2017: 305). The Local Government Act 2016 (Act 392) explained that audit committee members must have adequate knowledge and ability in business and finance and be able to understand the contents of financial statements. One of the members must have an educational background in accounting or finance (Januarti et al 2020: 179). Audit committee expertise can enhance the capabilities of audit committee members in monitoring the financial reporting process more effectively (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179; Chariri & Januarti 2017: 305). Both agency theory and the resource dependency theories offer fundamental support for audit committee competence to control agency costs by monitoring management and provide valuable resources to MMDAs in the form of financial, experience, expertise, counseling, links to external resources and important stakeholders (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Al-Lawati, Hussainey & Sagitova 2021: 557; Legodi 2020: 160; Hornberger & Forster 2019:23).

From the agency theory perspective, the primary role of the audit committee is to oversee the financial processes of organisations (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Al-Lawati et al 2021: 557). This affirms that audit committee members should have accounting, auditing and finance qualifications, to better control the financial reporting practices of management, produce quality financial reports and develop more rigorous internal control systems and risk-management frameworks (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Sultana 2015: 88; Sultana and Van der Zahn 2015: 279). Similarly, audit committee members with accounting and auditing qualifications can decrease information asymmetry and align agent interests with the principal's interest (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179; Jensen & Meckling 1976). Such expertise allows audit committee members to resolve disagreements between management and internal as well as external auditors (Januarti et al 2020: 179; Li, Mangena & Pike 2012: 98). The competence of the audit committee is expected to enhance the financial sustainability of MMDAs.

From the resource dependency theory perspective, the audit committee serves as an advisory committee to supplement the work of the organisation by providing strategies and suggestions that will guide the organisation in the right direction (Legodi 2020: 160; Hornberger & Forster 2019:23). To establish an advisory audit committee, it must follow its unique principles of providing strategies and advice that will add value to the organisation. Hence, the role of the audit committee with an advisory role in the local government includes assisting the board of directors (council members) and management with their stewardship, compliance with regulations, service delivery and internal controls (Legodi 2020: 160; Purcell et al 2014:362). This advisory role is significantly different from the oversight role, as the audit committee is not only monitoring after events and transactions have occurred but is actively involved in providing strategies such as financial sustainability strategies in decision-making even before the occurrences of events and transactions (Legodi 2020: 160). In performing its advisory role, the audit committee is required to provide expert advice about the heterogeneous, valuable, immobile, rare, imitable and non-substitutable resources needed by the MMDAs to gain a sustainable advantage (Legodi 2020: 161). In this case, this advice should make MMDAs financially sustainable. This also implies that the oversight role performed by the audit committees should make the MMDAs financially sustainable. The role of the audit committee should, therefore, be one of advice and oversight regarding the MMDAs' sustainable competitive advantage. The audit committee should possess sufficient knowledge in the area of accounting and auditing to be able to give such advice concerning resources and strategies, to enhance the financial sustainability of MMDAs (Legodi 2020: 161; Helfaya & Moussa 2017:1061; Republic of Ghana 2016b: 51). Additionally, education is an external resource that enhances the financial sustainability of organisations (Pfeffer & Salancik 2003:24). Therefore, audit committee members whose educational backgrounds relate to accounting and auditing can understand financial statements better (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179). Similarly, audit committee members with accounting and auditing qualifications have greater social network interactions with internal auditors (Al-Lawati et al 2021: 557; Krishnan 2005), and they are more likely to support external auditors in conflict situations with management (Al-Lawati et al 2021: 557; DeZoort & Salterio 2001: 31). Also, audit committee members with accounting and or auditing qualifications helps to improve financial reporting quality and financial sustainability through knowledge sharing (Omesi & Appah 2022:1; Appah & Tebepah 2020:48) and are therefore considered as essential resources to the organisation because it enhances their supervision role (Al-Lawati et al 2021: 557; Kusnadi, Leong, Suwardy & Wang 2016: 197; Cohen, Hoitash, Krishnamoorthy & Wright 2014: 243; Hillman, Cannella & Paetzold 2000: 235; Dhaliwal, Naiker & Navissi 2010: 787). Audit committee members with accounting and or auditing qualifications could also enhance financial sustainability by using their capital market knowledge to look for other sources of finance (Appuhami & Tashakor 2017:400).

At least three audit committee members must be non-executive directors with at least one of the members must have accounting and auditing expertise (Al-Absy, Ku, Sitraselvi & Shehabaddin 2020: 233; Ghafran & O'Sullivan 2017: 578). The audit committee members must have accounting and auditing qualifications to deal with various fraud risks and be familiar with procedures related to accounting, auditing, and internal control systems (Namakavarani et al 2021: 2; Lawrence, Abbott, Parker & Peters 2004: 69). The audit committee is supposed to review and monitor the management response to the recommendations and findings of the internal audit (Namakavarani, Abbas, Davood & Saeed 2021: 2). Similarly, there is a perception that the implementation of internal audit recommendations is assured when there is more accounting and auditing expertise among audit committee members (Namakavarani et al 2021: 2). In the Ghanaian context, the Section 87 (1) of the PFM Act mentions that an audit committee of MMDAs should consist of members who have accounting and or auditing qualifications who are nominated by the Internal Audit Agency and Institute of Chartered Accountants (Republic of Ghana 2016b:51-52). Dwamena (2021:1) and Bhagat and Black (2014) mentioned that audit committee members must be independent and must have at least one person with accounting and or auditing qualifications. The Internal Audit Agency's best practices in 2017 indicated that audit committees should compose of a minimum of three (3) and not more than six (6) independent non-executive members with at least one (1) member holding an accounting or auditing qualification (Dwamena 2021:1). About audit committee members with accounting and or auditing qualifications, prior studies such as Samuel (2020:140) reported an average of 81.2 percent in Nigeria, Cheung (2019:210) reported an average of 40 percent in Hong Kong, Garven (2015:67) reported an average of 45.7 percent in the United States, and Chan et al (2011) reported an average of 49 percent in Hong Kong-listed organisations respectively.

To achieve secondary objective 3, the study investigated whether audit committee competence as the third audit committee attributes used in the study, can determine the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that audit committee competence can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. As a result, this study expects that audit committee members with accounting and or auditing qualifications will be able to monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Sultana 2015: 88;

Sultana & Van der Zahn 2015: 279; Januarti et al 2020: 179; Jensen & Meckling 1976). The study also relied on the assumption of resource dependency theory to argue that audit committee members with accounting and or auditing qualification can bring to the boardroom discussions diverse perspectives, qualifications and knowledge and link the MMDAs to the external resources, which in turn will enhance the financial sustainability of MMDAs (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Al-Lawati et al 2021: 557; Kusnadi et al 2016: 197; Cohen et al 2014: 243; Hillman et al 2000: 235; Dhaliwal et al 2010: 787). Drawing from the perspective of resource dependence theory, improving financial sustainability requires specific and essential resources. MMDAs in Ghana need to have sufficient resources for enhancing financial sustainability. Both agency and resource dependence theories support audit committee competent on the basis that audit committees with accounting and or auditing qualifications help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on agency and resource dependency theories, this study expected that audit committee competence can enhance the financial sustainability of MMDAs.

3.9 Theoretical justification of the audit committee as a moderating variable

A variable can be referred to as a moderator when it strengthens the relationship between independent and dependent variables in a test (Matthew & Ann 2017). A moderating variable is a variable that can change the direction, strengthen or diminish the relationship between an independent variable and a dependent variable (Saleh, Abubakar & Suriani 2020: 1; Creswell 2014; Saunders et al 2016). The moderating variable is introduced to determine the strength or weakness of a relationship that can be qualitatively and quantitatively measured (Saleh et al 2020: 1; Fairchild & MacKinnon 2009: 87). In this study, audit committee attributes (independence, meetings and competence) are moderating variables that are anticipated to strengthen the relationship between independent variables (board of directors and internal auditors' attributes) and the dependent variable (financial sustainability).

The literature has shown that a number of studies focused on how the effectiveness of audit committees affects financial performance (Alodat, Al Amosh, Khatib & Mansour 2023:2; Alodat et al 2021:1; Chaudhry et al 2020; Berezinets et al 2017; Chaudhry, Roomi & Aftab 2020:621; Baatwah et al 2019) whilst others also focused on the effect of sustainability practices on performance of the organisations (Saleh, Zaid, Shurafa, Maigoshi, Mansour & Zaid 2021:685;

Yilmaz 2021:537; Appuhami & Tashakor 2017:400; Alodat et al 2022:866). The findings of both sides of studies were inconclusive (Alodat et al 2023:2; Trumpp & Guenther 2017:49). According to prior studies (e.g. Alodat et al 2023:2; Baron & Kenny 1986:1173; Hassan, Halbusi, Razali, Ariffin & Williams 2022:1) when a relationship between the predictor and predicted variables are found to be varying in the literature, the indirect effect of a moderator or mediator variable could explain this inconsistency. In this case, Shatnawi, Marei, Hanefah, Eldaia and Alaaraj (2022:1) and Abdullah and Shukor (2017:51) expressed that audit committee can be a potential moderating variable on the relationship between internal governance mechanisms and financial sustainability. Therefore, the audit committee was used as moderating variable because audit committees safeguard the interests of stakeholders by monitoring internal controls (Alodat et al 2023:2; Marei & Iskandar 2019:1199), enhance internal auditors' and board of directors effectiveness (Alodat et al 2023:2; Baatwah, Salleh & Stewart 2019:273; Ghafran & Yasmin 2018:13) and improves financial reporting quality (Kaawaase, Nairuba, Akankunda & Bananuka 2021:348; Safari 2017:1137), thereby enhancing financial sustainability.

Theoretically, Shatnawi et al (2022:1) argued that no single theory can be used to gain insight into the relationship between internal governance and financial performance. The authors argued further that there is a need for a multi-theoretical approach to gaining more insight into corporate governance and financial performance. Shatnawi, Hanefah, Anwar and Eldaia (2020:687) added that each one of the corporate governance theories such as agency as well as resource dependency theories complements each other. Marei, Daoud, Ibrahim and Al-Jabaly (2021:1121) affirmed the use of agency theory in assessing the moderating effect in corporate governance studies. The agency theory protects management from achieving their self-interest at the detriment of the stakeholders (communities) (Alodat et al 2023:2; Shatnawi et al 2020:687). As a complementary theory, the resource dependency theory supports organisations to identify the needed resources and also ensures the need for organisations to collaborate with the external environment, which in turn can improve the organisation’s financial sustainability (Alodat et al 2023:2; Shatnawi et al 2022:1; Mohammed 2018:1). Therefore, this study used both agency and resource dependency theories to explain the moderating effect of the audit committee on the relationship between internal auditors and board of directors’ attributes and financial sustainability of MMDAs.

From the perspective of agency theory, Alodat et al (2023:2) as well as Ward, Brown and Rodriguez (2009: 646) asserted that it is more appropriate to consider corporate governance mechanisms as a set of mechanisms for protecting the interests of stakeholders and not being isolated from one another because such mechanisms have complementary working relationships. As a result, García-Sánchez, Martínez-Ferrero and García-Meca (2018:428), Martinez-Ferrero and Garcia-Sanchez (2017:647) as well as Rao and Tilt (2016) indicated that audit committee and its attributes are one of the vital monitoring mechanisms of board of directors and internal auditors. The existence of an audit committee and its attributes would improve board supervision, enhance internal auditor's performance, and minimise the information asymmetry between stakeholders and management, thus improving organisations' financial sustainability (García-Sánchez et al 2018:428; Martinez-Ferrero & Garcia-Sanchez 2017:647; Rao & Tilt 2016:327). The presence of audit committees in MMDAs is intended to reduce the agency costs by enhancing the quality of information flow between management and stakeholders and averting conflict thereby improving the financial sustainability of MMDAs (Rehman 2021: 3; Ali & Anis 2018: 65; Elgharbawy et al 2016: 765; Samaha, Dahawy, Hussainey & Stapleton 2012: 168).

From the perspective of resource dependency theory, audit committees are considered a strategic resource and the best control activity available within MMDAs and thus required to be interactive and proactive with the board of directors and internal auditors to achieve sustainable development goals such as financial sustainability in MMDAs (Rehman 2021: 3; Oncioiu et al 2020: 3114; Namakavarani, Abbas, Davood & Saeed 2021: 237). With the support from audit committees, internal auditors can assimilate information from all angles in the MMDA to improve governance and risk management, can apply professional and sustainable practices uniformly, and can also identify the control weakness within the MMDA's timely which could lead to the improvement in financial sustainability (Rehman 2021: 3; Oncioiu et al 2020: 3114; Namakavarani et al 2021: 237). The resource dependence theory proposes that audit committees, board of directors and internal auditors who have knowledge and expertise are considered important resources to the MMDA which lead to increasing the MMDA's internal monitoring and enhancing financial sustainability (Oncioiu et al 2020: 3114; Hillman & Dalziel 2003:383; Naiker & Sharma 2009:559). Rittenberg (2016:1) and IIA (2016:1) further emphasised that there should be a strong working relationship between the audit committees, the board of directors and the internal auditors so that the relationship will help to improve and protect organisational value from risk, by providing risk-based assurance, advice and insight to the organisation. Roos (2021: 110) added that the relationship between the board of directors, audit committees and internal auditors enhances the internal governance structures in MMDAs. In this case, the relationship between the audit committees and board of directors and that of internal auditors can help MMDAs to be financially sustainable.

In the Ghanaian context, MMDAs are considered a governance mechanism to ensure a smooth decentralisation system. According to Mensah, Bawole and Ahenkan (2017:607), MMDAs are government decentralisation organisations that ensure effective management of the communities within which they operate. The MMDAs have different stakeholders such as community members, government, employees, chiefs, opinion leaders, investors and donor partners with varied interests (Dwamena 2021: 1; Boateng & Kosi 2015). MMDAs have a constitutional mandate to enhance the mobilisation of internally generated funds for the general growth of their jurisdictions (Dwamena 2021: 1; Boateng & Kosi 2015). MMDAs are essential decentralised organisations that provide services such as water, schools, electricity, health and sanitation facilities within their communities (Dwamena 2021: 1; Boateng & Kosi 2015:1). Indriastuti and Chariri (2022:213), as well as Khan et al (2019:143), added that each MMDA represents a number of communities and takes on certain economic functions, namely collection of rates and taxes from the citizens. As a result, MMDAs are socially responsible to the communities. MMDAs can fulfill their responsibilities to the communities only when they are financially sustainable (Indriastuti & Chariri 2022:213; Leiser & Mills 2019: 75). A financially sustainable MMDA can attract the attention of the communities by continuing service deliveries (Indriastuti & Chariri 2022:213; Sarea & Salami 2021:353; Leiser & Mills 2019:75). Audit committees serve as a communication link between the board and internal auditors as well as representative of citizens (Dzomira 2020: 85; West & Berman 2003:330). In this case, the interactions between the audit committees and board of directors, and the audit committees and internal auditors can assist both the board of directors and internal auditors in MMDAs to perform their governance duties and also provide independent advice on financial sustainability (Dzomira 2020: 85; Van Der Nest 2006:178). As discussed in Section 3.6, one of the audit committee's primary roles is to provide suggestions and recommendations to the board of directors, internal auditors and management, about actions to be taken to enhance the financial sustainability of MMDAs (Oncioiu et al 2020: 3114; Namakavarani et al 2021: 237). As audit committees are considered a strategic resource (resource dependency theory) and the best control activity (agency theory) within MMDAs, they are required to be interactive and proactive with the board of directors and the internal auditors to enhance the financial sustainability of MMDAs (Rehman 2021:3; Rahayu & Rahayu 2020:1; Mazibuko 2013: 57; Mohammad et al 2020: 402; Holis & Fulton 2002: 1).

Carter, D'Souza, Simkins and Simpson (2010:396) indicated that no single theory has predicted the relationship between the board of directors' attributes (board size, board independence and board gender diversity), audit committee attributes (audit committee meetings, audit committee independence and audit committee competence), internal auditors attributes (internal auditor independence, internal audit size and internal auditor competence), and financial sustainability. For this reason, Carter et al (2003:33) argued that until a theoretical framework that predicts the nature of the relationship is developed, examining the board of directors, internal auditors and the audit committee attributes and financial sustainability nexus is an empirical issue. Sila Gonzalez and Hagendorff (2016:26) mentioned that the existing literature provides inconclusive results on the relationship between internal governance mechanisms and financial sustainability. Therefore, the question that needs to be answered is: From the perspective of agency and resource dependency theories, is there a relationship between internal governance mechanisms and the financial sustainability of MMDAs? The prior literature has discovered that there is no theoretical framework that envisages the moderating role of audit committees on the relationship between internal governance and the financial sustainability of MMDAs. The existence of audit committees is predicted to strengthen the relationship between the board of directors and the internal auditors for MMDAs to be financially sustainable. This study argued based on agency and resource dependency theories that the presence of an audit committee can strengthen the board of directors and internal auditors' monitoring and resource provision functions by preventing the chief executive officers and finance officers from achieving their personal interests, which in turn will lead to increase in the financial sustainability of MMDAs. For this reason, Tricker (2019:1), Anderson, Bates, Bizjak and Lemmon (2020:5) as well as Alqatan, Chbib and Hussainey (2019:18) expressed that the absence of audit committees can reduce the board of directors and internal auditors monitoring function, which provides the chief executive officers and finance officers with freedom to follow their interests at the expense of the communities' interests. Therefore, it is not clear whether the moderating role of the audit committee strengthens or weakens the effect of the board of directors and internal auditors' attributes on the financial sustainability of MMDAs. To the best of the researcher's knowledge and the review of the existing literature, how audit committees moderate the relationship between the board of directors, internal auditors and financial sustainability in the MMDAs is not examined in the literature, not only in Ghana but globally.

To achieve secondary objective 4, the study investigated whether audit committee attributes have moderating effect on the relationship between the board of directors' attributes and the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that regular audit committee meetings (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa, & Ali 2020: 5979), audit committee independence (Omesi & Appah 2022:1; Chan & Kogan 2016:121; Naimah 2017:1; Alqatamin 2018:48; AlMatari 2013:1; Kallamu & Saat 2015:206; Qeshta et al 2021: 1667; Al Farooque et al 2019:54), and competent audit committees (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179; Jensen & Meckling, 1976) can strengthen the board of directors attributes to alleviate the agency cost through their monitoring and advisory role to enhance the financial sustainability of MMDAs. The study also relied on the assumption of resource dependency theory to argue that regular audit committee meetings (Al-Lawati et al 2021: 557; Gebrayel, Jarrar, Salloum & Lefebvre 2018: 197; Januarti et al 2020: 179; Wu, 2012: 321; Hoque, Islam & Azam 2013: 503; Lisic, Neal, Zhang & Zhang 2016: 1199; Farooq, Kazim & Usman 2018: 94; Januarti et al 2020: 179), audit committee independence (Saona, Muro & Alvarado 2020: 98; Sultana, Singh & Van Der Zahn 2015: 72; Kusnadi, Leong Suwardy & Wang 2016: 197) and competent audit committees (Legodi 2020: 160; Hornberger & Forster 2019:23) can strengthen the board of directors to bring to the boardroom diverse perspectives, qualifications, knowledge, advice and counsel and link the MMDAs to the external financial resources, which in turn will enhance the financial sustainability of MMDAs. Ntim et al (2019), Saidu (2019), Pfeffer (1972) and L'Huillier (2014:306) argued that there is a close relationship between the board of directors and the chief executive officers, which impairs the boards' independence and monitoring role. In this regard, it is argued that the strength of the chief executive officers and other management cannot be easily outweighed by the monitoring methods employed by agency theory to keep agents in check always as if chief executive officers and other management can be sealed as functions (L'Huillier 2014:306). The close relationship between the management (chief executive officers) and the board of directors weakens the boards' strength to perform their conflict monitoring role (Boateng et al 2017; Jensen & Meckling 1976). Therefore, to curb this impairment issue or disentangle the board of directors from the management control, Clarke (2017) as well as He, Cordeiro and Shaw (2015) argued that one of the mechanisms used to monitor and strengthen the boards monitoring and resource acquisition role is the presence of audit committees. In this case, the study argued further that the presence and interaction of audit committees with the board of directors will strengthen the boards' monitoring and resource acquisition role, which in turn will contribute significantly to the financial sustainability of MMDAs. Therefore, based on agency and resource dependency theories, this study expected that independent directors can enhance the financial sustainability of MMDAs.

To achieve secondary objective 5, the study determined whether audit committee attributes have moderating effect on the relationship between internal auditors' attributes and the financial sustainability of MMDAs. Therefore, the study relied on the assumption of the agency theory to argue that regular audit committee meetings (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa, & Ali 2020: 5979), audit committee independence (Omesi & Appah 2022:1; Chan & Kogan 2016:121; Naimah 2017:1; Alqatamin 2018:48; AlMatari 2013:1; Kallamu & Saat 2015:206; Qeshta et al 2021: 1667; Al Farooque et al 2019:54), and competent audit committees (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179; Jensen & Meckling, 1976) can strengthen the internal auditors' attributes to alleviate the agency cost through their monitoring and advisory role to enhance the financial sustainability of MMDAs. The study also relied on the assumption of resource dependency theory to argue that regular audit committee meetings (Al-Lawati et al 2021: 557; Gebrayel, Jarrar, Salloum & Lefebvre 2018: 197; Januarti et al 2020: 179; Wu, 2012: 321; Hoque, Islam & Azam 2013: 503; Lisic, Neal, Zhang & Zhang 2016: 1199; Farooq, Kazim & Usman 2018: 94; Januarti et al 2020: 179), audit committee independence (Saona, Muro & Alvarado 2020: 98; Sultana, Singh & Van Der Zahn 2015: 72; Kusnadi, Leong Suwardy & Wang 2016: 197) and competent audit committees (Legodi 2020: 160; Hornberger & Forster 2019:23) can strengthen internal auditors to bring to the MMDAs diverse perspectives, qualifications, knowledge, advice and counsel and link the MMDAs to the external financial resources, which in turn will enhance the financial sustainability of MMDAs. Therefore, from the agency and resource dependency theories' perspective, this study aimed to develop and propose a framework that incorporates how audit committee attributes can moderate the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable.

3.10 Chapter summary

The chapter focused on the following, not only on that agency and resource dependency theories: “In this chapter, Section 3.2 discusses the concept of corporate governance; Section 3.3 discusses corporate governance mechanisms; Section 3.4 discusses internal corporate governance mechanisms; Section 3.5 discusses the relationship between audit committee and internal auditors; Section 3.6 discusses the relationship between audit committee and board of directors; Section 3.7 discusses the theoretical literature review; Section 3.8 discusses the theoretical justification of the internal governance variables; Section 3.9 discusses the moderating role of audit committee on internal corporate governance; and Section 3.10 discusses chapter summary.

CHAPTER 4

EMPIRICAL LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

4.1 Introduction

Chapter 3 discussed the concept of corporate governance and its related theories. The chapter further discussed agency and resource dependency theories and justified the need for such theories on the internal governance variables. In this chapter, Section 4.2 discusses the conceptual framework; Section 4.3 discusses empirical review and hypotheses development; Section 4.4 discusses empirical studies on the relationship between the board of directors attributes and financial sustainability; Section 4.5 discusses empirical studies on the relationship between internal auditors' attributes and financial sustainability; Section 4.6 discusses the relationship between audit committee attributes and financial sustainability; Section 4.7 discusses empirical studies on the moderating role of audit committee attributes on the relationship between the board of directors attributes and financial sustainability; Section 4.8 discusses empirical studies on the moderating role of audit committee attributes on the relationship between internal auditors' attributes and financial sustainability; and Section 4.10 discusses chapter summary.

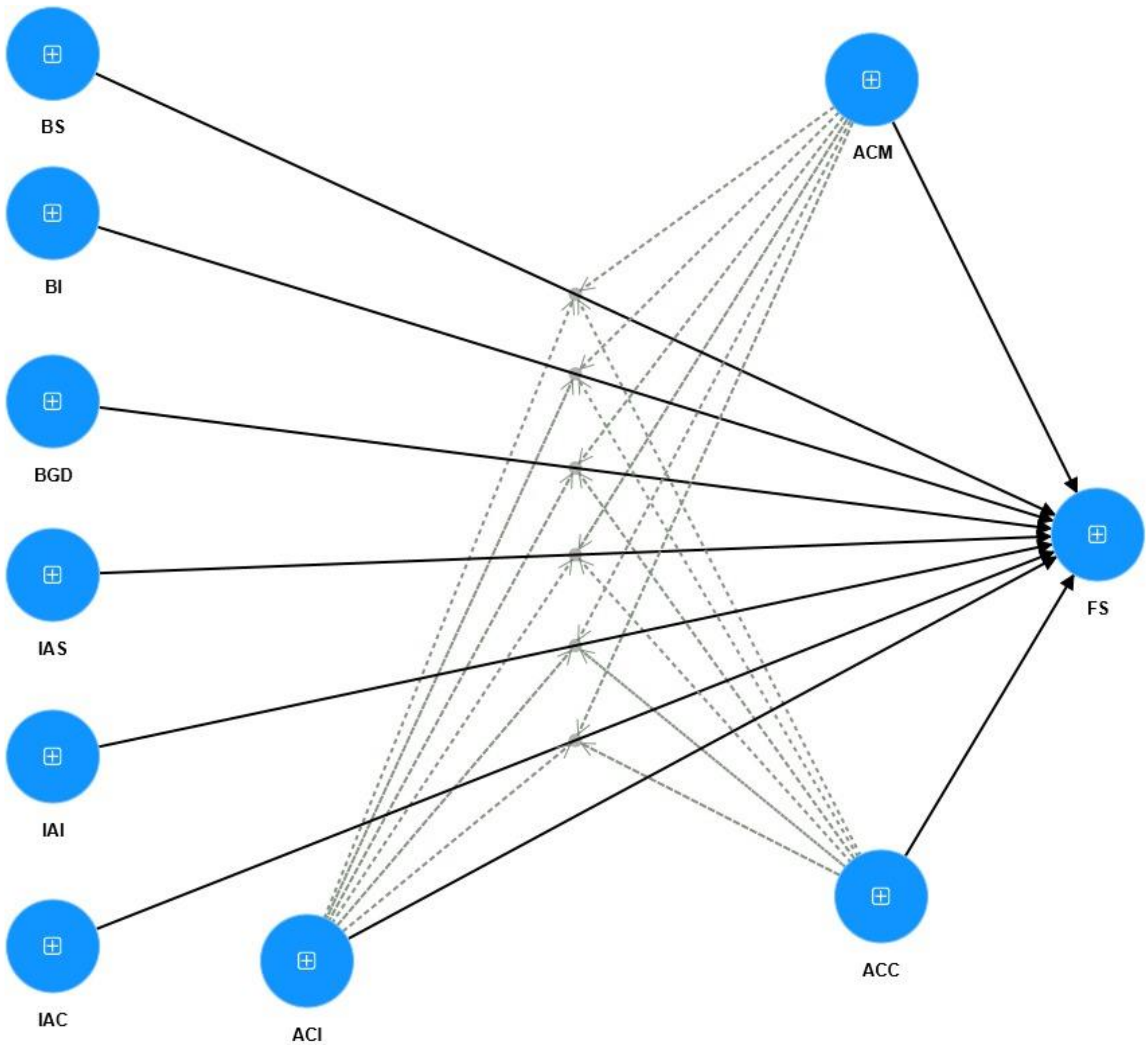
4.2 Conceptual framework

A conceptual framework is a hypothesised model identifying the model under study and the relationship between the dependent and independent variables (Mugenda & Mugenda 2003: 107). The reason for a conceptual framework is to categorise and describe concepts relevant to the study and map relationships among them. The conceptual framework helps to define the concept, plan the research terrain or conceptual scope, systematise relations among concepts, and identify gaps in literature (Kombo &Tromp 2009: 814). The theoretical and conceptual frameworks explain the path of research and ground it firmly in theoretical constructs to make findings more meaningful, enhance the empiricism and rigour as well as ensure generalisability (Adom et al 2018). Both theoretical and conceptual frameworks assist in stimulating research while ensuring the extension of knowledge by providing both direction and impetus to the research inquiry which gives life to research (Imenda 2014: 185). Adom, Hussein and Joe (2018: 438) have mentioned that if theoretical and conceptual frameworks are applied wrongly, the research findings become weak. A conceptual framework is a key part of research design and comprises the system of concepts, assumptions, expectations, beliefs and theories that inform the study (Miles, Huberman & Saldana 2014). It also refers to a visual or written relationship between various variables often derived from one or more theories and traces the input-process output paradigm of the study (Saunders et al 2016).

In this study, the objective of the conceptual framework is to provide empirical evidence of the relationship between internal governance variables and financial sustainability in MMDAs. The empirical evidence provided by this study was tailored to answer the five specific research objectives discussed in Chapter 1, section 1.7. This section describes a conceptual framework of study and how the dimensions of agency and resource dependency theories will be tested. In this study, the independent variables are the board, internal audit and audit committee mechanisms. The audit committee is a moderating variable and the dependent variable is the financial sustainability of MMDAs. The relationship is clearly shown below in Figure 4.1.

Figure 4.2 below hypothesised the relationship among the study variables in the model. This study followed Jung, Burns and Rabolt (2007:1361) and Ye, Liu and Shi (2015:11) to examine moderating in one model. The reason for the use of one comprehensive model is that audit committee meetings, audit committee independence and audit committee competence are recognised as individual values. The following structural equation model was developed based on the proposed hypotheses below:

Figure 4.1: Conceptual framework



With reference to Figure 4.1 above, the audit committee attributes [audit committee meetings (ACM), audit committee independence (ACI) and audit committee competence (ACC)] served as moderating variables for the relationship between the board of directors attributes (board size (BS), board independence (BI) and board gender diversity (BGD)] and internal auditors attributes (internal audit size (IAS), internal auditor independence (IAI) and internal auditor competence (IAC)] variables and financial sustainability (FS). This means that audit committee attributes are moderating variables, board of directors and internal auditors' attributes are the independent (exogenous) variables and financial sustainability (FS) is a dependent (endogenous) variable. Figure 4.1 above shows the hypotheses of the direct and moderating effect of audit committee attributes on the relationship between the board of directors and internal auditors' attributes and financial sustainability. The path of the direct and moderating effect of audit committee, board of directors and internal auditors variables on the financial sustainability are shown in Figure 4.1 above. As shown in Figure 4.1 above, the following direct hypotheses were formulated and tested:

H_{1a}:BS → FS, **H_{1b}:** BI → FS, **H_{1c}:** BGD → FS, **H_{2a}:** IAS → FS, **H_{2b}:** IAI → FS, **H_{2c}:** IAC → FS, **H_{3a}:** ACM → FS, **H_{3b}:** ACI → FS, **H_{3c}:** ACC → FS .

Additionally, the following moderating hypotheses were tested:
H_{4a}: ACM (BS) → FS, **H_{4b}:** ACM (BI)→ FS, **H_{4c}:** ACM (BGD) → FS, **H_{4d}:** ACM (IAS) → FS, **H_{4e}:** ACM (IAI) → FS, **H_{4f}:** ACM (IAC) → FS, **H_{4g}:** ACI (BS) → FS, **H_{4h}:** ACI (BI) → FS, **H_{4i}:** ACI (BGD) → FS, **H_{5a}:** ACI (IAS) → FS, **H_{5b}:** ACI (IAI) → FS, **H_{5c}:** ACI (IAC) → FS, **H_{5d}:** ACC (BS) → FS, **H_{5e}:** ACC (BI) → FS, **H_{5f}:** ACC (BGD) → FS, **H_{5g}:** ACC (IAS) → FS, **H_{5h}:** ACC (IAI)→ FS, **H_{5i}:** ACC (IAC)→ FS.

4.3 Hypotheses development

The results of the previous studies are not consistent and are unclear (Arora & Sharma, 2016). On one side, studies support that internal governance mechanisms enhance the financial sustainability of organisations (Sheikh, Wang & Khan 2013: 38; Yasser, Entebang & Mansor 2011: 482; Singh, Tabassum & Darwish 2018: 171). On the other side, studies show an insignificant relationship between internal governance mechanisms and the financial sustainability of organisations (Akbar, Poletti-Hughes & El-Faitouri 2016: 417). This conflicting results from the prior studies may be assigned to variations in timeframes (Carter et al 2007: 1), various regulatory and legal contexts (Sabatier 2015: 2717), lack of moderating variables (Mustapha et al 2020: 1; Galbreath 2018: 863), restricted and non-harmonised financial performance measurements variables (Terjesen et al 2015: 233; Shatnawi et al 2019: 177) and differences in sectors (Tshipa et al 2018: 20). However, in developing countries like Ghana, empirical studies related to internal governance mechanisms and financial sustainability at the local government level are still in their infancy. Arora and Sharma (2016) opined that the lack of studies on internal governance mechanisms and the financial sustainability of organisations in developing countries may be due to the non-availability of data.

As discussed in Section 1.3, financial sustainability is a result of better financial performance which is viewed as a measurement of the results of an organisation's policies and operations in monetary terms (Dhandapani & Ganesh, 2013). The results are reflected in the organisation's return on investment, return on assets, and value-added. The term financial performance is also used as a general measure of an organisation's overall financial sustainability measured over some time. The authors argued that an organisation must try to improve financial sustainability by making various forms of internal reconstruction such as internal governance mechanisms. Although good financial performance may not guarantee the perpetual existence of organisations, however, it will minimise the occurrence of organisation collapse arising from misleading financial performance. That is the reason the past and ongoing legal reforms on corporate governance and financial performance globally are in response to organisational failure and financial crisis. Performance is the result of the fulfillment of the tasks assigned. In other words, individuals in the organisation try to achieve the goal and objectives of such organisation (Abubakar, Sulaiman & Haruna 2018:1). Financial performance illustrates the magnitude of the results in a process that has been achieved compared with the organisation's objective. Financial performance is a determinant of an organisation's revenue or profits (Mustapha et al 2020: 1). In a broader sense, financial performance refers to the degree to which the financial objective of an organisation is achieved. It is the process of measuring the result of the organisation's policies and operations in monetary terms (Datta 2018:33). As financial performance and financial sustainability are measured in quantitative terms, both terms are used in this study interchangeably. As a result of the lack of empirical studies on internal governance and financial sustainability at the local government level, this study used the financial performance of prior studies in the private sector to justify the financial sustainability at the local government level.

Based on Figure 4.1 above, the study reviewed previous studies relating to the dependent (financial sustainability), independent (board size, board independence, board gender diversity, internal auditor independence, internal audit size and internal auditor competence) and moderating variable (audit committee meeting, audit committee independence, audit committee competence). This section discusses the empirical studies on the internal governance variables used in the study and develops hypotheses thereon. Bryman (2016:545) referred to hypothesis as an informed speculation, which is formulated to test the relationship between two or more variables. The main hypothesis of the study was that there is a significant relationship between internal governance and the financial sustainability of MMDAs in Ghana. Hypotheses based on the board of directors, audit committee and internal audit variables were developed. Further hypotheses covering the moderating effect of audit committee variables on the relationships between the board of directors and internal auditors' variables were also developed. The internal governance variables used in the study were supported by the agency and resource dependency theories. However, to address the research objectives, the following hypotheses were formulated and tested.

4.4 Empirical studies on the relationship between board of directors' attributes and financial sustainability

As discussed in Section 1.2.3, this study used literature on financial performance and financial sustainability interchangeably. The first objective of the study was to determine the relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana. To achieve the first objective, prior studies on the relationship between the board of directors attributes and financial performance in private sector organisations were reviewed and applied to gain more insight into how the board of directors' attributes can determine the financial sustainability of MMDAs. The section below reviews the relationship between the board of directors' attributes (board size, board independence and board gender diversity) and financial sustainability.

4.4.1 The relationship between board size and financial sustainability

Table 4.1 below presents some prior studies that examined the relationship between board size and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.1. The literature has uncovered that prior studies on board size and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.1: Summary of empirical studies on the relationship between board size and financial performance

Board size						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Saha, Moutushi, and Salauddin (2018: 210)	81 listed (2013 to 2017)	Bangladesh	ROA ROE Tobin's Q	Insignificant	Quantitative (Document analysis
2	Johl, Kaur and Cooper (2015: 239)	700 listed organisations in 2009	Malaysia	ROA	Significant	Quantitative (Document analysis
3	Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014 to2017)	Saudi Arabia	ROA	No relationship	Quantitative (Document analysis
4	Okoye, Erin, Ahmed, and Areghan (2017: 4035)	Microfinance institutions	Nigeria	ROA	Significant	Quantitative (Document analysis
5	Kalsie and Shrivastav (2016:1)	145 organisations (2008 to 2012) with 725 observations	India	ROA Tobin's Q ROCE	Significant	Quantitative (Document analysis
6	Alshetwi (2017)		Soudi Arabia		No relationship	Quantitative (Document analysis
7	Alqatan, Chbib and	100 listed non-	UK	Tobin's Q ROA	Significant	Quantitative

	Hussainey (2019: 18)	financial organisations (2012 to 2015) with 400 observations				(Document analysis
8	VO and Nguyen (2014: 1)	177 listed organisations (2008 to 2012) with 885 observations	Vietnam	ROA ROE Z-score	No significant	Quantitative (Document analysis
9	Nguyen, Rahman, Tong and Zhao (2015: 1)	1141 listed organisations (2001 to 2011) with 7999 observations	Australia	Tobin's Q	Insignificant	Quantitative (Document analysis
9	Ahmed and Hamdan (2015: 25)	42 listed financial organisations (2007 to 2011) with 210 observations	Bahrain	ROA ROE	Significant	Quantitative (Document analysis
10	Muhammad, Rehman and Waqas (2016:5)	80 non-financial organisations	Pakistan	ROA	Significant	Quantitative (Document analysis

		(2010 to 2014) with 400 observations				
11	Boubacar (2018: 629)	13 large decentralised financial systems	Niger	Financial sustainability (ROA)	Significant	Quantitative (Document analysis
12	Zabri et al. (2016:287)	100 listed organisations	Malaysia	ROA ROE	Insignificant	Quantitative (Document analysis

With reference to Table 4.1 above, the following studies found no relationship between board size and financial performance (Al-Matari &Mgammal 2019: 1; Alshetwi 2017:1; VO & Nguyen 2014: 1). The following studies found that a significant relationship exists between board size and financial sustainability (Johl et al 2015: 239; Okoye et al 2017: 4035; Muhammad et al 2016:5; Boubacar 2018: 629). The following studies also found that an insignificant relationship exist between board size and financial performance (Saha et al 2018: 210; Nguyen et al (2015: 1; Zabri et al 2016:287).

Additionally, Uchenna, Adedayo, Ahmed and Isibor (2020:4035) reported that there is a significant relationship between board size and the financial sustainability of microfinance organisations in Nigeria. . Oyewale and Adewale (2014:11) studied the financial sustainability of the Nigerian microfinance organisations. Eight microfinance organisations were employed in the study. The study adopted return on assets as a proxy of financial sustainability. The study sampled 68 microfinance organisations over 5 years (from 2011 to 2015). The study showed that internal governance mechanisms do not influence financial sustainability. Okoye, Erin, Ahmed, and Areghan (2017: 4035) studied how internal governance mechanisms affect financial sustainability in the financial sector in Nigeria. The study showed that large board size significantly affects financial sustainability. Mahmood, Kouser, Ahmad and Salman (2018: 1) examined the influence of internal governance on the financial sustainability of public organisations in Pakistan. The results from the study indicated that large board size has a significant effect on the financial sustainability of public organisations in PakistanHartanka (2004: 677) and Alakeci and Al-khatib (2006: 54) reported that large board size is associated with financial sustainability. Areghan (2017: 281) and John and Ibenta (2016: 39) reported that large board size significantly affects financial sustainability. Shivaani, Jain and Yadav (2017: 106), Surya (2016: 48) and Bebeji, Mohammed and Tanko (2015: 590) revealed that there is no significant relationship between board size and financial sustainability.

With reference to Table 4.1 above, a number of studies have been conducted on board on board size and financial performance, but the findings from these studies are contradictory. However, Ntim et al (2015:194) indicated that it is still not clear in the existing literature as to whether larger boards also result in poor performance of the resource dependency role. However, the monitoring role of the board under the agency theory may demand a smaller board size whilst the resource provision role from the resource dependence perspective demands larger boards. It can be concluded that the majority of the studies already conducted suggest that large boards inject experience and knowledge diversity.

As discussed in Section 3.8.1, the study relied on the assumption of the agency theory to argue that large boards are capable of monitoring and advising management to alleviate agency costs, which can enhance the financial sustainability of MMDAs (Edia & Jessica 2020: 31; Hu & Loh 2018:1; Akbas 2016:7; Alfraih 2016:154; Edia & Jessica 2020: 31; Al-Bassam et al 2018:335; Ntim et al 2017). The study also relied on the assumption of resource dependency theory to argue that a large board can bring to the boardroom diverse perspectives, skills, experience, networks, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Rubino & Napoli 2020: 6; Wang et al 2020: 1172; Berrone & Gomez-Mejia 2009: 103; Jensen & Meckling 1976; Al-Bassam et al 2018). Therefore, based on the agency and resource dependency theories and the contradictory findings in the literature, this study formulated and tested the following hypothesis:

H1a: There is a significant relationship between board size and financial sustainability of MMDAs.

4.4.2 The relationship between board independence and financial sustainability

Table 4.2 below presents some prior studies that examined the relationship between board independence and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.2. The literature has uncovered that prior studies on board independence and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.2: Summary of empirical studies on the relationship between board independence and financial performance

Board independence						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Johl, Kaur and Cooper (2015: 239)	700 listed organisations in 2009	Malaysia	ROA	No relationship	Quantitative (documentary analysis
2	Ntim (2011: 428)	169 listed organisations (2002 to 2007)	South Africa	ROA Tobin's Q	Significant	Quantitative (documentary analysis)
3	Khumalo (2011: 11)	28 dual-listed organisations (2005-2008)	South Africa	ROE Tobin's Q	Significant	Quantitative (documentary analysis)
4	Al-Matari et al (2012)	135 non-financial listed organisations at the end of 2010	Saudi Arabia	Tobin's Q	Insignificant	Quantitative (documentary analysis)
5	Kanakriyah (2021: 341)	85 industrial and service organisations (2015 to 2019) with 425 observations	Jordan	ROA ROE	Significant	Quantitative (documentary analysis)

6	Singla and Singh (2019: 8)	385 listed organisations (2007 to 2016) with 3,854 observations	India	Tobin's Q	Insignificant	Quantitative (documentary analysis)
7	Ghasemi and Ab Razak (2016: 3)	267 listed organisations (2010 to 2013) with 1068 observations	Malaysia	EPS	Significant	Quantitative (documentary analysis)
8	Alshetwi (2017: 12)	329 non-financial listed organisations (2013 to 2015) with 987 observations	Saudi Arabia	ROA	No significant	Quantitative (documentary analysis)
9	Ammari, Amdouni, Zemzem and Ellouze (2016: 10)	80 listed organisations (2001 to 2013) with 240	Saudi Arabia	ROA Tobin's Q	Significant	Quantitative (documentary analysis)
9	Alqatan, Chbib and Hussainey (2019: 1)	100 listed organisations (2012 to 2015) with 400	London	Tobin's Q	Significant	Quantitative (documentary analysis)

		observations				
10	Alhussayen and Shabou (2016: 149)	135 listed organisations (2008 to 2013)	Saudi Arabia	Tobin's Q and Market to book ratio	Significant	Quantitative (documentary analysis)
11	Rashid (2018: 34)	135 listed organisations (2006 to 2011) with 857 observations	Bangladesh	EPS ROA	No significant	Quantitative (documentary analysis)
12	Kapil and Mishra (2019: 2033)	391 listed organisations (2013 to 2018) with 1955 observations	India	ROE ROA Tobin's Q	Significant	Quantitative (documentary analysis)

With reference to Table 4.2 above, the following studies found no relationship between board independence and financial performance (Johl et al 2015: 239; Alshetwi 2017: 12; Rashid 2018: 34). The following studies found that a significant relationship exist between board independence and financial performance (Ntim (2011: 428; Khumalo 2011: 11; Kanakriyah 2021: 341; Ghasemi & Ab Razak 2016: 3; Ammari et al 2016: 10; Alhussayen & Shabou 2016: 149; Alqatan et al 2019: 1; Kapil & Mishra 2019: 2033). Also, the following studies found that an insignificant relationship exist between board independence and financial performance (Al-matari et al 2012; Singla & Singh 2019: 8; Okoye, Erin, Ahmed & Areghan 2017: 281; Ellwood & García-Lacalle 2015: 69; Kirkpatric et al 2017: 754).

As discussed in Section 3.8.2, the study relied on the assumption of the agency theory to argue that independent non-executive directors can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role (Al-Matari & Al- Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85). The study also relied on the assumption of resource dependency theory to argue that independent directors bring to the boardroom diverse perspectives, qualifications, knowledge, skills, ideas, advice and counsel for MMDAs to make effective decisions to enhance the financial sustainability (Cuervo–Cazurra et al 2019:491; Rubino & Napoli 2020:1; Zona et al 2018:589). Therefore, based on the agency and resource dependency theories and the contradictory findings in the literature, this study formulated and tested the following hypothesis:

$H1_b$: There is a significant relationship between board independence (independent non-executive directors on board) and financial sustainability of MMDAs.

4.4.3 The relationship between board gender diversity and financial sustainability

Table 4.3 below presents some prior studies that examined the relationship between board gender diversity and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.3. The literature has uncovered that prior studies on board gender diversity independence and financial sustainability have ended inconclusively. There is no agreement as to whether women on board can increase financial performance due to mixed findings (Wang 2020: 3205; Bruno, Ciavarella & Linciano 2018: 1). Prior studies of the relationship between board gender diversity and financial performance have been indecisive and conflicting. This conflicting results from the prior studies may be assigned to variations in timeframes (Carter et al 2007: 1), various regulatory and legal contexts (Sabatier 2015: 2717), lack of moderating variables (Mustapha et al 2020: 1; Galbreath 2018: 863), restricted and non-harmonised financial performance measurements variables (Terjesen et al 2015: 233; Shatnawi et al 2019: 177) and differences in sectors (Tshipa et al 2018: 20).

Table 4.3: Summary of empirical studies on the relationship between board gender diversity and financial performance

Board gender diversity						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Sanyaolu et al. (2017: 4131)	8 listed organisations (2007 to 2016	Nigeria	ROA	Insignificant	Quantitative (documentary analysis)
2	Johl, Kaur and Cooper (2015: 239)	700 listed organisations in 2009	Malaysia	ROA	Significant	Quantitative (documentary analysis)
3	Mahmood, Kouser, Ahmad and Salman (2018: 1)	100 listed organisations (2012 to 2015)	Pakistan	Global Reporting Initiative (GRI)	Significant	Quantitative (documentary analysis) and qualitative (interviews)
4	Hassan and Marimuthu (2018: 634)	330 listed organisations	Malaysia	ROI ROE	No relationship	Quantitative (documentary analysis
5	Kanakriyah (2021: 341)	85 industrial and service organisations (2015 to 2019) with 425 observations	Jordan	ROA ROE	Significant	Quantitative (documentary analysis)
6	Sarhan, Ntim and Al.Najjar (2019)	100 listed organisations(2009 to 2014) with 600 observations	Middle East and North African countries	ROA	Significant	Quantitative (documentary analysis)

7	Dwaikat, Qubbaj and Queiri (2021)	16 listed organisations (2008 to 2015) with 128 observations	Palestinia	ROE ROA Tobin's Q.	Significant	Quantitative (documentary analysis)
8	Fernández and Tejerina (2020: 324)	87 listed organisations (2005 to 2015) with 691 observations	Spain	ROA	Significant	Quantitative (documentary analysis)
9	Halcro, Ben, Chaher, and Talib (2021)	76 listed organisations (2010 to 2015) with 456 observation	London	ROA ROE	Insignificant	Quantitative (documentary analysis)
9	Lango (2018:1)	69 listed organisations (2007 to 2016) with 480 observations	USA		Insignificant	Quantitative (documentary analysis)
10	Ionascu et al (2018: 1644)	listed organisations (2012 to 2016) with 343 observations	Romania	ROA	Insignificant	Quantitative (documentary analysis)
11	Fariha, Hossain and Ghosh (2021: 2443)	30 listed financial organisations (2011 to 2017) with 180 observations	Bangladesh.	ROA ROE	Significant	Quantitative (documentary analysis)
12	Marinova, Plantenga, and Remery (2016: 1777)	186 listed organisations in 2007	Netherlands and Denmark	Tobin's Q	No relationship	Quantitative (documentary analysis)

With reference to Table 4.3 above, the following studies found no relationship between board gender diversity (women on boards) and financial performance (Marinova et al 2016: 1777; Hassan & Marimuthu 2018: 634). The following studies found that a significant relationship exist between board gender diversity (women on boards) and financial performance (Johl et al (2015: 239; Mahmood et al 2018: 1; Fariha, Hossain & Ghosh 2021: 2443; Fernández & Tejerina 2020: 324; Dwaikat et al 2021; Sarhan, Ntim & Al-Najjar 2018; Kanakriyah 2021: 341). The following studies also uncovered that board gender diversity has a significant relationship with financial performance (Halcro et al 2021: 421; Ionascu et al 2018:1644; Lango 2018:1; Sanyaolu et al 2017: 4131).

As discussed in Section 3.8.3, the study relied on the assumption of the agency theory to argue that women on board can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. As a result, this study expected that women directors can monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Ahmadi, Nakaa & Bouri 2018:218; Kakabadse Figueira, Nicolopoulou, Hong Yang, Kakabadse & Özbilgin 2015:265). The study also relied on the assumption of resource dependency theory to argue that women directors can bring to the boardroom diverse perspectives, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Wang, Holmes, Oh & Zhu 2016: 775; Farrag & Mallin, 2016: 1528; Wang, Holmes, Oh & Zhu 2016: 775; Sheikha et al 2021: 1; Hoobler, Masterson, Nkomo & Michel 2016: 160). Therefore, based on the agency and resource dependency theories and the inconclusive findings in the literature, this study formulated and tested the following hypothesis.

$H1_c$: There is a significant relationship between board gender diversity (women on board) and financial sustainability.

4.5 Empirical studies on the relationship between internal audiors' attributes and financial sustainability

The second objective of the study was to determine the relationship between internal auditors' independence, internal audit size and internal auditor's competence and financial sustainability of MMDAs in Ghana. To achieve the second objective, prior studies on the relationship between internal auditors' attributes and the financial performance of private sector organisations were reviewed and applied to gain more insight into how internal auditors' attributes can determine the financial sustainability of MMDAs. This section reviews the relationship between internal auditors' attributes (internal audit size, internal auditor independence and internal auditor competence) and financial sustainability.

4.5.1 The relationship between internal auditor independence and financial sustainability

Table 1.1 below presents some prior studies that examined the relationship between internal auditor independence and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.4. With reference to Table 1.1 below, a number of studies have been conducted on internal auditor independence and financial performance. The literature has uncovered that prior studies on internal auditor independence and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.4: Summary of empirical studies on the relationship between internal auditor independence and financial performance

Internal audit independence						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Güneş and Atılgan (2016: 18)	20 listed organisations	Turkey	ROA ROE	Insignificant	Quantitative (Document analysis
2	Alzeban (2015: 539)	74 organisations listed on the Saudi Stock Exchange	Saudi Arabia	Share value	Insignificant	Quantitative (Document analysis
3	Alaswad and Stanišić (2016: 352)	78 observations of listed organisations	Libya	ROA	Significant	Quantitative (Document analysis
4	Dauda (2015: 80)	55 respondents from 5 sampled listed deposit banks	Nigeria	Share value	Insignificant	Quantitative (Document analysis
5	Newman and Comfort (2018: 1)	25 persons from finance, management and audit deparments from Africa Sun organisation	South Africa	Liket scale questionnaire	Significant	Quantitative (Questionnaire
6	Hazaea, Tabash, Zhu, Khatib and	90 questionnaires were distributed to	Yemin	Five-point Liket scale	Insignificant	Quantitative (Questionnaire

	Farhan (2021)	nine commercial banks' internal auditors and audit committee members		questionnaire		
7	Dellai and Omri (2016: 208)	148 questionnaires were sent to chief audit executives of 148	Tunisia	Five-point Liket scale questionnaire	Significant	Quantitative (Questionnaire
8	Alzoubi (2019: 72)	94 listed organisations (2007 to 2010) with 344 observationds	Jordan	Earnings management (discretionary accruals)	Significant	Quantitative (Document analysis
9	Alzeban (2020: 437)	190 questionnaires were sent to chief audit executives of 119 listed organisations (2016 to 2017)	Saudi Arabia and the United Arab Emirates	Five-point Liket scale questionnaire	Significant	Quantitative (Questionnaire
9	Bengrich and El Ghadouia (2020: 98)		Morocco		Significant	
10	Elewa and El-Haddad (2019: 229)	30 non-financial organisations (2010 to 2014) with 150	Egypt	ROE ROA	Insignificant	Quantitative (Document analysis

		observations				
11	Muchiri and Jagongo (2017: 168)	57 management staff of Kenyan meat commission	Kenya	Five-point Liket scale questionnaire (ROI)	Insignificant	Quntitative (Open and close ended questionnaires)
12	Thumbi (2016: 1)	30 medium-size manufacturing organisations	Kenya	Five-point Liket scale questionnaire to unit heads	Significant	Quntitative (closed ended questionnaires)

With reference to Table 4.4 above, the following studies found a significant relationship between internal auditor independence and financial performance (Alaswad & Stanišić 2016: 352; Newman & Comfort 2018: 1; Dellai & Omri 2016: 208; Alzoubi 2019: 72; Alzeban 2020: 437; Sarhan, Bengrich & El Ghadouia 2020: 98; Thumbi 2016: 1). The following studies also found that an insignificant relationship exist between internal auditor independence and financial performance (Güneş & Atılgan 2016: 18; Alzeban 2015: 539; Dauda 2015: 80; Hazaea et al 2021; Elewa & El-Haddad 2019: 229; Muchiri & Jagongo 2017: 168; Thumbi 2016: 1).

As discussed in Section 3.8.4, the study relied on the assumption of the agency theory to argue that internal auditor independence can enhance financial sustainability and alleviate agency costs through monitoring and advisory role. As a result, this study expected that independent internal auditors can monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Ofosuhene et al 2021: 55; Chan et al 2018: 423; Al-Bassam, Ntim, Opong and Downs 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). The study also relied on the assumption of resource dependency theory to argue that independent internal auditors can bring to the boardroom diverse perspectives, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions and enhance financial sustainability (Hay & Cordery 2018:1; Asiedu & Deffor 2017:82; Ibrahim, Diibuzie & Abubakari 2017:684; Pappa & Filos 2019:30; Mbelwa & Lenatusi 2019: 13; Pfeffer & Salancik 2015: 1). Both agency and resource dependence theories support the independence of internal auditors on the basis that diverse regular meetings between internal auditors and board of directors help to alleviate agency costs (agency theory), facilitates access to untapped resources and networks (resource dependency theory), and enhances financial sustainability. Therefore, based on the agency and resource dependency theories and the inconclusive findings in the literature, this study formulated and tested the following hypothesis:

$H2_a$: There is a significant relationship between internal auditor independence and financial sustainability of MMDAs.

4.5.2 The relationship between internal audit size and financial sustainability

Table 4.5 below presents some prior studies that examined the relationship between internal audit size and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.5. With reference to Table 4.5 below, a number of studies have been conducted on internal audit size and financial performance. The literature has uncovered that prior studies on internal audit size and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.5: Summary of empirical studies on the relationship between internal audit size and financial performance

Internal audit size						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014-2017)	Saudi Arabia	ROA	No relationship	Quantitative (secondary data)
2	Wadesango and Makerevi (2018: 1528)	25 African Sun Limited employees	South Africa	Financial performance	Significant	Quantitative (Questionnaires)
3	Newman and Comfort (2018: 1)	25 persons from finance, management and audit deparments from Africa Sun organisation	South Africa	Five-point Liket scale questionnaire	Significant	Quantitative (Questionnaire
4	Ogbodo and Akabuogu (2018: 98)	16 listed deposit financial organisations (2008-2017)	Nigeria	ROE ROA	Significant	Quantitative (secondary data)
5	Hazaea, Tabash, Zhu, Khatib and Farhan	90 questionnaires were distributed to	Yemin	Five-point Liket scale	Insignificant	Quantitative (Questionnaire

	(2021: 137)	nine commercial banks' internal auditors and audit committee members		questionnaire		
6	Sakilu and Kibret (2015: 1)	10 listed financial organisations (2008 to 2013) with 60 observations	Ethiopia	ROA ROE	Significant	Quantitative (secondary data)
7	Hutchinson and Zain (2009: 50)	60 listed organisations in 2003	Malaysia	ROA	Significant	Quantitative (Questionnaire and secondary data)
8	Alzeban (2020: 437)	190 questionnaires were sent to chief audit executives of 119 listed organisations (2016 to 2017)	Saudi Arabia and the United Arab Emirates	Five-point Liket scale questionnaire	Significant	Quantitative (Questionnaire
9	Dianita (2015: 176)	questionnaires were sent to chief audit executives of organisations (2012 to 2014)	Indonesia	Five-point Liket scale questionnaire	Insignificant	Quantitative (Questionnaire)
9	Bengrich and El Ghadouia (2020: 98)	questionnaires were sent to chief audit	Morocco	Five-point Liket scale	Significant	Quantitative (Questionnaire)

		executives of organisations in Souss Massa region		questionnaire		
10	Alaswad and Stanišić (2016: 352)	26 listed financial organisations (2013 to 2015) with 78 observations	Lybia	ROA	No relationship	Quantitative (secondary data)
11	John and Chukwumerije (2012: 25)	150 chartered accountants in 15 audit organisations	Nigeria	Five-point Liket scale questionnaire	Significant	Quantitative (Questionnaire
12	Salawu (2017: 191)	65 listed organisations (2006 to 2013) with 520 observations	Nigeria	Net income	Significant	Quantitative (secondary data from audited financial reports)

With reference to Table 4.5 above, the following studies found no relationship between internal audit size and financial performance (Al-Matari & Mgammal 2019: 1; Alaswad & Stanišić 2016: 352). The following studies found that a significant relationship exist between internal audit size and financial performance (Wadesango & Makerevi 2018: 1528; Newman & Comfort 2018: 1; Ogbodo & Akabuogu 2018: 98; John & Chukwumerije 2012: 25; Salawu 2017: 191; Sakilu & Kibret 2015: 1; Hutchinson & Zain 2009: 50; Alzeban 2020: 437; Bengrich & El Ghadouia 2020: 98). Also, the following studies found that an insignificant relationship exist between internal audit size and financial performance (Dianita 2015: 176; Hazaea et al 2021: 137).

As discussed in Section 3.8.5, the study relied on the assumption of the agency theory to argue that large-size of internal audits can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. As a result, this study expects that a large-size of internal audit can monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (IIA 2020: 1; Eulerich & Eulerich 2020: 83; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). The study also relied on the assumption of resource dependency theory to argue that a large-size internal audit can bring to the boardroom discussions diverse perspectives, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Chan et al 2018: 423; Al-Bassam et al 2018:335; Prawitt et al 2009: 1255; Al-Rassas & Kamardin 2015: 460; Naiker & Sharma 2009: 559). Both agency and resource dependence theories support large size of internal auditors on the basis that internal audit size help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on the agency and resource dependency theories and the inconclusive findings in the literature, this study formulated and tested the following hypothesis:

$H2_b$: There is a significant relationship between internal audit size and financial sustainability of MMDAs in Ghana.

4.5.3 The relationship between internal audit competence and financial sustainability

Table 4.6 below presents some prior studies that examined the relationship between internal auditor competence and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.6. With reference to Table 4.6 below, a number of studies have been conducted on internal auditor competence and financial performance. The literature has uncovered that prior studies on internal auditor independence and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.6: Summary of empirical studies on the relationship between internal auditor competence and financial performance

Internal audit competence						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014 to2017)	Saudi Arabia	ROA	No relationship	Quantitative (Document analysis
2	Ogega, Kibati and Koima (2017: 87)	115 officials selected from 179 NGOs	Kenya	financial sustainability	Insignificant	Quantitative (Questionnaires)
3	Wadesango and Makerevi (2018: 1528)	25 African Sun Limited employees	South Africa	Financial performance	Significant	Quantitative (Questionnaires)
4	Wambui (2017: 1)	104 people from 11 listed banks (2013 to 2017)	Kenya	Financial performance	Significant	Quantitative (questionnaire)
5	Newman and Comfort (2018: 1)	25 persons from finance, management and audit deparments from Africa Sun	South Africa	Liket scale questionnaire	Significant	Quantitative (Questionnaire

		organisation				
6	Hazaea, Tabash, Zhu, Khatib and Farhan (2021)	90 questionnaires were distributed to nine commercial banks' internal auditors and audit committee members	Yemin	Five-point Liket scale questionnaire	Significant	Quantitative (Questionnaire
7	Alzeban (2020: 437)	190 questionnaires were sent to chief audit executives of 119 listed organisations (2016 to 2017)	Saudi Arabia and the United Arab Emirates	Five-point Liket scale questionnaire	Significant	Quantitative (Questionnaire
8	Muchiri and Jagongo (2017: 168)	57 management staff of Kenyan meat commission	Kenya	Five-point Liket scale questionnaire (ROI)	Insignificant	Quntitative (Open and close ended questionnaires)
9	Hutchinson and Zain (2009: 50)	60 listed organisations in 2003	Malaysia	ROA	Significant	Quntitative (questionnaires and secondary data)
10	Elewa and El-Haddad (2019: 229)	30 non-financial organisations (2010 to 2014) with 150	Egypt	ROE ROA	Insignificant	Quantitative (Document analysis

		observations				
11	Alaswad and Stanišić (2016: 352)	26 listed financial organisations (2013 to 2015) with 78 observations	Lybia	ROA	Significant	Quantitative (secondary data)
12	Boubakary (2020: 81)	80 questionnaires were sent to chief audit executives of 80 public and parapublic organisations (2020)	Cameroon	ROA	Significant	Quantitative (Survey)
13	Bengrich and El Ghadouia (2020: 98)	100 questionnaires were sent to chief audit executives of medium and large organisations in the agricultural sector (2019 to 2020)	Morocco	ROA	Significant	Quantitative (Survey)

With reference to Table 4.6 above, the following study found no relationship between internal auditor competence and financial performance (Al-Matari & Mgammal 2019: 1). The following studies found tha a significant relationship exist between internal auditor competence and financial performance (Wadesango & Makerevi 2018: 1528; Newman & Comfort 2018: 1; Wambui 2017: 1; Hazaea et al 2021; Hutchinson & Zain 2009: 50; Alzeban 2020: 437; Alaswad & Stanišić 2016: 352; Boubakary 2020: 81; Bengrich & El Ghadouia 2020: 98). Also, the following studies found that an insignificant relationship exist between internal auditor competence and financial performance (Ogega et al 2017: 87; Muchiri & Jagongo 2017: 168; Elewa & El-Haddad 2019: 229).

As discussed in Section 3.8.6, this study is based on the assumption of the agency theory to argue that internal auditor competence can enhance financial sustainability and alleviates agency cost through their monitoring and advisory role. Drawing from the perspective of agency theory, improving financial sustainability requires internal auditors who will be able to monitor and advise management. As a result, this study expects that internal auditors with accounting and or auditing qualifications can monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Przybylska & Kańduła 2019: 6; Jones & Beattie 2015: 59; Ackermann et al 2016: 44). The study also based on the assumption of resource dependency theory to argue that competent internal auditors can bring to the boardroom discussions diverse perspectives, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions to enhance financial sustainability (IIA 2020: 1; Hazaea 2020: 867; Prawitt, Smith & Wood, 2009). Both agency and resource dependence theories support competent internal auditors on the basis that internal auditors with accounting and or auditing qualifications help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on the agency and resource dependency theories and the inconclusive findings in the literature, this study formulated and tested the following hypothesis:

$H2_c$: There is a significant relationship between internal auditor competence and financial sustainability of MMDAs in Ghana.

4.6 Empirical studies on the relationship between audit committee attributes and financial sustainability

The third objective of the study was to determine the relationship between audit committee meetings, audit committee independence and audit committee competence and financial sustainability of MMDAs in Ghana. To achieve the third objective, prior studies on the relationship between audit committee attributes and the financial performance of private sector organisations were reviewed and applied to gain more insight into how audit committee attributes can determine the financial sustainability of MMDAs. This section reviews the relationship between audit committee attributes (meetings, independence and competence) and financial sustainability.

4.6.1 The relationship between audit committee meetings and financial sustainability

Table 4.7 below presents some prior studies that examined the relationship between audit committee meetings and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.7. With reference to Table 4.7 below, a number of studies have been conducted on audit committee meetings and financial performance. The literature has uncovered that prior studies on audit committee meetings and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.7: Summary of empirical studies on the relationship between audit committee meetings and financial performance

Audit committee meetings						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Alzoubi (2019: 341)	86 listed organisations (2007 to 2010).	Amman	Earnings management	No relationship	Quantitative (Document Analysis
2	Bansal and Sharma (2016: 103)	235 non-financial organisations	India	ROA ROE Tobin's Q	Significant	Quantitative (Document analysis
3	Rahmat and Mohd Iskandar (2009: 624)	73 listed organisations	Malaysia	Financial sustainability	Insignificant	Qualitative (Interviews)
4	Johl, Kaur and Cooper (2015: 239)	700 listed organisations in 2009	Malaysia	ROA	Insignificant	Quantitative (Document analysis
5	Ben-Barka and Legendre (2016: 16)	43 listed organisations (2002 to 2006) with 215 observations	France	ROA	Significant	Quantitative (Document analysis
6	Darko et al. (2016)	20 listed organisations	Ghana	ROA ROE	Significant	Quantitative (Document

		(2008 to 2012) with 100 observations				analysis)
7	Afza and Nazir (2014)	127 organisations during 2011	Parkistan	ROA and Tobin's Q.	No relationship	Quantitative (Document analysis
8	Ngo and Le (2021: 135)	216 listed organisations (2015 to 2018) with 864 observations	Vietnam	Earnings Management	No relationship	Quantitative (Document analysis
9	Hoque, Hou and Cheng (2013: 503)	118 listed organisations (1999 to 2007) with 944 observations	Australia	ROA ROE	Significant	Quantitative (Document analysis
9	Elbadry et al. (2015)	investigated 324 listed non-financial organisations	United Kingdom	Market value	Significant	Quantitative (Document analysis
10	Bryce, Ali and Mather (2015: 163)	200 listed organisations (2003 to 2008) with 1200 observations	Australia	Earnings Management	Significant	Quantitative (Document analysis

11	Hamdan (2020: 127)	23 listed industrial organisations (2014 to 2018) with 295 observations	Bahrain	Earnings quality	No relationship	Quantitative (Document analysis
12	Ashari and Krismiaji (2020: 139)	233 listed organisations (2016 to 2017) with 466 observations	Indonesia	ROA	Significant	Quantitative (Document analysis)

With reference to Table 4.7 above, the following studies found no relationship between audit committee meetings and financial performance (Alzoubi 2019: 341; Afza & Nazir 2014; Hamdan 2020: 127; Ngo & Le 2021:135). The following studies found that a significant relationship exist between audit committee meetings and financial performance (Bansal and Sharma 2016: 103; Ben-Barka & Legendre 2016: 16; Darko et al 2016: 259; Hoque et al 2013: 503; Bryce et al 2015: 163; Elbadry et al 2015; Ashari & Krismiaji 2020: 139). Also, the following studies found that an insignificant relationship exist between audit committee meetings and financial performance (Johl et al 2015: 239; Rahmat & Mohd Iskandar 2009: 624).

As discussed in Section 3.8.7, the study relied on the assumption of the agency theory to argue that regular audit committee meetings can enhance financial sustainability and alleviate agency costs through their monitoring and advisory role. As a result, this study expected that regular audit committee meetings will help audit committee members monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa, & Ali 2020: 5979). The study also relied on the assumption of resource dependency theory to argue that if audit committees meet regularly, they can bring to the boardroom discussions diverse perspectives, qualifications and knowledge, skills, ideas for MMDAs to make effective decisions to enhance financial sustainability (Al-Lawati et al 2021: 557; Gebrayel et al 2018: 197; Januarti et al 2020: 179; Wu, 2012: 321; Hoque et al 2013: 503; Lisic et al 2016: 1199; Farooq et al 2018: 94). Both agency and resource dependence theories support audit committee meetings on the basis that regular audit committee meetings help to alleviate agency costs (agency theory), facilitates access to untapped resources and networks (resource dependency theory), and enhances financial sustainability. Therefore, based on the agency and resource dependency theories and the inconclusive findings in the literature, this study formulated and tested the following hypothesis:

$H3_a$: There is a significant relationship between audit committee meetings and financial sustainability

4.6.2 The relationship between audit committee independence and financial sustainability

Table 4.8 below presents some prior studies that examined the relationship between audit committee independence and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.8. With reference to Table 4.8 below, a number of studies have been conducted on audit committee independence and financial performance. The literature has uncovered that prior studies on audit committee independence and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.8: Summary of empirical studies on the relationship between audit committee independence and financial performance

Audit committee independence						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Sanyaolu et al (2017: 4131)	8 listed deposit money banks (2007 to 2016)	Nigeria	ROA	No relationship	Quantitative (secondary data)
2	Al-Matari and Mgammal (2019: 1)	47 listed organisations (2014-2017)	Saudi Arabia	ROA	Significant	Quantitative (secondary data)
3	Bansal and Sharma (2016: 103)	235 non-financial organisations (2004 to 2013)	India	ROA, ROE and Tobin's Q	Insignificant	Quantitative (Document analysis)
4	Robin and Amran (2016: 190)	122 listed organisations (2010 to 2014)	Indonesia	ROE	Significant	Quantitative (Document analysis)
5	Ashari and Krismiaji (2020: 139)	233 listed organisations (2016 to 2017)	Indonesia	ROA	Significant	Quantitative (Document analysis)

		with 466 observations				
6	Al-Matari, Al-Swidi and Fadzil's (2017)	Listed non-financial organisations (2010 to 2014)	Omman	ROA	Significant	Quantitative (Document analysis)
7	Bouaine and Hrichi (2019: 92)	100 listed organisations (2007 to 2015) with 900 observations	France	ROA ROE	No relationship	Quantitative (Document analysis)
8	Ahmed and Ombaba (2019: 1)	20 banking and insurance organisations (2011 to 2016) with 200 observations	Kenya	ROA	No relationship	Quantitative (Document analysis)
9	Qeshta, Alsoud, Hezabr and Ali (2021: 1666)	5 listed insurance organisations 2012 to 2019	Bahrain	ROA ROE EPS	Insignificant	Quantitative (Document analysis)
9	Price, Román and Rountree (2011: 76)	Listed non-financial organisations	Mexico	Stock returns	Insignificant	Quantitative (Document analysis)

		(2000 to 2004)				
10	Akbar, El-Faitouri and Shah (2016: 417)	435 listed non-financial organisations (1999 to 2009) with 3875 observations	United Kingdom	Tobin's Q ROA	Insignificant	Quantitative (Document analysis)
11	Fariha et al (2021: 2443)	30 listed financial organis ations (2011 to 2017) with 180 observations	Bangladesh.	Tobin's Q	Significant	Quantitative (documentary analysis)
12	Alzaben (2020: 437)	119 listed organisations (2016 to 2017) with 238 observations	Saudi Arabia and United Arab Emirates	Five point Likert scale questionnare	Significant	Quantitative (documentary analysis)

With reference to Table 4.8 above, the following studies found no relationship between audit committee independence and financial performance (Sanyaolu et al 2017: 4131; Bouaine & Hrichi 2019: 92; Ahmed & Ombaba 2019: 1). The following studies found that a significant relationship exist between audit committee independence and financial performance (Al-Matari & Mgammal 2019: 1; Robin & Amran 2016: 190; Ashari & Krismiaji 2020: 139; Al-Matari et al 2017; Fariha et al 2021: 2443; Alzaben 2020: 437). Also, the following studies found that an insignificant relationship exist between audit committee independence and financial performance (Bansal & Sharma 2016: 103; Qeshta et al 2021: 1666; Price et al 2011: 76; Akbar et al 2016: 417).

As discussed in Section 3.8.8, the study relied on the assumption of the agency theory to argue that audit committee independence can enhance financial sustainability and alleviate agency costs through monitoring and advisory role. As a result, this study expected that independent non-executive members serving on audit committees will be able to monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Omesi & Appah 2022:1; Qeshta et al 2021: 1667; Al Farooque, Buachoom & Sun 2019:54; Naimah 2017; Alqatamin 2018:48; Avison & Cowton 2012:42). The study also relied on the assumption of resource dependency theory to argue that independent non-executive members serving on audit committees can bring to the boardroom discussions diverse perspectives, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Chan et al 2018: 423; Al-Bassam et al 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). Both agency and resource dependence theories support audit committee independence on the basis that independent non-executive members serving on audit committees help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, this study argued that audit committee independence can enhance the financial sustainability of MMDAs. Thus, based on the agency and resource dependency theories and the inconclusive findings in the literature, this study formulated and tested the following hypothesis:

$H3_b$: There is a significant relationship between audit committee independence (independent non-executive directors on audit committee) and financial sustainability of MMDAs.

4.6.3 The relationship between audit committee competence and financial sustainability

Table 4.9 below presents some prior studies that examined the relationship between audit committee competence and financial performance selected in the study. The authors, samples, countries, measures, findings and methodologies from the previous studies are summarised and presented in Table 4.9. With reference to Table 4.9 below, a number of studies have been conducted on audit committee competence and financial performance. The literature has uncovered that prior studies on audit committee competence and financial sustainability have ended inconclusively. The inconclusive results from the previous studies create avenues for further studies (Tshipa et al 2018: 20; Mustapha et al 2020: 1; Alzeban & Sawan 2015: 61).

Table 4.9: Summary of empirical studies on the relationship between audit committee competence and financial performance

Audit committee competence						
Sr No	**Author (s)**	**Samples**	**Country**	**Measure**	**Findings**	**Methodology**
1	Wakaba (2014: 1)	46 organisations listed (2006-2011)	Kenya	ROA	Significant	Quantitative (Document analysis)
2	Gunes and Atilgan (2016: 18)	10 organisations during 2006-2010	United Kingdom	ROE	Insignificant	Quantitative (Document analysis)
3	Glover-Akpey and Azembila (2016: 55)	36 listed organisations in 2015	Ghana	Change in stock price	Insignificant	Quantitative (Document analysis)
4	Bahaa, Hakeem, Yassir and Hussein (2019: 4919)	69 organisations (2012 to 2015)	Iraq	ROA	Significant	Quantitative (Document analysis
5	Albedal, Hamdan and Zureigat (2020: 23)	40 listed organisations (2013 to 2017) with 200 observations	Bahrain	Earnings management	Significant	Quantitative (Document analysis
6	Elghuweel, Ntim, Opong and Avison. (2017: 190)	116 listed organisations (2001 to 2011) with 1152 observations.	Bahrain	Earnings management (discretionary accruals)	Significant	Quantitative (Document analysis

7	Nasiri and Ramakrishnan (2020: 1124)	100 listed organisations (2011 to 2015) with 500 observations	Malaysia	ROA ROE Tobin's Q	Significant	Quantitative (Document analysis
8	Ashari and Krismiaji (2020: 139)	233 listed organisations (2016 to 2017) with 466 observations	Indonesia	ROA	Significant	Quantitative (Document analysis)
9	Bouaine and Hrichi (2019: 92)	100 listed organisations (2007 to 2015) with 900 observations	France	ROA ROE	No relationship	Quantitative (Document analysis)
9	Nelson and Devi (2013: 335)	267 observations	Malaysia	Discretionary accruals	Significant	Quantitative (Document analysis)
10	Shankaraiah and Amiri (2017: 1)	1,330 listed organisations (2002 to 2012) with 14630	India	Abnormal accrual	Significant	Quantitative (Document analysis)
11	Baxter and Cotter (2009: 267)	309 listed organisations in 2001	Australia	Earnings management	No relationship	Quantitative (Document analysis)
12	Oradi, Lari and Salari (2017: 131)	132 listed organisations (2012 to 2014) with 396 observations	Iran	ROA Tobin's Q	Significant	Quantitative (Document analysis)

With reference to Table 4.9 above, the following studies found no relationship between audit committee competence and financial performance (Bouaine & Hrichi 2019: 92; Baxter & Cotter 2009: 267). The following studies found that a significant relationship exist between audit committee competence and financial performance (Wakaba 2014: 1; Bahaa et al 2019: 4919; Albedal et al 2020: 23; Elghuweel et al 2017: 190; Nasiri & Ramakrishnan 2020: 1124; Nelson & Devi 2013: 335; Ashari & Krismiaji 2020: 139; Shankaraiah & Amiri 2017: 1; Oradi et al 2017: 131). The following studies found that an insignificant relationship exist between audit committee competence and financial performance (Gunes & Atilgan 2016: 18; Glover-Akpey & Azembila 2016: 55).

As discussed in Section 3.8.9, the study relied on the assumption of the agency theory to argue that audit committee competence can enhance financial sustainability and alleviate agency costs through monitoring and advisory role. As a result, this study expects that audit committee members with accounting and or auditing qualifications will be able to monitor and advise management to alleviate agency costs, which will result in an improvement in financial sustainability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Sultana 2015: 88; Sultana and Van der Zahn 2015: 279; Januarti et al 2020: 179; Jensen & Meckling 1976). The study also relied on the assumption of resource dependency theory to argue that audit committee members with accounting and or auditing qualifications can bring to the boardroom discussions diverse perspectives, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Al-Lawati et al 2021: 557; Kusnadi et al 2016: 197; Cohen et al 2014: 243; Hillman et al 2000: 235; Dhaliwal et al 2010: 787). Both agency and resource dependence theories support audit committee competence on the basis that audit committee members with accounting and or auditing qualifications help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhance financial sustainability. Therefore, based on the agency and resource dependency theories and the inconclusive findings in the literature, this study formulated and tested the following hypothesis:

$H3_c$: There is a significant relationship between audit Committee competence and financial sustainability of MMDAs.

4.7 Empirical studies on the moderating role of the audit committee attributes on the board of directors' attributes and financial sustainability

The fourth objective of the study was to determine the moderating effect of audit committee meetings, audit committee independence and audit committee competence on the relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana. To achieve the fourth objective, prior studies were reviewed and applied to gain more insight into how audit committee meetings, independence and competence can strengthen the relationship between the boards of directors' attributes to determine the financial sustainability of MMDAs.

Previous studies have reported that audit committee meeting is one of the significant attributes for determining the effectiveness of audit committees (Mustafa, Che-Ahmad & Chandren 2018: 587; Wan-Hussin, Bamahros & Shukeri 2018: 246; Bamahros & Wan-Hussin 2015: 145; Anderson, Mansi & Reeb 2004: 315). Mustafa et al (2018: 587) and Klein (2002: 435) claimed that audit committee meetings can enhance its monitoring role, which in turn minimises agency conflicts thereby enhancing financial sustainability. The frequency of audit committee meetings enhances the effectiveness of audit committees (Yin, Gao, Li & Lv 2012: 425).

Menon and Deahl Williams (1994: 121) suggested that an audit committee should have at least a minimum of two meetings per year to be effective, while Abbott, Parker, Peters and Rama (2007: 803) and Sharma, Naiker and Lee (2009: 245) stated that, to achieve an effective audit committee, the meetings should be at least four times a year. Regular audit committee meetings help the audit committee members to monitor the day-to-day activities of the organisation (DeZoort, Dona, Deborah and Scott 2002: 1; Aljaaidi, Bagais & Adow 2020: 179) and improve transparency and interest of stakeholders thereby enhancing financial performance (Yin et al., 2012: 425; Aljaaidi et al 2020: 179; DeZoort et al 2002: 1; Bagais & Aljaaidi, 2020: 923).

Regular audit committee meetings with the board of directors enhance internal controls and financial reporting quality (Aljaaidi et al 2020: 179). The frequency of audit committee meetings tends to improve the board of directors' effectiveness by ensuring a more frequent exchange of ideas with audit committee members (Bagais & Aljaaidi 2020: 923;

Aljaaidi et al 2020: 179; Sharma et al. 2009: 245; Al-Najjar 2011: 178; Sharma, Naiker & Lee 2009: 245; Al-Najjar 2012: 178). Mustafa et al (2018: 587), Zaman, Farooq, Khalid and Mahmood (2021:1), as well as Pfeffer and Salancik (1978), added that the frequency of audit committee meetings helps audit committees to have enough time to assess the activities of the board of directors and management which improves the role of the board of directors in performing its contractual obligations to stakeholders.

The following studies found that audit committee meetings significantly strengthen the relationship between the board of directors' attributes and financial sustainability (Iskak & Muslih 2022:440; Shatnawi et al 2022:1; Wardati, Shofiyah & Ariani 2021:1; El-Hawary 2021:134; Aprianti et al 2021:42; Zaman et al 2021:1; Fariha, Hossain & Ghosh 2021: 2443; Aljaaidi et al 2020: 179; Said, Amin & Rashid 2020:248; Samuel 2020:146; Eluyela, Akintimehin, Okere, Ozordi, Osuma, Ilogho & Oladipo 2018: 850; Amin, Suhardjanto, Agustiningsih & Agustiningsih 2017:217; Maraghni & Nekhili 2014: 95; Liang, Xu & Jiraporn 2013: 2953; Thiruvadi 2012: 366; Raghunandan & Rama 2007: 265; Al-Najjar 2011).

In order to enhance the financial sustainability of MMDAs, it is important for the board to maintain independence. Board independence means that directors have the freedom to act in the best interest of the MMDAs without being influenced by external factors or conflicts of interest. Audit committee meetings play a crucial role in strengthening board independence and improving financial sustainability in MMDAs (Iskak & Muslih 2022:440; Wardati et al 2021:1; Fariha et al 2021: 2443). These meetings provide a platform for open and transparent discussions, allowing directors to voice their opinions and challenge management when necessary(Iskak & Muslih 2022:440; Wardati et al 2021:1). By actively participating in audit committee meetings, the board demonstrates its commitment to independent decision-making and oversight (Iskak & Muslih 2022:440; Wardati et al 2021:1). These interactions help to promote financial accountability, transparency, and ethical practices, helping to overcome challenges and pave the way for MMDAs to be financially sustainable (Aprianti et al 2021:42; Zaman et al 2021:1; Fariha et al 2021: 2443).

Gender diversity refers to the equal representation of men and women in leadership positions within an organisation. In the context of MMDAs governance, it means having a balanced number of male and female board members who contribute to the decision-making process (Zaman et al 2021:1; Fariha, Hossain & Ghosh 2021: 2443; Aljaaidi et al 2020: 179). Audit committee meetings offer an opportunity to actively promote gender diversity by encouraging the participation of women in these crucial discussions (Zaman et al 2021:1; Fariha, Hossain & Ghosh 2021: 2443). By ensuring that women are not only present but also actively engaged in the decision-making process, audit committee meetings can help break down barriers and promote equal representation within the boardroom (Zaman et al 2021:1; Fariha, Hossain & Ghosh 2021: 2443). By actively involving women in these meetings, MMDAs can tap into a wider pool of talent and ensure a more holistic approach to financial decision-making, ultimately contributing to improvement in financial sustainability (Iskak & Muslih 2022:440; Wardati et al 2021:1).

Additionally, the following studies found that audit committee independence significantly strengthen the relationship between the board of directors' attributes and financial sustainability (Iskak & Muslih 2022:440; Omesi & Appah 2022:1; Hazzaa et al 2022:1; Omesi & Appah 2022:1; Wardati, Shofiyah & Ariani 2021:1; Shatnawi et al 2022:1; El-Hawary 2021:134; Aprianti et al 2021:42; Namakavarani et al 2021: 2; Zaman et al 2021:1; Ali & Oudat 2020: 3258; Alzeban 2020; Sterin 2020:193; Said et al 2020:248; Samuel 2020:146; Adegboye, Ojeka, Alabi, Alo & Aina 2020:469; Endrawes et al 2020:2361; Sharhan & Bora 2020:1; Handayani & Ibrani 2020:104; Hazaea, Zhu, Alsharabi, Khatib & Yueying 2020:2096; Trinh, Elnahass, Salama & Izzeldin 2020: 774; Cheng, Rai, Tian & Xu 2020: 1; Chaudhry, Roomi & Aftab 2020:621; Buallay & Al-Ajmi 2019:249; Munir, Khan, Usman & Khuram 2019:915; Ajili & Bouri 2018:470; Buallay & AlDhaen 2018:492; Chou & Buchdadi 2017:24; Amin et al 2017:217; Chan & Kogan 2016:121; Alzeban & Sawan 2015: 61Naimah 2017:1; Alqatamin 2018:48; Yeh et al 2011:437; Tellmann 2017:326; Nekhili et al 2016; Chan & Kogan 2016:121; Bin-Ghanem & Ariff 2016:430; Khalil & Ozkan 2016:84; Khalil & Ozkan, 2016: 84; Hsu & Wu 2013: 227; Adams & Ferreira 2007: 217; Adams & Ferreira 2007: 217; Fama & Jensen 1983).

One of the key factors that makes audit committees effective is their independence. Independence ensures that committee members can make unbiased decisions without any conflicts of interest (Iskak & Muslih 2022:440; Wardati et al 2021:1). Independent audit committees provide unbiased oversight and ensure that financial practices align with regulations and best practices (Iskak & Muslih 2022:440; Wardati et al 2021:1). Studies have shown that organisations with diverse boards, including women in leadership positions, tend to perform better financially (Iskak & Muslih 2022:440; Wardati et al 2021:1). Audit committee independence, gender diversity, and financial sustainability in MMDAs are undisputable (Said et al 2020:248; Samuel 2020:146). By prioritising independence, MMDAs can foster an environment that encourages diverse perspectives and leads to more effective decision-making (Said et al 2020:248; Samuel 2020:146). Implementing policies, promoting inclusivity, and fostering collaboration are all essential for improving board gender diversity and enhancing financial sustainability (Said et al 2020:248; Samuel 2020:146).

Furthermore, the following studies found that audit committee competence significantly strengthen the relationship between the board of directors' attributes and financial sustainability (Iskak & Muslih 2022:440; Bamahros 2021: 1; Rehman 2021: 3; Aprianti, Susetyo, Meutial & Fuadah 2021:42; Rahayu & Rahayu 2020: 1; Samuel 2020:146; Wardati, Shofiyah & Ariani 2021:1; Shatnawi et.al. 2022:1; El-Hawary 2021:134; Buallay & Al-Ajmi 2019:249; Alqatamin 2018: 48; Lo, Wong & Firth 2010; Al Lawati & Hussainey 2020: 1; Alzeban 2020; Akhidime, 2015: 832; Amin et al 2017:217; Tušek 2015: 187; Richardson, Grantley & Roman 2013: 68; Al Lawati and Hussainey 2020: 1; KPMG 2017; Bamahros 2021: 1; KPMG 2020: 1; Buallay, Hamdan & Zureigat 2017: 78; Bamahros & Wan-Hussin, 2015: 145; Lisic, Neal and & Zhang 2011: 1; Kent et al 2010: 171; Jaafar, Wan-Hussin & Bamahros 2016: 2893; Bamahros 2021: 1; Baxter & Cotter 2009; Mazibuko 2013: 57; Be´dard & Gendron 2010: 174; Baxter & Cotter 2009)

Additionally, prior studies have shown a significant relationship between audit committee competence and board gender diversity, which in turn leads to improved financial sustainability in MMDAs (Iskak & Muslih 2022:440; Rehman 2021: 3; Samuel 2020:146; Rahayu & Rahayu 2020: 1; Aprianti et al 2021:42; Buallay & Al-Ajmi 2019:249). A competent audit committee is more likely to recognise the value of diversity in boardrooms and actively promote gender diversity initiatives (Samuel 2020:146; Rahayu & Rahayu 2020: 1; Aprianti et al 2021:42). Audit committee members with accounting and/or auditing qualifications enable them to appreciate the benefits that gender-diverse boards bring, such as better risk management, improved decision-making, and a broader range of perspectives (Samuel 2020:146; Rahayu & Rahayu 2020: 1; Aprianti et al 2021:42). The presence of women in boardrooms has been linked to enhanced financial performance, increased innovation, and better governance practices (Aprianti et al 2021:42; Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020). Audit committees that prioritise competence are more likely to recognise these advantages and actively seek gender diversity in their boards, thereby fostering financial sustainability within MMDAs (; Aprianti et al 2021:42; Al Lawati & Hussainey 2020: 1; Alzeban 2020; Samuel 2020:146; Rahayu & Rahayu 2020: 1).

The audit committee serves as a vital component of the governance structure in MMDAs, responsible for overseeing financial accountability, risk management, and board independence (Bamahros 2021: 1; KPMG 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020). Audit committees play a vital role in ensuring effective financial oversight (Aprianti et al 2021:42; Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020). Competent audit committees bring a fresh perspective and independent judgment to the table, which strengthens the board's ability to make informed decisions regarding financial matters (Aprianti et al 2021:42; Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020). This, in turn, can contribute to the improvement in the financial sustainability of MMDAs (Aprianti et al 2021:42; Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020).

The audit committee, as an integral part of the governing body, serves as a critical oversight mechanism to ensure financial accountability, transparency, risk management, compliance, and safeguarding the MMDAs' financial sustainability (Aprianti et al 2021:42; Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020). The size of the board in MMDAs can significantly impact decision-making processes and overall accountability (Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020). A board that is too small may face challenges in adequately representing the diverse interests of the community (Samuel 2020:146; Alzeban 2020). Conversely, an overly large board can slow down decision-making and hinder effective communication. Striking the right balance in board size is crucial for promoting efficient and effective governance (Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020). The competence of audit committees and the size of boards play significant roles in ensuring the financial sustainability of MMDAs (Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1;

Alzeban 2020). By embracing best practices and implementing strategies to enhance audit committee competence and striking the right balance in board size, MMDAs can strengthen financial oversight, decision-making, and accountability, which in turn can lead to improvement in financial sustainability (Samuel 2020:146; Rahayu & Rahayu 2020: 1; Al Lawati & Hussainey 2020: 1; Alzeban 2020).

However, the following prior studies found that audit committee meetings insignificantly strengthen the relationship between the board of directors attributes and financial sustainability (Thiruvadi 2012: 366; Braswell, Daniels, Landis & Chang 2012: 191; Sharma et al 2009: 245; Dellaportas, Leung, Cooper, Yin, Gao, Li & Lv 2012: 425; Greco 2011: 208; Braswell, Daniels, Landis & Chang 2012: 191 ; Aljaaidia et al 2021: 899; Braswell et al 2012).

As discussed in Section 3.8.1, the study relied on the assumption of the agency theory to argue that large boards (Edia & Jessica 2020: 31; Hu & Loh 2018:1; Akbas 2016:7; Alfraih 2016:154Edia & Jessica 2020: 31; Al-Bassam et al 2018:335; Ntim et al 2017), independent non-executive directors (Al-Matari & Al- Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85), and women on boards (Sheikha et al 2021: 1; Shin, Chang, Jeon, 96 & Kim 2019:1; Jensen & Meckling, 1976; Fama and Jensen 1983: 327) are capable of monitoring and controlling management to alleviate agency cost, which in turn enhances financial sustainability. Additionally, the study relied on the assumption of resource dependency theory to argue that large boards (Rubino & Napoli 2020: 6; Pfeffer & Salancik 1978: 358; Volonté 2015:25; Hillman & Dalziel 2003: 28). Wang, Li & Qi 2020: 1172), independent non-executive directors (Cuervo–Cazurra, Mudambi & Pedersen 2019:491; Rubino & Napoli 2020:1; Zona, Gomez–Mejia & Withers 2018:589; Rubino & Napoli 2020:1; Liu et al 2015:223; Pfeffer & Salancik 1978: 163; Carpenter & Westphal 2001), and women on boards (Nyatichi 2016:1; Sahar et al 2018:556; Hillman et al 2007: 941) bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge and link the MMDAs to the external financial resources, which in turn will enhance the financial sustainability of MMDAs.

Based on the perspective of agency theory, regular audit committee meetings (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa, & Ali 2020: 5979), audit committee independence

(Omesi & Appah 2022:1; Chan & Kogan 2016:121; Naimah 2017:1; Alqatamin 2018:48; AlMatari 2013:1; Kallamu & Saat 2015:206; Qeshta et al 2021: 1667; Al Farooque et al 2019:54), and competent audit committees (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179; Jensen & Meckling, 1976) lead to better monitoring and controlling of management, which in turn lead to improvement in financial sustainability. Also, based on the perspective of resource dependency theory, regular audit committee meetings (Al-Lawati et al 2021: 557; Gebrayel, Jarrar, Salloum & Lefebvre 2018: 197; Januarti et al 2020: 179; Wu, 2012: 321; Hoque, Islam & Azam 2013: 503; Lisic, Neal, Zhang & Zhang 2016: 1199; Farooq, Kazim & Usman 2018: 94; Januarti et al 2020: 179), audit committee independence (Saona, Muro & Alvarado 2020: 98; Sultana, Singh & Van Der Zahn 2015: 72; Kusnadi, Leong Suwardy & Wang 2016: 197) and competent audit committees (Legodi 2020: 160; Hornberger & Forster 2019:23) bring to the boardroom diverse perspectives, skills, experience, networks, qualifications, skills, ideas and knowledge for MMDAs to make effective decisions to enhance financial sustainability. From the above perspective of agency and resource dependency theories, this study argued that the relationship between the board of directors' attributes (board size, board independence and board gender diversity) and financial sustainability, can be significantly moderated by audit committee attributes (audit committee meetings, audit committee independence and audit committee competence). Therefore, based on agency and resource dependency theories, the following hypotheses were formulated and tested:

$H4_a$: Audit committee meeting has a significant moderating effect on board size and financial sustainability of MMDAs in Ghana.

$H4_b$: Audit committee meeting has a significant moderating effect on board independence and financial sustainability of MMDAs in Ghana.

$H4_c$: Audit committee meeting has a significant moderating effect on board gender diversity and financial sustainability of MMDAs in Ghana.

$H4_{d:}$ Audit committee independence has a significant moderating effect on board size and financial sustainability of MMDAs in Ghana.

H_{4e}: Audit committee independence has a significant moderating effect on board independence and financial sustainability of MMDAs in Ghana.

$H4_f$: Audit committee independence has a significant moderating effect on board gender diversity and financial sustainability of MMDAs in Ghana.

$H4_g$: Audit committee competence has a significant moderating effect on board size independence and financial sustainability of MMDAs in Ghana.
$H4_h$: Audit committee competence has a significant moderating effect on board independence and financial sustainability of MMDAs in Ghana.
$H4_i$: Audit committee competence has a significant moderating effect on board gender diversity and financial sustainability of MMDAs in Ghana.

4.8 Empirical studies on the moderating role of audit committee attributes on the internal auditors' attributes and financial sustainability

The fifth objective of the study was to determine the moderating effect of audit committee meetings, audit committee independence, and audit committee competence on the relationship between internal auditor independence, internal audit size and internal auditor competence and financial sustainability of MMDAs in Ghana. To achieve the fifth objective, prior studies were reviewed and applied to gain more insight into how audit committee meetings, independence and competence can strengthen the relationship between the internal auditors' attributes to determine the financial sustainability of MMDAs.

In section 4.6, it was mentioned that the audit committees are responsible for overseeing and evaluating the internal audit function in various areas such as risk management, operations, governance, and controls. Audit committees also make recommendations regarding the internal audit programme and assess whether it has sufficient resources and access to information to carry out its duties effectively and in accordance with professional standards (Oncioiu et al 2020: 3114; Namakavarani et al 2021: 237). The auditing of the MMDAs is guaranteed by the I992 Constitution of Ghana and the Internal Audit Agency Act, 2003 (Act 658). Despite these legal provisions, the internal audit system in Ghana has been questioned to be ineffective (Ofosuhene, Amaglo, Baah, Deku & Van-Brocke. 2021:55; Onumah & Krah 2012:1). The establishment of an Internal Audit Agency has responded to some of the challenges in the internal audit functions in the MMDAs in Ghana. The Internal Audit Agency has also contributed to issuing internal audit standards to guide the internal auditors in the various MMDAs yet these internal auditors have not been able to strengthen the financial sustainability of MMDAs in Ghana (Chaiwong 2019:1). Nevertheless, the effectiveness of the internal auditors in the MMDAs such as their independence, size and competence has often been called into question (Ofosuhene et al

2021:55). It is, therefore, essential to establish how audit committee attributes can strengthen the internal auditors' attributes for MMDAs to be financially sustainable. This section reviews how audit committee meetings, independence and competence can strengthen the relationship between the internal auditors' attributes to determine the financial sustainability of MMDAs.

The audit committee and the internal audit activity can benefit from regular meetings as this allows the exchange of relevant information on a timely basis (Ofosuhene et al 2021:55). As a result of frequent meetings, the audit committee will remain informed and knowledgeable, enabling it to assist the internal auditors to resolve any problems identified (Ofosuhene et al 2021:55). More frequent meetings also provide opportunities to explore and undertake in-depth discussions on ways to improve an organisation's financial reporting system (Ofosuhene et al 2021:55). Frequent meetings between the audit committee and internal auditors are considered an important mechanism to safeguard the accountability by monitoring organisational risks and assessing internal controls (Das & Jha 2023: 1; Gebrayel et al 2018:197; Pérez 2012: 305). Thus, it can be argued that the frequency of meetings between the audit committee and the chief audit executive is likely to enhance the effectiveness of the internal audit activity, and consequently contributes to financial sustainability. Gendron, Bédard and Gosselin (2004:154) indicated that audit committee regular meetings with internal auditors help the internal auditors to demonstrate to the audit committee their trust, which in turn enhances credibility. Beattie, Fearnley and Hines (2013:56) reported that independent audit committees, competent audit committees and regular meetings of audit committees enhance the effectiveness of internal auditors with its resultant effect on financial sustainability. Frequent meetings between internal auditors and audit committees decreases earning management (Alzoubi (2019: 72), produce higher a quality of financial reporting and minimises internal control weaknesses (Alzeban 2019: 341).

Abbott, Parker and Peters (2010: 1) and Carcello, Hermanson and Raghunandan (2005: 69) reported that more resources are allocated to internal auditors due to the interactions between the two. Frequent audit committee meetings with internal auditors provide effective oversight of financial activities (Das &Jha 2023: 1; Gebrayel et al 2018: 197; Turner 2001:1) by increasing the likelihood of discussing and following up on any financial issues such as issues relating to financial sustainability. An internal audit activity is also expected to facilitate the operation and effective functioning of the audit committee, as the objectives of the audit function are closely aligned with the financial reporting oversight responsibilities of the audit committee (Das & Jha 2023: 1; Gebrayel et al 2018:197).

The meetings between internal auditors and audit committees help the committee to be aware of any issues related to finance, internal control, and audit, which can lead to sorting out any financial sustainability issues and conflict of interest (Das & Jha 2023: 1; Gebrayel et al 2018: 197; Bishop, Hermanson, Lapides & Rittenberg 2000:46). As discussed already, the Internal Audit Agency Act 2003 in Ghana (Act 658) Section 16 (4, 5, 6 and 7) requires internal audit departments to report to the management of MMDAs on administrative issues and functionally report to audit committees. Alzeban (2018a: 456) also documented that a reporting line from the internal audit to the audit committee increases the quality of financial reporting, which in turn can enhance the financial sustainability of organisations. This finding indicates that regular interactions between the audit committee and internal auditors generate a higher quality of financial reporting and improvement in financial sustainability.

The number of meetings between audit committees and the internal auditors will lower audit risk, which in turn could contribute to the financial sustainability of organisations (Said, Amin & Rashid 2020:248; Aprianti et al 2021:42). Regular meetings between internal auditors and audit committees foster open communication and collaboration by indetifying resources and the capacity of internal audit department (Said, Amin & Rashid 2020:248; Aprianti et al 2021:4). Through regularly exchanging information, discussing findings, and sharing insights, both parties can deepen their understanding of financial risks and challenges Said, Amin & Rashid 2020:248; Aprianti et al 2021:4). This collaboration ultimately leads to more effective financial governance and improved financial sustainability (Said, Amin & Rashid 2020:248; Aprianti et al 2021:4). Through regular meetings, internal auditors and audit committees can identify and address financial sustainability challenges proactively (Said, Amin & Rashid 2020:248; Aprianti et al 2021:4). By discussing emerging risks, evaluating current financial practices, and brainstorming solutions, they can take timely actions to enhance the financial sustainability of MMDAs (Said, Amin & Rashid 2020:248; Aprianti et al 2021:4).

A competent internal auditor can monitor the activities of the board and management behaviour in the organisation (See et al 2020: 47; Johl, Kaur, Subramaniam & Cooper

2013: 780). Competent internal auditors can follow and understand auditing standards which, in turn, contributes positively to financial performance (Hazaea et al 2020: 867; Getie Mihret, James & Mula 2010: 224). These audit committee meetings strengthen the relationship between the audit committee and internal auditors to keep pace with the modernisation of international standards that regulate the profession of audit activities (Hazaea et al 2020: 867; Getie Mihret, James & Mula 2010: 224; Arena, Arnaboldi & Azzone 2006: 275).The meetings between internal auditors and audit committees are essential in enhancing internal audit competence and ensuring financial sustainability in MMDAs (Hazaea et al 2020: 867; See et al 2020: 47). Regular interactions between internal auditors and audit committees highlight knowledge gaps and training needs of internal auditors (Hazaea et al 2020: 867; See et al 2020: 47). Through understanding the training challenges faced by internal auditors, the audit committee can provide guidance and support to enhance the internal auditors' competence (Hazaea et al 2020: 867; See et al 2020: 47). Competent internal auditors will be able to provide assurance to management to address financial risks, strengthen controls, and align audit objectives with their financial goals, which in turn can lead to improvement in the financial sustainability of MMDAs (Hazaea et al 2020: 867; See et al 2020: 47).

Abbott, Parker and Peters (2012: 94) reported that the meetings between internal auditors and audit committees are vital in enhancing internal audit independence and ensuring financial sustainability in MMDAs. Goodwin (2003: 263) provided evidence that audit committee participation in dismissal decisions regarding the chief audit executives enhanced internal auditors' independence. Regular meetings between the audit committee and internal auditors speed the implementation of internal auditors' audit report recommendations (Alzeban & Sawan 2015: 61). Audit committees take on the responsibility of safeguarding the independence of the internal audit function by providing oversight and guidance to ensure that the internal auditors have the freedom to carry out their duties without interference by management (Alzoubi 2019: 72; Abdullfatah & Laith. 2017: 10; Abbott et al 2012: 94). By championing independence, audit committees empower internal auditors to identify and address financial risks and irregularities effectively (Alzoubi 2019: 72; Abdullfatah & Laith. 2017: 10; Abbott et al 2012: 94). By conducting thorough and independent assessments of financial operations, internal auditors can identify inefficiencies, detect fraud or corruption, and recommend improvements that can lead to cost savings and better financial management (Abdullfatah & Laith 2017: 10; Alzeban 2015: 539; Abbott et al 2012: 94). This, in turn, helps to enhance the financial sustainability of MMDAs (Alzoubi 2019: 72; Abdullfatah & Laith. 2017: 10; Alzeban 2015: 539; Lin, Pizzini, Vargus & Bardhan 2011: 287; Khelil & Ozkan 2016: 84; Abbott et al 2012: 94).

One key component in strengthening internal audit competence is the competence of the audit committee. As already discussed, MMDAs in Ghana are required by the PFM Act to set up an internal audit unit. See et al (2020: 47) mentioned that there is a complementary relationship between the audit committee and internal auditors. A competent internal auditor can monitor the activities of the board and management behaviour in the organisation (See et al 2020: 47; Johl, Kaur, Subramaniam & Cooper 2013: 780). Competent internal auditors can follow and understand auditing standards which, in turn, contributes positively to financial performance (Hazaea et al 2020: 867; Getie Mihret, James & Mula 2010: 224). MMDAs play a crucial role in providing essential services and maintaining the well-being of their communities. Badara and Saidin (2014: 176) reported that there is a significant moderating effect of audit competence on the internal auditors' effectiveness (size, independence and competence). Additionally, other studies highlighted the role of audit committees in enhancing internal auditor independence and objectivity. Alzeban (2015: 61) reported that audit committee competence helps to increase internal auditor adherence to internal audit standards.

In a study conducted in the United Kingdom, audit committee competence is seen to improve the ratio of implementation of internal auditors' recommendations (Alzeban & Sawan 2015: 61). A study by Alzeban (2020: 437) reported that audit committee competence (accounting and auditing qualification) does not strengthen the relationship between internal audit size, internal audit competence and internal audit independence and financial sustainability. However, Bilal, Chen and Komal (2018: 253) revealed that the interaction of the audit committees with accounting and auditing expertise and internal auditors with accounting and auditing expertise has a significant influence on financial sustainability. In this case, audit committee competence can strengthen the relationship between internal audit size, internal auditor independence and internal auditor competence for MMDAs to be financially sustainable.To ensure financial sustainability, it is imperative for MMDAs to have competent internal audit activities in place. The audit committee serves as a critical oversight body, responsible for safeguarding public funds, promoting transparency, and enhancing financial governance (See et al 2020: 47; Jachi & Yona 2019:64; Abdullah et al 2018:385). To strengthen internal audit competence, the audit committees review and approve the internal audit charter, involve in the selection and evaluation of the chief audit executive, and provide guidance and support to the internal audit department, which in turn can lead to improvement in financial sustainability (See et al 2020: 47; Jachi & Yona 2019:64; Abdullah et al 2018:385).

Audit committee competence is a vital attribute for strengthening internal audit independence and promoting financial sustainability in MMDAs (Alzeban & Sawan 2015: 61). Audit committee members' knowledge and experience relating to accounting and auditing have been regarded as an important dimension affecting audit committee effectiveness (Hazzaa et al 2022:1; Bilal et al 2018; DeZoort et al 2002:41). All audit committee members must know about financial reports, answers to audit questions, and internal control experience (Hazzaa et al 2022:1; Bilal et al 2018). At least one member of the audit committee should be a financial expert with ongoing experience in accounting and auditing (Bilal et al 2018). The experience includes covering accounting estimates, accruals, provisions, preparation of financial statements, and auditing financial information (Bilal et al 2018). Competent audit committees enhance the independence of internal audit activities to provide unbiased assurance and consulting services relating to internal controls and risk assessment to management, which contributes to the overall financial sustainability of MMDAs (Hazzaa et al 2022:1; Aureli et al 2020:2392).

Competent audit committees are able to assess the resource needs of internal auditors in terms of the right composition (numbers) to enable internal auditors to objectively assess and provide unbiased opinions on the effectiveness of internal controls, risk management, and governance processes, thereby leading to an enhancement in financial sustainability (Namakavarani et al 2021: 237; Hazzaa et al 2022:1; Oncioiu et al 2020: 3114; Aureli et al 2020:2392).

Audit committee independence plays a vital role in strengthening the size of internal audits and improving financial sustainability in MMDAs. Tušek (2015:187) reported that independent audit committees have significant relationships with internal audit size. DeZoort et al (2002:51) opined that independent audit committees can significantly strengthen the internal audit size, which in turn could enhance financial sustainability.

Through establishing independent audit committees and maintaining an adequate internal audit size, MMDAs can enhance transparency, accountability, and effective governance, thereby contributing to improvements in financial sustainability (Abbott et al 2016: 3; Tušek 2015:187).

Alzeban (2019: 341) also provided evidence that internal control weaknesses are less reported in organisations where internal auditors report formally to the audit committee, rather than to the chief financial officer. Alzeban (2018: 336) added that the interaction between the internal auditors and independent audit committees enhances the financial sustainability of organisations. Also, audit committee independence is closely linked to the effectiveness of internal audit (Alzeban 2019: 341). Additionally, Alzeban (2015: 61) and Abbott et al (2012: 94) reported that internal audit independence is enhanced when independent non-executive directors serve on the audit committee which leads to improvement in financial sustainability. When audit committees are independent, they provide a strong oversight mechanism for internal audit activities (Alzeban 2019: 341). This allows internal auditors to operate with autonomy, ensuring their findings and recommendations are free from undue influence (Alzeban 2019: 341). As a result, the internal audit function can operate more effectively, providing valuable insights and recommendations to improve financial sustainability within MMDAs (Alzeban 2019: 341).

Audit committee independence is vital for enhancing internal audit competence to improve financial sustainability in MMDAs. Audit committees are independent if the members have no relationship to the organisation which may interfere with the exercise of their independence from management and the organisation (Aminul et al 2018; Ashari & Krismiaji 2020). Prior studies have reported that audit committee independence has a significant influence on financial sustainability (Ashari & Krismiaji 2020; Poretti et al 2018; Guo & Huang 2016; Assenga et al 2018; Al-Rassas & Kamardin 2016; Dinu & Nedelcu 2015; Aminul et al 2018). Tušek (2015:187) reported that independent audit committees have significant relationships with internal audit independence. DeZoort et al (2002:51) opined that independent audit committees can significantly strengthen the internal auditors' attributes, which in turn could enhance financial sustainability. Additionally, Alzeban (2015: 61) and Abbott et al (2012: 94) reported that internal audit competence is enhanced when independent non-executive directors serve on the audit committee which leads to improvement in financial sustainability. Independent audit committees can provide oversight and support to internal auditors, ensuring their work is objective, thorough, and free from undue influence (Ashari & Krismiaji 2020; Poretti et al 2018; Guo & Huang 2016; Assenga et al 2018). This independence strengthens the credibility and effectiveness of internal audit processes and contributes to financial sustainability in MMDAs (Ashari & Krismiaji 2020; Poretti et al 2018; Guo & Huang 2016; Assenga et al 2018).

Theoretically, the study relied on the assumption of the agency theory to argue that internal auditor independence (John & Chukwumerije 2012:25; Mardiah & Erlina 2012:22; Panda & Leepsa 2017:74), internal audit size (Ismael & Roberts 2018:288; Jensen & Mechkling 1976), and internal auditor competence (Al-Rassas & Kamardin 2015: 461; Al-Shetwi, Ramadili, Chowdury & Sori 2011: 1118; Przybylska & Kańduła 2019:6; Coetzee 2016: 348; Coetzee & Erasmus 2017:237; Prawitt et al 2009: 1255) are capable of monitoring and controlling management to alleviate agency cost, which in turn enhances financial sustainability. Additionally, the study relied on the assumption of resource dependency theory to argue that internal auditor independence (Mbelwa & Lenatusi 2019: 1: 13; IIA 2017: 3), internal audit size (IIA 2020: 1; Eulerich & Eulerich 2020: 83; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Chan et al 2018: 423; Al-Bassam et al 2018:335; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194; Al-Rassas & Kamardin 2015: 460; Hillman & Dalziel 2003: 383), and internal auditor competence (Erasmus & Coetzee 2018: 90; IIA 2017: 1; Endaya & Hanefah 2013: 92; Ackermann et al 2016: 44; Coetzee & Erasmus 2017: 237) bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability.

Based on the perspective of agency theory, regular audit committee meetings (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa, & Ali 2020: 5979), audit committee independence (Omesi & Appah 2022:1; Chan & Kogan 2016:121; Naimah 2017:1; Alqatamin 2018:48; AlMatari 2013:1; Kallamu & Saat 2015:206; Qeshta et al 2021: 1667; Al Farooque et al 2019:54), and competent audit committees (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179; Jensen & Meckling, 1976) lead to better monitoring and controlling of management, which in turn lead to improvement in financial sustainability. Also, based on the perspective of resource dependency theory, regular audit committee meetings (Al-Lawati et al 2021: 557; Gebrayel, Jarrar, Salloum & Lefebvre 2018: 197; Januarti et al 2020: 179; Wu, 2012: 321; Hoque, Islam & Azam 2013: 503; Lisic, Neal, Zhang & Zhang 2016: 1199; Farooq, Kazim & Usman 2018: 94; Januarti et al 2020: 179), audit committee independence (Saona, Muro & Alvarado 2020: 98; Sultana, Singh & Van Der Zahn 2015: 72; Kusnadi, Leong Suwardy & Wang 2016: 197) and competent audit committees (Legodi 2020: 160; Hornberger & Forster 2019:23) bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability. In line with the agency and resource dependency theories which argue that a large number of internal auditors, independent non-executive directors on boards and audit committees, regular audit committee meetings, regular internal audit meetings with the board of directors, and audit committee members and internal auditors with accounting and or auditing qualifications are capable of monitoring and controlling management, and help MMDAs to get different essential resources such as experience, knowledge, skills and ideas, which in turn help to make effective decisions leading to financial sustainability. From the above perspective of agency and resource dependency theories, this study argued that the relationship between the internal auditors' attributes (internal auditor independence, internal audit size and internal auditor competence) and financial sustainability, can be significantly moderated by audit committee attributes (audit committee meetings, audit committee independence and audit committee competence). Therefore, based on agency and resource dependency theories, the following hypotheses were formulated and tested:

H_{5a}: Audit committee meeting has a significant moderating effect on internal auditor independence and financial sustainability of MMDAs in Ghana.

H_{5b}: Audit committee meeting has a significant moderating effect on internal audit size and financial sustainability of MMDAs in Ghana.

H_{5c}: Audit committee meeting has a significant moderating effect on internal auditor competence and financial sustainability of MMDAs in Ghana.

$H_{5d:}$ Audit committee independence has a significant moderating effect on internal auditor independence and financial sustainability of MMDAs in Ghana.

H_{5e}: Audit committee independence has a significant moderating effect on internal audit size and financial sustainability of MMDAs in Ghana.

H_{5f}: Audit committee independence has a significant moderating effect on internal auditor competence and financial sustainability of MMDAs in Ghana.

H_{5g}: Audit committee competence has a significant moderating effect on internal auditor independence and financial sustainability of MMDAs in Ghana.

H_{5h}: Audit committee competence has a significant moderating effect on internal audit size and financial sustainability of MMDAs in Ghana.

H_{5i}: Audit committee competence has a significant moderating effect on internal auditor competence and financial sustainability of MMDAs in Ghana.

4.9 Chapter summary

The chapter presented the conceptual framework of the study, concentrated on the empirical literature review, and development of hypotheses. This chapter reviewed previous studies on board of directors' attributes (board size, board independence and board gender diversity), internal audit attributes (internal audit size, internal auditor independence and internal auditor competence) and audit committee attributes (audit committee independence, audit committee meetings and audit committee competence) to justify and formulate hypotheses.

The chapter justified from the perspectives of the agency and resource dependency theories how the board of directors, internal auditors and the audit committee attributes can determine the financial sustainability of MMDAs. The chapter also reviewed the literature on how the audit committee attributes can strengthen the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. The chapter presented and discussed the conceptual framework of the study, linking both the agency and resource dependency theories, the board of directors, internal auditors and the audit committee as essential elements in achieving good corporate governance.

The next chapter will present a methodological perspective of the secondary data aspect of the study. As this study adopted multimethod quantitative research, the study adopted two quantitative methods to investigate the constructs. The study used both primary (survey) and secondary data. Therefore, the next chapter presents and discusses the multimethod research methodology.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction

Chapter 4 discussed the empirical literature and developed hypotheses about the relationship between the constructs of the theoretical framework. In this chapter, Section 5.2 discusses the research methodology; Section 5.3 discusses the research design; Section 5.4 discusses the research philosophy and paradigm; Section 5.5 discusses the research approach; Section 5.6 discusses the research methods; Section 5.7 discusses the research time horizon; Section 5.8 discusses the data collection methods; Section 5.9 discusses population of the study; Section 5.10 discusses the measurement of variables in the study; Section 5.11 discusses data analysis methods; Section 5.12 discusses ethical consideration; and Section 5.13 discusses chapter summary.

5.2 Research methodology

Bass and Milosevic (2018: 174) referred to research methodology as a framework that defines the research problem, how the problem should be investigated and the hypotheses to be tested. Methodology refers to a strategy, plan of action, process or design that informs one's choice of research methods (Rehman & Alharthi 2016: 51). It is concerned with the discussion of how a particular study should be conducted (Rehman & Alharthi 2016: 51; Grix 2004: 32). Research methodology shows the research design, target population, sampling techniques, data collections tools and the data analysis used in the study (Petty, Thomson & Stew 2012: 378). Understanding the research methodology process is crucial for researchers. It helps researchers select the most suitable methodology and methods to achieve the desired outcomes (Petty, Thomson & Stew 2012: d378). Additionally, it allows researchers to determine the unit of analysis and decide on the type of data and data collection tools needed for the study (Petty et al 2012: 378). Several scholars, such as Collis and Hussey (2003: 10) and Creswell (2009:6), describe research methodology as an overall approach to research, which includes all phases from the theoretical underpinning to data collection and analysis.

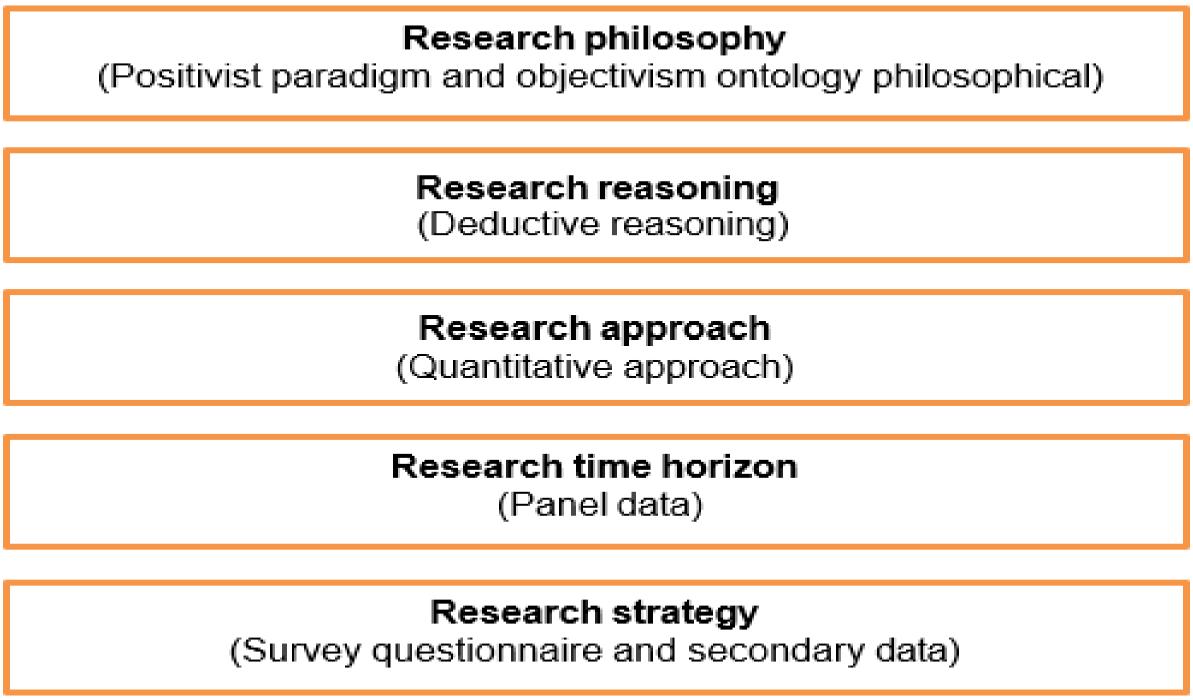
The framework of methodology explains how the study is conducted in a particular field of study (Ranjit 2019). The type of research methodology chosen for a study determines which philosophical assumption will be most appropriate (Quinlan et al 2015: 143). Therefore, this study aims to establish the relationship between internal governance mechanisms and financial sustainability moderated by the role of the audit committee of MMDAs. To achieve this objective, this study discussed the research methodology followed to answer the research hypotheses. The research design, analytical path and its specific methodological direction, basically is driven by the general research framework and the associated research objectives. The study covered the main research methodology areas such as; research design, the target population and sampling with its related procedures, the research instruments related to the nine main variables in the study, and the associated instrument translation. In addition, the study covered the chronological stages of data collection including the pilot study of the questionnaire. Also, the study discussed in detail, the use of descriptive statistics and structural equation modelling (SEM) to analyse data and to assess measurement model, construct validity and instrument reliability for all variables measured in the study.

5.3 Research design

A research design is referred to as a conceptual model based on which a study is conducted and contains a plan for measurement and analysis of observed data (Murerwa & Kinyua, 2021: 1; Kitur & Kinyua, 2020: 13; Mbugua & Kinyua, 2020: 64; Mugambi & Kinyua, 2020: 14). Samson and Lillykutty (2018: 20573) referred to research design as a plan for conducting a study. According to Cooper and Schindler (2014:125), data collection, measurement and analysis are based on a framework of research design. Creswell and Clark (2017:58) also referred to research design as the procedures used for data collection, data analysis, data interpretation and discussions of results. Dougherty, Slevc and Grand (2018: 361) mentioned that research design is important because it explains how data is collected, analysed and interpreted. The research design refers to the overall strategy that one chooses to deal with the problem which requires integration of different components of the study coherently and logically, thereby, ensuring to solve the problem efficiently. Research design is the plan for how research questions will be answered. It involves determining which methods and techniques will be used to collect and analyse data, such as surveys, experiments, case studies or interviews. Research design ensures that all relevant facts are collected and analysed to answer a specific research question; it describes the data collection process and specifies the methods of analysis. The research design also offers a logical structure to ensure effective selection and use of certain methods to avoid bias in findings. With a clear research design, researchers can form reliable conclusions about the topic being studied.

To explain the research procedure to follow and to answer the research hypotheses, Saunders et al (2012) presented the research process using Onion as a case study. The authors indicated that onion has many layers which need to be removed to get to the inside of the onion. The authors further indicated that the core of the onion represents the data collection and data analysis, and the layers represent the research processes which include research philosophies, research approaches, research strategies, research methods, time horizons, and techniques and procedures. In this study, the research process as outlined by Saunders et al (2012) was followed as a research design framework. Therefore, the structure of the study's research design is represented in
Figure 5.2 below:

Figure 5.1: Research design



Adopted from: Saunders et al (2012)

The study followed the research design as represented in Figure 2 above. The five processes followed in the study are the research philosophy (positivist paradigm and objectivism ontology philosophical dimension), research reasoning (deductive reasoning), research approach (quantitative approach), research strategy (survey questionnaire and secondary data), and time horizon (cross-sectional panel data). Details of the research philosophy and paradigm and methodological approach employed in the study are discussed and justified in Sections 5.3 and 5.4 respectively.

5.4 Research philosophy and paradigm

According to Quinlan et al (2015: 143), the type of research methodology selected for a study determines the research philosophy and paradigm selected for the same study. Therefore, this section discusses the various research philosophy and paradigms commonly used in accounting and social sciences research. The section also justifies the research philosophy and paradigm used in the study.

5.4.1 Research philosophy

The research philosophy refers to the development and nature of the research background and knowledge (Creswell & Creswell 2018:5; Collins 2010: 36; Wahyuni 2012: 69). Research philosophy refers to the way individual researchers see the world. The way individual researchers see the world depends on their background and beliefs (Creswell 2014:35). In this study, research philosophy refers to the fundamental set of beliefs that inform the researcher's methodological approach. It includes ontology (what counts as reality), epistemology (what counts as knowledge), and axiology (values driving a researcher's work). It defines what the researcher considers to be true and important in the field of study. According to Rehman and Alharthi (2016:51), there are three main philosophical dimensions in research, namely ontology, epistemology and axiology. These philosophical dimensions are discussed below.

Ontology: Ontology refers to the nature of reality and its related distinctiveness (Zhu et al 2015:27). It refers to the study of human beings (Collins 2010: 36; Wahyuni 2012: 69; Saunders, Lewis & Thornhill 2012). It deals with how individuals see the world (Creswell & Creswell 2018:5; Saunders et al 2012). This implies ontology relates to how the researcher sees reality or the world. The researcher can see reality or the world as subjective or objective, implicit and or explicit. Objectivism assumes that the truth and meaning of objects reside in the object itself, independent of any consciousness (Saunders et al 2012;

Scotland 2012) and beyond the influence of social actors (Lichtman 2012). In contrast, subjectivism argues that the object is often influenced by the subject's actions and without the subject, the object fails to express any meaning (Golafshani 2003). Ontology refers to the nature of our beliefs about reality (Perera 2018:1; Rehman & Alharthi 2016:51; Richards 2003:33). Researchers sometimes have implicit assumptions about reality, how it exists and what can be known about it. It is the ontological question that leads a researcher to find out what kind of reality exists (Rehman & Alharthi 2016: 51; Patton, 2002: 134).

Epistemology: Epistemology refers to the ways to know things or how reality is revealed (Frestadius 2016:93; Collins 2010: 36; Wahyuni 2012: 69). It is concerned with how individuals understand the world (Creswell & Creswell 2018:5). More simply, epistemology is the practical term for the theory of knowledge that guides the researcher in the investigation of the reality or phenomena (Collins 2010: 36; Wahyuni 2012: 69; Scotland 2012). For instance in qualitative research, the researcher might observe or interview the participant over a longer period to appraise reality as compared to quantitative research where the researcher distances him/herself from the phenomena under investigation (Creswell & Creswell 2018; Saunders 2011). Epistemology refers to the branch of philosophy that studies the nature of knowledge and the process by which knowledge is acquired and validated (Perera 2018: 1; Rehman & Alharthi 2016: 52; Gall, Gall & Borg 2003: 13). It is concerned with the nature and forms of knowledge, how it can be acquired and how communicated to other human beings (Perera 2018: 1; Rehman & Alharthi 2016: 51; Cohen, Manion & Morrison 2007: 7). It is the epistemological question that leads a researcher to debate the possibility and desirability of objectivity, subjectivity, causality, validity and generalisability (Perera 2018: 1; Rehman & Alharthi 2016: 52; Patton 2002: 134). Adhering to an ontological belief system (explicitly or implicitly) guides one to certain epistemological assumptions. Therefore, if a singular verifiable truth is assumed, then the posture of the knower must be one of objective detachment or value freedom to be able to discover 'how things really are and 'how things work (Perera 2018: 1; Rehman & Alharthi 2016: 51). Conversely, belief in socially constructed multiple realities leads researchers to reject the notion that people should be studied like objects of natural sciences; they get involved with the subjects and try and understand phenomena in their contexts.

Axiology: Axiology deals with judgments about values and beliefs (Collins 2010: 36;

Wahyuni 2012: 69). Axiology centres on the ethical considerations of the research process (Saunders et al 2016:128). This study was guided by an ethical foundation, which is discussed in section 5.7. It requires an assessment of the researcher's values at all stages of the research (Collins 2010: 36; Wahyuni 2012: 69; Saunders 2011). For instance, in qualitative research, the researcher needs to accept the value-laden nature of the study and should report personal values and prejudice along with knowledge provided by the participants (Saunders 2011). In contrast, in quantitative research, the researcher's values should be kept out of the study (Ihuah & Eaton 2013).

5.4.2 Research paradigm

Research paradigm refers to the ways researchers see and understand the world which influences how researchers think about the research topic (Shek & Wu 2018: 975; Rehman & Alharthi 2016:1; Hughes 2010:35). A research paradigm is a set of beliefs about how particular problems exist and a set of agreements on how such problems can be investigated (Kamal 2019:1386; Fraser & Robinson 2004: 59). A research paradigm guides to research in terms of a specific way of seeing the world and making sense of it (Kamal 2019:1386; Mukherji & Albon 2015: 24; Hughes 2010:35). Collis and Hussey (2014:43) referred to a research paradigm as a philosophical framework that gives a direction or guidelines to the study. In this study, a research paradigm refers to a philosophical view of how a study should be conducted. If a researcher selects a particular research paradigm, then it will serve as a guideline for the selection of the research methodology for the study (Shek & Wu 2018: 975; Rehman & Alharthi 2016:1). Thus, the research paradigm adopted directs the study in the area of data collection and analysis (Kamal 2019:1386; Kivunja & Kuyini 2017: 26).

Easterby-Smith, Thorpe and Jackson (2015:1) highlighted three key advantages of the research paradigm. The authors indicated that the research paradigm assists researchers in refining and identifying suitable methods for investigating the research phenomena, allows the researcher to distinguish between multiple research methodologies, reduces the chances of using an inappropriate methodology, and enhances a researcher's understanding of methodological thoroughness. As discussed above, a research philosophy defines what a researcher considers to be true and important in the field of study, while a research paradigm constitutes a researcher's plan of action for constructing these truths. In this case, research paradigms are used to address the philosophical dimensions of a scientific discipline (Wahyuni 2012: 69). Wahyuni (2012: 69) mentioned that researchers in the social sciences could adopt either a phenomenological or a positivistic research paradigm or both. However, Creswell (2014:34) proposed four types of research paradigms based on philosophical dimensions. These research paradigms are referred to as worldviews and include positivism, constructivism, transformation and pragmatism. These paradigms are explained below.

5.4.2.1 Positivism paradigm

There are a number of research paradigms that can be employed in a study depending on the objective of the study. Some of the paradigms are complementary to each other whilst others also opposed each other (Dawadi, Shrestha & Giri 2021:25). One of the most common research paradigms is positivism which considers that only the knowledge confirmed by the senses is affirmed as knowledge (Dawadi et al 2021:25; Bryman 2012:1). Positivism philosophy is based on cause and effect and how this guides researchers to identify and assess the causes that influence the outcome of the problem under study (Dawadi et al 2021:25; Creswell & Poth 2017:1). In this paradigm, the researcher first develops testable statements called hypotheses that are based on theory. The researcher then tests these statements using quantitative analysis methods (Creswell & Poth 2017:1). However, this paradigm is limited when it comes to assessing human behaviour (Denzin & Lincoln 2011:8). Positivists sometimes use existing theories to develop hypotheses to be tested during the study process (Dawadi et al 2021:25; Creswell & Poth 2017:1; Collis & Hussey 2014:.44).

Positivism follows the objective route in research and advocates that knowledge is gained through a gathering of objectively verifiable facts using quantitative means (Abu-Alhaija 2019:122). Positivists differentiate between scientific and normative statements and they believe that normative statements cannot be confirmed by the senses; therefore, only the scientific statements are the true domain of the scientist (Dawadi et al 2021:25; Bryman 2012). Quantitative researchers are guided by positivism and also use quantitative tools to get objective findings in a study (Abu-Alhaija 2019:122; Rehman & Alharthi 2016: 56; Gall et al 2003: 19-20). Historically, the main research method was guided by quantitative research design or the positivistic approach (Rehman & Alharthi 2016: 56; Gall et al 2003: 19-20). Post-positivism, on the other hand, is a soft form of positivism that follows the same principles but allows more interaction between the researcher and the research participants (Taylor & Medina 2011: 3). While positivism focuses on the objectivity of the research process, post-positivism has room for subjectivity as well (Rehman & Alharthi 2016: 56; Taylor & Medina 2011: 3). Therefore, post-positivism uses both quantitative such as a survey and qualitative methods such as interviews and observations (Rehman & Alharthi 2016: 56; Grover 2016: 1; Taylor & Medina 2011: 3).

5.4.2.2. Interpretivism paradigm

Interpretivism is another paradigm, with a contrasting epistemology to positivism, which believes in multiple realities. Therefore, interpretivism researchers are critical of the application of the positivist model to the study (Dawadi et al 2021:25; Bryman 2012:1). Researchers who are guided by the interpretivism paradigm respect the subjective meaning of social action (Taylor & Medina 2011: 3). Interpretivist philosophy is based on the critique of positivism in social sciences (Perera 2018: 1; Rehman & Alharthi 2016: 56). Accordingly, this philosophy emphasises qualitative analysis over quantitative analysis. Interpretivism is connected with the philosophical position of idealism, and is used to group diverse approaches, including social constructivism, phenomenology and hermeneutics; approaches that reject the objectivist view that meaning resides within the world independently of consciousness (Perera 2018: 1; Rehman & Alharthi 2016: 56). Interpretivist researchers appreciate differences between people. Moreover, interpretivism studies usually focus on meaning and may employ multiple methods in order to reflect different aspects of the issue (Perera 2018: 1; Rehman & Alharthi 2016: 56). The interpretivist approach focuses primarily on qualitative research methods and is associated with the social sciences and psychology (Dawadi et al 2021:25; Rehman & Alharthi 2016: 56). However, these methods are also gaining importance in modern accounting literature (Parker & Northcott 2016:1100). This approach commonly involves interviews or personal communications (Parker & Northcott, 2016:1100). The main advantage of the interpretive design is that it provides multiple views of social phenomena with broad descriptions and rich insights (Dawadi et al 2021:25; Parker & Northcott 2016:1100). From the perspective of interpretivism, individuals interact with other individuals and society and ascribe meaning and names to different social phenomena (Dawadi et al 2021:25; Rehman & Alharthi 2016: 56). The interpretivist uses inductive data analysis methods to analyse data and develop theory (Rehman & Alharthi 2016: 56; Creswell 2003:9). Interpretivists use the inductive approach instead of the deductive reasoning because they tend to see theory as deriving from data collection and not as the driving force of research (Dawadi et al 2021:25; Rehman & Alharthi 2016: 56). Interpretivists employ qualitative methods such as interviews, observations, filed notes, personal notes and documents to generate data (Dawadi et al 2021:25; Rehman & Alharthi 2016: 56). However, qualitative research following the interpretivist paradigm normally produce both numerical and narrative data (Dawadi et al 2021:25; Rehman & Alharthi 2016: 56).

5.4.2.3 Constructivism paradigm

Constructivism or social constructivism refers to the interpretive paradigm and is usually associated with qualitative research (Tomaszewski, Zarestky& Gonzalez 2020: 1; Creswell & Poth 2018: 1). The constructivism paradigm argues that individuals seek an understanding of the world in which they live based on their subjective judgments (Tomaszewski et al 2020: 1; Creswell & Poth 2018: 1). These judgments vary among individuals and have multiple meanings. In this paradigm, the researcher depends solely on participants' views about the phenomena under investigation. A constructive researcher develops open-ended questions with broader meanings so that participants construct their meanings about the problem under investigation (Tomaszewski et al 2020: 1; Glesne 2016; Creswell & Poth 2018: 1). The main focus area of the constructivism paradigm is the context in which an individual lives and works (Creswell & Creswell 2018:7). This allows individuals to develop a better understanding about the problem under study. However, the researcher's cultural background influences the interpretation process in this paradigm and the researcher must acknowledge this fact (Creswell & Poth 2018:1). This research paradigm follows the inductive approach which leads to theory-building, unlike with postpositivist approach which begins with theory (Abu-Alhaija 2019:122; Creswell & Poth 2018: 1).

The constructivism paradigm is different from positivism and interpretivism, and is based on the premise that reality is a product of human interaction with the real world (Tomaszewski et al 2020: 1; Creswell & Poth 2018: 1). It is guided by the belief that active construction of knowledge takes place when there is human interaction with the real world. This means knowledge is built up socially (Tomaszewski et al 2020: 1; Creswell & Poth 2018: 1). It opposes the idea that there is a single methodology to generate knowledge and that knowledge must be approached through multiple perspectives. In a similar vein, the paradigm of critical approaches knowledge from a critical perspective and with a major focus on power disparity in society (Tomaszewski et al 2020: 1; Creswell & Poth 2018: 1). Therefore, it posits that scientific investigation should be conducted with a noble goal of social change (Tomaszewski et al 2020: 1; Creswell & Poth 2018: 1). The primary purpose of research is to identify and support resolve 'gross power imbalances in society (Taylor & Medina, 2011: 6). Thus, in this paradigm, the researcher's role is one of advocate, a change agent, who argues for and leads the way towards a more equitable, fair and sustainable society (Taylor & Medina 2011: 6). The two main paradigms, which are conventionally considered to be fundamentally opposed to each other, are positivism/post-positivism and constructivism/interpretivism, the former relates to quantitative methodology whereas the latter drives qualitative research. Qualitative research emerged as quantitative research alone could not address all the research questions (Taylor & Medina 2011: 6).

5.4.2.4 Transformative paradigm

The transformative paradigm is based on the argument that knowledge is not neutral and is often influenced by human interests (Creswell & Poth 2018: 1). Moreover, this approach argues that knowledge demonstrates the power and social relationships within society (Creswell & Poth 2018: 1). This paradigm was established during the 1980s and 1990s and was developed by researchers who realised that the post-positivism paradigm imposed structural laws and theories that did not fit marginalised individuals in society and more importantly, that it ignored issues of power, social justice, discrimination and oppression (Creswell & Poth 2018: 1). This paradigm usually requires researchers to explore information alongside politics and political change agenda (Abu-Alhaija 2019:122; Mertens 2010). The research in the transformative paradigm includes the action agenda for reforms that may change the lives of participants, institutions in which individuals work and the researcher's own life (Creswell & Poth 2018: 1). In addition, this paradigm focuses on issues about empowerment, inequality, operation, domination, suppuration and alienation (Mertens 2012). In this paradigm there is no limitation on the choice of methodological approaches, it depends on the research problem or situation (Mackenzie & Knipe 2006). Due to its action-oriented nature and its association with social issues, this research cannot adopt the transformative paradigm.

According to Creswell (2013:45), the philosophy of realism is that there is a reality quite independent of the mind. Direct realism states that what you see is what you get: what we experience through our senses portrays the world accurately. Critical realists argue that what we experience are sensations, the images of the things in the real world, not the things directly (Ochieng 2016: 49). Critical realism claims that there are two steps to experiencing the world: there is the thing itself and the sensations it conveys then there is the mental processing that goes on sometime after that sensation meets our senses. Bhaskar (2013) identified with the epistemology of critical realists and argue that as researchers we will only be able to understand what is going on in the social world if we understand the social structures that have given rise to the phenomena that we are trying to understand. In other words, what is seen is only part of the bigger picture (Ochieng 2016: 49).

5.4.2.5 Pragmatism paradigm

Another paradigm discussed in this study is the paradigm of pragmatism which is not committed to any sort of philosophical stance (Abu-Alhaija 2019:122; Creswell 2007). In other words, pragmatism uses multiple methods but the use of the methods should always be guided by research problems. It values both objective and subjective knowledge to meet research objectives. Researchers adopting a pragmatist position have the liberty to choose those research methods or strategies that can best answer their research questions (Abu-Alhaija 2019:122; Creswell 2007). According to Feilzer (2010: 14), pragmatism ignores the quantitative and qualitative views by suggesting that the most important question is whether the research has helped to find out what the researcher wants to know.

This paradigm argues that the forced choices between positivism and interpretivism should be rejected as it views reality as both singular and multiple. Pragmatism is pluralistic and oriented towards what is realistic (Abu-Alhaija 2019:122; Creswell & Plano Clark 2011: 41). Pragmatism is emerging as an appropriate paradigm for exploratory research by introducing a mixed methods approach utilising both qualitative and quantitative approach and mixing the two when appropriate (Ackers 2014: 133-137; Goldkuhl 2012: 135; Johnson & Onwuegbuzie 2004: 14; Leech, Dellinger, Brannagan & Tanaka 2010: 17). While qualitative research usually involves inductive reasoning and quantitative research relies on deductive reasoning, the reasoning in mixed methods research relies on induction and/or deduction based on the specific research questions (Ochieng 2016: 51; Ackers 2014: 133-137). Pragmatism requires researchers to retain sufficient flexibility in research methodology and collaborate with other researchers who hold multiple epistemological perspectives (Ochieng 2016: 51; Ackers 2014: 133-137; Leech et al 2010: 17). Research is accordingly viewed as a holistic endeavour, requiring prolonged engagement, persistent observation and triangulation (Ochieng 2016: 51; Ackers 2014: 133-137; Leech et al 2010: 17). A comparison of the four research philosophies based on Ontology, Epistemology, Axiology and Data collection techniques most often used is provided in Table 5.2 below:

Table 5.1: Comparison of research philosophy and paradigms

Research philosophy and Paradigm	**Positivism**	**Interprativism / Constructivism**	**Transformative / Realism**	**Pragmatism**
Ontology: The researcher's view of the nature of reality or being	External, objective and independent of social actors	Socially constructed, subjective, may change, understanding, multiple participant meanings, social and historical construction, theory generation.	It is objective; It exists independently of human thoughts and beliefs or knowledge of their existence (realist), but is interpreted through social conditioning (critical realist). Political, power and justice oriented, collaborative, Change-oriented.	External, multiple, view chosen to best enable answering of research question. Consequences of action, problem-centred, pluralistic, real-world practice oriented
Epistemology: The researcher's view regarding what constitutes acceptable knowledge	Only observable phenomena can provide credible data, facts. Focus on causality and law like generalisations, reducing phenomena	Subjective meanings and social phenomena. Focus upon the details of situation, a reality behind these details, subjective meanings motivating actions. The researcher interacts with that being researched.	Observable phenomena provide credible data, facts. Insufficient data means inaccuracies in sensations (direct realism). Alternatively, phenomena create sensations which are open to	Either or both observable phenomena and subjective meanings can provide acceptable knowledge dependent upon the research question. Focus on

	to simplest elements, Researcher is independent from that being researched.		misinterpretation (critical realism). Focus on explaining within a context or contexts	practical applied research, integrating different perspectives to help interpret the data.
Axiology: The researcher's view of the role of values in research	Research is undertaken in a value-free way; the researcher is independent of the data and maintains an objective stance.	Research is value bound, the researcher is part of what is being researched, cannot be separated and so will be subjective	Research is value laden; the researcher is biased by world views, cultural experiences and upbringing. These will impact on the research.	Values play a large role in interpreting results, the researcher adopting both objective and subjective points of view.
Data collection techniques mostly used	Highly structured, large samples, measurement, quantitative, but can use qualitative, uses deductive process	Small samples, detail investigations, qualitative, uses inductive process	Methods chosen must fit the subject matter, quantitative or qualitative	Mixed method designs, (quantitative and qualitative)

Source: Saunders et al (2009; 119); Zaman (2019: 45); Creswell (2013:45).

5.4.2.6 Justification for research philosophy and paradigm used in the study

According to Fuyane (2021:2694), as well as Alharahsheh and Pius (2020:39), researchers bring a certain worldview to the research, an outlook that favours either the positivist or the interpretive paradigm regarding ontological, epistemological, axiological and methodological assumptions. In this regard, some researchers see reality as subjective, while others may take a more objective stance, using surveys or an experimental approach (Fuyane 2021:2694; Alharahsheh & Pius 2020:39). Fuyane (2021:2694), as well as Alharahsheh and Pius (2020:39), stated that a research paradigm can be selected according to the skills that researchers possess, such as quantitative and qualitative data analysis, writing and computer skills. Psychological attributes are very important in deciding which research paradigm to select (Fuyane 2021:2694; Alharahsheh & Pius 2020:39). Fuyane (2021:2694), as well as Creswell and Clark (2011:41), mentioned that positivism is a traditional mode of research, with standardised procedures and rules. In contrast, an interpretive research design requires more time because procedures are flexible (Fuyane 2021:2694; Alharahsheh & Pius 2020:39).

The nature of the research problem is another important factor to consider in choosing a research paradigm for a study. Creswell and Clark (2011:41) suggested that if the nature of the research problem calls for (i) the identification of factors that influence an outcome; (ii) the use of an intervention; or (iii) an understanding of the best predictors of an outcome, then the positivism paradigm is more desirable and beneficial. On the other hand, interpretivism is more appropriate than positivism for exploring any social phenomena that have not been previously researched (Creswell and Clark 2011:41).

According to Alharahsheh and Pius (2020:39) as well as Saunders et al (2009:110), ontology is concerned with the nature of reality. Alharahsheh and Pius (2020:39) indicated that positivists consider social reality as objective and external to social factors. Also, quantitative study uses statistical analysis to measure objectivity (Alharahsheh & Pius 2020:39). In contrast, interpretivism believes that social reality is subjective because it is constructed in a social context and therefore, multiple realities exist in a situation, such as the researcher’s and the interviewee’s (Alharahsheh & Pius 2020:39; Creswell & Clark 2011:41).

The epistemological issue is concerned with the question of what is or should be acceptable knowledge in a discipline (Alharahsheh & Pius 2020:39). Epistemological study examines the relationship between the researcher and what is being researched (Alharahsheh & Pius 2020:39). In this regard, Creswell and Creswell (2018:5) stated that the one conducting the study should be independent of what to study in this paradigm. Therefore, those who conduct quantitative studies attempt to reduce bias by using an appropriate sampling approach and seek to be objective in carrying out the process involved in the study. In contrast, interpretivism limits the distance between those conducting the study and the study being researched (Alharahsheh & Pius 2020:39; Collis & Hussey 2009:58). Thus, qualitative study is different from quantitative study because it allows for closer interaction with human beings in the social context, or observing social phenomena over a long period (refer to Table 5.1). In this study, internal governance variables and financial sustainability of MMDAs in Ghana are examined empirically using a structured questionnaire and Auditor General's annual reports. This allows the researcher to be independent of what is being studied.

The axiological assumption underpins the role of values in this study. Alharahsheh and Pius (2020:39) and Saunders et al (2009:109) argued that those who conduct the study demonstrate axiological skills to express these values as a foundation for making judgments about the study they are conducting and how they set about doing it. Positivists consider the subjects under study unaffected by their research activities, but there may be some effect after the study is conducted. However, interpretivism believes that those who are conducting the study should exhibit ethical and moral values (Alharahsheh & Pius 2020:39; Collis & Hussey 2009:58). Therefore, qualitative research is more value-laden and considers research ethics substantially more than quantitative research (Alharahsheh & Pius 2020:39; Creswell 2009).

The rhetorical assumption focuses on the language used in the research. Each paradigm has different rhetorical perspectives. Positivism and interpretation are also centred on rhetorical assumptions. Each paradigm has different rhetorical perspectives. The positivism paradigm is usually expressed in impersonal and formal language based on accepted terms, such as relationships and comparisons between variables, where concepts and variables are clearly defined (Alharahsheh & Pius 2020:39; Fuyani 2021:2694; Creswell 2009). In contrast, Collis and Hussey (2009:58) suggested that the interpretive design prefers a writing style reflecting the immediacy of the study and the researcher's involvement.

The methodological assumption is concerned with how research should be undertaken, including the theoretical and philosophical framework and its implications for the chosen methods (Rehman & Alharthi 2016: 56; Johnson & Onwuegbuzie 2004: 14). Before conducting the study, positivists determine the concepts, variables and hypotheses. About Table 5.1, in the positivist approach, the methodology seeks to develop generalisability that contributes to finding clear predictions, explanations and understandings of some phenomena. This requires that the information and instruments remain valid and reliable (Rehman & Alharthi 2016: 56; Ackers 2014: 133-137; Johnson & Onwuegbuzie 2004: 14). However, interpretivists use an inductive data analysis method where information is generated from group data (Rehman & Alharthi 2016: 56; Ackers 2014: 133-137). This provides rich information and theories which help in interpreting social phenomena (Rehman & Alharthi 2016: 56; Ackers 2014: 133-137; Johnson & Onwuegbuzie 2004: 14).

Kivunja and Kuyini (2017:26) mentioned that scientific studies are built around two different dimensions. These dimensions, according to Kivunja and Kuyini (2017:26), are the ontological and epistemological dimensions. Ontology is a system of belief that reflects an interpretation of an individual about what constitutes a fact in simple terms (Kivunja & Kuyini 2017:26; Rehman & Alharthi 2016: 56). Ontology is connected with a question of whether social entities need to be perceived as objective or subjective (Alharahsheh & Pius 2020:39; Kivunja & Kuyini 2017:26). Conversely, epistemology is a philosophical approach to theory building that finds out the nature, grounds, limits, and validity of human knowledge (Kivunja & Kuyini 2017:26; Rehman & Alharthi 2016: 56). Ontology dimension is associated with the human beliefs about the natural and social world, whilst epistemology is associated with how new knowledge is explored (Alharahsheh & Pius 2020:39; Kivunja & Kuyini 2017:26).

However, if the one conducting the study opts for constructivism ontology, there is the need to also opt for interpretivism epistemology. Interpretivism requires an inductive methodology which needs qualitative methods (Thompson 2015:1; Cresswell 2014: 32). Cresswell (2014: 32) and Thomas (2009: 72) indicated that those who conduct studies in the realm of positivism believe that everything can be measured. Cresswell (2014: 32) and Thomas (2009: 72) further clarified that to test or reject a set of hypotheses; positivism studies make assumptions and concentrate on the use of quantitative approach. Collins and Hussey (2014: 44) indicated that those who adopt a positivist approach to conduct studies use large sample sizes and observations to test hypotheses. The authors further mentioned that positivist researchers use questionnaires, secondary data or archival records and surveys as research methods. Positivist researchers use deductive reasoning and descriptive and inferential research approaches and quantitative numerical methods for data analysis (Collins & Hussey 2014: 44; Cresswell 2014: 32).

The interpretivism paradigm relates to the ontological stance of subjectivism which creates room for bias (Alharahsheh & Pius 2020:39; Assalahi 2015:312). Primary data generated in interpretivist studies cannot be generalised since data is heavily impacted by personal viewpoint and values (Rehman & Alharthi 2016: 56; Johnson & Onwuegbuzie 2004: 14). Therefore, the reliability and representativeness of data is undermined to a certain extent as well. On the positive side, interpretivism philosophy is linked to qualitative studies such as cross-cultural differences in organisations, issues of ethics, leadership and analysis of factors impacting leadership which can be studied with a great level of intensity (Rehman & Alharthi 2016: 56; Johnson & Onwuegbuzie 2004: 14. Primary data generated using positivism studies might be associated with a high level of validity because data in such studies tends to be trustworthy and honest (Assalahi 2015:312). However, the challenging aspect of the interpretivism paradigm in accounting research such as this study is validity and generalisability (Rehman & Alharthi 2016: 56; Johnson & Onwuegbuzie 2004: 14; Parker & Northcott 2016). These challenges of the interpretive paradigm limit this study to relying on this approach.

The positivist paradigm allows for objective quantification and the researcher employs quantitative measurement and analysis on large samples to explain and predict the data in a numerical and deductive manner (Perera 2018: 1; Babbie & Mouton 2012: 49). Ryan (2018: 41) indicated two basic principles of positivism including; isolating, analysing and understanding the reason for human behaviour and objectivity. Gratton and Jones (2010: 25) believed that the emphasis of positivism is on methodology to facilitate duplication and quantifiable observations for statistical analysis. This study followed the positivist approach by using agency and resource dependency theories perspectives in addressing the research objectives. Both positivistic and phenomenological research paradigms can be used by researchers. A positivist paradigm is followed when quantitative data are considered. A quantitative research method infers, describes and resolves problems by using numbers (Abu-Alhaija

2019:122; Cresswell 2014: 32; Coldwell & Herbst 2004). If a researcher adopts objectivism ontology, there is also a need to select positivism epistemology (Abu-Alhaija 2019:122; Kivunja & Kuyini 2017:26; Assalahi 2015:312). Positivism requires a deductive methodology that needs quantitative methods of data collection and analysis (Abu-Alhaija 2019:122; Thompson 2015:1 Rehman & Alharthi 2016: 56).

In this study, a positivist paradigm was adopted, which called for the collection and analysis of quantitative data (Kamal 2019: 1386; Antwi & Hamza 2015: 217). Objectivism ontology philosophical dimension was also followed in the study since it is associated with human beliefs about the natural and social world (Abu-Alhaija 2019:122; Kivunja & Kuyini 2017:26; Rehman & Alharthi 2016: 56). This study used structured questionnaire and empirical data from existing documents (Auditor General's reports) which is within the scope of positivism (Kamal 2019: 1386; Antwi & Hamza 2015: 217; Collins & Hussey 2014: 44). This study followed the ontological position of objectivism and avoided the influence of subjectivism by considering only data from the sampled MMDAs. This led to the epistemological position of positivism that required the study to use a deductive reasoning through quantitative data from secondary and primary sources of sampled MMDAs and quantitative techniques through structural equation modelling analysis. In this study, hypotheses were developed to test the moderating role of audit committee variables on the relationship between internal auditors and the board of directors' variables and financial sustainability, therefore investigating a social phenomenon as postulated by positivism. The audit committee, internal auditors and the board of directors' variables were observed using a structured questionnaire and the financial sustainability variables were observed using the financial information from the Auditor General's annual audit reports. In support of Abu-Alhaija (2019:122) as well as Walsh, Schaarschmidt and Ivens (2015:227), the positivist study is appropriate to test hypotheses, deduction and confirmation, which makes it the most suitable philosophical approach to test the hypotheses formulated in this study. Therefore, the single reality was assumed, that could be specifically defined and measured using selected quantitative or mathematical techniques such as structural equation modelling to solve a real-life problem (Abu-Alhaija 2019:122; Sekaran & Bougie 2016:1; Quaglione, Muscio & Vallanti 2015:660), as discussed in Section 5.5. A deductive reasoning, as discussed in Section 5.3 was also used to test the theory in the context of MMDAs through a number of hypotheses that were formulated in line with the prior literature (Mehraliyev, Kirilenko & Choi 2020:1; Bueno, Weber, Bomfim & Kato 2019:779; Yeo, Goh & Rezaei 2017:150).

5.5 Research reasoning

The research reasoning is referred to as a plan or procedure consisting of broad assumptions to detailed methods of collecting data, analysing and interpreting results (Chetty 2016: 1). This plan involves several choices, and such choices need not be taken in the order in which they make sense and the order of their presentation here. The overall decision involves which reasoning style should be used to study a topic. Informing this decision should be the philosophical assumptions the researcher brings to the study; procedures of inquiry (called research designs); and specific research methods of data collection, analysis, and interpretation. The research reasoning depends on the nature of the problem of the study being addressed (Chetty 2016: 1).

Research reasoning styles are strategies and techniques for an investigation that pass through expansive expositions to nitty-gritty techniques of gathering data and subsequently analysing them to generate collective meaning and understanding (Creswell 2014). The choice of a reasoning style must focus on what is most suitable to achieve the research aim. In choosing the research reasoning style, the researcher must consider the philosophical worldview of the research, the research design and specific research methods of data collection, analysis, and interpretation (Chetty 2016: 1). When a particular reasoning style is chosen, it should match with research design and methods as well. Philosophical worldview originates from epistemology considerations, which determine a paradigm as per the philosophical orientation of a reasoning style (Chetty 2016: 1). According to Saunders et al (2012), there are three reasoning styles namely; deduction, induction and abduction.

5.5.1 Deductive, inductive and abductive reasoning

In conducting a study, it is essential for the researcher to comprehend the different styles of reasoning (Babbie 2013: 51). Therefore, the researcher's style of reasoning informs the study and as such, has a considerable impact on the findings of the study. If the process of the study begins with a literature review, developing the theoretical and conceptual structure, which is tested by empirical observation it is a deductive study, whereas, in an inductive process, the theory is developed from empirical observations (Collis & Hussey 2003).

Inductive reasoning is based on the qualitative approach that relies on the empirical verification of a general conclusion derived from a finite number of observations (Zalaghi & Khazaei, 2016:24; Adams et al 2007:29). Hyde (2000:82) and Bhattacherjee (2012:3) agreed that an inductive reasoning is seen as a theory building process, starting with observations of specific instances, and seeking to establish generalisations about the phenomenon under investigation (Babbie 2013: 51; Bhattacherjee 2012:3; Wilson 2010: 7). In addition, Adams et al (2007:29) indicated that inductive reasoning starts from the specific to the general phenomenon where an observation reveals patterns or trends in a specific variable of interest. An inductive researcher believes that one can logically generalise the observations into general and inclusive rules and the scientific assumptions get verified and ratified (Zalaghi & Khazaei 2016:24; Godfrey & Hodgson 2010:3). An inductive reasoning is needed to understand and generate a substantive theory about new and complex phenomena (Golicic & Davis 2012:732). Furthermore, the inductive reasoning allows researchers, based on singular facts, to create statements about sets of facts and their future behaviour (Bendassolli 2013:2). In this regard, inductive reasoning is an important tenet of qualitative studies (Morse & Mitcham 2002:1).

Contrally to inductive reasoning, deductive style of reasoning is the process by which a reasoned conclusion by a logical generalisation of a known fact can be determined (Babbie 2013: 51; Sekaran 2003:27). In this regard, deductive reasoning is concerned with developing a logical structure to achieve the objectives based on the definitions and assumptions of the study (Zalaghi & Khazaei 2016:24). The deductive reasoning constitutes developing an assumption based on the existing theories and forming a research plan to test the assumption (Zalaghi & Khazaei 2016:24; Bhattacherjee, 2012:3; Wilson 2012). The deductive style of reasoning is used to explain the assumptions from theories (Zalaghi & Khazaei 2016:26). Deductive style of reasoning is used to test the relationship between dependent and independent variables (Zalaghi & Khazaei 2016:26). This implies the deductive reasoning includes deducing the results from the premises of theories. That is the aim of the deductive style is theory testing but also refining, improving, and extending theory (Zalaghi & Khazaei 2016:26; Bhattacherjee 2012:3). Hyde (2000:82) indicated that quantitative studies normally adopt a deductive style of reasoning. Inductive reasoning is exploratory whilst deductive reasoning is explanatory (Babbie 2013: 51; Wilson 2008: 44).

Contrary to inductive and deductive reasoning, in abductive reasoning, instead of moving from theory to data as in deduction or data to theory as in induction, an abductive reasoning combines both deduction and induction (Chetty 2016: 1; Saunders et al 2012). Jogulu and Pansiri (2011:688) mentioned that abductive reasoning involves the use of mixed methods (qualitative and quantitative, primary and secondary methods, positivism and social constructivism). Additionally, Saunders et al (2012) reported that the abduction approach suits a large number of business and management researchers and it is what in reality do.

5.5.2 Justification of deductive reasoning used in the study

As argued in Section 5.6, the inductive style of reasoning is suitable for qualitative studies and aims to develop theories whilst the deductive style of reasoning is suitable for quantitate studies which aims to test hypotheses and theories. Mixed method studies use both inductive and deductive styles of reasoning to develop and test theories as well as hypotheses (Zalaghi & Khazaei 2016:28; Jogulu & Pansiri 2011:688). As discussed in Sections 5.4 and 5.8, this study used a quantitative approach in collecting both primary and secondary data and a positivist paradigm. Therefore, deductivism which is based on theory testing helped in achieving the aim of the study by developing a framework of internal governance mechanisms for enhancing the financial sustainability of MMDAs.

Unlike the deductive reasonong, a researcher's reasoning inductively is influenced by the relationships and the data of the study (Zalaghi & Khazaei 2016:24-25; Saghafi, 2014:1). Zalaghi and Khazaei (2016:24) indicated that inductive reasoning is faulty because it is based on human observations. Additionally, Godfrey and Hodgson (2010:6) indicated that empirical observation could be deceptive, as it depends on cultural and social context along with the researcher's knowledge and expectations; these factors are not a reliable basis for scientific laws. Bendassolli (2013:3) added that the inductive reasoning has no logical connection between statements, but rather an empirical connection based on the repetition of experience, making it difficult that a recurring event will continue to occur. As a result of these criticisms associated with the inductive reasoning, Bhattacherjee (2012:3) and Sekaran (2003:27) argued for an alternative research reasoning that involves testing theories where the researcher is independent of the study. Therefore, a deductive style of reasoning was appropriate to be used in this study. A deductive style of reasoning through the use of structural equation modeling analysis and questionnaires was used to test the relationship between the internal governance and financial sustainability of MMDAa.

A deductive reasoning is often used in studies that aim to establish a relationship between dependent and independent variables (Ortega 2021: 69; Crane et al 2017: 787; Collins 2010: 42). Positivism requires a deductive reasoning that needs quantitative approach (Ortega 2021: 69; Crane et al 2017: 787; Thompson 2015:1 Deductive reasoning is linked to quantitative studies, which follows objectivism, ontological realism and epistemological positivism as adopted in this study (Tshipa 2017:118; Bryman & Bell 2007:14). Therefore, a deductive reasoning was used because the study followed positivism paradigm; conclusions were drawn based on hypotheses testing and on existing theories (agency and resource dependency theories) to affirm or disaffirm the relationship between the dependent, independent and moderating variables; quantitative data in the form of structured questionnaire and secondary data from the Auditor General's report were used; the study was independent from the researcher's bias because structural equation modelling was used for analysis and the researcher's personal opinion was avoided; and the results were generalised at the local government level in Ghana as a result of large sample size (Ortega 2021: 69; Crane et al 2017: 787; Saunders et al 2019). The adoption of deductive reasoning helped to achieve the aim of the study by testing both agency and resource dependency theories and developing a framework of how internal governance variables can influence the financial sustainability of MMDAs.

5.6 Research approach

The research approach plays a crucial role in shaping the design, implementation, and results of a study (Ortega 2021:69; Abu-Alhaija 2019:122). It serves as a guiding framework that determines the methods and techniques used to investigate research questions and gather relevant data (Creswell 2014:6; Chetty 2016:1). The concept of the research approach encompasses a range of methodological choices and philosophical perspectives that researchers employ to explore phenomena and draw meaningful conclusions (Creswell 2014:6; Chetty 2016:1). According to Creswell (2014:6) and Chetty (2016:1), there are three major research approaches: quantitative, qualitative, and mixed research approaches. The quantitative approach is used to explain, predict, and control phenomena (Creswell, 2014:83; De Vos et al., 2011:63) and relies on numerical data (Ortega 2021:69; Abu-Alhaija 2019:122). On the other hand, the qualitative approach is used to explore and understand the meaning that individuals or groups ascribe to a social or human problem (Creswell & Creswell 2018:4; Soiferman 2010:1-25). It relies on non-numerical data (Ortega 2021:69) and is generally used in research where the researcher seeks to answer questions about complex situations (De Vos et al 2011:64). A mixture of both quantitative and qualitative approaches is referred to as a mixed-method approach (Clark, Creswell, Green & Shope 2008; Tashakkori & Teddlie 2008:101). Given the research problem and research objectives, the choice of a positivist paradigm and deductive reasoning were consistent for this study. The positivist paradigm and deductive reasoning follow a quantitative approach, which is required in this study (Abu-Alhaija 2019:122; Thompson 2015:1; Rehman & Alharthi 2016: 56). The following section justifies the use of the quantitative approach in the study.

5.6.1 Justification of the use of quantitative approach in the study

There are a number of methods that can be used in conducting a study. The common methods include the questionnaire, phenomenology, case study, experimental design, meta-analysis, attitude research, action research, ethnography, feminist research, grounded theory, semiotics and image-based research (Mishra & Alok 2017:1). Each of the aforementioned methods has a specific use within the research discipline. In accounting and social science studies, two main research methods are normally used namely; quantitative and qualitative research. Quantitative research refers to a systematic empirical investigation of observable phenomena using statistical, mathematical, or computational techniques (Leedy & Ormrod 2015:100; Ackers 2014: 133; Babbie & Mouton 2011: 1). Quantitative research emphasises objective measurements and the statistical or numerical analysis of data collected through questionnaires, polls, and surveys, or by manipulating pre-existing statistical data using computational techniques (Abu-Alhaija 2019:122; Igwenagu 2016:1; Rehman & Alharthi 2016: 56; Creswell 2014:199). Contrary, qualitative research is conducted to understand or explain social phenomena by analysing individuals or groups experiences (Silverman 2016:1; Inyang 2018:1). Qualitative research is primarily exploratory research, which is also used to gain an understanding of underlying reasons, opinions, and motivations as it provides insights into the problem or helps to develop ideas or hypotheses for potential quantitative research (Khan 2014:298; Ranjit 2019). Gratton and Jones (2010: 25) believed that the emphasis of positivism is on methodology to facilitate duplication and quantifiable observations for statistical analysis. Because the objective of this study is to establish how audit committee, internal audit activities and board of directors' attributes can determine the financial sustainability of MMDAs in Ghana, it was appropriate to use the quantitative research method, as it addresses techniques that allow the researcher to provide explanations of a specific phenomenon depending on the numerical instrument. This study used a structured questionnaire and empirical data from existing documents (Auditor General's reports) which is within the scope of positivism (Bell et al 2019). This study followed the ontological position of objectivism and avoid the influence of subjectivism by considering only data from the sampled MMDAs. This led to the epistemological position of positivism that required the study to use a deductive reasoning through quantitative data from secondary and primary sources of sampled MMDAs and quantitative techniques through structural equation modelling analysis. All data collected from humans will include a degree of subjectivity. In reality though, despite quantitative research being underpinned by the principles of independence and objectivity, all research contains an element of subjectivity.

Researchers who follow a phenomenological paradigm are those who seek to uncover and understand the subjective experiences of individuals through direct, qualitative inquiry (Ortega 2021: 69; Callaghan 2019: 179). Phenomenologists seek to understand the essences of subjective experience by engaging people in dialogues and listening to their stories, they seek to build a fuller understanding of behaviour and meaning-making practices that would otherwise remain hidden(Ortega 2021: 69; Callaghan 2019: 179; Ritchie & Lewis 2003: 3). This approach is often used in fields such as psychotherapy, social work, and anthropology. By focusing on lived experience rather than abstract theories and laws, it offers an important alternative perspective for studying how humans make sense of the world around them (Ortega 2021: 69; Callaghan 2019: 179; Ritchie & Lewis 2003: 3). Qualitative research allows the researcher to interpret specific phenomena without depending on numerical measurement. Specific data collection methods are used, such as interviews and focus groups, to gain new insights or determine inner meanings (Zikmund & Babin 2010: 131). Qualitative research typically follows an inductive approach (Abu-Alhaija 2019:122; Creswell 2014:36).

Quantitative researchers adopt a positivist approach by regarding social interventions as being entities, in a similar manner that physical scientists treat physical phenomena

(Rehman & Alharthi 2016: 56; Johnson & Onwuegbuzie 2004: 14). Positivism is a metatheory based on the assumption that social sciences research should emulate research in the natural sciences (Babbie & Mouton 2011:1). Positivist research searches for universal laws of human behaviour, measurement quantification, in which the researcher must be objective (Rehman & Alharthi 2016: 56; Ackers 2014: 133; Babbie & Mouton 2011: 1).

Ontologically, the quantitative paradigm holds that the truth is one; an objective reality existing independently of the observer and waiting to be discovered (Rehman & Alharthi 2016: 56; Ackers 2014: 133-137). Epistemologically, researchers should be separated from the entities being observed, maintaining their independence and objectivity (Abu-Alhaija 2019:122). This enables the researcher to study a phenomenon without influencing or being influenced by it. Independence requires researchers to eliminate their biases and remain emotionally detached and uninvolved during the study. In reality though, despite quantitative research being underpinned by the principles of independence and objectivity, all research contains an element of subjectivity. This subjectivity may be in the selection of research tools and techniques, or even in the interpretation of the results. It is accordingly necessary to ensure the rigour of the research and validate the data collected (Rehman & Alharthi 2016: 56; Ackers 2014: 133-137; Williams 2007: 65).

Positivist researchers use quantitative research to examine the relationships between independent and dependent variables. The relationship between independent and dependent variables can be posed as questions or hypotheses. The quantitative study is deductive which starts with a general case and then moves to the specific problem (Ortega 2021: 69; Abu-Alhaija 2019:122; Barnham 2015: 837). The quantitative approach is used to form a relationship between the independent and dependent variables through hypothesis and research questions and then examine the relationship between them (Ortega 2021: 69; Callaghan 2019: 179; Popescu, 2019: 5146). Qualitative variables cannot be included in predictive or regression models and do not establish a relationship between variables (Ortega 2021: 69; Popescu 2019: 5146; Creswell 2013: 1). Furthermore, the mixed approach requires ample time to collect, analyse, and process the data that can be rigorous (Ortega 2021: 69; Callaghan 2019: 179). There was an alignment between this study and the positivist worldview because both aim to identify the relationship between internal governance and financial sustainability. Positivist assumptions align with quantitative studies more than qualitative studies (Ortega 2021: 69; Popescu 2019: 5146).

Qualitative research is an approach to exploring and understanding the meaning of individuals or groups considered a social or human problem (Creswell 2014: 32). Merriam and Tisdell (2016:6) affirmed that a qualitative study aims to reveal the meaning of an occurrence for people who are involved in it. In a qualitative study, a researcher aims to identify how a person's experiences are described, how a person's world is constructed, and what meaning is attributed to the person's experiences (Kamal 2019: 1386; Merriam & Tisdell 2016: 6). Braun and Clarke (2013: 3) opined that a qualitative study uses words as data collected and analysed in different ways. In contrast, a quantitative study examines the relationship between two or more measured variables to test objective theories (Abu-Alhaija 2019:12). A quantitative study is also used to determine cause and effect, predict, or describe the distribution of some attributes among a population (Kamal 2019: 1386; Merriam & Tisdell 2016: 5). In a quantitative study, data is analysed statistically to provide the study's results (Kamal 2019: 1386; Creswell 2014: 32).

According to Merriam and Tisdell (2016: 6), a qualitative study aims to understand people's experiences; the researcher is the instrument for data collection and data analysis; the data from the quantitative study is analysed inductively; and it uses multiple sources of data such as documents, field notes and interviews. However, a quantitative study generates numerical data such as percentages from questionnaires or surveys (Kamal 2019: 1386; Merriam & Tisdell 2016: 6). The essential representations of quantitative research depend on numbers, objectivity, and generalisability of the data. A quantitative study uses quantitative questions to examine the relationship between variables and tests hypotheses and theories (Callaghan 2019: 179; Crane, Henriques & Haskel 2017: 787). A quantitative statistical analysis is used to examine the relationship between the independent and dependent variables and can be measured using secondary data or primary data, which allows the data to be interpreted using statistical measures (Ortega 2021: 69; Daniel 2019: 43). based on the above argument, a qualitative approach was not appropriate for this study because the objective of the study was to establish the relationship between the audit committee, board of directors, internal auditors' attributes and financial sustainability.

A quantitative approach is based on the numerical measurement and thus, it can be simpler to generalise than qualitative research (Ortega 2021: 69; Callaghan 2019: 179).

It is also easier to illustrate the results on graphs for explanatory purposes. Therefore, the quantitative approach was appropriate for this study because the sudy examined the relationship between the independent and dependent variables (Ortega 2021: 69; Abu-Alhaija 2019:122; Dawadi et al 2021: 25). The study used closed-ended questions and secondary data to predict the relationship between audit committee, board of directors and internal auditors' attributes and financial sustainability which is within the quantitative approach (Abu-Alhaija 2019:122; Creswell 2014:34). The choice of quantitative approach in the study was also appropriate because quantitative approach is in alignment with the view of positivism paradigm (Ortega 2021: 69; Abu-Alhaija 2019:122; Dawadi et al 2021: 25). Both quantitative approach and positivism paradigm aim to identify the relationship between internal governance and financial sustainability (Ortega 2021: 69; Dawadi et al 2021: 25). The assumption of positivism supports quantitative studies rather than qualitative studies (Ortega 2021: 69; Abu-Alhaija 2019:122; Dawadi et al 2021: 25). As the study adopted quantitative approach and deductive reasoning, quantitative research design was also used.

5.6.2 Quantitative research design

As discussed in Section 5.5, when a researcher chooses a quantitative research approach than a quantitative research design is also chosen (Popescu 2019: 5146; Glover 2015: 2). The quantitative research design specifies what, where, when, how much, by what means in terms of objective measurements such as experimental and method could be manipulation of variables such as analysis of the effect of the independent variable on the dependent variable and how to conduct experiment or non-experiment will be techniques of the chosen research method (Glover 2015: 2). There are four main types of quantitative research design: descriptive, correlational, causal-comparative or quasi-experimental and experimental research design (Ortega 2021: 69; Callaghan 2019: 179). According to De Vos et al (2011:143), the research design focuses on the end product and the steps followed in achieving the objectives of the study.

There are two developmental research designs, namely a cross-sectional study and a longitudinal study. In cross-sectional studies, different groups of populations are used, while in longitudinal studies, a single group population is studied over some time (Leedy & Ormrod 2015:157). Longitudinal studies are also correlation studies (Leedy &Ormrod 2015:158). This study adopted a cross-sectional approach as data from the various

MMDAs were considered at the same point in time. According to Creswell (2014:6), a research approach has its corresponding research design which calls for possible methods, which in turn provide a range of techniques to support the method. A quantitative research approach corresponds with quantitative research design whilst a qualitative research approach moves with qualitative research design. Concerning Table 5.1 above, the quantitative approach is connected to the positivism paradigm. This implies if a researcher chooses a quantitative approach, a quantitative research design (descriptive, correlational, experimental and quasi-experimental designs) for data collection and (a deductive reasoning) for data analysis should be chosen. On the other hand, the qualitative approach is connected to constructivism and transformative paradigms. This implies that if a researcher chooses a qualitative approach, a qualitative research design (explanatory and exploratory research designs) for data collection and (an inductive approach or reasoning) for data analysis should be chosen (Popescu 2019: 5146; Glover 2015: 2; 2015: 2; Creswell 2014: 6). However, mixed method approach is connected to pragmatism paradigm. This also implies if a researcher selects a mixed-method approach, both quantitative and qualitative research designs (as discussed above) for data collection and analysis should be chosen (Popescu 2019: 5146; Glover 2015: 2; 2015: 2; Creswell 2014: 6). Therefore, this section discusses types of quantitative research designs and justifies the use of descriptive design in the study.

5.6.3 Justification of research design used in the study

This study was conducted by means structured questionnaire and secondary data. Therefore, the nature and complexity of the problem of the study, the research questions and the aim of the study called for a resolute research design to meet the requirements of these research objectives. As a result, a descriptive research design was selected to conduct this study. The study used a descriptive research design, which involved the collection of longitudinal data for a period of five years from 2016 to 2020. This study explained the key variables and the hypotheses were formulated; hence, descriptive design was appropriate for this study. Creswell and Clark (2017: 470) confirmed that descriptive design is appropriate since it provides sufficient information on the relationship between the independent and the dependent variables. This design aims at determining how audit committee attributes strengthen or weaken the relationship between the board of directors and internal auditors’ attributes and the financial sustainability of MMDAs in Ghana. A descriptive design is usually concerned with describing a population concerning important variables with the major emphasis being establishing the relationship between the variables (Ortega 2021: 69; Callaghan 2019: 179; Kumar 2019). According to Kothari (2019: 1), descriptive design helps to assess the relationship and trends with quantitative data. Since the key variables in the study were defined and the study had formulated hypotheses, the descriptive design was appropriate for this study. This position is supported by Ortega (2021: 69), Callaghan (2019: 179) and Cooper and Schindler (2014:134), who indicated that a descriptive design is, appropriate for a study that has formulated hypotheses or research questions.

A descriptive research design was employed in establishing the relationship between the audit committee, board of directors and internal auditors' attributes and the financial sustainability of MMDAs in Ghana. This method was chosen since according to Narkhede (2019:1) is a good method to describe events. Dougherty, Slevc and Grand (2018: 361) also mentioned that descriptive research design is accepted when the data is quantitative. A descriptive design was adopted in this study to describe the relationship between dependent, independent and moderating variables and also helps to develop and propose a framework for MMDAs to be financially sustainable. To propose an implementation framework on how audit committee attributes could strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable, this study used quantitative approach through questionnaire administration and documentary records.

The experimental design and quasi-experimental design were not appropriate for this study. An experimental design is appropriate for studies in which cause and effect relationships of variables are examined (Ortega 2021: 69; Callaghan 2019: 179). The quasi-experimental design is also appropriate for studies in which the intervention's causal effect within a targeted population on a study of control groups is assessed (Vadasi et al 2020: 175). The key difference between correlation designs and experimental and quasi-experimental designs is that correlation does not signify cause-and-effect relationships or causation by manipulating independent variables (Alotaibi & Hussainey, 2016: 167). The justification for adopting a descriptive research design is that findings from the sample were taken to represent the population (Ortega 2021: 69; Crane et al 2017: 787; Mugenda & Mugenda 2003), it is cost-effective in terms of collection of a large data (Ortega 2021: 69; Crane et al 2017: 787), it is easy to identify the attributes of a large population from the sample (Ortega 2021: 69; Crane et al 2017:

787, Mugenda & Mugenda 2003), and it is used when collecting longitudinal data (Kothari 2004). Also, descriptive design is used when collecting quantitative data for analysis (Ortega 2021: 69; Crane et al 2017: 787; Barnham 2015: 837), and it supports the positivist paradigm (Ortega 2021: 69; Popescu 2019: 5146; Barnham 2015: 837), as used in this study.

5.7 Research time horizon

As discussed in Section 5.5, the research design of a study indicates the necessary steps to provide answers to the research questions and to test the stated hypotheses (Silver et al 2013: 55; Gravetter & Forzano 2009: 185). In this study, time measurement was of specific concern to the selected research design. Observations can be evaluated in a single period or over a longer period. As a result of this, two main research designs can be used, namely cross-sectional and longitudinal (Babbie 2013: 106). A cross-sectional design is used when data is collected from the sample population at a single period (Hall & Wall 2019; Du Plooy 2009: 91). This design cannot be used to measure variations over an observed period (Hall & Wall 2019; Kumar 2011: 107). This design is normally used in exploratory studies (Babbie 2013: 105). In contrast, longitudinal studies consider the same phenomenon over an extended period (Hall & Wall 2019; Babbie 2013: 106). Therefore, time series and panel designs are normally used for longitudinal studies. A time-series design is used to evaluate a specific object of a specific organisation over a given period (Blaikie 2010: 202). A time-series design provides essential information regarding variations for a specific variable used in the study over five years. Nevertheless, instead of considering only one MMDA over a number of years, the study collected financial sustainability data for 207 MMDAs over the period 2016 to 2020. For this reason, the study used a panel data research design. A panel data design considers changes in a number of sample objects over an observed period (Sarhan, Ntim & Al-Najjar 2019; Blaikie 2010: 202). A panel design is also known as pooled cross-sectional time-series design (Frees 2004: 4). The study used a balanced panel design. A balanced panel design is only used for organisations that have data available for every year during a specific study period (Blaikie 2010: 202; Frees 2004: 4).

The study used panel data. Panel data is data sets that consist of multiple observations on each sampling unit (Sarhan et al 2019; Baltagi 2001: 6). Winarno (2015: 1) referred to panel data as data that combines both time series data and cross-sectional data. In this study, cross-sectional data consisted of 207 MMDAs. There are 260 MMDAs; however, 53 MMDAs were excluded from this study as their data were not complete on the website of the Auditor General from 2016 to 2020. Therefore, all the remaining 207 MMDAs were analysed in this study. Baltagi (2001: 6) indicated that panel data gives the researcher a large number of data points by combining both cross-section and time series. Gujarati and Porter (2009: 592) mentioned that panel data gives more variability, degree of freedom and efficiency, informative data and less collinearity among the variables. The authors further mentioned that panel data helps to control omitted or unobserved variables. The study sampled observations for five years (from 2016 to 2020). The study with 5 years of observations for 207 MMDAs will have a total of 1035 observations which is better as compared to only 207 observations if a time series analysis is selected. The main purpose of using panel data is to increase the number of observations. Therefore, 5 years of time series data coupled with 207 MMDAs, is assumed to provide the study with a rich input from 1035 observations. The secondary data set in this study comprised both published and documentary or archival sources. The published financial reports of the sampled MMDAs were downloaded from the website of the Auditor General in Ghana. Auditor General's report contains information on the financial sustainability of all the MMDAs in Ghana. The financial information in the Auditor General's report was used to measure the financial sustainability of the sampled MMDAs.

5.8 Data collection methods

Data refers to any evidence that has been generated, observed, collected or created to authenticate the research findings (Flick 2018:5). The data explains and justifies in detail the data collection methods used in the study. Data collection methods are specific means through which data can be collected from the respondents, documents or observations for a study (Igwenagu 2016). Research methods are specific means of collecting and analysing data, such as questionnaires and open-ended interviews (Igwenagu 2016; Rehman & Alharthi 2016: 56). The methods should be described in detail to justify the choice and possibility of repeating by some other researcher or in other situation. The methods to be used for a study will depend on the design of that study and the researcher's theoretical mindset. However, it must be noted that the use of a particular method does not entail ontological and epistemological assumptions (Rehman & Alharthi 2016: 56).

A research method differs from a research methodology because it specifies how data are collected for the study. The best method for a study depends on the topic of the study, the type of data needed, and the people or items from which the study's data will be collected (Dawson 2019). As discussed in Section 5.4, there are three main research methods: quantitative, qualitative and mixed research methods. The quantitative research method uses structured or closed-ended questionnaires or structured interviews; the qualitative research method uses focus groups, observations and open-ended questionnaires, semi-structured interviews, and theoretical analysis; and the mixed method uses both structured and unstructured questionnaires (Dawson 2019).

Consideration was taken when reviewing the three different approaches to determine the appropriate approach for this study. The choice of research approach needed to align with the research questions. Therefore, the approach can be qualitative, quantitative, or both (Callaghan 2019: 179; Daniel 2019: 43). Each approach has its purpose, methods of inquiry, strategies for collecting and analysing the data, and the quality of the criteria (De Vos et al 2011:63). The study employed a quantitative approach of data collection using questionnaire surveys and secondary data to enhance data quality and minimise the risk of bias (Hussey & (Chetty 2016: 1; De Vos et al 2011:63). Questionnaire allowed information to be gathered from a large number of participants (Rada 2019: 115). Auditor General's reports were also used to gather information on financial sustainability of MMDAs. The respective merits and drawbacks of these methods, and the justification for the use of the quantitative approach, are discussed in the following sections.

Once the research design has been developed, the researcher should determine whether secondary and or primary research should be conducted. The quantitative data that positivist researchers use to answer research questions and formulate theories can be collected through experiments or less rigorous quasi-experiments, standardised tests and large or small scale surveys using closed-ended questionnaires (Perera 2018: 1; Rehman & Alharthi 2016: 51). The numeric data collected through these methods are subjected to descriptive or inferential statistical analysis (Rehman & Alharthi 2016: 51). According to the positivist approach, a study is considered to be of good quality if it has an internal validity, external validity, reliability and objectivity (Perera 2018: 1; Rehman & Alharthi 2016: 56). If the researcher proves that it is the independent variable that had an effect on the dependent variable, the study is considered to have internal validity

(Rehman & Alharthi 2016: 56). If the results thus arrived at are generalisable, it has external validity (Rehman & Alharthi 2016: 56). If different researchers conduct the study in different times, places and contexts and arrive at the same results, it has reliability (Perera 2018: 1; Rehman & Alharthi 2016: 56). If researchers study phenomena without contaminating their apprehension, they are considered to be objective (Perera 2018: 1; Rehman & Alharthi 2016: 56). This section provides a discussion on the type of data collected and the process followed in this study. There are two types of data, namely secondary data and primary data. This study used both secondary data and primary data.

5.8.1 Secondary data collection

Secondary data is used for historical studies and such studies begin and end at a particular point in time (Bouchrika 2023:1). Scientists usually start their studies by having a look at secondary sources – these are the studies conducted by others, and they are referred to as data. This enables them to build the main argument that will be included in their study and to assess the results of previous researchers that they have already mentioned in their study (Hair, Celsi, Money, Samuel & Page 2011: 155; Kumar 2011: 23; 58). Datasets collected for other purposes should initially be different from those practised by scientists. Although the collection of secondary data might be referred to the collected data, usually they do not need access to the original research subjects. The source of these secondary databased are normally already collected for other purposes than the current study (Struwig & Stead 2013; Zikmund & Babin 2010:163).

The main advantage of using secondary data includes that it is readily available, relatively inexpensive to gather, and less time-consuming to collect than primary data (Zikmund & Babin 2010: 163). Another advantage is that secondary data was not specifically collected for the researchers' needs. One study's primary data can thus become someone else's secondary data. The researcher must therefore carefully evaluate the secondary dataset to determine its reliability and validity of it in terms of their research (Boone & Kurtz 2012).

Secondary data are often collected by using electronic sources, such as academic journals and databases (Zikmund & Babin 2010: 163). For this study, journal articles, books and websites were consulted to conduct a comprehensive literature review on internal governance and financial sustainability. Secondary data is made up of published information and archival or documentary information (Harper & Cole 2012: 510). Published information or data are information available on the websites of organisations (Harper & Cole 2012: 510). Archival or documentary data is concerned with records left by organisations as a result of everyday activities (Harper & Cole 2012: 510). Such data is normally kept in archives or exists as records of organisations (Harper & Cole 2012: 510). Since the study took a historical perspective to gain insight into how audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and financial sustainability, published and archival or documentary records are appropriate (Harvey, 2012: 400). Annual audit reports for the financial year 2016 to 2020 were downloaded from the Auditor General's website. Data on internally generated funds related to the MMDAs were collected from the Auditor General's annual reports to measure financial sustainability. All the Auditor Generals' annual reports for the MMDAs in Ghana have a section on internally generated funds. The financial sustainability variables (ratios) were located during a search of the entire annual report of each of the sampled MMDAs. The financial sustainability factors were collected from the Auditor General's annual reports on the MMDAs. The financial sustainability information that was collected includes profit margin ratio, operating cash flow to total revenue ratio, rates coverage ratio, rates revenue to total revenue ratio and asset turnover ratio. Combining the data is important to create indexes, scores, and ratios. The ratios help to create a score or a single number. The data collected helped to analyse and examine the relationship between internal governance and financial sustainability.

5.8.2 Primary data collection methods

Hair, Money, Samouel and Page (2011) surveyed the literature regarding using primary data and found that it is necessary to use primary data if the objectives of the study cannot be adequately addressed by using only secondary data. Most primary data that is used is obtained from personal experience. A researcher could base them on their own experience and use the data that was collected for the first time to answer specific research questions (Bouchrika 2023:1; Hair et al 2011: 186). Primary data is original and can help answer specific research questions (Bouchrika 2023:1). The analysis of primary data can provide more detailed information than only looking at secondary data (Kumar 2011: 26). A primary data source is created by collecting information from interviews and questionnaires. Primary data is reliable because it provides a finegrained, time-specific picture that would not be obtainable from secondary data sources Wu et al (2016: 240). However, collecting primary data can be a time-consuming process as it requires conducting interviews and surveys, which can take several months (Boone & Kurtz 2012). Therefore, in addition to secondary data, a structured questionnaire was used to collect primary, empirical data .

5.8.2.1 Questionnaire

Gerald and Allan (2018: 43) referred to the questionnaire as an instrument used to gather data, which allows measurement for or against a particular perspective. According to Sreevidya and Sunitha (2011:49), a questionnaire is a document containing a list of questions designed to solicit information from respondents that would be appropriate for analysis. The questionnaire survey is the most commonly employed data-gathering tool among social scientists (Masli 2018: 77). An effective way of collecting responses from a large sample, it allows concepts to be translated into measurable values for quantitative analysis (Creswell 2014:296). The questionnaire survey is generally utilised to measure phenomena at the group rather than the individual level (Masli 2018: 77; Ciciriello et al 2014) and tends to be employed for explanatory or descriptive studies (Masli 2018: 77; Adeoye 2015); that is, to investigate and explain the relationships between variables, or to identify and describe the variability within a phenomenon (Masli 2018: 77; Saunders et al 2009: 112).

Bell et al (2019) as well as Saunders et al (2009:112) identify two kinds of questionnaires: self-administered (this may be internet-mediated, postal or delivered and collected by hand) and interviewer-administered (either by telephone or in a structured interview). Self-administered questionnaires are widely employed by researchers; not only can they cover a large sample and a wide geographical area relatively cheaply, but they can also be used to reach a population that might otherwise be difficult to access. Furthermore, when the information being sought is sensitive, the anonymity they offer may make respondents more likely to complete them honestly (Kazi & Khalid 2012). This was a particularly relevant consideration in this study. The major drawbacks of this method are the possibility of a low response rate especially if the questionnaire is administered by email and the danger that questions may be left unanswered, which may affect the validity of the findings (Masli 2018: 77; Mbatha 2015). An attempt was made to overcome these limitations first, by distributing most of the questionnaires by hand and second, by sending the emailed questionnaires a second time if the first yielded no response.

A structured questionnaire was used to collect primary data on internal governance variables from the chief audit executives, chairpersons of audit committees and board of directors of the sampled MMDAs. Chief audit executives and chairpersons of audit committees and boards of directors were chosen to respond to the questions because they play a key role in the internal governance of MMDAs. The audit committee, board of directors and internal audit activities are of central importance in this study. It was, therefore, essential to seek data on issues such as audit committee independence, audit committee meetings, audit committee competence, the board size, board independence, board gender diversity, internal audit size, internal auditor independence, and internal auditor competence from the chairpersons of the audit committees, chairpersons of the board of directors, and chief audit executives. Questionnaires can be used for large-scale surveys, and they are preferable under positivist and phenomenological methodologies (Bell et al 2019). The purpose of the questionnaire was to help retrieve information needed to measure the internal governance variables from the respondents. Therefore, the questionnaire was prepared and answered according to the measurement of the study variables.

5.8.2.2 Questionnaire design and administration

To achieve the aim of the study, a structured questionnaire was used as a main tool for data collection to address the internal governance variables used as independent and moderating variables. In accordance with the postulations of Hair, Ortinau and Harrison (2021:1), a survey method using understandably structured questions was chosen as the most appropriate method for data collection. Quantitative surveys are useful because they allow researchers to collect measurable information and apply statistical techniques like structural equation modelling. These techniques help researchers compare specific parts of the data, such as determining the impact of audit committee attributes on the board of directors and internal auditors' attributes. By using statistical analysis, researchers can determine the significance of these relationships on financial sustainability (Hair, Risher, Sarstedt & Ringle 2019:2). According to Masli (2018: 77), the preparation of a questionnaire requires less skill than conducting semi-structured or in-depth interviews. Questionnaires provide data that are more internally consistent and coherent for analysis (Masli 2018: 77; Farnik & Pierzchała 2012). In the current study, the questionnaire aimed to gather data from the three groups of respondents regarding the independent and moderating variables. The research questions, which were developed following the literature review, in turn, guided the development of the questionnaire. In this study, the questionnaire used converted the research objectives into specific questions, and the responses to the questions provided the data for testing the hypotheses.

The structured questionnaire was prepared based on previous studies and the theoretical framework for the relationship between internal governance and financial sustainability. The structured questionnaire was also prepared using the appropriate measurement scales and taking care of possible measurement issues (Hair, Sarstedt, Hopkins & Kuppelwieser 2014:106) (see Section 5.9.1). The questionnaire included five (5) questions for each independent and moderating variable of which answers were obtained from the chief audit executives, audit committee and board of directors chairpersons in the sampled MMDAs through which the internal governance variables were assessed to achieve the objectives of the study. This was in line with Hazaea, Tabash, Zhu, Khatib and Farhan (2021: 137) and Akintimehin, Eniola, Alabi, Eluyela, Okere and Ozordi (2019: 1). Five-point Likert scale was used as it is comparatively simple for respondents to use, and responses from such a scale are reliable (Hazaea et al 2021: 1; Lam & Kolic 2008: 248).

The five-point Likert scale was represented by 1 (Strongly disagree), 2 (Disagree), 3 (Neutral), 4 (Agree), and 5 (Strongly agree). According to Bouchrika (2023:1), the Five Point Likert scale is designed to assess how strongly respondents agree or disagree with statements on a five-point scale. Bouchrika (2023:1) added that the Likert scale is more sophisticated than the other scales such as nominal or ordinal. According to the author, by allowing the measurement of any two points on a scale, the Likert scale enables the researcher to calculate the mean and standard deviations of the responses on the variables which makes the measurement of magnitudes of differences in the preferences of the individuals possible. Descriptive analysis was performed along with the partial least square structural equation modeling analysis to ensure the correctness of all variables (Hazaea et al 2021: 137). The questionnaire began with a summary outlining the study and the purpose of the questionnaire. Within the main body of the instrument, care was taken to word each question in clear and understanding language, and to avoid any word that might be confusing, too complex or embarrassing. The layout was designed to make the instrument quick and easy for respondents to complete, while still ensuring that answers would be clear and sufficiently detailed for analysis. The survey questions, which were fifty (50) in total, were classified under nine categories, made up of an average of five (5) closed-ended questions each to enable the participants to indicate their level of agreement on the issue at hand. The participants were made to indicate their level of agreement on how the board of directors, internal auditors and the audit committee attributes affect financial sustainability in their respective MMDAs.

The questionnaire for the respondents was divided into six sections. The first section (Section A) covered background information, such as education, experience, and qualifications. The second section (Section B) provides information about the board of directors, internal auditors and audit committee attributes used in the study. The third section (Section C) provides statements about the financial sustainability measurements. The fourth section (Section D) provides statements about the relationship between the board of directors' attributes (board size, board independence and board gender diversity) and financial sustainability. The fifth section (Section E) provides statements about the relationship between internal auditors' attributes (internal audit size, internal auditor independence and internal auditor competence) and financial sustainability. The final part of the questionnaire, (Section F) provides statements about the relationship between the audit committee attributes (audit committee meetings, audit committee independence and audit committee competence) and financial sustainability.

In this study, questionnaires were distributed to 207 MMDAs that met the selection criteria for gathering standardised information concerning the relationship between internal governance mechanisms and financial sustainability. Each MMDA received three (3) sets of questionnaires. Accordingly, a total of 621 questionnaires were distributed to the participants. The distribution of questionnaires began in early July 2022 and continued until December 2022. The questionnaires were distributed and collected by hand. In most cases, most of the questionnaires were sent by email. When the majority of the questionnaires had not been returned after a month, they were resent. This prompted some recipients to return their questionnaires.

The questionnaires were distributed to those individuals with the greatest experience and awareness of audit committee practice and governance. These groups have both the means and the authority to monitor MMDAs and are widely regarded as the foundation stones upon which the MMDAs' monitoring mechanisms are built (Sultana, Cahan & Rahman 2020:173: Masli 2018: 77-78; Stewart & Munro 2007; Rezaee 2009). These participants were also regarded as those who have the knowledge and possess the necessary information and background needed for this study and can answer the questionnaire. The selection of the participants was made through the purposive sampling method, which according to Sreejesh et al (2014:18) and Bouchrika (2023:1), involves the selection of participants who could provide the data needed to achieve the objectives of the study. Therefore, chairpersons of the board of directors and audit committees as well as chief audit executives were purposively selected to respond to the questions.

In the governance structure of MMDAs in Ghana, the audit committee acts as an intermediary between the board of directors (council members) and internal audit activities. The interactions among the audit committee, internal auditors, and board of directors are essential for effective corporate governance (Cohen et al 2004: 87; Gramling et al 2004: 194). Section 83 (1) of the PFM Act requires the chief audit executive to report functionally to the audit committees. The internal audit activity assists the board in MMDAs in fulfilling its oversight responsibility regarding issues of financial management, risk management, internal audit and compliance (Dlamini et al 2017: 46; Coetzee & Fourie 2015:959). Also, internal audit activities support the audit committee by evaluating risk management, internal controls and governance processes (Eulerich & Eulerich 2020: 83; Soh & Martinov-Bennie 2011: 605). Audit committees assess the performance of the internal audit activities, appoint the chief audit executives and support and promote the audit function (Dzomira, 2020: 85; Davies, 2009), and advise the board of directors and internal audit activities on issues relating to internal financial controls, risk management, and effective governance (Rehman 2021: 3; Erasmus & Matsimela 2018:1; Dodo 2017: 19). In their continues interactions and meetings, audit committees provide suggestions and recommendations to the board of directors and internal audit activities concerning actions to be taken to enhance the financial sustainability of MMDAs (Rehman 2021: 3; Rahayu & Rahayu 2020: 1; Oncioiu et al 2020: 3114; Namakavarani et al 2021: 237). Since the board of directors, internal audit activities and audit committees are the essential components of internal governance of MMDAs, it can therefore be inferred that their interactions make them understand the roles and responsibilities of each other. For this reason, the selection of the chief audit executives, chairpersons of audit committees and board of directors to respond to the questionnaire provided the required information to answer the research questions and to achieve the objectives of the study. The responses from all three groups of respondents were merged to enable overall assessments and answer all the research questions.

Self-administered questionnaires including personally-administered surveys and online surveys were used to obtain data on internal governance variables from the chief audit executives and chairpersons of audit committees and board of directors through the Regional Coordinating Council. Creswell and Creswell (2017:1) as well as Bell et al (2019:1) mentioned that the use of self-administered questionnaires is relatively cost-effective, quick to administer and convenient for the respondents to respond to the questions. Another essential consideration for the use of self-administered questionnaires is the response rate. Mellahi and Harris (2016:426) indicated that the response rate for surveys is the percentage of the respondents out of the total sample that responded. Mundy (2002:1) contended that a response rate of between 60% and 80% is reasonable and acceptable for questionnaires.

Self-administered questionnaires include online surveys, postal questionnaires, as well as personally-administered surveys (Bell et al 2019). Therefore, self-administered questionnaires including online surveys as well as personally-administered surveys were adopted in this study. Both online surveys and personally administered surveys are advantageous in achieving high response rates (Bouchrika 2023:1). The online survey was considered for this study due to its ability to cover a wide range of people for a short period. Also, an online survey is cost-effective in terms of delivery (Bell et al 2019: 1; Bouchrika 2023:1). Additionally, online surveys offer the opportunity for respondents to respond to the questions at their own convenience time and comfort (Bouchrika 2023:1). The questionnaire was accessed via a hyperlink in the introduction letter, using the Qualtrics survey software system.

Conversely, since the response rate from online surveys is normally not encouraging, a personally-administered survey was also used due to its high response rate (Bell et al 2019:1; Bouchrika 2023:1). Personally-administered questionnaires offer the respondents the opportunity to seek clarifications from the researcher promptly when answering the questions. It also offers the opportunity to explain in detail the research topic to the respondents which in turn motivates the respondents to answer the questions. Personnaly-administered questionnaires were distributed with the help of the

Regional Coordinating Councils. Currently, there are sixteen (16) regions in Ghana (Republic of Ghana 2020: 29). The Regional Coordinating Councils are established for each of the 16 regions with administrative and coordinating responsibilities of all the MMDAs. In each region, the Regional Coordinating Councils monitor, coordinate and evaluate the performance of the MMDAs (Republic of Ghana 2020: 29). The Regional Coordinating Councils also have quarterly meetings with the chairpersons of the board of directors and audit committees as well as chief audit executives on the governance issues of all MMDAs in a particular region (Republic of Ghana 2020: 29). Therefore, the Regional Coordinating Councils were used to help the distribution of the questionnaire to achieve greater coverage of the respondents. Therefore, the researcher personally dropped the questionnaires at the principal office of the Regional Coordinating Councils in each of the 16 regions to be distributed to the chief audit executives and chairpersons of the board of directors and audit committees of the MMDAs in each region and picked them later. As indicated above, the questionnaire distribution started in early July 2022 and continued until December 2022. This ample time helped the researcher to remind the respondents to fill and return the questionnaires to achieve eighty percent response rates. This approach helped to get a large number of respondents to enable the results from the study to be generalised. To avoid double counting, the responses received from the personally-administered survey were excluded from an online survey.

As already discussed, the questionnaires were distributed to the board of directors and audit committee chairpersons, and chief audit executives in each MMDA. The questionnaire pack included a set of questionnaires and two cover letters. The first letter explained the objective, and the importance, of the study, which was a helpful tool for obtaining a higher response rate. Furthermore, the letter stated a commitment to the participant that the completed questionnaire would be handled under terms of strict confidentiality and participant anonymity. In addition, the researcher offered to send a copy of the research findings to the respondents. The second cover letter was from the researcher's supervisor to explain the objective of the study, persuade the participants to fill out the survey questionnaire and inform them of the importance of their responses. A reminder letter was sent and/or a call was made after three weeks after the first questionnaire distribution. A second reminder was sent between four to five weeks after the first questionnaires. A final follow-up letter or call was made after six weeks following the first questionnaire distribution because researchers should conduct follow-ups to increase the response rate. For instance, the researcher used different forms of communication, such as a visit and e-mail to motivate and lure participants to respond.

5.8.2.3 Structure of the questions and scaling techniques

The study used closed-ended questions. Closed-ended questions are preferable in a quantitative study (Hair et al 2021), specifically multi-item scales such as 5-point Likert scales. The option of each respondent of the questionnaire item was captured on a definite scale, which is a postulation of structural equation modelling (Hair, Matthews, Matthews & Sarstedt 2017:107; Babbie 2016). The selected measurement scale affects the data analyses that can be conducted (Hartas 2010: 311; Wiid & Diggines 2009: 159). For statistical analysis purposes, data are generally classified as categorical or numerical (Anderson, Sweeney & Williams 2011: 20).

Data collection entails the systematic gathering of data for a specific purpose from various sources, such as interviews and published annual reports (Silber & Foshay, 2010: 96). According to the positivism paradigm that was considered in the study, the researcher examined hypotheses that were deducted from theory. These hypotheses contained variables that had to be carefully defined. Part of the data collection process entails the identification of the relevant variables (Creswell, 2003: 126). Albert Einstein (1879–1955) mentioned that it is not everything that can be counted counts and not everything that counts can be counted (Zikmund & Babin 2013: 248). Researchers should thus determine which variables they are interested in (consequently which variables count) and which measurement scale should be used. The nature of the measurement scale determines whether mathematical comparisons are allowed, in other words, whether the variables can be counted or compared numerically (Zikmund & Babin 2013: 248). As discussed earlier, a structured questionnaire was used to gather data on the independent and moderation variables, Quantitative research measures were used in the study. Adamson and Prion (2013) indicated four (4) levels of measurement. In the following section, various measurement scales that can be used by researchers are presented, followed by a discussion on each of the dependent and independent variables.

Nominal level: These are numbers where the order of the numbers does not matter (Adamson & Prion 2013). This measurement aims to identify separate information. Under this measurement, the order of the numbers does not matter, but the series of numbers in each case indicate different information (Adamson & Prion, 2013). This level of measuring data is a categorical and non-rank ordered level of measurement (Adamson & Prion 2013). When considering categorical data, labels or names are typically used to assign attributes to the observed element(s). The focus is thus on written expressions and not on numeric data (Albright, Winston & Zappe 2011: 30). However, categorical variables can be coded numerically either a nominal or ordinal measurement scale can be used for categorical data (Anderson et al 2011: 20). A nominal scale is the lowest level of measurement (Pagano 2013). Such a scale organises data into categories where no specific order or sequence is implied (Jackson 2009: 59).

Ordinal level: This is also known as rankings because the order of these numbers matters. This is when items are given a specific rank according to specific criteria (Adamson & Prion, 2013). A common example of ordinal measurements includes ranking-based questionnaires, where participants are asked to rank items from least favorite to most favorite. This is rank-ordered categorical data (Adamson & Prion 2013). Rather than focusing on the calculations and exact figures involved with quantitative measurements, this method for rating responses on an ordinal (ranking) scale provides an easy-to-interpret insight into the range or intensity of reactions(Pagano 2013; Wiid & Diggines 2009: 160). This kind of survey scoring has been referred to in research by scholars like Pagano (2013) and Wiid and Diggines (2009: 160), who identified it as a way to accurately measure differences that exist between various research elements, without resorting to overly complicated numerical measurements. It involves assigning numbers (1 to n) as ratings for each response option which can later be organised according to a numerical value, allowing for quantitative data analysis. This method offers flexibility with its scale ranging from least preferred response (1) up to most preferred response (5), and also allows for a variety of questions that may not have uniform responses or have no definitive answer (Pagano 2013; Wiid & Diggines 2009: 160). It is one of the more reliable tools for collecting data in social sciences research, as it provides a straightforward way to quantify attitudes, preferences and opinions(Gravetter & Wallnau, 2011: 22; Jackson, 2009: 60). The scale works by assigning levels of intensity on each response option from 1 to 5 (for example, “strongly disagree” would be given a score of 1, while “strongly agree” gets 5) (Zikmund & Babin 2010: 328). This ensures that there are both consistencies in the results as well as differentiation between levels of opinion (Zikmund & Babin 2010: 328). Additionally, it allows researchers to find out which options are most popular among survey respondents which can be incredibly valuable information (Kumar 2011: 72).

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In the current study, the Auditor General's annual reports of the sample MMDAs were used to gather the relevant data to compile financial sustainability for each MMDA. In contrast to categorical variables, numerical variables typically yield mathematical responses (Srivastava & Rego 2008). Quantitative data typically require interval or ratio measurement scales (Anderson et al 2011: 20). Depending on the values assigned to the observed factors, two types of numerical measures can be considered. Discrete variables form one of a finite number of whole numbers. Most nominal and ordinal data are discrete. Continuous variables produce numerical responses arising from a measuring process allowing for fractional amounts (Levine et al 2005: 15). Most interval and ratio data are continuous (Jackson 2009: 62).

Ratio level: This is when the data are ordered and have a consistent distance between numbers, but has a zero point. This means that there could be a measurement of zero of whatever is being measured in a study (Adamson & Prion 2013). This type of measurement has features of both interval and ordinal, in addition to the zero point that exists on the scale (Balnaves & Caputi 2001: 88). A ratio scale presents the highest measurement form. In addition to the features of the interval scale, it has an absolute zero point (Zikmund & Babin 2010: 329). The ratio scale helps to compare differences in scores, as well as the magnitude in scores (Coldwell & Herbst 2004: 66).

Interval level: This is when the data are ordered and the distance between the numbers matters to the researcher (Adamson & Prion 2013). This data can be measured on an interval scale and the differences between scales are the same (Adamson & Prion 2013). An interval scale measurement of a questionnaire is a style of data collection that allows for more precise measurements and deeper insights into the research topic (Zikmund & Babin2010: 328). This type of measurement relies on a predetermined set of response categories, each with an associated numerical value assigned to it. Questions that use this type of approach are used to measure preferences, feelings, or opinions about something (Jackson 2009: 60). In comparison to other types of measurements, the responses gained from an interval scale questionnaire can provide much more detailed insights since they offer more precise evaluation criteria than other rating scales(Coldwell & Herbst 2004: 65). Furthermore, researchers can crunch numbers in order ascertain further quantitative data when analyzing the results gathered from an interval scale questionnaire (Zikmund & Babin, 2010: 328).

However, Gardner and Martin (2007:439) and Jamieson (2004:1217) argued that non-parametric analysis is good for Likert scale data because the data is of an ordinal or rank-order nature. The authors argued further that a parametric analysis is strictly for interval data to yield valid results. However, Hagquist and Andrich (2004:1), Linacre (2002:85) and Waugh (2002:65) disagreed and indicated that Likert scaled-data can be effectively analysed as interval scales parametrically.

Norman (2010:625) opined that it is logical to conclude that a Likert scale constitutes interval data since the multiple items of the scale impact equally its quality. Samuel (2020:225), Carifio and Perla (2007:106) as well as Norman (2010:625) expressed that a Likert scale is a combination of Likert response items, none of these items is more significant than the others in contributing to the quality inherent in the total. The Likert scale is determined by adding up multiple Likert items that measure a similar construct. It is equally acceptable to divide the summed-up scores by the number of items that comprised it to obtain an indication of the average score. Such derived scales are capable of yielding data that are appropriate for parametric analysis (Carifio & Perla 2007:106; Derrick & White 2022:55). Samuel (2020:225) and Pell (2005:1365) opined that conducting parametric tests requires the summed scores of Likert scale data. Norman (2010:625) added that parametric tests are adequately robust in yielding results that are mostly unbiased when analysing Likert scale responses. Norman (2010:625) argued that parametric tests are generally more robust than non-parametric tests because the tests tend to yield valid results even when statistical assumptions such as the normal distribution of data are violated to the extreme.

This study used parametric analysis for Likert scale data. In this study, scores were attached to the responses which are by a 5-point Likert scale. In obtaining a Likert scale value for each respondent, it was necessary to add up the individual response scores and then divide this Likert scale value by the number of items that formed it so that the resulting score fell in the same 5-Likert scale as the individual items. The summing up of these scores was used to arrive at a mean score for each of the independent constructs. The data was then aggregated into three categories (agree, undecided and disagree) and further categorised into two (agree and disagree) for analysis. Four categories were eventually derived, and all the categories were used in the parametric analysis and the results presented in Chapter 6.

This study used an interval scale to measure the questionnaire on the relationship between internal governance variables and the financial sustainability of MMDAs. The PLS-SEM requires variables to be measured on an interval scale or ratio scale for the measurement model indicators (Hair et al 2022; Russo & Stol 2021:78; Sarstedt & Mooi 2019: chap. 3.6). The questionnaire used Likert scales which are interval scale, the independent constructs were scaled on 5-point Likert scale which was treated as interval scale (Gerald & Allan 2018). The questionnaire should have questions and indicators reflecting the level of the data measurement which is suitable to answer the research questions as the research questions should be taken into account while designing the questionnaire (Bryman & Bell 2015). The questionnaire employed in this study was designed to capture the internal governance mechanisms that could influence the financial sustainability of MMDAs in Ghana. The participants were requested to specify their opinions on the significance of the indicators given in the questionnaire that contains five-point Likert scales. The questions and indicators were adopted and modified from the literature review on the audit committee, internal auditors and the board of directors attributes. The Likert scale measurement was employed to design the questionnaire because it is easy to understand and gives high response rates. Interval scale measurement has also been employed extensively in previous studies on internal governance and financial performance (Gerald & Allan 2018; Bryman & Bell 2015).

5.8.2.4 Pilot Study

A pilot study is a test conducted on a small portion of the sample to coordinate and accumulates data before the main data collection begins which aims to improve the quality and the proficiency of the data collection instruments (Ravitch & Riggan 2017:1; Fletcher, Massis & Nordqvist 2016:8). Additionally, Kim (2011: 2) referred to a pilot study as a small-scale methodological test conducted to prepare for a main study and is intended to ensure that methods or ideas would work practically. The purpose of pilot testing of the questionnaire is to establish the content validity of the scores and improve the questions, format and scales which is significant in the measurement process (Creswell 2014:206). Neuman (2014:331) argued that it is difficult to have ideal reliability in an instrument and thus recommended pilot testing as one of the tools used to enhance the reliability of the instrument and also allow validation of the statistical method and the survey before they were administered. Baker, Veit and Powell (2001: 19) indicated that the sample size for a pilot study differs depending on time, costs and practicality. Baker et al (2001:19) mentioned that a sample size between 5- 10 percent of the total sample is appropriate for a pilot study. Cooper and Schchilder (2011:36), Creswell and Ray (2003: 143), as well as Gall and Borg (2007:1), also affirmed that a sample size of a pilot study ranging from five percent (5%) to 10% of the total sample is recommended as a rule of thumb for a study. According to Mugenda and Mugenda (2003), the pilot test of 10% was used to confirm the suitability of the instrument for measuring the variables of the study.

A pilot study allows the participants to make comments or suggest revisions for the questionnaire instruments. The pilot study also allows the researcher to perform a preliminary analysis to establish whether the wording and content of the questionnaire are likely to present any difficulties in the main analysis (Burgess 2001; Bell 2014). The questionnaire instrument was assessed for content, construct and face validity. Content validity was achieved by ensuring that the questionnaire had proper vocabulary, structure and relevancy (Chesire & Kinyua 2021:54; Heale & Twycross 2015:66). The pilot exercise was valuable in validating the main survey and enhancing its potential as an instrument for collecting useful data. Holloway and Wheeler (2002: 80) mentioned that a pilot study helps to identify errors and rectify them at a minimum cost. Construct validity was achieved from literature review and aligning the data collection instruments (Chesire & Kinyua 2021:54; Heale & Twycross 2015:66). Face validity further ensured the validity of the questionnaire based on respondent's attitudes and opinions and multiple choice questions with adequate opinions were used (Chesire & Kinyua 2021:54). Reliability refers the nature of consistency of the data obtained by the research instruments (Chesire & Kinyua 2021:54; Mugenda & Mugenda 2008). A pilot study was conducted and pretesting of questionnaires was done for reliability and rectifying inconsistencies that may arise.

In this study, the questionnaire was administered to twenty (20) respondents in the 20 MMDAs which are approximately 10% of the 207 sampled MMDAs. The questionnaires in the pilot study were distributed to the same three groups of respondents in the study. Therefore, a pilot test of the measurement of the independent and moderating variables was conducted with 20 chief audit executives and board and audit committee chairpersons who were selected randomly from the 207 sampled MMDAs. All the 20 questionnaires distributed were completed and returned representing a 100% response rate. In response to suggestions from the participants in the pilot study, the instrument was amended, with the wording of some questions being made clearer and the formatting being improved. Scaling was modified in certain questions. There was a recommendation from the participants to code the answers on the Likert scale numerically of which, it was done. The 20 participants in the pilot study were part of the sampled respondents. This was done to ensure that the study instruments met the validity and reliability test. A pilot study helped to remove all confusing or ambiguous questions.

5.9 Population of the study

Ayub, Onditi and Michael (2017: 335) referred to the population as all the subjects or elements from where a sample is taken for the study. The population of the study refers to organisations in which the researcher is interested (Loseke 2020:2; De Vos et al 2011:223). The total population is described as the total units or participants from whom the researcher intends to select the sample (Loseke 2020:2). Loseke (2020:2) further referred to a population as a place or site from where the respondents are chosen. A population is a group of all items or individuals of interest to a researcher. This group shares some common distinctiveness (Coldwell & Herbst 2004: 73). For the current study, the population consisted of all MMDAs for the period 2016 to 2020. Currently, there are two hundred and sixty (260) MMDAs in Ghana which comprise 6 Metropolitans, 111 Municipalities and 143 District Assemblies (Hackman et al 2021: 382; Republic of Ghana 2019: 212). Therefore, the study's target population is all 260 MMDAs in Ghana. In this study, population refers to the total number of all MMDAs which met the criteria for selection (discussed in 5.7.2).

Table 5.2: Regional distribution of MMDAs in Ghana

Region	Metropolitan	Municipal	District
Ahafo	0	3	3
Ashanti	1	18	24
Bono	0	5	7
Bono East	0	3	8

Central	1	7	14
Eastern	0	13	20
Greater Accra	2	23	4
Northern East	0	2	4
Northern	1	10	5
Oti	0	2	6
Savannah	0	1	6
Upper East	0	3	12
Upper West	0	4	7
Volta	0	6	12
Western	1	8	5
Western North	0	3	16
Sub Total	**6**	**111**	**143**
Grand Total			**260**

Source: Own compileation

5.9.1 Sampling frame and sample size

A sampling frame is a list of elements from which a sample is drawn (Coldwell & Herbst, 2004: 73). It is a partial or complete list of all the items that comprise the total population (Loseke 2020:2; Quinlan et al 2015:169). The researcher created a list of MMDAs that were set up from the financial year 2016 to 2020. Concerning Table 5.4 above, a total of 260 MMDAs form a sample frame. A sample is selected when testing the total population is not feasible (Quinlan et al 2015:169; De Vos et al 2011:224), and the total population is used when it is relatively small (Etikan et al 2016:3). Loseke (2020:2) referred to a sample as part of the population which is studied. A sample size is referred to as the subgroup of the population's elements that is selected for observation (Terrell 2012:24; Malhotra & Indrayan 2010: 371). In this study, sample size is referred to as the number of observations or respondents considered in a study. Sampled data are used as the basis for hypothesis testing to draw inferences about a population (Gravetter & Wallnau 2011: 339). A study can use a census to test every element in the population, but this is generally costly (Zikmund & Babin 2010: 412). Sample size should be representative of the population to ensure generalisability of the findings from the study sample to the population as a whole (Quinlan et al 2015: 169). The study employed the whole population as the sample. Creswell and Creswell (2017: 1) justified this stance by arguing that a study can examine the whole population if it is of a manageable size and considers the use of the entire population in a study as the census. The total MMDAs who submitted their financial reports for auditing from 2016 to 2020 were 252 (Republic of Ghana 2018:165; Republic of Ghana 2019: 212). 45 of the 252 MMDAs did not have their internally generated funds in the Auditor General's report concurrently from 2016 to 2020 and 8 did not submit their report within that period. Therefore, the total MMDAs who met the criteria was 207 (that is 260 total MMDAs minus-53 MMDAs who did not meet the criteria).

In sample size determination for a study, one of the factors to consider is the method for data analysis. This study used partial least square structural equation modeling (PLS-SEM) as a data analysis method and therefore, a minimum sample size for PLS-SEM was considered. PLS-SEM provides more statistical power in studies with complex model structures and smaller sample sizes (Hair et al 2022:16). For a small sample size, Hair et al (2017:22) indicated that PLS-SEM becomes the best method for data analysis. However, if the population is heterogeneous, a large sample size is needed (Sarstedt, Bengart, Shaltoni & Lehmann 2018:650). Different authors have proposed a minimum sample size for SEM studies to have a more vigorous data analysis. In determining a sample size based on the number of questionnaire items in a study for exploratory factor analysis, a sample-to-item ratio is recommended (Memon, Ting, Cheah, Thurasamy, Chuah & Cham 2021: i). The sample-to-item ratio should not be less than 5-to-1 (Memon et al 2021: i). In this case, a study with 30 questionnaire items would need 150 respondents. Studies conducted by Liao, So and Lam (2015:1100); Yeoh, Ibrahim, Oxley, Hamid and Rashid (2016:1) as well as Forsberg and Rantala (2020:2660) used the 20-to-1 ratio proposed by Costello and Osborne (2005:1). In this case, the same 30-item study would need 600 respondents. Hair et al (2019:2) proposed a minimum sample size of between 5 and 10 respondents for each estimated parameter is more appropriate for data analysis, Garver and Mentzer (1999:33) also proposed a minimum sample size of 200 is representative of SEM analysis, and Hoe (2008:76) proposed a sample size above 200 as more appropriate to give more statistical power for SEM analysis.

Additionally, Iacobucci (2009:673) indicated that a sample size of 50 to 100 respondents is appropriate for structural equation model (SEM) analysis whilst Singh, Junnarkar and Kaur (2016:1) and DeVellis (2017:1) proposed that a sample size between 300 and 500 gives more statistical power for SEM analysis. For confirmatory factor analysis in SEM studies, a sample size of 50 is ranked as very poor, 100 as poor, 200 as fair, 300 as good, 500 as very good, and 1000 as excellent (Kyriazos 2018:2207; Costello & Osborne 2005:1; DeVellis 2017; Williams et al 2010:1). In SEM analysis, Kline (2016:15) proposed that a sample size of less than 100 is ranked as small, 100 to 200 is ranked as medium, and more than 200 is ranked as large. Kline (2016:15) indicated that a sample size of 200 could be very low for models that are complex with non-normal distributions with missing data, less than 100 produces untenable results, and a sample size of 100 participants is recommended in each group for multi-group confirmatory factor analysis. Hair, Anderson, Tatham and Black (1992: 10) also documented that a sample size between 100 and 200 is considered adequate and satisfactory to give more statistical power for data analysis in SEM studies.

Furthermore, Kline (2016:15) documented that a sample size of less than 100 is recommended for simple models in SEM studies but not appropriate for any complex models in SEM studies. A complex model in SEM with more parameters such as moderating and mediating variables need a large sample size than a parsimonious model (Kline 2016:15). However, Hair, Black, Babin and Anderson (2018:8) recommended that panel data studies using regression or inferential analysis should use the sample-to-variable ratio with a minimum observation-to-variable ratio of 5:1, but ratios of 15:1 or 20:1 are more appropriate. In this case, a minimum of five respondents must be considered for each independent variable in the SEM with 15 to 20 observations per independent variable highly suggested. Hair et al (2018:8) emphasised that studies should use 15:1 or 20:1 ratios when determining sample size because the 5:1 ratio leads to underpowered studies. For instance, an SEM with five independent variables would need only 25 respondents if a 5:1 ratio is used which is not sufficient in practice for inferential analyses (Memon et al 2021:i; Bartlett, Kotrlik & Higgins 2001:43).

After using the sample criteria as discussed in Section 5.9.2.3 and having a more robust SEM analysis to achieve the research objectives, the study used census balanced panel data design and survey approach. The panel data, which is secondary data, were sourced from the Auditor General's report for the 260 MMDAs for five years (2016-2020). However, of the 260 MMDAs with 1300 observations (260 by 5), 53 MMDAs with 265 observations (53 by 5) had insufficient financial sustainability information from the Auditor General's report and were thus removed from the study. Therefore, the results were based on 207 MMDAs (260-53) with 1035 five-year observations (207 by 5). Therefore, the study used census balanced panel data design and survey approach to administer 621 structured questionnaires to the chief audit executives, audit committee and board of directors chairpersons in the 207 MMDAs. A total of 621 respondents from 207 sampled MMDAs were contacted for the survey and the response rate was 100% (see Section 6.2). Since the 207 sampled MMDAs who responded to the survey for this study fall within the acceptable range, the study can conclude that the sample size was thus considered adequate to give more statistical power for analysis (Kline 2016:15; Hair et al 1992:10). Census sampling approach is made up of a complete list of all items in a population (Chesire & Kinyua 2021: 54; Lohr 2019:1). Census approach is recommended for a study where the study population is small and manageable therefore facilitates the same representation of the study elements (Chesire & Kinyua 2021:54; Creswell & Creswell 2017:1). Census sampling is recommended where the entire group is to be used to enable comprehensive determination of the phenomena under study where variability within the population is high (Saunders et al 2009:112). Charman, Petersen, Piper, Liedemanv and Legg (2017: 36) argued that the census method gives a higher degree of accuracy in a panel data study. The authors indicated that no other method is more accurate than the census. The authors further indicated that the census method gives researchers a chance to have an intensive study about a problem and thus it is the most appropriate for this study. Thus, 207 MMDAs are deemed sufficient for making statistically significant deductions about the relationship between the audit committee, board of directors and internal auditors' attributes and the financial sustainability of MMDAs in Ghana. The data collected on financial sustainability from the Auditor General's report and internal governance variables through questionnaire administration helped to develop and propose a framework for MMDAs on how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MDAs to be financially sustainable.

5.9.2 Sampling methods

The method used to select a sample and the population from whom the sample was selected should be carefully chosen (Etikan, Musa & Alkassim 2016:2). Sampling refers to the method used to select a portion of the organisations or elements of a population that has common uniqueness to be studied (Loseke 2020:2; De Vos et al 2011:223). The technique used in selecting a sample depends on the type of population and the objective of the study (Loseke 2020:2). Probability and non-probability sampling techniques are the two sampling techniques used for sample selection in quantitative studies which are discussed below.

5.9.2.1 Probability sampling methods

Probability sampling techniques are one of the most popular methods used in research today. Random sampling involves selecting a sample from a specific population and using that sample to make conclusions about the entire population (Flick 2018:5; Boslaugh 2013: 57). Probability sampling is a form of data collection used by researchers to create a representative sample. It involves selecting individuals from the population randomly and objectively so that every member has an equal chance of being chosen, which improves the accuracy and reliability of results. The major benefit of these methods is that, since each person in the population has an equal chance of being chosen as part of the sample, it minimises bias and makes it easier to generalize results to the entire population (Flick 2018:5; Boslaugh 2013: 57). Be aware, however, that these techniques are best for providing data about a quantifiable phenomenon; for instance, probability sampling would generally be better at estimating how many people have diabetes than gauging what type of education they received (Flick 2018:5; Boslaugh 2013: 57).

Levine et al (2005:10) identify four main types of probability sampling methods: simple random sampling, systematic random sampling, stratified random sampling and cluster-based random sampling. Simple random sampling involves selecting members from the population at random without any prior information about them. Systematic random sampling requires implementing a set pattern when selecting members from a population to increase efficiency and convenience (Malhotra & Indrayan 2010: 383). Stratified random sampling involves dividing the population into subgroups based on various criteria such as age and then taking proportionally representative samples from each group. Lastly, cluster-based random sampling involves grouping members of populations into related clusters and then randomly selecting some clusters to be included in the sample (Jackson 2011: 119). These four types offer different advantages and drawbacks depending on the research objectives, so it’s important to choose carefully depending on the objective of the study (Levine et al 2005: 10; Rugimbana & Nwankwo 2003).

5.9.2.2 Non-probability sampling methods

Non-Probability sampling is a type of sampling method that does not rely on the random selection of members from a population and instead relies on methods such as convenience or judgemental sampling (Zikmund & Babin 2010: 423). This may be used when the population size is unknown or too vast to sample every member, results are needed quickly and conveniently, or an expert opinion and qualitative rather than quantitative data are desired (Monette, Sullivan, DeJong & Hilton 2014: 242). Non-probability sampling is typically quicker and less expensive than probability sampling due to its relative ease in selecting a sample but can lead to lower-quality results since the selection bias cannot be determined (Malhotra & Indrayan 2010: 376). However, in certain cases non-probability sampling can provide useful insights and quick feedback, making it a great tool for the right situation (Etikan et al 2016:1; Malhotra & Indrayan 2010: 376). Non-probability sampling uses methods like convenience sampling, judgmental sampling, purposive sampling and snowball sampling to select which group members take part in the study (Padgett 2017: 68; Coldwell & Herbst 2004: 81). Convenience sampling involves collecting information from whoever is available and willing at the time of the survey, while judgmental sampling means preselected participants are chosen based on predetermined criteria or opinions (Gravetter & Forzano 2009: 143; Jackson 2011: 120). With purposive sampling, choices are made about who should be included in the study by seeking out specific respondents who have something unique to contribute relevant to the research topic (Brown & Williams 2019: 561). Snowball sampling is a non-probability sampling method, which relies on the cooperation of people already included in the sample to identify and recruit other members of the desired population (Padgett 2017: 68). This method is commonly used when it is difficult or impossible to locate all members of a particular population due to its hidden nature. Furthermore, it has been used in research that focuses on topics such as sexual orientation and illegal activities. Through this method, individuals are initially identified through networking with people they know, who in turn suggest more participants (Padgett 2017: 68). The number of individual contacts made per participant is typically low, but this snowball effect can lead to larger sample sizes than would have been possible through traditional methods (Padgett 2017: 68). As a result, snowball sampling can help researchers collect enough data for analysis while avoiding some of the ethical issues that arise with other sampling methods (Padgett 2017: 68). These approaches are often popular as they enable researchers to work much more quickly and cheaply than using random selection techniques, yet care must be taken when using non-probability samples to ensure accurate results (Brown & Williams 2019: 561; Padgett 2017: 68).

5.9.2.3 Justification of sampling method used in the study

For the 260 MMDAs in the 16 regions in Ghana, purposive sampling was used to select 207 of the 260 MMDAs. The purposive sampling method is used for both qualitative and quantitative studies (Tongco 2007:147). According to Etikan et al (2016:4), purposive sampling is typically used in a qualitative study. However, this does not mean that the purposive sampling method cannot be used in quantitative studies (Brown & Williams 2019: 561). The sampling method depends on the objective of the study (Padgett 2017: 68; Etikan et al 2016:4).

The purposive sampling method is used when the researcher has an understanding of the characteristics of the total population (Brown & Williams 2019: 561; De Vos et al 2011:1166). Purposive sampling can also be referred to as judgment sampling since a unit is selected intentionally based on its characteristics (Etikan et al 2016:2; Padgett, 2017: 68). Purposive sampling allows the researcher to select a sample that will enable the study to respond to the research objectives (Padgett 2017: 68; Saunders et al 2009:237). According to De Vos et al (2011:232), each of the sampled units should have most of the features present in the entire population.

The main objective of the study is to determine how audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs in Ghana. To achieve this objective, this study required the MMDAs whose financial reports were submitted and audited by the Auditor General from 2016 to 2020. The study used purposive sampling which is a non-probability sampling technique to select the MMDAs. In purposive sampling, MMDAs whose audited financial reports were available were selected during the study period to achieve the objectives of the study. Purposive sampling is a non-probability sampling technique that helps to select participants based on judgment (Padgett 2017: 68; Yin 2016: 93).

A purposive sampling technique was used to determine the sampled MMDAs based on the following criteria: first, the MMDA's financial reports should be submitted and audited during the study period (2016 to 2020); second, the internally generated funds of the MMDAs should be available and audited in the Auditor General's report during the study period (2016 to 2020); third, the MMDA should be in existence from 2016 to 2020. The study period from 2016 was considered to enable all the MMDAs which were created in 2016 to be included in the study. Also, 2020 was considered as the last period because as of the time of conducting this study, financial reports of MMDAs available at the Auditor General's website were up to 2020. Based on the analysis of the Auditor General's report from 2016 to 2020, the total MMDAs who submitted their financial reports for auditing were 252 (Republic of Ghana, 2018:165; Republic of Ghana, 2019: 212). 45 of the 252 MMDAs did not have their internally generated funds in the Auditor General's report concurrently from 2016 to 2020 and 8 did not submit during the study period. Therefore, the total MMDAs who met the criteria above was 207 (252-53). Therefore, 207 MMDAs were used for analysis.

Bachman and Schutt (2011:129) as well as Patton (2015: 264) advised that in selecting participants for for a study, the participants should be knowledgeable about the subject being studied, willing to participate in the study and representative of the range of points of view. Therefore, the study purposively selected the chief audit executives, chairpersons of the board of directors and audit committees. The researcher believed that the chief audit executives, audit committee and board of directors chairpersons would provide high-level information about the moderating role of the audit committee on the relationship between internal governance and financial sustainability.

5.10 Measurement of variables in the study

A variable refers to an attribute of an organisation or individual that can be observed or measured that differs from the organisation or people being studied (Creswell (2014:84). As already discussed, this study used a quantitative approach for data collection. The quantitative study uses numerical data and measurements to deduce facts from theory. Therefore, because quantitative data are mostly numerical, data analysis is done by using statistical analysis tools and techniques. Measurement is one of the significant aspects of quantitative study that is characterised by validity and reliability. Thus, this section discusses the various measurement scales, measurement of dependent, independent and moderating variables in the study.

5.10.1 Operationalisation and measurement of variables in the study

As part of the data collection process, variables used in the study were defined. A variable is anything that varies or changes from one instance to another, and which can be manipulated or observed (Zikmund & Babin 2010: 117). Creswell (2014:84) referred to variables as attributes of an individual or an organisation that can be measured or observed and that vary among the people or organisation being studied. The impact of the audit committee, internal auditors and board of directors' variables were measured against the financial sustainability of MMDAs. The audit committee, board of directors and internal auditors' attributes were used as independent variables and financial sustainability was used as the dependent variable. In this section, the operationalisation (definition) and measurement of dependent and individual independent variables are explained. The literature in support of variables was discussed in Chapters 3 and 4.

Following other prior studies on internal governance and financial performance, such as Zona (2016: 735), Wan and Ong (2005: 277) and Huse, Hoskisson, Zattoni and Viganò (2011: 5), this study assessed data on internal governance variables on Likert scales and treated it as interval scale levels of measurement. The questionnaire on internal governance variables in this study contained nine (9) constructs with forty-five (45) items and five (5) items on financial sustainability totaling fifty (50) items to measure the variables in the structural equation model.

All the latent (independent) variables were measured with five items. This implies each construct was measured with five (5) items. This is by a similar study conducted by Vachon and Klassen (2008: 299). The indicators were measured on a 5-point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree) with 'neutral' as a mid-point. The 5-point Likert scale was used, instead of other point scales because of the assumption that it may lead to a higher response rate and also less complex and easier for respondents to complete (Zona 2016: 735). All the indicators used in this study were reflective and mostly adapted from relevant literature. The questions were modified to suit the context of this study. The validity and reliability of items were assessed and are discussed in Section 1.17.3.

The board of directors and internal auditors' attributes served as independent variables in the study. Internal auditors' attributes that served as predictors or independent variables include internal audit size, internal audit independence and internal audit competence. Board of directors' attributes that served as predictor or independent variables included board size, board independence and board gender diversity. The study intended to establish the relationship between the board of directors and internal auditors' attributes (independent), audit committee attributes (moderating) and financial sustainability (dependent). A framework was developed, and it consisted of ten variables with fifty indicators. The audit committee, board of directors, and internal auditors' attributes were treated as latent variables and data for these latent constructs were received from survey questionnaires. The operationalisation and measurement of the variables in the study are discussed below.

5.10.2.1 Dependent variable

Sugiyono (2018: 1) referred to a dependent variable as a variable that can be affected by one or more independent variables. In this study, financial sustainability of the MMDAs served as a dependent variable. This study used financial sustainability as a dependent variable. According to Bolívar et al (2016: 34), there is no universally accepted definition of the financial sustainability of local government. In this study, as already discussed in Chapters 1 and 2, financial sustainability is the ability of MMDAs to raise adequate revenue internally to continue service deliveries. In brief, financial sustainability has been referred to as the ability of MMDAs to meet service delivery and financial commitments, applying current policies and maintaining them in the future without causing the debt to rise continuously (IFAC 2012, 2013a; European Union 2012).

Therefore, prior studies have indicated that to assess MMDAs' financial sustainability, it is essential to distinguish between the two main types of financial sustainability, namely operational financial sustainability and financial self-sufficiency (Kinde 2012; Quayes 2012). Operational financial sustainability has been referred to as the ability of MMDAs to cover operational expenses from income generated, whether internally or externally, including subsidies, grants and soft loans. This financial sustainability is measured using either the pay-out ratio or operational efficiency ratio (Bliss Cheng & Denis 2015; Floyd & Skinner 2014; Kinde 2012; Nuhu, Musah & Senyo 2014; Nyamsogoro 2010; Ongore & Kusa 2013; Paradi & Zhu 2013; Quayes 2012; Rehman & Haruto 2012). The pay-out ratio indicates the MMDAs' ability to create wealth for its stakeholders, whilst the operational efficiency ratio refers to the MMDAs' ability to continue raising regular income internally, which will be used to meet operational costs in the future (McKillop et al 2005; Ongore & Kusa 2013; Paradi & Zhu 2013; Salimeh 2019).

As already discussed in Section 2.8, the study relied on the financial self-sufficiency ratio, which is solely based on internally generated revenues to determine the financial sustainability of MMDAs. Financial self-sufficiency is measured using the financial self-sufficiency ratio, which is a ratio of adjusted revenues (after adjusting for interest), to adjusted expenses (Waweru 2018:11; Kinde 2012:1). If the financial self-sufficiency ratio is greater than one, then it means that the MMDA is financially sustainable. However, if the financial self-sufficiency ratio is less than one, then it means that the MMDA is not financially sustainable (Waweru 2018:11; Kinde 2012:1). The financial self-sufficiency ratio is a good measure of financial sustainability, because it indicates the sustainability of the main internal revenue sources generated by MMDAs and the ability to meet the expenses incurred (Waweru 2018; Kinde 2012:1; Quayes 2012:3421; Manos & Yaron 2009:101).

In an attempt to measure financial sustainability, one of the essential issues to consider is that of intergenerational equity or inter-period equity (Bolívar et al 2016: 34; IFAC 2011; Pezzey & Toman 2002). In public sector accounting, the concept of intergenerational equity or inter-period equity is closely related to income (IFAC 2012). This concept refers to all items of revenue and expense, based on the accrual basis, recognised in a period that shall be included in surplus or deficit (IFAC 2012). Therefore, the income statement plays a fundamental role in measuring financial sustainability. Income statement assists users to assess the ability of MMDAs to continue service deliveries and the resources that will be needed in the future to continue to deliver services (Bolívar et al 2016: 34; IFAC 2012). Financial sustainability is composed of three inter-related dimensions namely revenues, services and debt (Bolívar et al 2016: 34; IFAC 2013: para. 32). The information content of the income statement reflects a direct approach to two dimensions of financial sustainability (revenue and service) and, indirectly, to the debt dimension, due to its link with the volume of expenditure (Bolívar et al 2016: 34; IFAC 2013: para. 32). Therefore, according to (IFAC 2012) and Bolívar et al (2016: 34), this study used adjusted income as the more comprehensive approach to measure the financial sustainability.

IFAC (2013: para. 32) highlighted that using the information content in the income statement to measure financial sustainability helps to gain an understanding of the present situation of MMDAs' finances. The income statement provides useful information for measuring MMDAs' future ability to continue service deliveries (IFAC 2013: para. 32). The value of the revenue dimension can be ascertained from the income statement whilst the service dimension whose economic measurement can be estimated by the MMDAs' service delivery commitments in the form of expenses can also be found in the income statement (IFAC 2013: para. 32). Financial sustainability decision-making refers to the attempts for providing continues service deliveries for citizens in a financially sustainable manner. Therefore, in terms of evaluating the finances of MMDAs, using accounting methods to measure financial sustainability will provide policymakers and managers of MMDAs with the vital information to explain issues relating to financial sustainability (Bolívar et al 2016: 34; Burritt & Schaltegger 2010). Measuring financial sustainability by using the internally generated funds as revenue from the income statement will provide policymakers with appropriate information to perceive and prevent situations of financial unsustainability of MMDAs.

In measuring financial sustainability using the information in the income statement, there is a need to distinguish between the concepts of budget expenditure and revenue as well as financial expenditure and revenue. Budget expenditure and revenue are part of the budget and provide the annual budget results, whereas the financial expenditure and revenue fall within the area of financial accounting and constitute the income statement as already analysed (Bolívar et al 2016: 34). The differences between these concepts arise, on the one hand, from their content, and on the other, from the criteria applied for their allocation. Thus, some items are defined as budget expenditures or revenues and are not considered financial expenditures or revenues (Bolívar et al 2016: 34). Therefore, there are some differences between financial and budget expenditures, and these differences are reflected too in the particular case of budget revenues concerning financial revenue (Bolívar et al 2016: 34). In this study, the MMDAs' financial expenditures and revenues from the Auditor General's report were considered in measuring the financial sustainability.

One of the tools used to assess the financial sustainability of MMDAs is to conduct a financial ratio analysis (Saleh, Rosad, Manda, Maulana & Idris 2021: 795; Kim 2020: 19). Measurement of the financial sustainability of the MMDAs is performed to meet three objectives. These objectives, according to Saleh et al (2021: 795) and Mardiasmo (2009: 1), are to improve MMDA's performance, help allocate resources, and decision-making and realise the public accountability of MMDAs in providing services to the communities. According to Kim (2020: 19), financial sustainability analysis is an attempt to identify financial information available in the financial reports of MMDAs. Financial report analysis is intended to understand financial reports, how to interpret the numbers in financial reports, how to evaluate financial reports and how to use financial information for financial sustainability decision-making (Saleh et al 2021: 795). Financial information is very useful for assessing the financial sustainability of MMDAs and financial reports provide essential information that must be used to help guide financial sustainability decisions (Carraher & Van Auken 2013: 323; Huynh & Nguyen 2019: 75). Measurement of financial sustainability of MMDAs consists of revenue analysis such as analysis of the ability of MMDAs to explore potential revenue sources; expenditure analysis such as analysis of the costs of public services and the factors that cause these costs to increase; and budget analysis, which is the analysis of the relationship between income and expenditure and projected trends for the future (Saleh et al 2021: 795). As already discussed in Chapter Two, internally generated funds, which are also known as 'total own funds' was used to determine the financial sustainability of MMDAs. A greater proportion of internally generated funds indicate that MMDAs are financially sustainable (Saleh et al 2021: 795). On the other hand, MMDAs that rely heavily on external sources of revenue (such as government subsidies or grants) are considered more financially vulnerable, as grants are subject to the discretion of the central or national government (Saleh et al 2021: 795). Internally generated revenue comprises rates, fines, user charges and interest revenue (Ryan, Marc & Grigg 2000: 89). Financial sustainability of MMDAs is one measure that can be used to ensure the ability of the MMDA to continue providing services to communities (Saleh et al 2021: 795).

Arunachalam et al (2017: 40) indicated that financial sustainability can be measured at the local government level based on the MMDA's financial and non-financial performance dimensions. The authors indicated that the financial performance dimensions of assessing the financial sustainability of MMDAs are measured in terms of ratios. The ratios are quantitative measures that give the overall financial condition of MMDAs (Arunachalam et al 2017: 40; Wang, Dennis & Tu 2007: 1). This study used financial ratios to determine the financial sustainability of MMDAs. Financial ratios were used because they give a logical meaning and symptoms of the financial sustainability of MMDAs (Arunachalam et al 2017: 40; Wang et al 2007; Mitchell 2011). Financial ratios also give a more sophisticated representation of the financial position and results of operations of MMDAs (Arunachalam et al 2017: 40). Financial ratios also serve as the basis for benchmarking and intergovernmental comparisons that may help establish goals for financial sustainability (Arunachalam et al 2017: 40).

Arunachalam et al (2017:40) employed 13 ratios to determine the financial sustainability of local government organisations in New Zealand. These ratios included net profit margin ratio, current ratio, operating cash flow to total revenue ratio, interest coverage ratio, debt-total asset ratio, net debt to total revenue ratio, rates coverage ratio, rates revenue to total revenue ratio, asset turnover ratio, net interest expense ratio, population growth ratio, population density ratio and dwellings per capita ratio. However, because this study is interested in ascertaining the revenue generation performance of MMDAs, five out of the thirteen ratios employed by Arunachalam et al (2017: 40) were used to measure the financial sustainability of MMDAs in Ghana. Five out of the thirteen ratios selected in this study are concerned with the revenue generation performance of MMDAs. To assess the revenue generation performance of MMDAs, assessing financial sustainability by using net surplus margin ratio, net cash flow from operations to total debt ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio are recommendable (Arunachalam et al 2017: 40; Wang et al 2007; Mitchell 2011). The average score of the aforementioned ratios was used to represent the financial sustainability of MMDAs. These ratios are discussed below:

Net surplus margin ratio: The surplus margin ratio provides insight into the efficiency in the use of resources and the ability of management of the MMDAs to finance growth (Cohen 2008: 265). Cohen (2008: 265) argued that a small positive value for the net surplus margin ratio can be considered a positive result for MMDAs. The author mentioned further that large negative values, especially when persistent, are indications of significant unfavourable financial prospects of MMDAs. As already discussed in chapter three, MMDAs differ from the private sector because the MMDAs do not sell goods to the public for profit. This means that profit maximisation is not objective at the local government level. The primary aim of MMDAs is service delivery; however, the existence of a reasonable surplus is essential for an MMDA to have sufficient funds to finance its long-term capital investments (Cohen 2008: 265; Barreca 2010: 1). However, since MMDAs are not profit-oriented organisations, it is preferable to refer to net profit margin ratio as net surplus margin ratio in this study. In profit-oriented organisations, the profit margin ratio is measured as net profit (loss) divided by total expenses (Arunachalam et al 2017: 40). In this study, the net surplus margin was measured as total internally generated revenue less total expenses divided by total internally generated revenue. Mathematically, the net surplus margin was calculated as:

$$\textit{Net surplus margin} = \frac{\textit{Total internally generated revenue} - \textit{Total expenses}}{\textit{Total internally generated revenue}}$$

This is appropriate because it helps to know whether MMDAs have surplus funds out of their total internally generated funds to finance their long-term capital investments (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1). If the net surplus margin ratio is higher, then it an indication that the MMDAs will be able to cover their expenses outside of operations, which at the same time also shows the MMDAs' ability to earn a net surplus. Net surplus margin measures the remaining percentage of the internally generated revenue after deducting the total expenses (Arunachalam et al 2017: 40). So if MMDAs have a high net surplus margin then the financial sustainability of the MMDAs can be enhanced. The standard benchmark of the net surplus ratio should fall between 1 to 10 (Arunachalam et al 2017: 40; Cohen 2008: 265). Cohen (2008: 265) argued that a small positive value for the net surplus margin ratio can be considered a positive result for MMDAs. The author mentioned further that large negative values, especially when persistent, are indications of significant unfavourable financial sustainability of MMDAs. Ideally, the norm for net surplus margin should be equal to or greater than 0%. MMDAs should be able to at least recover operational expenses for the services being delivered. Additionally, a ratio which is greater than 0% will enable the MMDAs to generate a surplus which will assist to contribute towards its capital funding requirements. If the net surplus margin is less than 0% it implies that the MMDAs are operating at a deficit and measures must be put in place to deal with this situation to be financially sustainable and to ensure continued service delivery.

Net cash flow from operations to total debt ratio: Operating cash flow to total debt ratio shows the percentage of total revenue set aside as operating cash flow and the ability of an MMDA to pay their short-term financial obligations (Arunachalam et al 2017: 40). Cash surplus means that the MMDA has surplus funds to be able to meet its financial obligations in the subsequent periods (Brusca & Montesinos 2013: 354). Cash flow from operating activities of MMDAs represents the main cash-generating activities such as property rates, services charges, payments to and on behalf of employees, and payments for goods and services. Therefore, cash flows from operating activities represent the cash effect of transactions and items included in the determination of surplus or deficits of MMDAs at the end of the year. Cash flows from the operations of MMDAs indicate the extent to which the operating activities of MMDAs have generated or utilised cash flows to sustain their operations whilst repaying existing loans (financing activities) and making investments in infrastructure (investing activities), without depending on external financing (PWC 2007:5). The net cash flow from operations is determined by cash received from the citizens in the form taxes and other charges (in this case the internally generated funds) less operating expenses (PWC 2007:5). In this study, net cash flow from operations to total debt ratio was measured as the net cash flow from operations (i.e. internally generated revenue less operating expenses) divided by the total debt (Brusca & Montesinos 2013: 354; Arunachalam et al 2017: 40). Mathematically, net cash flow from operations to total debt ratio was calculated as:

$$\textit{Net cash flow from operations to total debt ratio} = \frac{\textit{Total internally generated revenue} - \textit{Total expenses}}{\textit{Total debt}}$$

Net cash flow from operations to total debt ratio measures the ability of the MMDAs to pay their debts using the cash flow from operating activities after meeting their operational expenses (Arunachalam et al 2017: 40; Brusca & Montesinos 2013: 354). This ratio measures the MMDA's ability to cover its operational expenses and have revenues available for liabilities and capital projects. The operating cash flow to total debt ratio should be between the basic standard of 1% and 15% and the advanced standard greater than 15%. It is generally expected that the operating cash flow to total debt ratio is above 1% for MMDAs (Arunachalam et al 2017: 40; Wang et al 2007: 1). This means that MMDAs' income is almost the same or more than their expenses. If MMDA's income falls below 1% it will negatively affect their financial sustainability. This is appropriate because it helps to know whether MMDAs have surplus funds out of their total internally generated revenue to be able to meet their financial obligations in the subsequent periods. The advantage of this ratio is that it measures the real cash available for debt servicing after taking into account operational expenses. This ratio also helps to assess the liquidity position of MMDAs (Arunachalam et al 2017: 40; Brusca & Montesinos 2013: 354). Net cash flow from operations to total debt ratio indicates the percentage of total internally generated revenue reserved as operating cash flow and the ability of the MMDAs to pay their bills and short-term debts (Arunachalam et al 2017: 40; Wang et al 2007: 1).

Rates coverage ratio: The rates coverage ratio measures financial sustainability as a percentage of rates revenue to total operating expenses (Arunachalam et al 2017: 40). Rates coverage ratio shows the ability of an MMDA to pay its financial obligations through its tax revenue. The rates coverage ratio is measured as total internally generated revenue divided by total expenses (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1). Mathematically, the rates coverage ratio is calculated as:

$$\textit{Rates coverage ratio} = \frac{\textit{Total internally generated revenue}}{\textit{Total expenses}}$$

The rates coverage ratio measures the MMDAs' ability to cover their expenses through their revenue efforts. Different standards have been established to recognise the varying revenue-raising capacities across the MMDAs, where district assemblies that are dominated in rural areas have limited rate bases and revenue-raising capacity, whereas metropolitan and municipal assemblies that are predominantly in cities and towns have significant rate bases and other own-source revenues. The rates coverage ratio achieves a basic if it ranges between 40% and 60% (or 0.4 and 0.6), an intermediate standard if it falls between 60% and 90% (or 0.6 and 0.9), and an advanced standard if it is greater than 90% (Arunachalam et al 2017: 40; Wang et al 2007: 1). PriceWaterhouseCooper (PWC) (2006: 1) mentioned that rates coverage ratio of 40% or higher indicates that the MMDA is financially sustainable. This indicates that the MMDA's rates revenue is sufficient to cover its expenses adequately. As already discussed in section 1.2.1, the MMDAs' revenues comprise (i) decentralised transfers; (ii) internally generated funds; and (iii) donations and grants. Decentralised transfers are funds transferred to MMDAs in the form of the district assemblies' common fund, grants-in-aid from the central government and any other revenue transferred from the central Government to the MMDAs(World Observation of Sub-national Finance and Investment (WOSFI) 2019 : 3; Republic of Ghana 2017: 20). The sources of internally generated funds for MMDAs as enshrined in section 124 (3) of the Public Financial Management Act 2016 (Act 936) include licenses, fees and miscellaneous charges, taxes, investment income, and rates (Republic of Ghana 2016: 64). Because this study was interested to assess the internally generated funds performance of MMDAs, licenses, fees and miscellaneous charges, taxes, investment income, and rates were together used as a proxy for internally generated funds. In the Auditor General's report, internally generated funds comprise licenses, fees and miscellaneous charges, taxes, investment income, and rates (Republic of Ghana 2016b, 2017b, 2018b, 2019b, 2020b). In this study, the rates coverage ratio was measured as the total internally generated funds divided by the total operating expenses. This is appropriate because it helps to know whether MMDA's internally generated funds from rates are sufficient to cover its operating expenses adequately (Arunachalam et al 2017: 40; Wang et al 2007: 1;

Mitchell 2011: 1). This ratio also indicates how dependent MMDAs are on financial assistance from external sources and their local communities. The rated coverage of 40% or higher represents a financially sustainable result (Arunachalam et al 2017: 40; PWC 2006). This means rates income can provide an adequate revenue stream to meet expenses. Conversely, a ratio of less than 40% indicates that rates revenue is not sufficient to cover expenses adequately and may result in financial unsustainability (Arunachalam et al 2017: 40; PWC 2006).

Rates revenue to total revenue ratio: The rates revenue to total revenue ratio measures financial sustainability as a percentage of rates revenue to total revenue (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1). Rates revenue to total revenue ratio shows the percentage of total revenue generated from MMDA's rates revenue (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1). Rates revenue to total revenue ratio is the main source of MMDAs' revenue. Rates revenue to total revenue ratio and rates coverage ratio have been recognised as essential tools to measure and evaluate the financial sustainability of MMDAs. In this study, the rates revenue to total revenue ratio was measured as the total internally generated revenue divided by the total revenue or income. Mathematically, the rates revenue to total revenue ratio is calculated as:

$$\textit{Rates revenue to total revenue ratio} = \frac{\textit{Total internally generated revenue}}{\textit{Total revenue}}$$

As already discussed, internally generated funds are made up of rates, user fees, and local taxation on property or income. The total revenue is made up of internally generated funds and income from the central government such as district assemblies' common fund, grants and any transfers. This is appropriate because it helps to know the percentage of total rates revenue to the total internal revenue generated by the MMDA (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1). Rates revenue to total revenue ratio indicates the percentage of total revenue generated from MMDAs' total rates revenue. Rates revenue is the primary source of MMDAs revenue in Ghana which is not supposed to fall below the 40% benchmark of total revenue (Arunachalam et al 2017: 40). Therefore, rates revenue to total revenue ratio are essential to measuring and assessing the financial sustainability of MMDAs. If the rates revenue to total revenue falls below 40%, it is an indication that the MMDAs' rates revenue is not sufficient to cover expenses sufficiently and may result in financial unsustainability (Arunachalam et al 2017: 40).

Asset turnover ratio: Asset turnover ratio measures the percentage of total revenue to total assets. This ratio is measured as total rates of revenue divided by total assets (Arunachalam et al 2017: 40; Wang et al 2007; Mitchell 2011). The asset turnover ratio is used to measure the efficiency of MMDAs in using their assets to generate revenue. This ratio has been adopted by a number of studies (Cohen 2008; Barreca 2010; Fiscal Star 2009). In this study, the asset turnover ratio was measured as the total internally generated revenue divided by the total assets. Mathematically, the asset turnover ratio is calculated as:

$$\textit{Asset turnover ratio} = \frac{\textit{Total internally generated revenue}}{\textit{Total assets}}$$

This is appropriate because it helps to know how efficiently the MMDAs use their assets to generate revenue internally (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1). The assets turnover ratio is a measure of how efficiently the MMDAs use their assets to generate revenue. The asset turnover ratio should meet the basic standard of 50% or greater. Asset turnover ratio is said to improve if the ratio falls between 60% and 75% (Arunachalam et al 2017: 40; Wang et al 2007: 1). If the asset turnover ratio is greater than 1 or 2 then it is an indication that the MMDAs can generate enough revenue from the use of their assets to finance their operations. This shows that if asset turnover is higher, then the higher level of financial sustainability of the MMDAs is because the MMDAs are using the assets more efficiently in their operational activities (Arunachalam et al 2017: 40).

Data on financial sustainability was collected from the Auditor General's report from 2016 to 2020. Apart from the primary data on internal governance variables, the study employed a secondary or archival data collection method. The study extracted five-year financial sustainability data in the form of ratios from the Auditor General's report of each of the MMDAs. The questionnaire was prepared based on the results of the five years of financial sustainability data to determine the relationship between the audit committee, board of directors and internal auditors' variables and the financial sustainability of MMDAs. It must be emphasised that information relating to the aforementioned ratios as a measurement of financial sustainability was obtained from the notes to the accounts of MMDAs in the Auditor Generals' report from 2016 to 2020. The notes to the accounts of MMDAs in the Auditor General's report give information on internally generated funds, revenue expenditure, debts and liabilities and total revenue of each MMDA. The necessary adjustments were made from the notes to the accounts to arrive at the various figures to determine each ratio.

Kloha, Weissert and Kleine (2005: 313) mentioned that the financial sustainability of MMDAs can be classified into different levels. By the authors' recommendation, two grading systems were incorporated into the model of this study. First, the model ranked an MMDA's financial sustainability performance for each ratio in one of these categories: favourable, caution, warning or unfavourable. The ranking will be explained as 2 favourable (F), 1 caution (C), 0 warning (W) and -1 unfavourable (U). Second, the overall financial sustainability of an MMDA was ranked as: 10 or above strongly sustainable (S): this means a particular MMDA has a very high capacity to meet its financial obligations in the short, medium and long-term; 4 to < 10 moderately sustainable (D): this means a particular MMDA has a high capacity to meet its financial obligations in the short, medium and long-term, 1 to < 4 minimally sustainable(M): this means a particular MMDA has an acceptable capacity to meet its financial obligations in the short to medium-term and a limited capacity in the long-term; -4 to < 1 financially vulnerable(V): this means a particular MMDAs has a limited capacity to meet its financial obligations in the short-term and medium-term and a very limited capacity long-term; and Less than – 4 financially unsustainable(U): this means a particular MMDA has a very limited capacity to meet its short-term financial obligations and no capacity to meet its medium to long-term financial obligations. This grading system was developed with reference to the Financial Sustainability Review Board (2005: 1) which classified the different levels of financial sustainability into four categories as indicated above. This grading system intends to provide early warning symptoms about the financial sustainability of MMDAs mostly if a particular ratio of an MMDA is near unfavourable or the overall financial sustainability of an MMDA is financially unsustainable. A financial sustainability worksheet was prepared to provide a step-by-step format for calculating the total and individual ratio scores of a particular MMDA. The financial sustainability scores were transformed into questionnaire items, which were distributed to the respondents for confirmation. Based on the scores from the financial sustainability ratios computed from the secondary data obtained from the Auditor General's reports from 2016 to 2020, each of the ratios was operationalised by one structured question which was administered to the respondents using a 5-point Likert Scale for the respondents to indicate their level of agreements of the financial sustainability scores. However, to establish the moderating effect of audit committee variables on the relationship between internal governance variables and financial sustainability using structural equation modeling, the scores of the financial sustainability ratios were entered in the structural equation modelling as interval data using a 5-point scale (Kloha et al 2005: 313; Financial Sustainability Review Board 2005: 1). The overall financial sustainability of an MMDA was ranked as 10 or above strongly sustainable =1; 4 to < 10 moderately sustainable = 2; 1 to < 4 minimally sustainable = 3; -4 to < 1 financially vulnerable = 4; and Less than – 4 financially unsustainable = 5.

5.10.2.2 Independent variables

Independent variables are variables that predict the outcome of dependent variables (Creswell 2014:84), and these can be manipulated to influence an outcome (Creswell & Creswell 2018:51). Sugiyono (2018: 1) also referred to an independent variable as a variable that affects or causes changes in the dependent variable. The literature review chapter (that is chapters 3 and 4) covered the board of directors, audit committee and internal auditors' attributes and their effects on financial sustainability. Moreover, the literature review section presented, briefly, a summarised debate regarding the effects of independent variables (board of directors, audit committee, and internal audit activities) on a dependent variable (financial sustainability), together with the theoretical development of the hypotheses. In this section, the measures of all independent variables are derived from the literature review. The justification behind the selection of these variables is that there is an agreement in the auditing literature that these variables express the role of the board of directors, the audit committee, and internal audit activities on financial sustainability. This study used three models to examine the research hypotheses using primary (questionnaires) as well as secondary data. Data on the independent variables were obtained by using a survey questionnaire. Each of the constructs was measured with a 5-point Likert scale- question. The questions on each construct were summed up to get the mean score for each of the constructs.

Board size: A number of studies have measured the board size using the number of board members (Cooray & Senaratne 2020: 4262). Board size has been referred to as the total number of board members (Alzeban 2020: 437; Kiflee, Khan & Bosi 2020:552; Torchia & Calabro 2016:593). In this study, board size was measured by the total number of board members in a particular MMDA in a given financial year (Alzeban 2020: 437; Saha et al 2018: 210; Johl et al 2015: 239; Al-Matari & Mgammal 2019: 1). This was measured by average rating on a 5 point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of board size on financial sustainability.

Board independence: Board independence means the number of independent outside directors on the board (Wabha 2015: 17). In this study, board independence was measured by the percentage of independent non-executive directors on a board of a particular MMDA in a given financial year (Wabha 2015: 17; Ntim 2011: 428; Johl et al 2015: 239 Kiflee et al 2020:552; Terjesen, Couto & Francisco 2015:447). This was measured by average rating on a 5-point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of board independence on financial sustainability.

Board gender diversity: Byron and Post (2016: 428) reported that a large proportion of women on board improves the financial performance of organisations. In line with Byron and Post (2016: 428), in this study, board gender diversity was measured by the percentage of women on a board of a particular MMDA in a given financial year (Byron & Post 2016: 428; Kiflee et al 2020:552; Wahid 2018:705; Sanyaolu et al 2017: 4131; Johl et al 2015: 239). This was measured by average rating on a 5-point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of board gender diversity on financial sustainability.

Internal audit size: Internal audit size means the total number of internal auditors (Alzeban 2020: 437). In this study, internal audit size was measured by the total number of individuals in the internal audit unit of a particular MMDA in a given financial year (Alzeban 2020: 437; Wadesango & Makerevi 2018: 1528). This was measured by average rating on a 5-point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of internal audit size on financial sustainability.

Internal audit independence: Tepalagul and Lin (2015: 101) expressed that the independence of internal auditors has a significant relationship with financial performance. In this study, internal auditor independence was measured by the total number of times the internal auditors meet the board in a given financial year (Alzeban 2020: 437; Alaswad & Stanišić 2016: 352; Güneş & Atılgan 2016: 18). This was measured by average rating on a 5 point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of internal auditor independence on financial sustainability.

Internal audit competence: Internal audit competence means the accounting and or auditing qualification an internal auditor has (Alzeban 2020: 437). In this study, internal audit competence was measured by the percentage of internal auditors with accounting and or auditing qualifications of the total number of internal auditors of a particular MMDA within a given financial year (Alzeban 2020: 437; Al-Matari & Mgammal 2019: 1; Ogega et al 2017: 87; Wadesango & Makerevi 2018: 1528). This was measured by average rating on a 5-point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of internal auditor competence in financial sustainability.

5.10.3 Moderating variables

Moderation occurs when the relationship between two variables is moderated or affected by a third variable, referred to as a moderator (Aguinis, Edwards & Bradley 2017: 665). The effect of a moderator variable is characterised as an interaction and could be a quantitative variable such as audit committee independence that affects the direction and or strength of the relationship between dependent and independent variables (Aguinis et al 2017: 665). McClelland, Irwin, Disatnik and Sivan (2017:394) as well as Preacher, Rucker and Hayes (2007:185) explained that when the strength of the relationship between two variables is reliant on a third variable, moderation is in effect. In this study, audit committee variables served as moderating variables. Audit committee attributes that served as predictor variables included audit committee meetings, audit committee independence and audit committee competence. Data for these variables were collected from the survey questionnaires. Each of the constructs was measured with a 5-point Likert scale- question. The questions on each construct were summed up to get the mean score for each of the constructs.

Audit committee meetings: Audit committee meetings mean the number of sittings held by the audit committee with the board and internal auditors (Klein 2002: 375).

Alzeban and Sawan (2015: 61) indicated that the frequency of audit committee meetings is a measure of audit committee effectiveness. In this study, the audit committee meeting was measured by the number of times the audit committee meets in a year in a particular MMDA (Klein 2002: 375; Bansal & Sharma 2016: 103; Rahmat & Mohd Iskandar 2009: 624). This was measured by average rating on a 5-point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of audit committee meetings on financial sustainability.

Audit committee independence: Audit committee independence is the percentage of outside directors of the total number of audit committee members (Alzeban 2019: 347). Alqatamin (2018: 48) indicated that the independence of audit committees helps to enhance the financial performance of organisations. Audit committee independence was measured by the percentage of the independent non-executive directors on audit committees in a particular MMDA within a given financial year (De Vlaminck & Sarens 2013: 145; Sultana, Singh & Van der Zahn 2015: 72). This was measured by average rating on a 5 point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of audit committee independence on financial sustainability.

Audit committee competence: Audit committee competence is the percentage of audit committee members with accounting and or auditing qualifications of the total number of audit committee members (Alzeban 2019: 347). In this study, audit committee competence was measured by the percentage of audit committee members with accounting and or auditing qualifications of the total number of audit committee members of a particular MMDA within a given financial year (Alzeban 2019: 347; Wakaba 2014: 1; Bahaa et al 2019: 4919). This was measured by average rating on a 5-point Likert scale on 5 questionnaire items. A higher average score of the responses based on the 5 questionnaire items will imply a higher level of audit committee competence in financial sustainability.

In this study, nine latent variables were measured that including the board of directors attributes (board size, board independence, and board gender diversity (women on board), internal auditors attributes (internal audit size, internal auditor independence and internal auditor competence), and audit committee attributes (audit committee meetings, audit committee independence and audit committee competence. Out of the nine variables, six variables were used as independent (exogenous) variables and three variables were used as moderating variables. The audit committee attributes were used as moderating variables and financial sustainability was used as a dependent (endogenous) variable. All the variables used in the study are latent or unobserved (unmeasured) variables that were proxied using predetermined indicators. The indicators used as proxies for the unobserved variables are summarised in Table 5.3 below.

Table 5.3: Summary of operationalisation and measurements of latent variables

Coded	Definition of latent variables (Dependent variable)	Measurement of latent variables	Data source	Indicator of latent variable
FS	Financial sustainability (endogenous latent). It is defined as the internal revenue generation performance of MMDAs.	Financial sustainability was measured by average score of 5 measurement items on a 5-point Likert Scale on each proxy; net surplus margin ratio, net cash flow from operations to total debt ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio.	Secondary data.	In order to fulfil the requirement of SEM, FS (financial sustainability) was ranked on an average score of 5 questionnaire items (one for each proxy): FS1, FS2, FS3, FS4 and FS5 based on the secondary data results: 10 or above strongly sustainable, 4 to < 10 moderately sustainable, 1 to < 4 minimally sustainable, -4 to < 1 financially vulnerable, and Less than – 4 financially unsustainable.
Coded	**Definition of latent variables**	**Measurement of latent variables**	**Data source**	**Indicator of latent variables**

	(independent variables)			
BS	Board Size (exogenous latent): It is defined as the total number of directors on the board.	Board size was measured by average score of 5 mearurement items on a 5- point Likert Scale on board size. Interval scale for the responses from the respondents for strongly disagree= 1 if this requirement does not meet, to strongly agree=5 if the requirements meet.	Questionnaire	BS (board size) was ranked on an average score of 5 questionnaire items: BS1, BS2, BS3, BS4 and BS5.
BI	Board independence (exogenous latent). It is defined as the percentage of independent non-executive directors on a board.	Board independence was measured by average score of 5 measurement items on a 5- point Likert Scale on board independence. Interval scale for the responses from the respondents for strongly disagree= 5 if this requirement does not meet, to strongly agree=1 if the requirements	Questionnaire	BI (board independence) was ranked on an average score of of 5 questionnaire items: BI1, BI2, BI3, BI4 and BI5

		meet.		
BGDV	Board gender diversity. It is defined as the percentage of women on a board.	Board gender diversity was measured by average score of 5 measuremet items on a 5-point Likert Scale on board gender diversity. Board gender diversity is where the board member is a woman or female. Interval scale for the responses from the respondents for strongly disagree= 5 if this requirement does not meet, to strongly agree=1 if the requirements meet.	Questionnaire	BGD (board gender diversity) was ranked on an average score of 5 questionnaire items: BGD1, BGD2, BGD3, BGD4 and BGD5
IAI	Internal Auditors Independence. It is defined as the total number of times the internal auditors meet the board of directors in a year.	Internal auditor independence was measured by average score of 5 measurement items on a 5-point Likert Scale on internal auditor independence. Interval scale for the responses from the respondents from strongly disagree=1 if the internal auditor not independent, to strongly agree=5 if the requirements meet.	Questionnaire	IAI (internal auditor independence) was ranked on an average score of of 5 questionnaire items: IAI1, IAI2, IAI3, IAI4 and IAI5
IAS	Internal audit size (exogenous latent). It is defined as the total number of internal auditors.	Internal audit size was measured by average score of 5 measurement items on a 5- point Likert Scale on internal audit size. Interval scale for the responses from the respondents for strongly disagree= 1 if this requirement does not	Questionnaire	IAS (internal audit size) was ranked an average score of 5 questionnaire items: IAS1, IAS2, IAS3, IAS4 and IAS5

		meet, to strongly agree=5 if the requirements meet.		
IAC	Internal auditor's competence (exogenous latent). It is defined as the percentage of internal auditors with accounting and or auditing qualification.	Internal auditor's competence was measured by average score of 5 measurement items on a 5-point Likert Scale on internal auditors' competence. Internal Auditor competence is where the internal auditor has accounting and or auditing qualification. Interval scale for the responses from the respondents for strongly disagree= 1 if this requirement does not meet, to strongly agree=5 if the requirements meet.	Questionnaire	IAC (internal auditor competence) was ranked on an average score of 5 questionnaire items: IAC1, IAC2, IAC3, IAC4 and IAC5
Coded	**Definition of latent variables (moderating variables)**	**Measurement of latent variables**	**Data source**	**Indicator of latent variables**
ACMM	Audit committee meetings (exogenous latent). It is defined as the number of times the audit committee meets in a year.	Audit committee meeting was measured by average score of 5 measurement items on a 5-point Likert Scale on audit committee meeting. Interval scale for the responses from the respondents from strongly disagree= 1 if one meeting is held in a year, to strongly agree=5 if the meetings is held four or more times a year.	Questionnaire	ACM (audit committee meeting) was ranked on an average score of 5 questionnaire items: ACM1, ACM2, ACM3, ACM4 and ACM5

ACI	Audit committee independence (exogenous latent). It is defined as the percentage of independent non-executive directors on the audit committee.	Audit committee independence was measured by average score of 5 measurement items on a 5- point Likert Scale on audit committee independence. Interval scale for the responses from the respondents from strongly disagree=1 if the audit committee member not independent, to strongly agree=5 if the requirements meet.	Questionnaire	ACI (audit committee independence) was ranked on an average score of of 5 questionnaire items: ACI1, ACI2, ACI3, ACI4 and ACI5.
ACC	Audit committee competence (exogenous latent). It is defined as the percentage of audit committee members with accounting and or auditing qualification.	Audit committee competence was measured by average score of 5 measurement items on a 5-point Likert Scale on audit committee competence. Audit committee competence is where the audit committee member has accounting and or auditing qualification. Interval scale for the responses from the respondents for strongly disagree= 1 if this requirement does not meet, to strongly agree=5 if the requirements meet.	Questionnaire	ACC (audit committee competence) was ranked on an average score of 5 questionnaire items: ACC1, ACC2, ACC3, ACC4 and ACC5.

5.11 Data analysis methods

Quantitative study often translates into the use of statistical analysis to make the connection between what is known and what can be learned by research(Chetty 2016: 1; Cresswell 2013; Jebreen 2012:162). Consequently, analysing data with quantitative strategies requires an understanding of the relationships among variables by either descriptive or inferential statistics (Chetty 2016:1; Cresswell 2013). After the data collection, there is a need to ensure that the data collected represents the true responses received. There is a need to ensure that the data entered for analysis is the actual data received and that patterns of the missing values are identified. This will help to use suitable missing data techniques. Similarly, suspicious response patterns and outliers need to be considered and the statistical assumptions appropriate for the methodology adopted are met (Hair et al 2016). Data received from the questionnaire (from both online and hard copy) was cleaned, sorted and coded in an Excel sheet and directly transferred into SPSS, which was later saved in an Excel sheet and transferred to Smart PLS 4 software for analysis. As such, the data was freed from coding errors. Nevertheless, a careful and detailed check against the survey instrument was made to ensure the accuracy of the transferred data. To determine how the audit committee attributes strengthen the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs, both descriptive and inferential analysis were conducted. Measurements were recorded as scores indicated by the data collection sheet. Descriptive statistics and structural equation modeling were used to analyse the data. Structural equation modeling was used to establish the moderating role of the audit committee on the relationship between internal governance and the financial sustainability of MMDAs.

5.11.1 Panel data structural equation model

As discussed in Section 5.5, the panel data provides information on individual behaviour, both across individual MMDAs and over time (between and within variations). Furthermore, panel data is balanced when all individuals are observed for all periods (Ti=T for all i) or unbalanced when individuals are not observed in all periods (Ti ≠ T). For this study, out of the 260 MMDAs in Ghana, 53 MMDAs did not have the complete financial information and were therefore excluded from the study. The remainder of 207 MMDAs had complete financial information for the five years. As a result of this, the 207 MMDAs represented balanced panel data for this study. The following panel data structural equation model was used in establishing the moderating effect of audit committees on the relationship between internal governance mechanisms and the financial sustainability of MMDAs.

$F_{it} = a + bX_{it} + \mu_{it}$ .... (1)

Where:

F = Dependent variable (financial sustainability),

X= Independent and moderating variables,

a and b = Coefficients,

i and t = indices for individuals and time, and

u= error term.

In the above model, F represents the financial sustainability of MMDAs as proxied by surplus margin ratio, operating cash flow to total revenue ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio. The classification of financial ratios included in the model provided a more holistic measurement of the financial sustainability of MMDAs. The model is made up of five ratios which averagely define the financial sustainability of MMDAs. X was used to represent the independent variables (board size, board independence, board gender diversity, internal auditor independence, internal audit size, and internal auditor competence). Additionally, X was used to represent the moderating variables (audit committee meetings, audit committee independence, and audit committee competence).

Direct effect model

By substituting the internal governance variables on financial sustainability into equation, the following financial sustainability function will be obtained:

Financial sustainability summary model:

FS = f (BOD, IAD, ADC) +μ………………………………………………. (1)

Detailed financial sustainability model

$FSL = \beta_0 + \beta_1 BOD\ (BS+BI+BGD) + \beta_2 IAD\ (IAI + IAS + IAC) + \beta_3\ ADC\ (ACM + ACI + ACC) + \mu$ ………………………………………………………………………… (2)

Econometrically, the above equation can be restated as:

$FSL_{it} = \beta 0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BGD_{it} + \beta_4 IAI_{it} + \beta_5 IAS_{it} + \beta_6 IAC_{it} + \beta_7 ACM_{it} + \beta_8 ACI_{it} + \beta_9 ACC_{it} + \mu$ ……………………………………………………………………… (3)

Econometrically, the direct effect model of board of directors' attributes of the equation (2) above can be restated as:

$FSL_{it} = \beta 0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BGD_{it} + \mu$ …………………………………. (4)

Econometrically, the direct effect model of board of the internal auditors' attributes of the equation (2) above can be restated as:

$FSL_{it} = \beta 0 + \beta_1 IAI_{it} + \beta_2 IAS_{it} + \beta_3 IAC_{it} + \mu$ …………………………………. (5)

Moderating effect model

By substituting the audit committee as moderating variables on the board of directors and internal auditors' variables on financial sustainability into the equation, the following financial sustainability function will be obtained as:

$FSL = f(ACM *BS+ACM* BI+ACM* BGD+ACI *BS+ACI* BI+ACI* BGD + ACC *BS+ACC* BI+ACC* BGD+ ACM *IAI+ACM* IAS+ACM*+ IAC+ACI *IAI+ACI* IAS+ACI* IAC + ACC *IAI+ACC* IAI+ACC* IAC + +\mu$ ………………………………………………. (6)

Restating the above equation in econometric term for the moderating effect of audit committee attributes on the internal governance attributes, it becomes:

$FSL_{it} = \beta 0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BGD_{it} + \beta_4 IAI_{it} + \beta_5 IAS_{it} + \beta_6 IAC_{it} + \beta_7 ACM * \beta BS + \beta_8 ACM* BI + \beta_9 ACM* BGD + \beta_{10} ACI *BS + \beta_{11} ACI* BI + \beta_{12} ACI* BGD + \beta_{13} ACC *BS + \beta_{14} ACC* BI + \beta_{15} ACC* BGD + \beta_{16} ACM *IAI + \beta_{18} ACM* IAS + \beta_{19} ACM*IAC + \beta_{20} ACI*IAI + \beta_{21} ACI*IAS + \beta_{22} ACI*IAC + \beta_{23} ACC *IAI + \beta_{24} ACC* AI + \beta_{25} ACC*IAC + +\mu$ ……………… (7)

Restating the equation (7) above in econometric term for the interactive term for audit committee attributes and the board of directors' attribute, it becomes:

$FSL_{it} = \beta 0 + \beta_1 ACM * \beta BS + \beta_2 ACM * BI + \beta_3 ACM * BGD + \mu$……………….. (8)

$FSL_{it} = \beta 0 + \beta_1 ACI * BS + \beta_2 ACI * BI + \beta_3 ACI * BGD + \mu$…………………...... (9)

$FSL_{it} = \beta 0 + \beta_1 ACC * BS + \beta_2 ACC * BI + \beta_3 ACC * BGD + \mu$…………………… (10)

Restating the equation (7) above in econometric term for the interactive term for audit committee attributes and the internal auditors' attribute, it becomes:

$FSL_{it} = \beta 0 + \beta_1 ACM * IAI + \beta_2 ACM * IAS + \beta_3 ACM * IAC + \mu$………………….. (11)

$FSL_{it} = \beta 0 + \beta_1 ACI * IAI + \beta_2 ACI * IAS + \beta_3 ACI * IAC + \mu$……………………….. (12)

$FSL_{it} = \beta 0 + \beta_1 ACC * IAI + \beta_2 ACC * AI + \beta_3 ACC * IAC + +\mu$………………….... (13)

Where:

FS denotes Financial sustainability (average score of surplus margin ratio, net cash flow from operations to total debt ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio); FSL denotes predictor for financial sustainability lag; B1–β3 denotes coefficients of the independent variables (the parameters of board of directors' attributes); B4–β6 denotes Coefficients of the independent variables (the parameters of internal auditors' attributes); B7–β9 denotes coefficients of the moderating indpendent variables (the parameters of audit committee' attributes); BS denotes predictor for board size, BI is board independence, and BGD is board gender diversity; BI denotes predictor for board independence, and BGD is board gender diversity; BGD denotes predictor for board gender diversity; IAI denotes predictor for internal auditor independence, IAS is internal audit size, and IAC is internal auditor competence; IAS denotes predictor for internal audit size; IAC denotes predictor for internal auditor competence; ACM denotes predictor for audit committee meetings; ACI denotes predictor for audit committee independence; and ACC denotes predictor for audit committee competence.

ACM*BS denotes a predictor for audit committee meeting moderating board size; ACM*BI denotes a predictor for audit committee meeting moderating board independence; ACM*BGD denotes a predictor for audit committee meeting moderating board gender diversity; ACI*BS denotes a predictor for audit committee independence moderating board size; ACI*BI denotes a predictor for audit committee independence moderating board independence; ACI*BGD denotes a predictor for audit committee independence moderating board gender diversity; ACC*BS denotes a predictor for audit committee competence moderating board size; ACC*BI denotes a predictor for audit committee competence moderating board independence; ACC*BGD denotes a predictor for audit committee competence moderating board gender diversity; ACM*IAI denotes a predictor for audit committee meeting moderating internal auditor independence; ACM*IAS denotes a predictor for audit committee meeting moderating internal audit size; ACM*IAC denotes a predictor for audit committee meeting moderating internal auditor competence; ACI*IAI denotes a predictor for audit committee independence moderating internal auditor independence; ACI*IAS denotes a predictor for audit committee independence moderating internal auditor independence; ACI*IAC denotes a predictor for audit committee independence moderating internal auditor competence; ACC*IAI denotes a predictor for audit committee competence moderating internal auditor independence; ACC*AI denotes a predictor for audit committee competence moderating internal auditor competence ACC*IAC denotes a predictor for audit committee competence moderating internal auditor competence; μ denotes error term (that is the unobservable individual heterogeneity); Bo denotes the intercept (constant term); β1 denotes path coefficient or parameters of board of directors' attributes; β2 denotes path coefficient or parameters of the internal auditors' attributes; β3 denotes path coefficient or parameters of the audit committee variables; μ denotes error term (that is the unobservable individual heterogeneity); i denotes cross-sectionalunit (MMDAs, i = 1-207); t denotes Period (time, t = 1-5); and f denotes denoting a functional relationship.

As this study established the moderating role of the audit committee on the relationship between internal governance mechanisms and the financial sustainability of MMDAs, the panel data model determined the relationship by drawing inferences. The inferences comprised the level of relationship between financial sustainability and internal governance variables. Therefore, the panel data model considered two major elements of analysis that include statistical significance and level of influence. The statistical significance was measured against confidence levels set at 5%. The study assumed that a relationship exists between dependent and independent variables or between the moderating, independent and dependent variables. As discussed throughout the study, the financial sustainability of MMDAs may not only be influenced by the board of directors and internal auditors' attributes but also by other attributes of audit committees such as audit committee meetings, independence and competence. The study assumed that a relationship exists between all the variables as shown in the model.

5.11.1 Descriptive analysis

Koh and Kim (2004: 155) referred to descriptive statistics as a statistical description, aggregation and presentation of the constructs of interest or representation of associations between constructs. Descriptive statistics helps to draw inferences about populations and to estimate the parameters (Chetty 2016: 1; Cresswell 2013; Trochim 2000). The study used statistical software SPSS version 24.0 for descriptive analysis. The study examined the mean, standard deviation, variance, minimum value and maximum value of each indicator or variable. To simplify the analysis, the study used mean and standard deviation for the analysis of the archival data. The mean and standard deviation were computed to determine the central tendency of the variables in 2016 and 2020. This helped the researcher to describe the average scores in the sample. For the closed-ended questionnaire, statements other than single response items were formatted on a five-point Likert scale. The internal governance variables which were classified as categorical variables were assessed and expressed as frequencies that were summarised in frequency tables for ease of comparison. The study used descriptive statistical measures such as mean, standard deviation and percentages, to describe how the internal governance variables affect the financial sustainability of MMDAs. The 5-point Likert scales were treated as metric-level data, with the mean, standard deviation and percentages used as the central tendency measure. To simplify the analysis of the closed-ended questions, the ‘strongly agree’ and ‘agree’ columns were summed up to ‘agreement’ and the ‘strongly disagree’ and ‘disagree’ were summed up to ‘disagreement’.

5.11.2 Inferential analysis

Koh and Kim (2004: 155) referred to inferential analysis as statistical tools used for theory or hypotheses testing. Inferential statistics are based on descriptive statistics and the assumptions that generalise the population from a selected sample (Chetty 2016: 1; Trochim 2000). Quantitative data requires statistical analysis to test hypotheses. A deductive reasoning is notably used because it helps the researcher to reason from generic to specific (Chetty 2016: 1; Cresswell 2013; Jebreen 2012: 162).

Additionally, deduction from general perspectives leads the researcher to develop a theoretical framework (hypothesis) and test it thereby concluding a specific conclusion. The deductive reasoning of data analysis consists of an exploration of theories; development of theoretical framework or hypotheses; observation through statistical testing of hypotheses; and confirmation of a specific conclusion drawn logically from premises (Chetty 2016: 1; Soiferman 2010). The study established the relationship between the audit committee, board of directors and internal auditors' attributes (observable) variables and financial sustainability. Many latent (unobservable) variables were included in the study's model and indicators were used to measure all the latent variables. To achieve the objectives of the study, a structural equation modelling was used.

5.11.2.1 Structural equation modelling

Structural equation modelling is based on linear regression, path analysis and confirmatory factor analysis which are appropriate for testing the hypotheses formulated in the study (Hair 2017: 1). Structural equation modelling is a modern multivariate statistical technique that is used to estimate a series of casual interrelationships among multiple dependent and independent constructs (Shaukat, Qiu & Trojanowski 2016: 569; Gefen, Straub & Boudreau 2000: 1) that are represented by different indicators. The study used structural equation modelling because of the following reasons: It is a multivariate statistical analysis technique to estimate a series of interdependence relations simultaneously (Hair 2017: 1). Structural equation modelling can deal with multicollinearity issues and also has the potential to deal with complex interrelationships among monitoring mechanisms (Shaukat et al 2016; Azim 2012: 1). Structural equation modelling also helps to model important latent variables while taking into account any unreliability of indicators (Wooldridge 2003:49).

According to Hair et al (2021:21), structural equation modelling is a combination of regression analysis, path analysis and confirmatory factor analysis. If a regression model is used, it is understandable to know the relationship between variables (Shaukat et al 2016: 569). However, path analysis gives a more explanation of how and why a variable affects the dependent variable and a variable is used as a moderator (Hair et al 2021:21; Shaukat et al 2016: 569). Confirmatory factor analysis also helps to combine the unobserved variables (Hair et al 2021:21; Shaukat et al 2016). Therefore, unlike other statistical techniques, structural equation modelling allows one to work with several equations involving paths and unobservable variables simultaneously (Shaukat et al 2016: 569; Schumacker & Lomax 2010: 1). Structural equation modelling also handles endogeneity problems. Shaukat et al (2016: 569) indicated that structural equation modelling is preferable to other multivariate analysis for controlling the endogeneity issues in multiple equations. A number of corporate governance variables are latent, which means they are otherwise difficult to measure (Azim 2012: 1). Azim (2012: 481) mentioned that from a practical and theoretical viewpoint, it is not possible to measure latent concept without taking into account errors (Azim 2012: 481). Thus, structural equation modelling helps to improve the statistical estimate by considering these types of errors (Azim 2012: 481). SEM is used to uncover latent variables, examine moderating or mediating relationships, and examine the explanatory power of a set of regression relationships rather than one relationship at a time (Byrne 2016). SEM uses $p < 0.05$ as a rule of thumb to assess the significance of relationships among the variables in the study (Byrne 2016). Therefore, SEM is appropriate for this study which has a set of corporate governance and moderating variables.

SPSS AMOS was used to conduct the SEM analysis. SPSS AMOS is the special in-built model in SEM for IBM SPSS (Byrne 2016). As already discussed, the dataset was initially exported into Excel with appropriate names and labels, cleaned and checked for analysis. Outlier detection and other data inspection processes were used to determine whether any of the data was potentially flawed. However, no corrections were made during this period and no outliers were removed. Following the data preparation process, the model was input into SPSS. The AMOS editor is a visual editor, with relationships specified by the researcher before the analysis process. Two models were input in the SEM. The first model was designed to test the direct relationships among the variables and the second model was to test the moderating variables. The analysis produced three models including a default model (specified by the researcher), an independence model (assuming zero internal correlation), and a saturated model (including all possible variables). These models were compared to make sure that the default model was significant and was not outperformed by the other models. Following this analysis process, the goodness of fit was assessed. After this assessment, individual internal governance variables in the study were assessed to determine the significance and the size of effects of each of the relationships to accept or reject the hypotheses formulated in the study.

There are two common approaches to structural equation modelling namely: covariance-based structural equation modelling which is a theory-driven approach to calculating the parameters using maximum likelihood estimation (Hair et al 2021:21) and the second one is partial least square structural equation modelling which is a soft modelling structural equation modelling approach. Partial least square structural equation modelling is a good alternative to covariance-based structural equation modelling because it requires fewer assumptions (Hair et al 2021:21; Sarstedt et al 2020:531). The main objective of covariance-based structural equation modelling is to reproduce the theoretical covariance matrix without concentrating on explained variance (Hair et al 2021:21; Hair, Ringle & Sarstedt 2012: 312) whilst partial least square structural equation modelling is a soft modelling structural equation modelling approach (Hair et al 2021:21; Sarstedt et al 2020:531).

In this study, the data analysis approach was partial least square structural equation modelling. Partial least square structural equation modelling is more advantageous as compared to regression analysis. Partial least square structural equation modelling allows for testing complex relationships in a situation where there are many constructs and indicators in the model (Ramli, Latan & Nartea 2018: 171; Petter 2018: 10; Latan 2018: 1). This study had 207 samples with 1035 observations (from 2016 to 2020), whilst the structural model had 10 constructs and 5 main hypotheses which made the proposed model complex. Partial least square structural equation modelling can handle different kinds of data in one model (Ramli et al 2018: 171; Petter 2018: 10; Latan 2018: 1). The increasing popularity of secondary data analysis shifts the research focus from strictly confirmatory to predictive and causal–predictive modeling. Therefore, PLS-SEM is a perfect fit for the prediction-oriented (Shmueli et al 2019), facilitates easy specification of interaction terms which combines both moderation and mediation effects in a path model (Sarstedt et al 2020:531), and can handle models of lots of constructs and hundreds of indicator variables (Hair et al 2021:21). Partial least square structural equation modelling results are robust regardless of outliers and missing values. If there was some missing data in this study, partial least square structural equation modelling is the best tool to deal with missing data with approaches such as mean value replacement (Ramli et al 2018: 171; Petter 2018: 10; Latan 2018: 1). Partial least square structural equation modelling is a nonparametric statistical tool that does not require the data to be normally distributed contrary to covariance-based structural equation modelling (Hair et al 2017: 1).

Within the two common structural equations modelling approaches (covariance-based structural equation modelling and partial least square structural equation modelling); the partial least square structural equation modelling algorithm was selected for this study because this study aimed to predict relationships between variables of interest. Specifically, the study intended to estimate the path coefficient on the relationship between the audit committee, board of directors and internal auditors' attributes and financial sustainability. The aim here was to maximise the values of R^2 of all endogenous variables in the model. Furthermore, the model for the study was complex with many latent variables and relationships. Therefore, partial least square structural equation modelling was the best technique to use in the study. Partial least square structural equation modelling allows a complex model because the partial least square algorithm involves ordinary least square regression for separate parts of the model (Hair et al 2021:21; Kock 2016: 546) and this does not necessitate using a large sample size. Also, because this study used two types of data, that is categorical perceptual (primary) variables and continuous objective (secondary) variables, this study chose to analyse their hypothesised relationships, using the variance-based and prediction-oriented, partial least square structural equation modelling analytical approach.

The strict assumptions of large sample size and data distribution are other factors that limited this study to the use of covariance-based structural equation modelling. In this study, a survey questionnaire was distributed to chief audit executives, audit committee and board chairpersons of all the 207 MMDAs in Ghana. This seems a relatively small sample size to use covariance-based structural equation modelling, thus partial least square structural equation modelling serves as the best analysis tool to be used in the study. Partial least square works perfectly with small sample sizes, as some studies have shown (Kock 2016: 546; Kiflee et al 2020: 552). The model for this study is complex as various latent variables, indicators and path relationships were considered in the model. Likewise, all the directions of relationships between constructs in the model were recursive (one-way). These reasons also make the partial least square structural equation model the best analysis tool for this study (Hair et al 2021:21; Sarstedt et al 2020:531).

To achieve the objectives of the study, the following steps were followed: (i) There was the need to assess the two constituents in the partial least square structural equation modelling namely, the measurement model and structural model (Latan & Noonan 2017: 1; Ramli et al 2018: 171). In this study, the model was assessed using two steps: (i) the assessment of the measurement model; and, (ii) the assessment of the structural model. Model validation aims to determine whether both the measurement and the structural model meet the quality criteria for the empirical study (Hair et al 2021:21; Sarstedt et al 2020:531).

5.11.2.1.1 Evaluation of outer measurement model

The measurement model is used to test the validity and reliability of the indicators for each construct (Ramli et al 2018: 171). Middleton (2019:1) referred to validity as how well the results of a study can be measured, justified and considered to be an accurate and true reflection of reality. Hair et al (2017: 1) referred to validity as whether the data collected measures what the study sets out to measure. This may include applying correct sampling methods, seeking expert opinion on research instruments, pilot testing instruments and use of simple and understandable language. Reliability of a study is obtained when a specific technique, applied repetitively to the same object, would produce the same result repeatedly (Babbie & Mouton 2004:119). The findings of the study were reliable and supportive to make scientific assumptions because the data was collected under the view of objectivism (Pham 2018: 3). The following reliability and validity test were conducted in the study.

Before the SEM model can be evaluated, the measurement model must be checked for the latent constructs' reliability, convergent validity and discriminant validity to decide if the latent constructs extended to their observed variables (Alawaqleh 2021: 858; Hair, Risher, Sarstedt & Ringle 2019:2). Additionally, the parameters in the reliability and validity evaluation were factor loadings of more than 0.6 (meeting the reliability) (Alawaqleh 2021: 858; Al-Naimat, Alnuaimi, Abdulaal & Almuiet 2020: 3834; Al Shbail, Salleh & Nor 2018: 5; Shbail & Shbail 2020: 3749). The measurement model was checked for the attainment of quality criteria of construct reliability and construct validity (Hair Jr., Howard & Nitzl 2020). Construct reliability or internal consistency was checked through both composite reliability and Cronbach alpha (Hair Jr., Hult, Ringle & Sarstedt 2017). While construct validity was measured by both convergent validity and discriminate validity (Hair et al 2021:21).

Construct reliability: Internal consistency refers to how constantly the research instruments can reproduce the same results for the constructs when the measures of those constructs are repeated (Hilken, de Ruyter, Chylinski, Mahr & Keeling 2017:884). Reliability or internal consistency of the measurement instrument was checked through composite reliability, Cronbach alpha coefficient and pilot study (Heir et al 2017:107; Hair et al 2019:2; Sarstedt, Ringle, Smith, Reams & Hair 2014:105). The cut-off point of composite reliability and Cronbach alpha (α) for established reliability is set at 0.70 and above (Sarstedt, Ringle & Hair 2017). The study reported composite reliability and α value of minimum 0.844 and 0.754 as per Table 7.3 in chapter 7 which confirmed the establishment of reliability of questionnaires as a measure of the constructs. In this study, internal consistency was enhanced through the use of simple and understandable terminology to design the questionnaire.

Indicator reliability: The indicator reliability of the measurement model is measured by examining the item's loadings (Hair et al 2019:2; Hair et al 217: 1). A measurement model is said to have a satisfactory indicator reliability when each item’s loading estimates are higher between 0.5 - 0.7 (Hair et al 217: 1). The purpose of assessing indicators reliability is to evaluate the extent to which a variable or a set of variables is consistent with what it intends to measure (Hair et al 2019:2; Urbach & Ahlemann 2010: 5). Moreover, the reliability of a construct is independent and has a distinct calculation from other constructs. The significance of indicator loadings is recommended to be at least at the 0.05 level, with loadings of 0.7 (Heir et al 2017: 1). However, other studies suggest that factor loadings should be greater than 0.5 for better results (Truong & McColl 2011; Hulland 1999), while other studies also assert that a 0.5 cut off is acceptable (Chen & Tsai 2007). According to Hair et al (2019: 2), factor loading estimates should be between 0.5 and 0.7. The significance of the indicator loadings can be examined using a resampling method, such as bootstrapping or jackknifing. Taking into consideration partial least square features of consistency, one should be cautious when deciding to eliminate an indicator. An indicator should only be eliminated when its reliability is low, and its elimination goes along with a substantial increase in composite reliability (Hair et al 2019:2). In this study, a factor loading of 0.5 was deemed acceptable.

Composite reliability: Composite reliability is assessed to evaluate how well the construct measures internal consistency reliability (Hair et al 2019:2; Sarstedt et al 2014: 105). Composite reliability indicates how well constructs in the measurement model are described by the indicators (Sarstedt et al 2014: 105). Composite reliability is assessed using all the indicators assigned that have strong mutual correlations to the same construct (Hair et al 2019:2; Sarstedt et al 2014: 105). The composite reliability is used to check whether the sample is free from bias or if the responses, on the whole, are reliable (Sarstedt et al 2014: 105; Hair et al 2017: 1). Composite reliability coefficients between 0.60 and 0.70 are considered appropriate in exploratory studies, whilst coefficients of 0.70 and 0.90 are considered satisfactory for the other types of studies (Sarstedt et al 2020:531; Hair et al 2017: 1). However, the composite reliability values of 0.5 and 0.6 have also been acceptable (Hair et al 2019:2; Henseler et al 2017: 19).

Composite reliability was employed to check how well all indicators relate to the construct. Composite reliability provides a more appropriate measure of internal consistency reliability than Cronbach alpha because composite reliability does not assume that all indicator loadings are equal in the population, which is in line with the working principle of the partial least square structural equation modelling algorithm that prioritises the indicators based on their reliabilities during model estimation (Henseler et al 2017: 19). Cronbach's sensitive to the number of items in the scale and generally tends to underestimate internal consistency reliability (Hair et al 2019:2; Hair et al 2017:1). Therefore, in this study, composite reliability was used to measure the internal consistency reliability. The measurement model in the study was tested for convergent validity and discriminant validity of the observed variables (measured through the questionnaire) as well as unobserved variables. As reflective and formative constructs require different procedures they were analysed separately.

Convergent validity: As already discussed, smart partial least square provides advantages that will enhance the validity of the study. Convergent validity was tested in this study. Urbach and Ahlemann (2010: 5) referred to convergent validity (CV) as the degree to which individual items reflect a construct converging in comparison to items measuring different constructs. Convergent validity refers to whether different measures of the same construct agree with each other and is tested using a model that hypothesises that all the variation and covariation in the measurement be accounted for by the constructs that the measurements are intended to capture plus random error (Hair et al 2021:21; Carton 2004:181). If the data fit the model, it implies that the discrepancies in the unobservable constructs of internal governance are caused by the variables being tested and random error. If the data does not fit the model, it implies that there is no convergent validity among the variables used. In partial least square structural equation modelling, there are two tests available to determine the convergent validity of the measured constructs (Hair et al 2019:2; Fornell & Larcker 1981): (i) a composite reliability score and Cronbach's Alpha for the constructs; and (ii) the average variance extracted. The most common criterion to measure the convergent validity is the average variance extracted.

Hair et al (2017: 1) referred to average variance extracted as the parameter to measure convergent validity that estimates the degree to which two measures of the same concept are correlated. Average variance extracted (AVE) measures the degree of multiple items in the same construct (Hair et al 2017: 1). It is concerned with part of the data of the variables which is explained by each of the respective latent constructs (Hair et al 2019:2; Hair et al 2017: 1). The average variance extracted score of 0.5 or above means that the validity is good (Sarstedt et al 2014: 105; Hair et al 2017). This means that the score of 50% of the measurement variance is accounted for (Hair et al 2017: 1). Average variance extracted was used to assess convergent validity in this study.

Convergent validity measures the extent to which indicators in unison measure the same latent variable they belong to. Convergent validity was evaluated through indicator reliability and average variance extracted (HairJr. et al 2020). Indicator reliability was tested through outer loadings of the latent variables in the model (Hair et al 2019:2). The study employed established variables hence factor loadings above 0.60 were confirmed as per Table 3 in Chapter 7 (Awang 2015; Chinn 1998). Additionally, a variance extracted of 0.50 or higher was considered appropriate as indicators measure more than 50% of the respective construct more than error variance (Hair et al 2019:2; Fornell & Larcker 1981; Sarstedt et al 2017b). As per Table 3 in Chapter 7, observed variables empirically confirm the achievement of convergent validity as all latent variables had AVE of above 0.50.

Discriminant validity: Discriminant validity is demonstrated by evidence that measures of constructs that theoretically should not be highly related to each other are, in fact, not found to be highly correlated to each other (Alawaqleh 2021: 858; Fornell & Larcker, 1981). AVE is the average amount of variance in indicator variables that a construct is managed to explain. AVE for each construct can be obtained by the sum of squares of completely standardized factor loadings divided by this sum plus a total of error variances for indicators (Alawaqleh 2021: 858). According to this criterion, if the square root of the AVE of each latent variable is greater than the correlation coefficients between that latent variable and other latent variables in the measurement model, then the model satisfies the discriminant validity criterion (Alawaqleh 2021: 858; Al-Olimat & Al Shbail 2020: 149; Al Shbail et al 2018; Obeid, Salleh & Nor 2017: 1).

Discriminant validity was also considered in this study. Discriminant validity measures the extent of difference between overlapping constructs (Hair et al 2019:2). In this study, the measurement model’s discriminant validity was assessed by using two measures: (i) Fornell and Larcker’s (1981: 440) criterion; and, (ii) Chin (1998: 295) cross-loadings. A measurement model has adequate discriminant validity when the square root of the average variance extracted exceeds the correlations between the measure and all other measures and, also, an indicator's loading is higher for its respective construct than for any constructs (Hair et al 2019:2; Hair et al 2017: 1). The first criterion was assessed by employing the smart partial least square algorithm function, which generates the average variance extracted value of each construct. This method compares the square root of the average variance extracted with the correlation of latent constructs (Hair et al 2019:2; Hair et al 2017: 1). The second assessment for discriminant validity involved examining indicators and comparing them to all construct correlations. The factor loading indicators on the assigned construct should be higher than all loading on other constructs (Hair et al 2017: 1). Urbach and Ahlemann (2010: 5) mentioned that discriminant validity is used to differentiate a construct's measures from one another.

Discriminant validity shows that indicators and their latent variables are unique and uncorrelated to others in the model (Hair et al 2019:2). Three criteria of Fornell-larker, Cross-loading and Heterotrait-Monotrait (HTMT) ratio of correlation were used in the study (Ali, Ali, Badghish & Baazeem 2018; Sarstedt et al 2017: 106). Hair et al (2020) indicated that Fornell & Larcker's criteria for assessment of discriminant validity require that the square root of the average variance extracted in the diagonal values of a construct be higher than values in its column and row. Cross-loading assessment of discriminant validity is used to check whether the indicator is mistakenly assigned to a wrong construct (Gupta & George 2016: 1057; Voorhees, Brady, Calantone & Ramirez 2016). Chin (1998:295) provided that to get discriminate validity by cross-loading test, indicators should load more in its latent variable than indicators from another construct. The Heterotrait-Monotrat ratio of correlation (HTMT) was used to test for the assessment of discriminant validity with a cut-off ratio of 0.85 (HTMT) (Henseler, Ringle & Sarstedt 2015:115).

Assessment of the measurement model in PLS-SEM is required which is made for internal consistency and reliability by utilising composite reliability. It can also be referred to as measuring internal consistency, convergent validity via indicator reliability and average variance extracted and measuring discriminant validity with Heterotrait-monotrait (HTMT) ratio (Henseler, Ringle & Sarstedt 2015). Regarding average variance extracted, composite reliability and discriminant validity, acceptable values are given by Ramayah, Cheah, Chuah, Ting and Memon (2016) and presented in Table 5 below. Table 5 below gives explanations of the rule of thumb for the assessment of the measurement model.

Table 5.4: Summary of rules of thumb for measurement model analysis

Assessment	Name of index	Acceptable value
Internal consistency	Composite reliability	Composite reliability ≥0.70
Indicator reliability/Factor Loadings	Indicator Loading	Loadings > 0.7, 0.6, 0.5 is adequate. Values below 0.4 should be deleted
Convergent validity	Average Variance Extracted (AVE)	The average variance extracted (AVE) should be higher than 0.50. Indicators below 0.5 should be deleted.
Discriminant validity	HTMT Criterion	HTMT - all values should be below 0.85

Source: Own compilation

5.11.2.1.2 Evaluation of the inner structural model of study

After the assessment of the measurement model, the next step is to assess the structural model in PLS-SEM. After the measurement (outer) model achieved global quality criteria for construct validity and reliability assessment of the (inner) structural model follows to test hypothesised model (Benitez, Henseler, Castillo, & Schuberth 2020:57; Fornell & Larcker, 1981). Assessment of the structural model includes measurement of collinearity, standardised root mean square residual (SRMR), path coefficient, R-square, and Q-square (Hair, Hult, Ringle & Sarstedt 2017). The structural model was checked for the coefficient of determination (R^2), path coefficient (Beta-Value), t-statistics, p-values and predictive relevance (Q2) as stipulated by Hair Jr. et al (2017).

Collinearity: To test for the presence of collinearity among predictor constructs, a test was conducted to obtain the variance inflation factor values for all the predictor constructs and respective mean variance inflation factor values. In structural equation modelling, collinearity tolerance was checked for with partial least square structural equation modelling. A Cronbach alpha coefficient exceeding 0.70 was the basis for the reliability of the questionnaire instrument. Cronbach (1951: 297) mentioned that reliability in the range of 0.7 is considerable and acceptable and the one exceeding 0.8 is taken to be good. This view is supported by authors such as (Mansour 2015; Hair et al 2019:2). In the context of partial least square structural equation modelling, a tolerance value below 0.20 or the variance inflation factor (VIF) lower than 0.5 was accepted in this study. In this study, each set of explanatory variables (board size, board independence, board gender diversity, internal auditor independence, internal audit size, internal auditor competence, audit committee independence, audit committee meetings and audit committee competence) was tested for collinearity. In this study, the measurement model's validity was considered satisfactory if: (i) composite reliability (CR) is greater than 0.8., (ii) each item's loading is greater than 0.5 and significant at least at the 0.05 level, (iii) the average variance extracted value for each construct is larger than 0.5, (iv) each item's loading on each indicator is highest for its designated construct, and (iv) the square root of the average variance extracted of a construct exceeds the correlations between the construct and other constructs in the mode.

Standardised root mean square residual (SRMR): The SRMR is the difference between the hypothesised covariance model and the square root of residuals of the sample covariance matrix. The range of the SRMR is calculated based upon the scales of each indicator. The standardised SRMR is used to solve a problem in a situation where the questionnaire contains items with varying levels such as some items ranging from 1-5 while others ranging from 1-7). If the value of the SRMR ranges from 0 to 1 or less than 0.05, then it is acceptable that the model is fit (Cho, Hwang, Sarstedt & Ringle 2020:189). However, a value of 0.08 or 0.09 is deemed acceptable (Cho et al 2020:189). If the SRMR value is 0, it is an indication of a perfect fit but it must be noted that SRMR will be lower when there is a high number of parameters in the model and models based on large sample sizes (Cho et al 2020:189). Hence, the study considered 0.05 of SRMR acceptable for the fitness of the model.

Measuring the coefficient of determination (R^2): The first criterion used to assess structural equation modelling is to evaluate each endogenous latent variable's coefficient of determination (R^2), which measures the relationship of a latent variable's explained variance to its total variance (Hair et al., 2017: 1). According to Heir et al (2019: 2), a value of R^2 around 0.67 is considered substantial, while values around 0.333 are average, and values of 0.19 are weak. The coefficient of determination (R^2) value indicates the amount of variance in a dependent variable that is explained by the independent variables (Hair et al 2019:2; Hair et al 2017: 1). This implies the proportion of variability in the data that the measurement model explains. This value should be high to explain the endogenous latent variable's variance well; therefore, a larger (R^2) value increases the predictive ability of the structural model (Hair et al 2019:2; Hair et al 2017: 1). In this study, the Smart PLS algorithm function was used to obtain the (R^2) values.

The coefficient of determination (R^2) measures the goodness of fit of how observed data fit the hypothesised model (Wooldridge 2016). R^2 measured the explanatory power of the exogenous variable on the endogenous variable therefore it shows the effect size and predictive accuracy of the model (Sarstedt, Ringle & Hair 2017a). Chin (1998) provides that obtained R^2 values of the endogenous variable in the region of 0.67; 0.33 or 0.19 are considered as substantial, moderate or weak respectively. Hence the reported R^2 of 0.818 was considered a substantial value for this study.

Evaluation of path coefficient (β–Values): The second criterion for assessing the structural model is to examine the path coefficient value, which predicts the strength of the relationship between two latent variables (Hair et al 2019:2; Hair et al 2017: 1). To examine the relationship between two latent variables, the study checked the path coefficients, algebraic sign, magnitude, and significance. Path coefficients must exceed 0.100 to account for a certain impact within the model and to be significant at the 0.05 level of significance (Huber, Herrmann, Meyer, Vogel & Vollhardt 2007). In this study, the structural model was evaluated and deemed satisfactory if the coefficient of determination is larger than 0.19, path coefficients between latent variables must be at least 0.1, follow the correct algebraic sign (positive or negative), and are significant (at least 0.05).

The path coefficient of the model is equivalent to the multiple regression beta values which shows a change of the dependent variable as a result of a unit change of an independent variable keeping other variables constant to zero (Sarstedt, Hair, Ringle, Thiele & Gudergan 2016:3998). Therefore, the path coefficient helped in testing the hypothesis of the study. The test of the hypotheses was assessed regarding strength, direction and level of significance of the coefficient of the latent variable in the inner model. Assessment of the level of significance of the path coefficient was tested through bootstrapping to find the level of precision of PLS-SEM estimates (Chin 1998:295). A complete bootstrapping with a minimum size of 5,000 subsamples, was done in Smart PLS-SEM, bias correlated, with standardised scores, no sign change and two-tailed test at 0.05 level of significant (Hair et al 2019:2; Henseler et al 2016). A criterion for hypothesis support was that the path coefficient must be positive with p-values equal to or less than 0.05 with a critical value higher than 1.96 (Hair et al 2019:2).

Evaluation of predictive relevance (Q^2): Finally, the predictive relevance of the model was checked through blindfolding which revealed a value of 0.269 confirming the median predictive relevance of the model as it is greater than zero. Hair et al (2019:2) provided a rule of thumb that Q^2 in the range of 0, 0.25 or 0.50 depicts small, medium and large predictive relevance of the PLS path model respectively. Hence predictive relevance of the study is considered a medium. Table 7 below gives explanations of the rule of thumb for the assessment of the structural model.

Table 5.5: Summary of rules of thumb for model evaluation- structural model analysis

Assessment	Name of index	Acceptable value
Collinearity	Variance inflator factor (VIF)	Multi-Collinearity occurs in a model when VIF values for specific indicators are 5 and above (VIF< 5)
SRMR	SRMR	< 0.05
Path Coefficient	Path coefficient	(t value > 2.33) (p value < 0.05)
R-square	Coefficient of determination	0.26- Substantial 0.13- Moderate 0.02- Weak
Q-square	Stone Geisser Q2 predictive relevance	A value larger than zero indicates that exogenous constructs have predictive relevance over the endogenous construct

Source: Own compilation

5.11.2.1.3 Moderation relationships

As discussed earlier, moderation occurs when the relationship between two variables is moderated or affected by a third variable, referred to as a moderator (Aguinis, Edwards & Bradley

2017: 665). The effect of a moderator variable is characterised as an interaction and could be a quantitative variable such as audit committee independence that affects the direction and or strength of the relationship between dependent and independent variables (Aguinis et al 2017: 665). This study included three moderating constructs, namely audit committee meetings, audit committee independence, and audit committee competence, to test changes in the relationship within the model. According to Hair et al (2014:106), the selected moderators should have strong theoretical support, and these were argued and explained in the literature review in Chapters 3 and 4. A moderating variable can weaken, strengthen, or negate the relationship between the dependent and independent variables. This happens when there is a relative change of relationships between the constructs (Hair et al 2014:106), which provides an insight to refine and develop the conceptual models and assess the size of the effects on the relationships (Hayes & Rockwood 2017:12).

In this study, eighteen different moderation analyses were conducted. These included: the moderating effect of audit committee meetings was analysed first to explain the relationships between board size, board independence, board gender diversity, and financial sustainability. Secondly, the moderating effect of audit committee independence was analysed to observe the relationships between board size, board independence, board gender diversity, and financial sustainability. Third, the moderating effect of audit committee competence was analysed to observe the relationships between board size, board independence board gender diversity, and financial sustainability. Fourth, the moderating effect of audit committee meetings was analysed to observe the relationships between internal audit size, internal auditor independence, internal auditor competence, and financial sustainability. Fifth the moderating effect of audit committee independence was analysed to observe the relationships between internal audit size, internal auditor independence, internal auditor competence, and financial sustainability. Finally, the moderating effect of audit committee competence was analysed to observe the relationships between internal audit size, internal auditor independence, internal auditor competence, and financial sustainability.

Figure 4.2 shows the moderation effect graphically. It contains a dependent variable, an independent variable, and a moderator variable. Then the moderator variable is connected to the dependent and independent variables by an arrow that points to the relationship between the independent variables and the dependent variable. To examine the moderating effect of audit committee variables on the board of directors and internal auditors' variables, multi-group causal analysis in structural equation modelling was employed. Using smart partial least square, the data were divided into two (board of directors variables and internal auditors variables) and the multi-group analysis was performed. A parametric test was examined to determine the significance of these potential moderating variables. Theoretically, the comparison of group-specific effects involves the consideration of a categorical moderator variable which, affects the direction and or strength of the relation between an independent or predictor variable and a dependent or criterion variable (Baron & Kenny1986: 1174). Following this notion, group effects include a categorical moderator variable that imposes a moderating effect on each observation's group membership (Henseler et al 2009). Subsequently, multi-group analysis is seen as a special case of modelling incessant moderating effects (Henseler & Chin 2010; Henseler & Fassott 2010).

The difference between simple moderation and multi-group analysis is that: (i) multi-group analysis helps to assess whether two or more variables have the same or different impact across groups (MacKinnon 2011: 675). Mostly, when the moderator variable is categorical, the preferred analysis technique is multi-group analysis, which tests and compares the effect of every structural path across various groups (Aguinis et al 2017). Multi-group analysis is performed through univariate analysis and this procedure can be done by comparing between two or more groups. (ii) A simple moderation analysis by contrast, is appropriate when the moderator is expected to exert its effect on the specific structural path(s) with the support of relevant theory (Momon, Cheah, Ramayah, Ting & Chuah 2018: 1). Hypothesised relationships were estimated using smart partial least square 4.0 (Ringle et al 2022; Ringle et al 2015: 1; Kalra, Agnihotri, Chaker, Singh & Das 2017: 332), which is suitable for handling small sample sizes. The quality of the measurement model was evaluated using the guidelines discussed above. The measurement model was estimated using a bootstrapping technique. Through the β value, the significance of the hypotheses was tested. The β implies the expected variation in the dependent construct for a unit variation in the independent construct (s). The β values of every path in the hypothesised model were determined. The greater the β value, the more the substantial effect on the endogenous latent constructs (Sarstedt et al 2011; Hair et al 2018). However, the β value was verified for its significance level through the t-statistics test. The bootstrapping procedure was used to assess the significance of the hypotheses. To test the significance of the path coefficient and t-statistics values, a bootstrapping procedure using 5000 subsamples with no sign changes was performed in this study.

Smart partial least square 4.0 was used to analyse the measurement and structural models. To use smart partial least square, the data was transformed into an Excel file to generate raw input for the application. Smart partial least square aims to maximise the variance of the dependent variables explained by the independent ones (Hair et al 2019:2; Hair et al 2017: 1). Partial least square model consists of three parts, structural components, measurement components and weight relations (Sarstedt et al 2011; Hair et al 2018). Therefore, the smart partial least square model in this study consisted of a structural component: in this case, a structural component of the smart partial least square model consists of the relationships between the nine constructs: board size, board independence, board gender diversity, internal auditor independence, internal audit size, internal auditor competence, audit committee meetings, audit committee independence and audit committee competence. The assumed relationships between those constructs can be seen from the theoretical model. The measurement component consists of the relationships between the constructs and their indicators (i. e. the items that are used to measure the constructs) (Hair et al 2019:2; Hair et al 2017: 1). Weight relations refer to weights that are used as estimations of the case values for the constructs (Hair et al 2019:2; Hair et al 2017: 1).

5.12 Ethical considerations

Research ethics can be viewed as norms for research that set the values that are necessary for cooperative work (Resnick 2018: 1299). High ethical standard is paramount in academic studies. Ethical standard is essential to protect the right of a participant in a study (Creswell & Creswell 2018:88). Resnik (2018: 1299) mentioned that an ethical standard is essential in collaborative studies. The author expressed that, in academic studies, researchers should take into consideration the maintenance of trust, confidentiality, anonymity, respect, fairness and accountability.

The study adhered to the principle of confidentiality. To ensure the well-being of the respondents, their privacy and confidentiality were consistently upheld throughout the study. This was done to prevent any potential harm to the respondents. For ethical purposes and because of the study’s confidentiality, the information retrieved was solely used for academic purposes and did not include the names of the respondents (Creswell & Creswell 2018:88).

Furthermore, the study followed the principle of anonymity. Additionally, the researcher used pseudonyms to anonymise the specific MMDAs from which data were collected to eliminate the possibility of identification (Creswell & Creswell 2017). The study ensured that the respondents remained anonymous and no personal or identifiable information was collected. The experiences and perceptions shared by the participants were accurately represented, without any false information. The findings of one MMDA were not compared to another MMDA. Once transcribed, the data was securely stored in password-protected folders on an external hard drive, accessible only to the researcher.

Also, the study adhered to the principle of voluntary participation. Before the respondents answered the questionnaire, a consent letter was issued and completed. The questionnaires were personally administered to the respondents and explained to them what the study is all about and why it would be important for them to participate. The informed consent was also sought from the respondents in writing of the purpose of the study, how the data would be used and that participating in the study was voluntary. Again, respondents were informed that all the data collected would be destroyed after the study is accepted. The respondents were informed that they had the option to leave the study whenever they wanted. However, in order to prevent the respondents from withdrawing, the researcher explained the significance of the study and how the findings would be used. Additionally, ethical clearance was also obtained from UNISA's College of Accounting Sciences. Ethical clearance was sought from the Research Ethics Review Committee which enhanced the credibility of the study.

5.13 Chapter summary

This chapter discussed the various research philosophies and paradigms and justified positivism as a paradigm used in the study. The chapter also discussed the various research approaches and designs and justified the need to use a quantitative approach and descriptive design in the study. A questionnaire was used for data collection. The items of all constructs were developed based on previous studies in the same field. The sources of measurement of all items were introduced. The questionnaires were distributed to the respondents (Chief audit executives, audit committee chairpersons and board of directors' chairpersons) in 207 MMDAs. The questionnaire was first subjected to a pilot study to arrive at the final questionnaire for the study. The questionnaires were distributed by hand and through e-mail to the respondents to avoid any ambiguity in the questions and to avoid any delay. The questionnaire distribution and collection took about six (6) months. Sampling was based on the purposive sampling technique. 621 survey questionnaires were distributed on behalf of 207 MMDAs. The valid responses that were used in the analysis process were 621 for the 207 MMDAs, resulting in a response rate of approximately 80%. SPSS and Smart PLS were used to analyse the data collected.

The chapter discussed the measurement of financial sustainability. The measurement of financial sustainability is a dependent variable reflected in the income (adjusted for extraordinary results), which is an accounting measurement based on the accrual basis (IFAC 2013). Under this approach, financial sustainability can be measured from a much more comprehensive approach using internally generated funds and expenses incurred. This concept effectively represents the MMDAs' ability to be financially sustainable in the future. The next chapter will discuss the descriptive and inferential data analysis and discussion of results.

CHAPTER 6

DESCRIPTIVE ANALYSIS AND DISCUSSION OF FINDINGS

6.1 Introduction

Chapter 5 presented and discussed the research methodology. It also discussed the philosophical assumptions, and research design used in the study. The chapter described in detail the sampling methods, data collection instruments, and data analysis techniques. In this chapter, Section 6.2 discusses the response rate; Section 6.3 discusses the background information of the respondents; Section 6.4 discusses descriptive statistics of archival data; Section 6.5 discusses descriptive statistics of the closed-ended questionnaire; and Section 6.6 discusses chapter summary.

6.2 Response Rate

As discussed in Chapter 5, the study collected data from both secondary and primary sources. The initial panel data, which is secondary data, were sourced from the Auditor General's report for the 260 MMDAs for five years (2016-2020). However, of the 260 MMDAs with 1300 observations (260 by 5), 53 MMDAs with 265 observations (53 by 5) had insufficient financial sustainability information from the Auditor General's report and were thus removed from the study. Therefore, the results were based on 207 MMDAs (260-53) with 1035 five-year observations (207 by 5). It should be noted that the study sought to collect primary data on the internal governance variables from the audit committee and board of directors' chairpersons, and the chief audit executives. Therefore, the study used census balanced panel data design and survey approach to administer 621 structured questionnaires to the chief audit executives, audit committee and board of directors chairpersons in the 207 MMDAs. The questionnaires were received from 621 respondents in the 207 MMDAs giving a response rate of 100%. Data collection was conducted over six months. When the majority of the questionnaires had not been returned after one month, a reminder notice was sent. This prompted some recipients to return their questionnaires. This 100% response rate is an indication that the study was free from response bias (Bryman 2012:234-237). Mouton (2001:261), as well as Creswell (2013), mentioned that a 50% response rate is considered adequate; a 60% response rate is considered good, while a 70% and above response rate is considered excellent for data analysis and reporting. Fincham (2008:1) also added that to generalise the findings of a study using a survey questionnaire, the response rate should be 80% or more. Therefore, the 100% response rate achieved was considered excellent to generalise the study's findings. These responses were used to analyse the data in the study.

6.3 Background information of the respondents

This section provides the background information of the respondents in relation to the level of education, years of working experience and professional experience in governance activities.

Table 6.1: Descriptive statistics–background information

Background information	**Category**	**N**	**Frequency**	**Percent (%)**
	SSSCE/WASSCE	621	20	3.2
	Diploma	621	124	20.0
Level of education	First degree	621	259	41.7
	Postgraduate	621	87	14.0
	Professional	621	131	21.1
Total			**621**	**100**
	Less than 2	621	25	4.0
	2- 5	621	193	31.1
Years of working experience	6 - 10	621	294	47.3
	11-16	621	58	9.3
	> 16	621	51	8.2
Total			**621**	**100**
	Less than 2	621	28	4.5
	2- 5	621	124	20.0
Experience in governance activities	6 - 10	621	280	45.1
	10-15	621	111	17.9
	> 16	621	78	12.6
Total			**621**	**100**

Source: Own compilation

With reference to Table 6.1, the results indicate that most of the respondents from the 207 sampled MMDAs in the study period have the necessary professional and academic qualifications that qualify them to serve as the audit committee and board chairpersons as well as chief audit executives. Of the 621 respondents, 259 (41.7%) have a first degree, 87 (14.0%) have a postgraduate degree and 131 (21.1%) have professional qualifications such as CA, ACCA, CIMA, etc., 124 (20%) have diploma qualifications and 20 (3.2%) have high school certificates. This finding suggests that all the respondents possess the appropriate level of formal education and therefore had the potential to provide the necessary responses to answer the research questions and to achieve the objectives of the study. Ahmed and Hamdan (2015:25) expressed that highly educated individuals are capable of providing expert opinions on an issue and therefore their opinions are considered credible. The responses also indicate that all the audit committee and board chairpersons as well as chief audit executives in MMDAs are well educated.

With regard to the years of working experience as shown in Table 6.1, the responses show that 294(47.3%) respondents have served between six to ten years, 193 (31.1%) have served between two to five years, 58 (9.3%) have served between ten to fifteen years, 51 (8.2%) have served more than sixteen years, and 25 (4.0%) have served less than two years. From the responses, it can be observed that the chief audit executives and the chairpersons of audit committees and board of directors in the 207 sampled MMDAs are highly experienced with six to ten years of experience. This result indicates that the majority of the respondents are experienced and knowledgeable of the roles and responsibilities of the local government during the study period.

With regard to experience in governance activities as shown in Table 6.1, the results indicate that the majority of the respondents, 280 (45.1%) have experience in governance activities for a period of between six to ten years, 124 (20%) have two to five years experience in governance activities, 111 (17.9%) have ten to fifteen years experience in governance activities, 28 (4.5%) have less than two-year experience in governance activities, and 78 (12.6%) have more than 16 years governance experience. From the responses, it was inferred that the majority of the respondents had broad experience and knowledge in governance activities at the local government level and therefore had a considerable understanding of financial sustainability and thus provided the necessary responses to the questionnaire to achieve the objective of the study.

6.4 Descriptive statistics of archival data

The study used three descriptive measures, namely, mean, standard deviation and minimum and maximum. The descriptive statistics are presented, interpreted and discussed in the sections below.

6.4.1 Descriptive statistics of financial sustainability ratios (archival data)

Table 6.2 provides the panel data results of the descriptive statistics for the ratios used to represent financial sustainability from the period 2016-2020. As discussed in Section 5.10.2.1, the aim of the grading of the individual financial sustainability ratios is to give early warning signals to the MMDAs especially if a particular ratio is approaching unfavourable grading or the overall financial sustainability of MMDAs is financially unsustainable. An individual ratio score of -1 is rated as unfavourable (U); 0 is a warning (W); 1 is a caution (C); 2 is favourable (F). Also, an overall financial sustainability ratio score of 10 and above are strongly sustainable (S); 4 to < 10 is moderately sustainable (D); 1 to < 4 is minimally sustainable (M); -4 to < 1 is financially vulnerable (V); and Less than – 4 financially unsustainable (U) (Arunachalam et al 2017: 40; Kloha et al 2005: 313). Section 6.4.2 below discusses the archival results of financial sustainability ratios of the 207 sampled MMDAs during the study period 2016-2020.

Table 6.2: Descriptive statistics of financial sustainability ratios (Archival data)

Ratios	2016	2017	2018	2019	2020	Average
Net surplus margin ratio	**Result -3.19** Score (-1); Grade (U)	**Result -3.00** Score (-1); Grade (U)	**Result -3.81** Score (-1); Grade (U)	**Result -3.40** Score (-1); Grade (U)	**Result -3.28** Score (-1); Grade (U)	**Result -3.34** Score (-1); Grade (U)
Net cash flow from operations to total debt ratio	**Result -54.54** Score (-1); Grade (U)	**Result -59.30** Score (-1); Grade (U)	**Result -39.06** Score (-1); Grade (U)	**Result -24.94** Score (-1); Grade (U)	**Result -27.01** Score (-1); Grade (U)	**Result -40.97** Score (-1); Grade (U)
Rates coverage ratio	**Result 0.24** Score (0); Grade (W)	**Result 0.25** Score (0); Grade (W)	**Result 0.21** Score (0); Grade (W)	**Result 0.23** Score (0); Grade (W)	**Result 0.23** Score (0); Grade (W)	**Result 0.23** Score (0); Grade (V)
Rates revenue to total revenue ratio	**Result 0.28** Score (0); Grade (W)	**Result 0.27** Score (0); Grade (W)	**Result 0.21** Score (0); Grade (W)	**Result 0.17** Score (0); Grade (W)	**Result 0.14** Score (0); Grade (W)	**Result 0.21** Score (0); Grade (V)
Asset turnover ratio	**Result 2.82** Score (0); Grade (W)	**Result 1.83** Score (1); Grade (C)	**Result 2.56** Score (1); Grade (U)	**Result 0.49** Score (0); Grade (U)	**Result 0.56** Score (0); Grade (U)	**Result 1.65** Score (1); Grade (M)
Overall average score	**Result -10.88** Score (-1); Grade (U)	**Result -11.99** Score (-1); Grade (U)	**Result -7.98** Score (-1); Grade (U)	**Result -5.49** Score (-1); Grade (U)	**Result -5.87** Score (-1); Grade (U)	**Result -42.21** Score (-1); Grade (U)

Source: Own compilation

6.4.2 Discussion of archival results of financial sustainability

The study analyses each of the five ratios of financial sustainability separately and also provides an overall depiction (in terms of a total average score and grading) of the financial sustainability status of the 207 MMDAs sampled.

The net surplus margin ratio was designed to measure the remaining percentage of the internally generated revenue after MMDAs have paid their operating expenses. As shown in Table 6.2, the net surplus margin ratio for the 207 MMDAs decreased from -3.19 in 2016 to -3.00 in 2017 and also decreased from -3.81 in 2018 to -3.40 and -3.28 in 2019 and 2020 respectively. From Table 6.2 above, the results show that on average for the period 2016-2020, the net surplus margin ratio (NSMR) was -3.34. On average, the net surplus margin has declined from 2016–2020 and it is within the range of financially unsustainable and is unfavourable to the MMDAs (Arunachalam et al 2017: 40; Kloha et al 2005: 313). This result indicates that NSMR falls below the required minimum standard of 1% (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1). this finding implies that MMDAs are operating at a deficit and measures must be put in place to deal with this situation to be financially sustainable and to ensure continued service deliveries.

Net cash flow from operations to total debt ratio was designed to measure the ability of the MMDAs to pay their debts using the cash flow from operating activities after meeting their operational expenses. As shown in Table 6.2, the net cash flow from operations to total debt ratio for the 207 MMDAs decreased, from -54.54 in 2016 to -59.30 in 2017 and also decreased from -39.06 in 2018 to -24.94 and -27.01 in 2019 and 2020 respectively. From Table 6.2 above, the results show that on average for the period 2016-2020, the net cash flow from operations to total debt ratio (NCFTDR) was -40.97. Net cash flow from operations to total debt ratio for the 207 MMDAs stood at an average of -40.97. On average, the net cash flow from operations to total debt ratio has declined from 2016–2020 and it is within the range of financially unsustainable and is unfavourable to the MMDAs (Arunachalam et al 2017: 40; Kloha et al 2005: 313). This result indicates that NCFTRR falls below the required minimum standard between 1% and 15% (Arunachalam et al 2017: 40; Brusca & Montesinos 2013: 354). This finding implies that MMDAs do not have real cash available for debt servicing after taking into account operational expenses. Based on this result, there is a need for MMDAs to come up with measures that would ensure that expenses are kept as low as possible and the available funds can meet the expenditure. Also, the MMDA must become more efficient and effective in the generation and collection of internal revenue.

The rates coverage ratio was designed to measure the remaining percentage of rates revenue generated divided by total operating expenses. As shown in Table 6.2, the rates coverage ratio for the 207 MMDAs decreased, from -0.24 in 2016 to 0.25 in 2017 and also decreased from 0.21 in 2018 to 0.23 and 0.23 in 2019 and 2020 respectively. The decrease in the rates coverage ratio is a result of a decrease in revenue collection in the form of licenses, fees and miscellaneous charges, investment income, and rates which led to the increase in operating expenses. The decrease could also result from the higher fiscal transfers to MMDAs from the funds created by the central government. From Table 6.2 above, the results show that on average for the period 2016-2020, the rates coverage ratio (RCR) for the 207 MMDAs stood at 0.23 (23%). On average from 2016-2020, the rates coverage ratio has not improved and it is within the range of financially vulnerable and is a warning to the MMDAs (Arunachalam et al 2017: 40; Kloha et al 2005: 313). This result indicates that RCR falls below the required minimum standard between 40% and 60% (Arunachalam et al 2017: 40; Wang et al 2007: 1). A ratio of less than 40% indicates that rates revenue is not sufficient to cover expenses adequately and may result in financial unsustainability. This finding implies that MMDAs' rates revenue is insufficient to cover their expenses adequately. This result indicates that there is a need for MMDAs to come up with measures that would ensure that the expenses of MMDAs are kept as low as possible to ensure that their available internally generated funds can meet the expenditure.

The rates revenue to total revenue ratio was designed to measure the remaining percentage of internally generated revenue to total revenue. It shows the percentage of total revenue generated from MMDAs' rates revenue. As shown in Table 6.2, the rates revenue to total revenue ratio for the 207 MMDAs decreased, from 0.28 (28%) in 2016 to 0.27 (27%) in 2017 and also decreased from 0.21 in 2018 to 0.17 (17%) and 0.14 (14%) in 2019 and 2020 respectively. The decrease in rates revenue relative to total revenue could be a result of citizens not paying rates or taxes and MMDAs' inability to collect rates. From Table 6.2 above, the results show that on average for the period 2016-2020, the rates revenue to total revenue ratio (RRTRR) was 0.21 (21%). On average from

2026-2020, the rates revenue to total revenue ratio has not improved and it is within the range of financially vulnerable and is a warning to the MMDAs (Arunachalam et al 2017: 40; Kloha et al 2005: 313). This result indicates that RRTRR falls below the required minimum standard of 40% (Arunachalam et al 2017:40; Wang et al 2007:1; Mitchell 2011:1). this finding implies that MMDAs' rates revenue is not sufficient to cover expenses sufficiently and may result in financial unsustainability. As already discussed, internally generated funds are made up of rates, user fees, and local taxation on property or income. The total revenue is made up of internally generated funds and income from the central government such as district assemblies' common fund, grants and any transfers. Therefore, MMDAs are required to put measures in place to increase the collection of rates within their jurisdictions to be able to cover expenses sufficiently.

The assets turnover ratio was designed to measure the remaining percentage of internally generated revenue to total assets. As shown in Table 6.2, the assets turnover ratio for the 207 MMDAs decreased, from 2.82 in 2016 to 1.83 in 2017 and also decreased from 2.56 in 2018 to 0.49 and increased to 0.56 in 2019 and 2020 respectively. The decline in this ratio is a result of MMDA's inability to make maximum use of the available assets to generate enough revenue. From Table 6.2 above, the results show that on average for the period 2016-2020, the asset turnover ratio (ATR) was 1.65. The overall average assets turnover ratio of 207 MMDAs from 2016-2020 was 1.65. On average from 2026-2020, the assets turnover ratio has not improved and it falls within the range of minimally sustainable and is a caution to the MMDAs (Arunachalam et al 2017: 40; Kloha et al 2005: 313). This result indicates that ATR falls below the basic required standard of 50% (Arunachalam et al 2017:40; Wang et al 2007:1; Mitchell 2011:1). this finding implies that MMDAs are unable to make efficient use of their assets to generate enough revenue to finance their operations. Therefore, MMDAs should continue to use their available assets efficiently to increase revenues to remain financially sustainable.

From Table 6.2 above, the results show that on average for the period 2016-2020, the overall financial sustainability was -42.21. This result falls into the range of financially unsustainable (Less than – 4 financially unsustainable. On average, this means MMDAs have limited capacity to meet their short-term financial commitments and no capacity to meet their medium to long-term financial commitments (Arunachalam et al 2017: 40;

Kloha et al 2005: 313). Based on internally generated revenues, MMDAs need to have major revenue and expense adjustments and structural reform to be able to manage unforeseen financial shocks and any adverse changes in their activities. The findings revealed that on average, the rate is -42.21% which is less than the strongly sustainable standard of 100% and above. There is a need for MMDAs to set the best standard so that they can maintain expenditures at a manageable level and increase the internally generated revenue. The results have proven that without government subventions (District Assemblies Common Fund) and other funds from donor agencies, MMDAs in Ghana cannot survive on internally generated revenues.

6.5 Descriptive statistics of the board of directors' attributes (archival data)

This section discusses the descriptive statistics of the archival data of all the board of directors' attributes.

Table 6.3: Descriptive statistics–board of directors' attributes (archival data)

Latent variables	**Category**	**N**	**Frequency**	**Percent (%)**
	10-20 members	621	15	2.4
	21-30 members	621	207	33.3
Board size	31-40 members	621	300	48.3
	41-50 members	621	96	15.5
	51-60 members	621	3	0.5
Total			**621**	**100**
	5-9 members	621	90	14.49
	10-15 members	621	213	34.30
Board independence	16-20 members	621	297	47.83
	21-25 members	621	21	3.38
	26 or > members	621	0	0
Total			**621**	**100**
	1-3 members	621	276	44.4
	4-6 members	621	204	32.9

Board gender diversity	7-9 members	621	96	15.5
	10-12 members	621	45	7.2
	13 or > members	621	0	0
Total			**621**	**100**

Source: Own compilation

6.5.1 Discussion of archival results of board of directors' variables

With regard to board size (measured as the number of board or council members) as shown in Table 6.3, 15 (2.4%) of the 207 sampled MMDAs have 10-20 board members, 207 (33.3%) have between 21-30 members, 300 (48.3%) have between 31-40 members, 96 (15.6%) have 41-50 members, and 3(0.5%) have between 51-60 members during the study period. This indicates that the majority of the MMDAs have board or council members ranging from 21-40 representing 81.6% (33.3%+48.3%). In this case, the majority of the MMDAs (169 out of the 207) have a minimum board size of 21 members and a maximum of 40 members. This finding shows that the minimum and the maximum board size at the local government level is far different from those in the private sector organisations. In the private sector organisations, Cheung (2019:212) reported an average of 10; Habbash (2012:77) reported an average of 9, Abdelsalam et al (2008:953) reported an average of 19 and Tjano (2021:116) reported an average of 11 in public sector organisations in South Africa. This finding is not comparable to the prior studies. The finding of 21 to 40 board members is appropriate for MMDAs since it will help to integrate diverse skills and the active involvement of all board members in financial sustainability decisions (Boubacar 2018: 629). Bigger board numbers also introduce inefficiencies, longer decision-making time frames and higher costs.

With regard to board independence, which is measured by the number of independent non-executive members on boards, Table 6.3 shows that out of the 207 MMDAs sampled, the majority have between 16-20 board members who are independent non-executives, totaling 297 (47.83%). Additionally, 213 (34.30%) MMDAs have between 10-15 board members who are independent non-executives, while 90 (14.49%) have between 5-9 board members in this category. Lastly, 21 (3.38%) MMDAs have between 21-25 board members who are independent non-executives. This finding indicates that the majority of the MMDAs' board members ranging from 10-20 representing 82.13%

(34.30%+47.83%) of the 207 sampled MMDAs are independent non-executive members during the study period. This implies a minimum of 47.6% (of a minimum of 21 board members) and a maximum of 50% (of a maximum of 40 board members) of the 207 sampled MMDAs are independent non-executive members. This finding is comparable to Ghafran and Sullivan (2017:578) who reported an average of 48.23%. In Ghana, the boards or council members of MMDAs consist of non-partisan board members of which 70% of the board members are directly elected while 30% are presidential appointees. This is consistent with Che and Langli (2015:1216), who argued that as conflicts of interest between communities and management are commonly found in MMDAs, it is, therefore, essential to have independent non-executive directors to monitor and control chief executive officers who are government appointees in MMDAs in Ghana from their opportunistic behaviour.

With regard to board gender diversity, which is measured by the number of women serving on boards, Table 6.3 indicates that the majority of the 207 sampled MMDAs have 1-3 women on boards, accounting for 276 (44.44%) of the total. Additionally, 204 (32.85%) MMDAs have between 4-6 women on boards, while 96 (15.46%) have between 7-9 women on boards. Lastly, 45 (7.25%) MMDAs have between 10-12 women on boards. In this case, with reference to the minimum board size of 21 and maximum of 40 as indicated in Table 6.3, the minimum representation of women is 1 and maximum is 6. This implies for every 21 board members in MMDAs in Ghana, there is one woman only (representing 4.8%) and for every 40 board members, there are 6 women (representing 15%). This finding is comparable to the global analysis conducted by UN Women (2021:24) which disclosed that the proportion of women to men in the local government elections in Ghana is 3.80%, indicating that women's representation in the local government is negligible. The finding is also comparable to the election of council members held in Ghana in 2012 that disclosed that women constituted 512 out of the total of 5681 representing 6.7% and in 2015, women constituted 276 out of the total of 5654 representing 4.7% (Boateng & Kosi 2015:1). The finding differs from women representation on boards in the private sector organisations. In the private sector organisations, prior studies such as Tjano (2021:115) reported an average of 36%, whilst Samuel (2020:140) also reported an average of 33.7%. This result is an indication of the seriousness of the gender disparity in the boards of directors of MMDAs in Ghana. This result indicates that the current compositions of the boards of the MMDAs are gender biased. Kiflee et al (2020:552) as well as Wahid (2018:705) discovered that a board that constitutes 30% of women enhances financial sustainability.

6.5.2 Descriptive statistics of the internal auditors' attributes (archival data)

This section discusses the descriptive statistics of the archival data of all the internal auditors' attributes

Table 6.4: Descriptive statistics–internal auditors' attributes (archival data)

Latent variables	**Category**	**N**	**Frequency**	**Percent (%)**
	1 member	621	0	0
	2 members	621	126	20.3
Internal audit size	3 members	621	282	45.4
	4 members	621	168	27.1
	5 or members	621	45	7.2
Total			**621**	**100**
	1 meeting p/a	621	0	0
	2 meetings p/a	621	72	11.6
Internal auditor independence	3 meetings p/a	621	108	17.4
	4 meetings p/a	621	387	62.3
	5 or > meetings p/a	621	54	8.7
Total			**621**	**100**
	1 member	621	0	0
	2 members	621	174	28.0
Internal auditor competence	3 members	621	288	46.4
	4 members	621	75	12.1
	5 or > members	621	84	13.5
Total			**207**	**100**

Source: Own compilation

6.5.3 Discussion of archival results of internal auditors' attributes

Regarding internal audit size (measured as the number of internal auditors) as shown in Table 6.4, 126 (20.3%) of the respondents of the 207 sampled MMDAs mentioned that there are two internal auditors, 282 (45.4%) mentioned three internal auditors, 168 (27.1%) mentioned four internal auditors, and 45 (7.2%) mentioned five (5) internal auditors. This indicates that the majority of the MMDAs have internal auditors ranging from 3-4 representing 72.5% (27.1%+45.4%). In this case, the majority of the MMDAs (150 of the 207) have minimum internal auditors of 3 and a maximum of 4. This finding is comparable to Yang and Krishnan (2005:201) who argued that for an internal audit to be effective in its monitoring function, it should have a minimum of four (4) members.

With regard to internal auditor independence (measured as the number of times internal auditors meet audit committees in a year) as shown in Table 6.4, 72 (11.6%) of the 207 sampled MMDAs indicated that internal auditors meet audit committees two (2) times in a year, 108 (17.4%) meet three (3) times in a year, 387 (62.3%) meet four (4) times in a year, and 54 (8.7%) meet five (5) times in a year. This finding indicates that the majority of the respondents (53.6%) from the 207 sampled MMDAs indicated that internal auditors meet audit committees four (4) times a year. This finding is comparable to the previous studies that found that internal auditors should meet audit committees four (4) times a year. Alzeban (2020: 437) expressed that the number of times internal auditors meet the audit committees is an indication of internal auditors being independent. The meetings between internal auditors and audit committees help the committee to be aware of any issues related to finance, thereby helping to enhance financial sustainability (Alhossini et al 2021:1; Gebrayel et al 2018:197). Frequent meetings demonstrate that timely decisions are made to improve the strategic operations of the MMDAs and to allow sharing of expertise among the audit committees and internal auditors.

Regarding internal auditor competence (measured as the number of internal auditors with accounting and or auditing qualifications) as shown in Table 6.4, the majority of the respondents of the 207 sampled MMDAs, 288(46.4%) have three (3) internal auditors with accounting and or auditing qualifications, 75(12.1%) have four (4) members, 174(28.0%) have two (2) members and 84(13.5%) have five or members. The responses indicate that the majority of the internal auditors (46.38%) from the 207 sampled MMDAs have accounting and or auditing qualifications during the study period. This indicates that the majority of the MMDAs have internal auditors with accounting and or auditing qualifications ranging from 3-4 representing 74.4% (46.4%+28.0%). In this case, the majority of the MMDAs (154 out of the 207) have a minimum of 3 and a maximum of 4 internal auditors who have accounting and or auditing qualifications. This finding is comparable to Samuel (2020:140) who reported an average of 81.2%, Cheung (2019:210) reported an average of 40%, Garven (2015:67) reported an average of 45.7%, and Chan et al (2011) reported an average of 49%. This finding supports the argument that the majority of internal auditors with accounting and auditing qualifications can monitor and control management and bring to the board room diverse perspectives, knowledge and counseling leading to improvement in financial sustainability (Helfaya & Moussa 2017:1061; Appuhami & Tashakor 2017:400).

6.5.4 Descriptive statistics of the audit committee attributes (archival data)

This section discusses the descriptive statistics of the archival data of all the audit committee attributes.

Table 6.5: Descriptive statistics–audit committee attributes (archival data)

Latent variables	Category	N	Frequency	Percent (%)
	1 meeting p/a	621	0	0
	2 meetings p/a	621	30	4.8
Audit committee meetings	3 meetings p/a	621	168	27.1
	4 meetings p/a	621	333	53.6
	5 or > meetings p/a	621	90	14.5
Total			**621**	**100**
	1 member	621	0	0
	2 members	621	15	2.4
Audit committee independence	3 members	621	30	4.8
	4 members	621	576	92.8
	5 or > members	621	0	0

Total			**621**	**100**
	1 member	621	0	0
	2 members	621	12	1.9
Audit committee competence	3 members	621	78	12.6
	4 members	621	492	79.2
	5 or more	621	39	6.3
Total			**621**	**100**

Source: Own compilation

6.5.5 Discussion of archival results of audit committee attributes

With regard to audit committee meetings (measured as the number of times audit committees meet in a year) as shown in Table 6.5, 30 (4.8%) of the respondents in the 207 sampled MMDAs indicated that audit committees meet two (2) times in a year, 168 (27.1%) meet three (3) times in a year, 333 (53.6%) meet four (4) times in a year, and 90 (14.5%) meet five (5) times in a year. Thus, the audit committee's meetings of the sampled MMDAs are regular during the study period. This finding indicates that the majority of the audit committees (53.6%) from the 207 sampled MMDAs meet four (4) times in a year. This finding is in agreement with Krismiaji et al (2016: 474) who expressed that an audit committee should meet at least four times a year. Alzeban and Sawan (2015: 61) indicated that the frequency of audit committee meetings is a measure of audit committee effectiveness. Thus, the finding indicates that the audit committees in MMDAs are effective. Frequent meetings demonstrate that timely decisions are made to improve the strategic operations of the MMDAs and to allow sharing of expertise among the audit committee members.

Regarding audit committee independence (measured as the number of independent non-executive members on audit committees) as shown in Table 6.5, the majority of the audit committee members of the 207 sampled MMDAs, 576(92.8%) have four (4) independent non-executive members, 30(4.8%) have three (3) independent non-executive members, and 15(2.4%) have two (2) independent non-executive members. This finding indicates that the majority of the audit committee members (92.8%) from the 207 sampled MMDAs are independent non-executives during the study period. Out of the five (5) mandatory requirements of audit committee members, 4 (92.8% of 5) are independent non-executive members. This finding is comparable to the previous studies that found that audit committees should have 4 out of 5 independent non-executive members. Tjano (2021:115) reported an average of 90% of public sector organisations in South Africa, Cheung (2019:211) reported an average of 91% in Hong Kong, Ghafran and O'Sullivan (2017:578) reported an average of 95.29% in the United Kingdom, Chan et al (2011:74) reported an average of 90.6% in Hong Kong. The greater proportion of independent members on audit committees helps the committee members to balance the influence of the board of directors, politicians, their colleagues and other stakeholders in MMDAs.

With regard to audit committee competence (measured as the number of audit committee members with accounting and or auditing qualifications) as shown in Table 6.8, the majority of the audit committee members of the 207 sampled MMDAs, 492(79.2%) have four (4) audit committee members with accounting and or auditing qualifications, 78(12.6%) have three (3) members, 39(6.3%) have five or members, 12(1.9%) have two members. The responses indicate that the majority of the audit committee members (79.2%) from the 207 sampled MMDAs have accounting and or auditing qualifications during the study period. This indicates that out of five (5) mandatory requirements of audit committee members, approximately four (4) members (79.2% of 5) have accounting and or auditing qualifications. This finding is comparable to and higher than some of the previous studies that found the majority of audit committees with accounting and auditing qualifications. Samuel (2020:140) reported an average of 81.2%, Cheung (2019:210) reported an average of 40%, Garven (2015:67) reported an average of 45.7%, and Chan et al (2011) reported an average of 49%. This finding supports the argument that the majority of audit committee members with accounting and auditing qualifications can monitor and control management, bring to the boardroom different perspectives, knowledge, and experience and link the MMDAs to financial resources, leading to improvement in financial sustainability (Helfaya & Moussa 2017:1061; Appuhami & Tashakor 2017:400).

6.6 Descriptive statistics of the closed-ended questions

To realise the objectives of the study, closed-ended questionnaires were distributed to the board chairpersons, chief audit executives and the audit committee chairpersons. The study used structural equation modelling to analyse these responses. Before presenting the findings of closed-ended questions, it is essential to confirm the distributions of the concerned attributes. The sections below present the related descriptive statistics.

6.6.1 Descriptive statistics of the responses to the financial sustainability

This section discusses the descriptive statistics of all the financial sustainability measures. Table 6.6 presents the responses to the statements in the questionnaire on financial sustainability. The closed-ended questions sought to answer the extent to which financial sustainability measures (net surplus margin ratio, net cash flow from operations to total debt ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio) affect the financial sustainability of MMDAs. To simplify the analysis, the 'strongly agree' and 'agree' columns are summed up to 'agreement' and the 'strongly disagree' and 'disagree' are summed up to 'disagreement'.

Table 6.6: Descriptive statistics of financial sustainability ratios (closed-ended questionnaire)

2016-2020	**N**	**Min**	**Max**	**Mean**	**Std. Deviation**
Financial sustainability (FS)					
FS1 (NSMR)	621	1	5	4.65	0.627
FS2 (NCFTDR)	621	1	5	4.55	0.659
FS3 (RCR)	621	1	5	4.49	0.735
FS4 (RRTRR)	621	2	5	4.37	0.739
FS5 (ATR)	621	2	5	4.41	0.718
Overall Average Score				*4.49*	*0.696*

Source: Own compilation

6.6.2 Discussion of closed-ended questionnaire results on financial sustainability

The study analyses each of the five ratios of financial sustainability separately and also provides an overall depiction (in terms of a total average score and grading) of the financial sustainability status of the 207 MMDAs sampled.

With regard to net surplus margin ratio as shown in Table 6.6, the aim of the first question (FS1) was to find out whether MMDAs are financially unsustainable because the net surplus margin is less than 0% due to their inability to generate enough revenue internally. The results from Table 6.6 show an average score for the period 2016-2020 is 4.65 with a standard deviation of 0.627. This means that the majority of the respondents representing 93% were in agreement that MMDAs are financially unsustainable because the net surplus margin is less than 0% due to their inability to generate enough revenue internally, whilst the minority of the respondents 7% were in disagreement with the statement. The responses also confirm the results from the archival data which showed an average of -3.34 from 2016-2020 indicating financially unsustainable (Kloha et al 2005: 313). The responses indicate that MMDAs are operating below the required standard of 1% or more for net surplus margin (Arunachalam et al 2017: 40; Cohen 2008: 265).

With regard to net cash flows from operations to total debt ratio as shown in Table 6.6, the aim of the second question (FS2) was to find out whether MMDAs are financially unsustainable because the net cash flows from operations are less than 1% due to their inability to generate enough revenue internally. The results from Table 6.6 show an average score for the period 2016-2020 is 4.55 with a standard deviation of 0.659. This means that the majority of the respondents representing 91% were in agreement that MMDAs are financially unsustainable because the net cash flows from operations are less than 1% due to their inability to generate enough revenue internally, whilst the minority of the respondents 9% were in disagreement with the statement. The responses also confirm the results from the archival data which showed an average of -40.97 from 2016-2020 indicating financially unsustainable (Kloha et al 2005: 313). The responses indicate that MMDAs are operating below the required standard of 1% or more for net cash flow from operations (Arunachalam et al 2017: 40; Wang et al 2007: 1).

With regard to rates coverage ratio as shown in Table 6.6, the aim of the third question (FS3) was to find out whether MMDAs are financially unsustainable because the rates coverage is less than 40% due to their inability to generate enough tax revenue internally. The results from Table 6.6 show an average score for the period 2016-2020 is 4.49 with a standard deviation of 0.735. This means that the majority of the respondents representing 89% were in agreement that MMDAs are financially unsustainable because the rates coverage is less than 40% due to the MMDAs' inability to generate enough tax revenue internally, whilst the minority of the respondents 11% were in disagreement with the statement. The responses also confirm the results from the archival data which showed an average of 23% from 2016-2020 indicating financially unsustainable (Kloha et al 2005: 313). A ratio of less than 40% indicates that rates revenue is not sufficient to cover expenses adequately and may result in financial unsustainability. The responses show that the rates coverage ratio from the period under study is lower than the basic standard level of 40% (Arunachalam et al 2017: 40; Wang et al 2007: 1; PWC 2006: 1).

With regard to rates revenue to total revenue ratio as shown in Table 6.6, the aim of the fourth question (FS4) was to find out whether MMDAs are financially unsustainable because the rates revenue to total revenue is less than 40% due to their inability to generate enough rates revenue internally. The results from Table 6.6 show an average score for the period 2016-2020 is 4.37 with a standard deviation of 0.739. This means that the majority of the respondents representing 87% were in agreement that MMDAs are financially unsustainable because the rates revenue to total revenue ratio is less than 40% due to their inability to generate enough rates revenue internally, whilst the minority of the respondents 13% were in disagreement with the statement. The responses also confirm the results from the archival data which showed an average of 21% from 2016-2020 indicating financially unsustainable (Kloha et al 2005: 313). The responses indicate that MMDAs are operating below the required standard of 40% or more for rates revenue to total revenue ratio (Arunachalam et al 2017: 40; Wang et al 2007: 1; Mitchell 2011: 1).

With regard to net assets turnover as shown in Table 6.6, the aim of the fifth question (FS5) was to find out whether MMDAs are financially unsustainable because net assets turnover is less than 50% due to their inability to use available assets to generate enough revenue internally. The results from Table 6.6 show an average score for the period 2016-2020 is 4.41 with a standard deviation of 0.718. This means that the majority of the respondents representing 88% were in agreement that MMDAs are financially unsustainable because net assets turnover is less than 50% due to their inability to use available assets to generate enough revenue internally, whilst the minority of the respondents 12% were in disagreement with the statement. The responses also confirm the results from the archival data which showed an average of 1.64 from 2016-2020 indicating minimally sustainable (Kloha et al 2005: 313). The responses indicate that MMDAs are operating below the required basic standard of 50% for assets turnover ratio (Arunachalam et al 2017: 40; Wang et al 2007: 1).

With reference to Table 6.6, the overall average score for the board size is 4.49 with a standard deviation of 0.696 (90%), which is significant. Thus, there was a high level of agreement representing 90% with all five statements on financial sustainability. It can be seen from Table 6.6 that 90% of all the respondents were in agreement that the net surplus margin ratio, net cash flow from operations to total debt ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio influence financial sustainability. The responses also confirm the results from the archival data which showed an overall average of -42.21 from 2016-2020 indicating financially unsustainable (Waweru 2018:11; Kinde 2012:1; Kloha et al 2005: 313). This finding implies that lack of improvement in net surplus margin ratio, net cash flow from operations to total debt ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio have a significant influence on the financial sustainability of MMDAs. The findings revealed that on average, the 90% agreement indicates that MMDAs are operating below the required financial sustainability standard. This result falls into the range of financially unsustainable (Less than – 4 financially unsustainable). This finding implies that MMDAs have limited capacity to meet their short-term financial commitments and no capacity to meet medium to long-term financial obligations. Based on internally generated revenue streams, MMDAs need to have major revenue and expense adjustments and structural reform to be able to manage unforeseen financial shocks and any adverse changes in their activities. There is a need for MMDAs to set the best standard so that they will be able to maintain expenditure at a manageable level and increase the internally generated revenues. With reference to Table 7.1 in Chapter 7, NSMR has [t-value= 21.991; p-value= 0.000]; NCFTRR has [t-value= 47.783; p-value= 0.000]; RCR has [t-value= 82.639; p-value= 0.000]; RRTRR has [t-value= 29.956; p-value= 0.000]; and ATR has [t-value= 33.033; p-value= 0.000]. This indicates that all the financial sustainability measures have a significant impact on financial sustainability. However, the rates coverage ratio (RCR) has the highest impact on financial sustainability whilst the net surplus margin ratio (NSMR) has the least impact on financial sustainability.

6.6.3 Descriptive statistics of the responses to the board of directors' attributes and financial sustainability

This section discusses the descriptive statistics of all the board of directors' attributes. Table 6.6 presents the responses to the statements in the questionnaire on research question one. The closed-ended questions sought to answer the extent to which the boards of directors' attributes (size, independence, and gender diversity) affect the financial sustainability of MMDAs. To simplify the analysis, the 'strongly agree' and 'agree' columns are summed up to 'agreement' and the 'strongly disagree' and 'disagree' are summed up to 'disagreement'.

6.6.3.1 Descriptive statistics of boards of directors' attributes (closed-ended questions)

Regarding the board of directors attributes, respondents were asked to rate the extent to which boards have the proper board size, independence, and board gender diversity. A five-point Likert scale was used to rate the extent to which the respondents agree or disagree with item statements falling under the latent variables. The closed-ended questions sought to answer the extent to which the boards of directors' attributes (size, independence, and gender diversity) affect the financial sustainability of MMDAs. To simplify the analysis, the strongly agree and agree responses were combined to represent agreement and the strongly disagree and disagree responses were also combined to represent disagreement. Table 6.7 below also presents the results of descriptive statistics.

Table 6.7: Descriptive statistics–board attributes (closed-ended questions)

Latent Variables/Items	N	Min	Max	Mean	Std. Deviation
Board size (BS)					
BS1	621	1	5	4.66	0.603
BS2	621	1	5	4.61	0.647
BS3	621	1	5	4.57	0.694
BS4	621	2	5	4.58	0.704
BS5	621	2	5	4.60	0.690

Latent Variables/Items	N	Min	Max	Mean	Std. Deviation
Overall Average Score				*4.60*	*0.668*
Board independence (BI)					
BI1	621	1	5	4.42	0.822
BI2	621	1	5	4.38	0.875
BI3	621	1	5	4.31	0.903
BI4	621	1	5	4.28	0.902
BI5	621	1	5	4.40	0.864
Overall Average Score				*4.36*	*0.873*
Board gender diversity (BGD)					
BGD1	621	1	5	4.78	0.462
BGD2	621	1	5	4.61	0.609
BGD3	621	1	5	4.59	0.665
BGD4	621	1	5	4.42	0.774
BGD5	621	2	5	4.61	0.647
Overall Average Score				*4.60*	*0.631*

Source: Own compilation

6.6.3.2 Discussion of closed-ended questionnaire results on board attributes

Table 6.7 above shows the descriptive statistics of the average scores of variables on a scale of 1 to 5.

With regard to board size as shown in Table 6.7, the aim of the first question (BS1) was to find out whether a smaller board enhances decision-making. The results from Table 6.7 show an average score of 4.66 with a standard deviation of 0.603. This means that the majority of the respondents representing 93.2% were in agreement that a smaller board enhances decision making which in turn can enhance the financial sustainability of MMDAs, whilst the minority of the respondents 10.4% were in disagreement with the statement. This finding concurs with Vintila and Gherghina (2012: 175) who reported that a small board enhances financial sustainability. Ciampi (2015:1012) argued that smaller boards could work together resourcefully compared to larger boards.

The aim of the second question (BS2) was to find out whether the large board is more expert in the provision of resources to the MMDA. The results from Table 6.7 show an average score of 4.6 with a standard deviation of 0.647. This means that the majority of the respondents representing 92.2% were in agreement that a large board is more expert in the provision of resources to the MMDA which in turn can enhance the financial sustainability of MMDAs. This finding agrees with prior studies which state that large boards have a greater diversity of expertise and experience, which in turn has a positive influence on the resources provision to the organisations (Ntim & Soobaroye 2013: 468; Jizi, Aly & Robert 2014: 601). Large boards lead to greater use of people's thinking and expertise which in turn improves the financial sustainability of organisations (Edia & Jessica 2020: 31). Organisations do not have the needed resources for enhancing the financial sustainability of MMDAs (Choi, Park & Hong 2012:267). Therefore, large boards can bring in the needed external resources, which in turn can result in improvement in the financial sustainability of MMDAs.

The aim of the third question (BS3) was to find out whether the large board brings diversified knowledge to the board in MMDAs. The results from Table 6.7 show an average score of 4.57 with a standard deviation of 0.694. This means that the majority of the respondents representing 91.4% were in agreement that a large board brings diversified knowledge to the board in MMDAs which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Rwakihembo et al (2020:1) who reported that large boards bring on board more diversified skills which in turn, enhances decision-making and improves financial sustainability. According to Rubino and Napoli (2020: 6), organisations attempt to gain access to any knowledge that will help them deal with uncertainty over financial sustainability strategies by having a large board.

The aim of the fourth question (BS4) was to find out whether the smaller board enhances MMDAs` operational efficiency. The results from Table 6.6 show an average score of 4.58 with a standard deviation of 0.704. This means that the majority of the respondents representing 91.6% were in agreement that a smaller board enhances MMDAs` operational efficiency which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Ciampi (2015:1012) who reported that smaller boards could work together resourcefully compared to larger boards. Ntim et al (2015:194) also reported that larger boards suffer from coordination, monitoring, and communication issues. Ntim, Soobaroyen and Broad (2017:65), as well as Coy, Fischer and Gordon (2011:1), also maintained that large boards struggle to safeguard the public interest such as financial sustainability.

The aim of the fifth question (BS5) was to find out whether the large board enhances the monitoring and control function of the board in MMDAs. The results from Table 6.6b show an average score of 4.60 with a standard deviation of 0.690. This means that the majority of the respondents representing 92% were in agreement that a large board enhances the monitoring and control function of the board in MMDAs which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Brédart (2014) and Reddy and Locke (2010: 190) who reported that a larger board is an opportunity for the board to supervise management, an increased pool of experience, and access to a wider range of resources. Centrally, Ntim et al (2015:194) reported that large boards struggle in enhancing conflict monitoring role of management.

With reference to Table 6.7, the overall average score for the board size is 4.60 with a standard deviation of 0.668 (92%), which is significant. Thus, there was a high level of agreement representing 92% with all five statements on board size. It can be seen from Table 6.4b that 92% of all the respondents were in agreement that the total number of board members enhances financial sustainability. This finding implies that board size has a significant influence on the financial sustainability of MMDAs. This finding concurs with Priego and Merino (2016:111) who reported that large boards are essential to enhance financial sustainability. On the other hand, some studies have reported that a larger board is an opportunity for the board to supervise management, an increased pool of experience, and access to a wider range of resources (Brédart 2014; Reddy & Locke 2010: 190). Also, Tai (2015: 12) reported that a large board has a significant relationship with financial performance (Tai 2015: 12). However, this finding contradicts the results of the Auditor General reports, which analysed documents and found that despite the large board sizes at MMDAs, all MMDAs were generally found to be financially unsustainable. This suggests that during the study period, these boards were unable to provide leadership, develop strategies, and guide management in generating enough revenue for the MMDAs, leading to their financial instability. Therefore, the study concludes that the financial sustainability of MMDAs is not affected by the increase or decrease of board members.

With regard to board independence as shown in Table 6.7, the aim of the first question (BI1) was to find out whether non-executive board members actively play their monitoring role compared to inside directors. The results from Table 6.6 show an average score of 4.42 with a standard deviation of 0.822. This means that the majority of the respondents representing 88.4% were in agreement that non-executive board members actively play their monitoring role compared to inside directors which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Kaczmarek (2017: 879) as well as Abdelbadie and Salama (2019: 85) who expressed that independent non-executive directors are more active to play their monitoring role because such members do not succumb to management decisions.

The aim of the second question (BI2) was to find out whether independent non-executive board members bring with them essential (expertise, link to the market) and serve as a link with the external environment. The results from Table 6.6 show an average score of 4.38 with a standard deviation of 0.875. This means that the majority of the respondents representing 88.4% were in agreement that independent non-executive board members bring with them essential (expertise, link to the market) and serve as a link with the external environment .which in turn can enhance the financial sustainability of MMDAs. This finding concurs with a prior study that indicated that independent non-executive directors bring with them diverse experience and can link the MMDAs to external financial resources (Hazzaa et al 2022:1).

The aim of the third question (BI3) was to find out whether independent non-executive board members provide alternative viewpoints on financial sustainability issues. The results from Table 6.7 show an average score of 4.31 with a standard deviation of 0.903. This means that the majority of the respondents representing 86.2% were in agreement that independent non-executive board members provide alternative viewpoints on financial sustainability issues which in turn can enhance the financial sustainability of MMDAs. This finding concurs with the prior studies that indicated that independent non-executive directors can bring into the boardroom different perspectives and experiences that can contribute significantly to the financial sustainability of MMDAs (Cuervo–Cazurra et al 2019:491; Rubino & Napoli 2020:1; Zona et al 2018:589).

The aim of the fourth question (BI4) was to find out whether independent non-executive board members think autonomously from other directors on the board. The results from Table 6.7 show an average score of 4.28 with a standard deviation of 0.902. This means that the majority of the respondents representing 85.6% were in agreement that independent non-executive board members think autonomously from other directors on the board which in turn can enhance the financial sustainability of MMDAs. This finding concurs with prior studies that indicated that independent non-executive directors do not have a professional relationship with the chief executive officers; therefore, such members are free to express their views on any issues concerning the MMDA (Al-Matari & Al-Arussi 2016:93; Abdelbadie & Salama 2019: 85).

The aim of the fifth question (BI5) was to find out whether independent non-executive board members are fully independent of the board chairperson because the chairperson will not influence their re-appointment or termination. The results from Table 6.7 show an average score of 4.40 with a standard deviation of 0.864. This means that the majority of the respondents representing 88% were in agreement that independent non-executive board members are fully independent from the board chairperson because the chairperson will not influence their re-appointment or termination which in turn can enhance the financial sustainability of MMDAs. This finding concurs with the previous studies which indicated that independent non-executive directors should be separated from the chief executive officer and chairperson of the board roles to enhance the board's independence and to discharge its oversight role effectively (Abdelbadie & Salama 2019: 85; Abdallah & Ismail 2017; Hillman & Dalziel 2003: 28; Darko et al 2016 Jensen & Meckling 1976).

With reference to Table 6.7, the overall average score for board independence is 4.36 with a standard deviation of 0.873 (87.2%), which is significant. Thus, there was a high level of agreement representing 87.2% with all the five statements on board independence. It can be seen from Table 6.6 that 87.2% of all the boards of directors' chairpersons were in agreement that the percentage of non-executive directors serving on the boards enhances financial sustainability. The implication of this finding is that board independence has a significant influence on the financial sustainability of MMDAs. This implies independent directors can align with management because they do not have a stake in the organisation (Chan & Kogan 2016: 121). This finding concurs with Abdelbadie and Salama (2019: 85), Abdallah and Ismail (2017) who discovered that independent non-executive members on the boards have a significant influence on the organisation's financial sustainability. Prior studies have recommended a large number of independent non-executive directors on boards and the separation of the chief executive officer and chairperson of the board roles to enhance the board's independence and to discharge its oversight role effectively (Abdelbadie & Salama 2019: 85; Abdallah & Ismail, 2017; Hillman & Dalziel 2003: 28; Darko et al 2016 Jensen & Meckling 1976). If board members are independent of the chief executive director and other management members of MMDAs, they are more likely to protect the interest of communities (Abdelbadie & Salama 2019: 85; John, DeMasi & Paci 2016: 303). Independent members on the board are essential because they have control mechanisms that allow the MMDAs to be financially sustainable (Darko et al 2016; Chahine & Safieddine 2011:207). Independent board members can oppose any pressure from management and act in the best interest of the MMDA (Rubino & Napoli 2020: 6). Independent boards are, therefore, inclined to support financial sustainability strategies in MMDAs. However, this finding contradicts the results of the Auditor General's document analysis. The analysis revealed that despite the presence of independent non-executive members on the boards of MMDAs, all MMDAs were generally found to be financially unsustainable. This suggests that during the study period, the current independent non-executive directors in MMDAs were unable to bring new perspectives and expertise to the boardroom discussions on financial sustainability strategies. It is possible that they were also unable to question, criticise, and challenge management decisions and actions due to their political interests. Therefore, the study concludes that the financial sustainability of MMDAs is influenced by an increase in the number of independent non-executive board members.

With regard to board gender diversity as shown in Table 6.7, the aim of the first question (BGDI) was to find out whether gender diversified board (women on board) improves board independence. The results from Table 6.7 show an average score of 4.78 with a standard deviation of 0.462. This means that the majority of the respondents representing 95.6% were in agreement that gender-diversified boards (women on board) improve board independence which in turn can enhance the financial sustainability of MMDAs. This finding concurs with the prior studies which indicated that gender diversity increases the quality of the board and enhances board independence (Chijoke-Mgbame et al 2020: 4; Shin et al 2019:1; Adams & Kirchmaier 2016: 277).

The aim of the second question (BGD2) was to find out whether gender diversified board (women on board) enhances the attitudes, opinions and problem-solving skills of the board. The results from Table 6.7 show an average score of 4.6 with a standard deviation of 0.609. This means that the majority of the respondents representing 92.2% were in agreement that gender diversified board (women on board) enhances the attitudes, opinions and problem-solving skills of the board which in turn, can enhance the financial sustainability of MMDAs. This finding concurs with the prior studies which indicated that women on boards have problem-solving skills due to diversified views which in turn, enhances the problem-solving skills on boards (Nyatichi 2016:1; Sahar et al 2018:556).

The aim of the third question (BGD2) was to find out whether gender diversified board (women on board) enhances the level of diversity in the boardroom. The results from Table 6.7 show an average score of 4.59 with a standard deviation of 0.665. This means that the majority of the respondents representing 91.8% were in agreement that gender-diversified boards (women on board) enhance the level of diversity in the boardroom which in turn can enhance the financial sustainability of MMDAs. This finding concurs with the prior studies which indicated that women on boards promote better discussions within the boardroom (Green & Homroy 2018; García–Meca et al 2015:202).

The aim of the fourth question (BGD4) was to find out whether gender diversified board (women on board) enhances the quality of brainstormed ideas. The results from Table 6.7 show an average score of 4.42 with a standard deviation of 0.774. This means that the majority of the respondents representing 88.4% were in agreement that gender-diversified boards (women on board) enhance the quality of brainstormed ideas which in turn can enhance the financial sustainability of MMDAs. This finding is in agreement with prior studies which indicated that gender-diverse boards have a variety of perspectives to help evaluate alternatives available to solve problems such as financial sustainability issues (Sheikha et al 2021:1; Chijoke-Mgbame et al 2020: 4).

The aim of the fifth question (BGD5) was to find out whether gender diversified board (women on board) enhances the generation of more strategic alternatives. The results from Table 6.7 show an average score of 4.61 with a standard deviation of 0.647. This means that the majority of the respondents representing 92.2% were in agreement that gender diversified board (women on board) enhances the generation of more strategic alternatives which in turn can enhance the financial sustainability of MMDAs. This finding concurs with the prior studies which expressed that women directors bring different valuable resources to the boards and can connect the MMDAs to valuable external environments (Hassan & Marimuthu 2016:1737) and can also enhance constructive and professional ideas (Adams & Borsellino 2015:1).

With reference to Table 6.7, the overall average score for the board gender diversity is 4.60 with a standard deviation of 0.631, which is significant. Thus, there was a high level of agreement representing 92% with all the five statements on board gender diversity. It can be seen from Table 6.4b that 92% of all the boards of directors' chairpersons were in agreement that the number of women serving on the boards enhances financial sustainability. This finding implies that board gender diversity has a significant influence on the financial sustainability of MMDAs. This finding concurs with Muttakin and Ullah (2012: 1) and Ofoeda (2017: 854) who reported that the presence of women on boards has a significant relationship with financial sustainability. Women directors can provide different points of view in decision-making processes compared to men, which can be very beneficial for MMDAs to be financially sustainable (Hoobler et al 2016: 160). However, the findings of the document analysis of the Auditor General reports contradict this. Despite having women on the boards at MMDAs, all MMDAs were generally found to be financially unsustainable. This suggests that the women on the boards during the study period were inadequate or inexperienced and unable to bring fresh perspectives and expertise to discuss financial sustainability strategies. As a result, it could be that they were unable to question and challenge management decisions and actions of the strategies to generate enough revenue for the MMDAs, leading to their financial unsustainability. Therefore, the study concludes that the financial sustainability of MMDAs can be influenced by the adequate and experienced number of women on boards.

6.6.4 Descriptive statistics of internal auditors' attributes (closed-ended questions)

Regarding the internal auditors, respondents were asked to rate the extent to which internal auditors have proper independence, size and internal auditor competence. A five-point Likert scale was used to rate the extent to which the respondents agree or disagree with item statements falling under the latent variables. The closed-ended questions sought to answer the extent to which the internal auditors' attributes (independence, size, and competence) affect the financial sustainability of MMDAs. To simplify the analysis, the strongly agree and agree responses were combined to represent agreement and the strongly disagree and disagree responses were also combined to represent disagreement. Three of the dimensions (internal auditor independence, internal audit size and internal auditor competence) were used to measure the main construct, namely, internal auditors' attributes. The following descriptive statistics, therefore, apply only to those items that have passed the validation process. Table 6.8 below also presents the results of descriptive statistics.

Table 6.8: Descriptive statistics–internal auditors' attributes (closed-ended questions)

Latent Variables/Items	N	Min	Max	Mean	Std. Deviation
Internal audit independence (IAI)					
IAI1	621	1	5	4.50	0.790
IAI2	621	1	5	4.48	0.818
IAI3	621	1	5	4.42	0.853
IAI4	621	1	5	4.38	0.831
IAI5	621	1	5	4.35	0.794
Overall Average Score				*4.43*	*0.817*
Internal audit size (IAS)					
IAS1	621	1	5	4.48	0.775
IAS2	621	1	5	4.42	0.800
IAS3	621	1	5	4.43	0.756
IAS4	621	1	5	4.34	0.810

Latent Variables/Items	N	Min	Max	Mean	Std. Deviation
IAS5	621	1	5	4.38	0.762
Overall Average Score				*4.41*	*0.781*
Internal audit competence (IAC)					
IAC1	621	1	5	4.46	0.751
IAC2	621	1	5	4.32	0.816
IAC3	621	1	5	4.39	0.791
IAC4	621	1	5	4.38	0.804
IAC5	621	1	5	4.33	0.777
Overall Average Score				*4.37*	*0.788*

Source: Own compilation

6.6.4.1 Discussion of closed-ended questionnaire results on internal auditors' attributes

Table 6.8 above shows the descriptive statistics of the average scores of variables on a scale of 1 to 5.

With regard to the internal audit independence as shown in Table 6.8, the aim of the first question (IAI1) was to find out whether the chief audit executive has clear authority to communicate directly with the audit committee without interference. The results from Table 6.8 show an average score of 4.50 with a standard deviation of 0.790. This means that the majority of the respondents representing 90% were in agreement that the chief audit executive has clear authority to communicate directly with the audit committee without interference which in turn can enhance the financial sustainability of MMDAs. This finding concurs with IIA (2017: 4); Jachi and Yona (2019); Lily (2019: 9) as well as Mwende and Nasieku (2018:11), who expressed that the chief audit executive should have clear authority to communicate directly with the audit committee without interference.

The aim of the second question (IAI2) was to find out whether the chief audit executive has regular meetings with the audit committees to ensure that they are acting in the interest of the communities. The results from Table 6.7 show an average score of 4.48 with a standard deviation of 0.818. This means that the majority of the respondents representing 89.6% were in agreement that the chief audit executive has regular meetings with the board of directors to ensure that they are acting in the interest of the communities which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Ofosuhene et al (2021:55); Saeed et al (2022:1); Ali and Nasir (2018:108) as well as Mareque et al (2017:154), who indicated that the chief audit executive should have regular meetings with the audit committees to ensure that they are acting in the interest of the communities.

The aim of the third question (IAI3) was to find out whether the internal auditor is not exposed to any threat by management when conducting the audit. The results from Table 6.8 show an average score of 4.42 with a standard deviation of 0.853. This means that the majority of the respondents representing 88.4% were in agreement that the internal auditor is not exposed to any threat by management when conducting the audit, which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Salehi (2016: 224) and Kawedar et al (2021: 74), who indicated that internal auditors should not be exposed to any threat by management when conducting the audit.

The aim of the fourth question (IAI4) was to find out whether the audit committee resolves any dispute between the internal auditor and the board of directors. The results from Table 6.8 show an average score of 4.38 with a standard deviation of 0.831. This means that the majority of the respondents representing 87.6% were in agreement that the audit committee resolves any dispute between the internal auditor and board of directors which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Church et al (2018:145), who indicated that the audit committee resolves any dispute between the internal auditor and the board of directors.

The aim of the fifth question (IAI5) was to find out whether internal auditors are appointed and/or removed upon the recommendation of the audit committee. The results from Table 6.8 show an average score of 4.35 with a standard deviation of 0.794. This means that the majority of the respondents representing 87% were in agreement that internal auditors are appointed and/or removed upon the recommendation of the audit committee which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Alzeban and Sawan (2015: 61), who indicated that internal auditors are appointed and/or removed upon the recommendation of the audit committee.

With reference to Table 6.8, the overall average score for internal auditor independence is 4.43 with a standard deviation of 0.817 (88.6%), which is significant. Thus, there was a high level of agreement representing 88.6% with all five statements on internal auditor independence. It can be seen from Table 6.8 that 88.6% of all the chief audit executives were in agreement that the number of times internal auditors meet the audit committees in a year enhance financial sustainability. This finding implies that internal auditor independence has a significant influence on the financial sustainability of MMDAs. This is in line with Mbelwa and Lenatusi (2019: 13), Pfeffer and Salancik (2015: 1) who indicated that independent internal auditors can approach management for the supply of human and material resources to the internal audit unit. The finding also corroborates with Mbelwa and Lenatusi (2019: 1) and IIA (2017: 3) who mentioned that independent internal auditors will be able to control the department that is deprived of the resources in the organisation. However, this finding contradicts the results of the Auditor General reports, which analysed documents and found that despite the internal audit independence in the MMDAs, all MMDAs were generally deemed financially unsustainable. One possible reason for this could be that the current chief audit executives in MMDAs do not regularly meet with audit committee chairpersons to offer comprehensive advice and consulting services on improving financial sustainability to management. Therefore, the study concludes that the internal audit independence has an impact on the financial sustainability of MMDAs. This is because the continuous interaction between the chief audit executive and audit committee chairpersons can provide assurance to management regarding the improvement of MMDAs' financial sustainability.

With regard to internal audit size as shown in Table 6.8, the aim of the first question (IAS1) was to find out whether the size of an internal audit enhances efficient decision-making. The results from Table 6.8 show an average score of 4.48 with a standard deviation of 0.775. This means that the majority of the respondents representing 89.6% were in agreement that the size of internal audit enhances efficient decision making which in turn can enhance the financial sustainability of MMDAs. This finding concurs with IIA (2020: 1) as well as Eulerich and Eulerich (2020: 83), who indicated that the size of internal audit enhances efficient decision making.

The aim of the second question (IAS2) was to find out whether the size of the internal audit helps to get access to resources. The results from Table 6.8 show an average score of 4.42 with a standard deviation of 0.800. This means that the majority of the respondents representing 88.4% were in agreement that the size of the internal audit helps to get access to resources which in turn can enhance the financial sustainability of MMDAs. This finding agrees with the view of Chan et al (2018: 423); Alhajri (2017:75); IIA (2017) as well as Eulerich and Eulerich (2020: 83), which indicated that the size of the internal audit helps to get access to resources.

The aim of the third question (IAS3) was to find out whether the size of an internal audit brings diversified knowledge. The results from Table 6.8 show an average score of 4.43 with a standard deviation of 0.756. This means that the majority of the respondents representing 88.6% were in agreement that the size of internal audit brings diversified knowledge which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Al-Rassas and Kamardin (2015: 460) and Hillman and Dalziel (2003: 383), who indicated that the size of an internal audit brings diversified knowledge.

The aim of the fourth question (IAS4) was to find out whether the size of internal audits enhances financial discipline. The results from Table 6.8 show an average score of 4.34 with a standard deviation of 0.810. This means that the majority of the respondents representing 86.8% were in agreement that the size of internal audit enhances financial discipline which in turn can enhance the financial sustainability of MMDAs. This finding supports the views of Ofosuhene et al (2021:55), who indicated that the size of an internal audit enhances financial discipline.

The aim of the fifth question (IAS5) was to find out whether the size of the internal audit enhances monitoring. The results from Table 6.8 show an average score of 4.38 with a standard deviation of 0.762. This means that the majority of the respondents representing 87.6% were in agreement that the size of internal audit enhances monitoring which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Ismael and Roberts (2018:288) as well as Sarens and Abdolmohammadi (2011: 1), who indicated that the size of an internal audit enhances monitoring.

With reference to Table 6.8, the overall average score for the internal audit size is 4.41 with a standard deviation of 0.781 (88.2%), which is significant. Thus, there was a high level of agreement representing 88.2% with all five statements on internal audit size. It can be seen from Table 6.8 that 88.2% of the respondents were in agreement that the number of internal auditors in the internal audit unit enhances financial sustainability. This finding implies that internal audit size has a significant influence on the financial sustainability of MMDAs. This finding agrees with Ege (2015:495) and Arena and Azzone (2009:43) who used the number of internal auditors to determine the internal audit size and concluded that a large internal audit could contribute to improvement in financial sustainability. However, Section 16 (1) of the Internal Audit Agency Act 2003 (Act 658) requires the establishment of internal audit units in all the MMDAs. Section 16 (2) has mentioned that the number of internal auditors to be appointed to the MMDAs depends on the requirements of a particular MMDA. This implies that the law does not give the number of internal auditors to be appointed to each MMDA. However, this finding contradicts the results of the Auditor General reports, which analysed documents and found that despite the presence of internal audits in the MMDAs, all MMDAs were generally deemed financially unsustainable. This can be due to the insufficient number of internal auditors in the MMDAs, which hinders their ability to provide assurance and consulting services to management regarding strategies to enhance internally generated revenues. Therefore, the study concludes that the financial sustainability of MMDAs can be influenced by the size of their internal audit departments, as a greater number of internal auditors can provide assurance to management regarding improvements in the financial sustainability of MMDAs.

With regard to the internal audit competence as shown in Table 6.8, the aim of the first question (IAC1) was to find out whether an internal auditor with accounting and or auditing qualifications is essential for a sound understanding of matters discussed relating to financial sustainability. The results from Table 6.8 show an average score of 4.46 with a standard deviation of 0.751. This means that the majority of the respondents representing 89.2% were in agreement that an internal auditor with accounting and or auditing qualifications is essential for a sound understanding of matters discussed relating to financial sustainability which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Hazzaa et al (2022:1); D’Onza and Sarens (2018:1);

Ismael and Roberts (2018:288) as well as Vadasi et al (2019:656), who indicated that internal auditor should hold accounting and or auditing qualification to have a better understanding of matters discussed relating to financial sustainability.

The aim of the second question (IAC2) was to find out whether the internal auditor with accounting and or auditing qualifications is essential to monitor management. The results from Table 6.8 show an average score of 4.32 with a standard deviation of 0.816. This means that the majority of the respondents representing 86.4% were in agreement that an internal auditor with accounting and or auditing qualifications is essential to monitor management which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Al-Rassas and Kamardin (2015: 461) as well as Al-Shetwi et al (2011: 11189), who indicated that internal auditors should have accounting and or auditing qualifications to effectively monitor management.

The aim of the third question (IAC3) was to find out whether an internal auditor with accounting and or auditing qualifications is essential for resourceful and insightful ideas. The results from Table 6.8 show an average score of 4.39 with a standard deviation of 0.791. This means that the majority of the respondents representing 87.8% were in agreement that an internal auditor with accounting and or auditing qualifications is essential for resourceful and insightful ideas which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Hazaea (2020: 867); IIA (2017:11) and Prawitt et al (2009), who indicated that an internal auditor with accounting and or auditing qualifications is essential for resourceful and insightful ideas.

The aim of the fourth question (IAC4) was to find out whether an internal auditor with accounting and or auditing qualifications is essential for increased objectivity and critical thinking. The results from Table 6.8 show an average score of 4.38 with a standard deviation of 0.804. This means that the majority of the respondents representing 87.6% were in agreement that an internal auditor with accounting and or auditing qualifications is essential for increased objectivity and critical thinking which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Lee and Park 2016: 185); Hazzaa et al (2022:1); D'Onza and Sarens (2018:1), who indicated that internal auditors with accounting and or auditing can provide better insight into the issues that surround management bias when it comes to financial reporting which could lead to improvement in financial sustainability.

The aim of the fifth question (IAC5) was to find out whether an internal auditor with accounting and or auditing qualifications is essential to understand financial statements. The results from Table 6.8 show an average score of 4.33 with a standard deviation of 0.777. This means that the majority of the respondents representing 86.6% were in agreement that an internal auditor with accounting and or auditing qualifications is essential to understand financial statements which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Hazzaa et al (2022:1); Arslan et al (2019:1); Aureli et al (2020:2392) as well as Eulerich et al (2019:1), who indicated that internal auditors with accounting and or auditing qualification can audit financial statements and make meaningful reports on the state of the MMDAs' financial sustainability.

With reference to Table 6.7, the overall average score for the internal auditor competence is 4.37 with a standard deviation of 0.788 (87.4%), which is significant. Thus, there was a high level of agreement representing 87.4% with all five statements on internal auditor competence. It can be seen from Table 6.8 that 87.4% of all the chief audit executives were in agreement that internal auditors with accounting and or auditing qualifications enhance financial sustainability. This finding implies that internal auditor competence has a significant influence on the financial sustainability of MMDAs. According to Alhassa (2018: 977-987), this finding supports the idea that skilled internal auditors are capable of effectively applying internal audit standards, procedures, and techniques. They also focus on quality assurance and improvement, which involves continuously enhancing their performance in carrying out internal audit responsibilities. Section 18 (a, b and c) of the Internal Audit Agency Act 2003 (Act 658) requires internal auditors to exhibit the highest level of professionalism in the gathering, evaluation and communication of information when auditing and shall act only in areas for which they have the necessary knowledge, skills, experience and competence; perform internal auditing in accordance with Generally Accepted Principles of internal auditing and the standard and guidelines of the Agency as established under section 3(1); and make balanced assessment of all issues of relevance to the work and should not be influenced by their interest or the interests of other persons (Republic of Ghana 2003: 8). However, this finding contradicts the results of the Auditor General reports, which analysed documents and found that despite the presence of internal auditors with accounting and auditing qualifications in the MMDAs, all MMDAs were generally found to be financially unsustainable. This could be because the current internal auditors in MMDAs do not possess the necessary accounting and auditing qualifications, and as a result, they are unable to provide management with reliable assurance regarding improvements in internally generated revenues. Therefore, the study concludes that the financial sustainability of MMDAs can be influenced by the internal auditors with accounting and auditing qualifications, as these auditors can help provide management with reasonable assurance regarding the improvement of MMDAs' financial sustainability.

6.6.5 Descriptive statistics of audit committee attributes (closed-ended questions)

Regarding the audit committee attributes, respondents were asked to rate the extent to which audit committees have regular meetings, independence, and competence. A five-point Likert scale was used to rate the extent to which the respondents agree or disagree with item statements falling under the latent variables. The closed-ended questions sought to answer the extent to which the audit committee attributes (meetings, independence, and competence) affect the financial sustainability of MMDAs. To simplify the analysis, the strongly agree and agree responses were combined to represent agreement and the strongly disagree and disagree responses were also combined to represent disagreement. Three of the dimensions (audit committee meetings, audit committee independence and audit committee competence) were used to measure the main construct, namely, audit committee attributes. The following descriptive statistics, therefore, apply only to those items that have passed the validation process. Table 6.9 below presents the results of descriptive statistics.

Table 6.9: Descriptive statistics–audit committee attributes (closed-ended questions)

Latent Variables/Items	**N**	**Min**	**Max**	**Mean**	**Std. Deviation**
Audit committee meetings (ACM)					

Latent Variables/Items	N	Min	Max	Mean	Std. Deviation
ACM1	621	1	5	4.47	0.724
ACM2	621	1	5	4.52	0.750
ACM3	621	1	5	4.48	0.792
ACM4	621	1	5	3.98	1.035
ACM5	621	1	5	4.40	0.816
Overall Average Score				*4.37*	*0.823*
Audit committee competence (ACC)					
ACC1	621	1	5	4.47	0.717
ACC2	621	1	5	4.54	0.638
ACC3	621	1	5	4.42	0.780
ACC4	621	1	5	4.36	0.801
ACC5	621	1	5	4.44	0.759
Overall Average Score				*4.44*	*0.739*
Audit committee independence (ACI)					
ACI1	621	1	5	4.47	0.853
ACI2	621	1	5	4.29	0.920
ACI3	621	1	5	4.34	0.851
ACI4	621	1	5	4.26	0.805
ACI5	621	1	5	4.32	0.773
Overall Average Score				*4.34*	*0.840*

Source: Own compilation

6.6.5.1 Discussion of closed-ended questionnaire results on audit committee attributes

Table 6.9 above shows the descriptive statistics of the average scores of variables on a scale of 1 to 5.

With regard to audit committee meetings as shown in Table 6.9, the first question aimed to find out whether the regular audit committee meetings strengthen internal control systems. The results from Table 6.9 show an average score of 4.47 with a standard deviation of 0.724. This means that the majority of the respondents representing

89.4% were in agreement that regular audit committee meetings strengthen internal control systems which in turn can enhance the financial sustainability of MMDAs. This finding is in agreement with Ali and Oudat (2020: 3258); Ajili and Bouri (2018: 1)); Omesi and Appah (2022:1) as well as Appah and Tebepah (2020:48), who indicated that regular audit committee meetings strengthen internal control systems.

The second question aimed to find out whether regular audit committee meetings help to oversee compliance with legal and regulatory requirements. The results from Table 6.9 show an average score of 4.52 with a standard deviation of 0.750. This means that the majority of the respondents representing 90.4% were in agreement that regular audit committee meeting helps to oversee compliance with legal and regulatory requirements which in turn can enhance the financial sustainability of MMDAs. This finding is in agreement with Omesi and Appah (2022:1) as well as Appah and Tebepah (2020:48), who indicated that regular audit committee meetings help to oversee compliance with legal and regulatory requirements.

The third question aimed to find out whether regular audit committee meetings help to resolve the conflict between the board of directors and internal auditors. The results from Table 6.9 show an average score of 4.48 with a standard deviation of 0.792. This means that the majority of the respondents representing 89.6% were in agreement that regular audit committee meeting helps to resolve conflict between the board of directors and internal auditors which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Abbott et al (2003:17) and Lin (2006:921), who indicated that regular audit committee meetings help to resolve the conflict between the board of directors and internal auditors.

The fourth question aimed to find out whether regular audit committee meetings strengthen internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence). The results from Table 6.9 show an average score of 3.98 with a standard deviation of 1.035. This means that the majority of the respondents representing 79.6% were in agreement that regular audit committee meetings strengthen internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence) which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Iskak and Muslih (2022:440);

Herranza et al (2022:121); Alzoubi (2019: 72) and Tusek (2015:187), who indicated that regular audit committee meetings strengthen internal auditors' attributes which in turn, can improve the financial sustainability of MMDAs.

The fifth question aimed to find out whether regular audit committee meetings strengthen the board of directors' attributes (board size, board independence and board gender diversity). The results from Table 6.9 show an average score of 4.40 with a standard deviation of 0.816. This means that the majority of the respondents representing 88% were in agreement that regular audit committee meetings strengthen the board of directors' attributes (board size, board independence and board gender diversity) which in turn can enhance the financial sustainability of MMDAs. This finding supports Amin et al (2017:217) as well as Aljaaidi et al (2020: 179) who reported that regular audit committee meetings strengthen the board of directors' attributes which in turn, can enhance the financial sustainability of MMDAs.

With reference to Table 6.9, the overall average score for the audit committee meetings is 4.37 with a standard deviation of 0.823 (87.4%), which is significant. Thus, there was a high level of agreement representing 87.4% with all five statements on the audit committee meetings. It can be seen from Table 6.9 that 87.4% of all the audit committee chairpersons were in agreement that the number of times audit committees meet in a year enhances financial sustainability. This finding implies that an audit committee meeting has a significant influence on the financial sustainability of MMDAs. This finding agrees with Al-Lawati et al (2021: 557), Gebrayel et al (2018: 197) who mentioned that if audit committees have regular meetings with members attending in numbers, they can discuss any issues related to the financial performance of the organisation. Regular audit committee meetings enable audit committee members to oversee accounting records and the quality of internal control more effectively (Januarti et al 2020: 179; Hoque et al 2013: 503; Lisic et al 2016: 1199). Moreover, the increasing frequency of audit committee meetings leads to improvements in accounting information and audit quality (Januarti et al 2020: 179; Song & Windram 2004: 195). The PFM Act 2016 Section 86 (2) requires the sector minister to determine the procedure for meetings of audit committees in MMDAs (Republic of Ghana 2016b: 51). All committee members are expected to attend each meeting, in person. However, the findings of the document analysis of the Auditor

General reports contradict this. Despite regular audit committee meetings in MMDAs, it was generally found that all MMDAs were financially unsustainable. This suggests that during the study period, the audit committee chairpersons may not have been attending meetings regularly to fulfill their oversight responsibilities. This includes providing leadership, designing financial sustainability strategies, and guiding management to secure enough sources of revenue, which ultimately led to their financial unsustainability. It is also possible that although the audit committees met regularly throughout the year, the chairpersons failed to advise and discuss financial sustainability issues with management. Therefore, based on the responses from the respondents, the study concludes that the financial sustainability of MMDAs is influenced by an increase in the number of audit committee meetings per year, where advice and discussions on financial sustainability strategies can take place.

With regard to audit committee independence as shown in Table 6.9, the aim of the first question (ACI1) was to find out whether an independent non-executive member on the audit committee has no business or family relationship with the MMDA. The results from Table 6.9 show an average score of 4.47 with a standard deviation of 0.853. This means that the majority of the respondents representing 89.4% were in agreement that independent non-executive member on the audit committee has no business or family relationship with the MMDA which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Hazzaa et al (2022:1) as well as Danoshana and Ravivathani (2019:62), who indicated that independent non-executive members on the audit committee should not have business or family relationships with the MMDA.

The aim of the second question (ACI2) was to find out whether the audit committee is chaired by an independent non-executive director for mitigating the financial risks of the MMDA. The results from Table 6.9 show an average score of 4.29 with a standard deviation of 0.920. This means that the majority of the respondents representing 85.8% were in agreement that the audit committee is chaired by an independent non-executive director for mitigating financial risks of the MMDA which in turn can enhance the financial sustainability of MMDAs. This finding is in agreement with Ajili and Bouri (2018:470) as well as Nekhili et al (2016), who expressed that audit committees should be chaired by an independent non-executive director for mitigating the financial risks of the MMDA.

The aim of the third question (ACI3) was to find out whether a non-executive member on the audit committee is not an employee of the current MMDA or another MMDA. The results from Table 6.9 show an average score of 4.34 with a standard deviation of 0.851. This means that the majority of the respondents representing 86.8% were in agreement that a non-executive member on the audit committee is not an employee of the current MMDA or another MMDA which in turn can enhance the financial sustainability of MMDAs. This finding is in agreement with Ajili and Bouri (2018:470) as well as Nekhili et al (2016), who indicated that non-executive members on audit committees should not be employees of the current or related organisations.

The aim of the fourth question (ACI4) was to find out whether audit committee independence strengthens internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence). The results from Table 6.9 show an average score of 4.26 with a standard deviation of 0.805. This means that the majority of the respondents representing 85.2% were in agreement that audit committee independence strengthens internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence) which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Alzeban (2015: 61) and Abbott et al (2012: 94), who indicated that audit committee independence strengthens internal auditors' attributes which in turn, can enhance financial sustainability.

The aim of the fifth question (ACI5) was to find out whether audit committee independence strengthens the board of directors' attributes (board size, board independence and board gender diversity). The results from Table 6.9 show an average score of 4.32 with a standard deviation of 0.773. This means that the majority of the respondents representing 86.4% were in agreement that audit committee independence strengthens the board of directors' attributes (board size, board independence and board gender diversity) which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Dakhlallh et al (2021:126); Omesi and Appah (2022:1) as well as Chan and Kogan (2016:121), who indicated that audit committee independence strengthens the board of directors' attributes.

With reference to Table 6.9, the overall average score for the audit committee independence is 4.34 with a standard deviation of 0.840 (86.8%), which is significant.

Thus, there was a high level of agreement representing 86.8% with all five statements on audit committee independence. It can be seen from Table 6.9 that 86.8% of all the respondents were in agreement that non-executive directors on audit committees enhance financial sustainability. This finding implies that audit committee independence has a significant influence on the financial sustainability of MMDAs. The independent audit committees can evaluate the performance of management and internal control to improve the overall financial performance of the organisation and to boost the confidence of community members (Omesi & Appah 2022:1; Sharhan & Bora 2020:1). Assenga, Aly and Hussainey (2018:1089) added that a large proportion of independent directors serving on audit committees help to protect the stakeholder' resources from the management conflicts of interest. Section 87 (1) of the PFM Act 2016 requires that the audit committee of MMDAs should consist of five (5) members. Section 87 (2) of the PFM Act requires that the majority of audit committee members shall be independent non-executives. Section 87 (3) requires the Internal Audit Agency and Institute of Chartered Accountants to nominate the majority of the audit committee members from among persons who do not work in the MMDA to which audit committee relates and two other members shall be nominated by the principal account holder. The finding from this study implies that audit committee members in MMDAs have no relationship to the MMDAs which may interfere with the exercise of their independence from management and the MMDAs. The PFM Act 2016 failed to give the number of independent non-executive members that should serve on audit committees in MMDAs. Therefore, on average, 86.8% of non-executive directors serving on audit committees in MMDAs are seen to be adequate. However, this finding contradicts the results of the Auditor General reports, which analysed documents and found that despite the presence of independent non-executive members on the audit committees at MMDAs, all MMDAs were generally found to be financially unsustainable. This suggests that during the study period, these independent non-executive members may had relationships with the MMDAs that may have interfered with their ability to remain independent from management and the MMDAs. As a result, the audit committee members were unable to provide leadership and guidance to management in designing financial sustainability strategies and connecting MMDAs to sufficient sources of revenue, leading to their financial unsustainability. Therefore, the study concludes that the financial sustainability of MMDAs can be influenced by the number of independent non-executive audit committee members if these members separate their personal interests from the interests of the MMDAs.

With regard to audit committee competence as shown in Table 6.9, the aim of the first question (ACC1) was to find out whether an audit committee member with accounting and or auditing qualifications is essential for a sound understanding of matters discussed relating to financial sustainability. The results from Table 6.9 show an average score of 4.47 with a standard deviation of 0.717. This means that the majority of the respondents representing 89.4% were in agreement that an audit committee member with accounting and or auditing qualifications is essential for a sound understanding of matters discussed relating to financial sustainability which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Bamahros (2021:1); Alzeban (2015: 543) as well as Legodi 2020: 160, who indicated that an audit committee member with accounting and or auditing qualifications is essential for a sound understanding of matters discussed relating to financial sustainability.

The aim of the second question (ACC2) was to find out whether an audit committee member with accounting and or auditing qualifications is essential to monitor management. The results from Table 6.9 show an average score of 4.54 with a standard deviation of 0.638. This means that the majority of the respondents representing 90.8% were in agreement that an audit committee member with accounting and or auditing qualifications is essential to monitor management which in turn can enhance the financial sustainability of MMDAs. This finding supports Omesi and Appah (2022:1); Appah and Tebepah (2020:48); Sultana (2015: 88) as well as Sultana and Van der Zahn (2015: 279), who indicated that an audit committee member with accounting and or auditing qualification is essential to monitor management.

The aim of the third question (ACC3) was to find out whether an audit committee member with accounting and or auditing qualifications is essential for resourceful and insightful ideas. The results from Table 6.9 show an average score of 4.42 with a standard deviation of 0.780. This means that the majority of the respondents representing 88.4% were in agreement that an audit committee member with accounting and or auditing qualifications is essential for resourceful and insightful ideas which in turn can enhance the financial sustainability of MMDAs. This finding agrees with Legodi (2020: 160), and

Hornberger and Forster (2019:23), who specified that an audit committee member with accounting and or auditing qualifications is essential for resourceful and insightful ideas.

The aim of the fourth question (ACC4) was to find out whether audit committee competence strengthens internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence). The results from Table 6.8 show an average score of 4.36 with a standard deviation of 0.801. This means that the majority of the respondents representing 87.2% were in agreement that audit committee competence strengthens internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence) which in turn can enhance the financial sustainability of MMDAs. This finding concurs with Iskak and Muslih (2022:440); Herranza et al (2022:121) as well as Bilal et al (2018: 253); who pointed out that audit committee members with accounting and or auditing qualifications strengthen internal auditors' attributes.

The aim of the fifth question (ACC5) was to find out whether audit committee competence strengthens the board of directors' attributes (board size, board independence and board gender diversity). The results from Table 6.9 show an average score of 4.44 with a standard deviation of 0.759. This means that the majority of the respondents representing 88.8% were in agreement that audit committee competence strengthens the board of directors' attributes (board size, board independence and board gender diversity) which in turn can enhance the financial sustainability of MMDAs. This finding supports the views of Iskak and Muslih (2022:440); Wardati et al (2021:1); Shatnawi et.al (2022:1) as well as El-Hawary (2021:134), who indicated that audit committee competence strengthens the board of directors' attributes which in turn, improves financial sustainability.

With reference to Table 6.9, the overall average score for the audit committee competence is 4.44 with a standard deviation of 0.739 (88.8%), which is significant. Thus, there was a high level of agreement representing 88.8% with all five statements on audit committee competence. It can be seen from Table 6.9 that 88.8% of all the respondents were in agreement that audit committee members with accounting and or auditing qualifications enhance financial sustainability. This finding implies that audit committee competence has a significant influence on the financial sustainability of MMDAs. The audit committee members are financially literate, with at least three of whom have accounting or auditing qualifications. Therefore, audit committees in MMDAs have competent members with accounting and or auditing qualifications. This finding corresponds with Namakavarani et al (2021: 2), and Lawrence et al (2004: 69) who expressed that audit committee members must have enough accounting and auditing qualifications to deal with various fraud risks and be familiar with procedures related to accounting, auditing, and internal control systems. Competent audit committee members would indicate the quality of the monitoring over producing quality accounting information (Namakavarani et al 2021: 2; Sultana 2015: 120). Section 87 (1) of the PFM Act mentions that an audit committee of MMDAs should consist of members who have accounting and or auditing qualifications who are nominated by the Internal Audit Agency and Institute of Chartered Accountants (Republic of Ghana 2016b:51-52). Dwamena (2021:1) and Bhagat and Black (2014) mentioned that audit committee members must be independent and must have at least one person with accounting and or auditing qualifications. The Internal Audit Agency's best practices in 2017 indicated that audit committees should compose of a minimum of three (3) and not more than six(6) independent members with at least one (1) member holding an accounting or auditing qualification (Dwamena 2021:1). However, this finding is contrary to the findings from the document analysis of the Auditor General reports that despite independent non-executive members serving on audit committees in MMDAs, all MMDAs were generally found to be financially unsustainable. The implication could be that during the study period, the audit committee members were sometimes not attending meetings regularly to provide oversight responsibilities to management to provide leadership, design financial sustainability strategies and guide management to link the MMDAs to enough sources of revenue which made them financial unsustainable. It could also happen that although the audit committees regularly meet in a year but fail to advice and discuss financial sustainability issues with management. Therefore, the study can conclude that MMDAs' financial sustainability is influenced by increase in the number of meetings of audit committees in a year to advice and discuss with management financial sustainability strategies. However, this finding contradicts the results of the Auditor General reports, which analysed documents and found that despite the presence of audit committee members with accounting and auditing qualifications in MMDAs, all MMDAs were generally found to be financially unsustainable. This suggests that during the study period, the audit committee members with accounting and auditing qualifications did not provide advice to management on how to design financial sustainability strategies or guide management in connecting the MMDAs to sufficient sources of revenue, which ultimately led to their financial unsustainability. Therefore, based on the responses from the respondents, the study can conclude that the financial sustainability of MMDAs is influenced by an increased in the number of audit committee members with accounting and auditing qualifications who can provide advice and discuss financial sustainability strategies with management.

6.7 Chapter summary

This chapter empirically analysed and discussed the descriptive results of the internal governance mechanisms used in the study. The study employed a questionnaire survey involving 621 respondents representing 207 MMDAs. The descriptive analyses were done using mean, maximum, minimum and standard deviation. The chapter discussed the response rates, and background of the respondents in terms of education level, years of working experience and experience in governance activities. The chapter further analysed and discussed the archival data retrieved from the respondents in the 207 MMDAs in terms of board size, board independence, board gender diversity, internal audit independence, internal audit size, internal audit competence, audit committee meetings, audit committee independence and audit committee competence. The chapter concluded by analysing and discussing the responses to the questionnaire administered to answer the research questions. The questionnaire was meant to seek responses from the respondents on how internal governance variables can influence the financial sustainability of MMDAs. The responses from all three groups of respondents were merged to enable overall assessments and answer all the research questions. With regard to their educational background, the majority of the respondents have first-degree and postgraduate qualifications. The assessment of the working experience of the respondents showed that the majority of the respondents have 2-5 years of working experience. Regarding experience in government activities, the majority of the respondents have 2-5 years of experience in governance activities. In the assessment of the financial sustainability of the MMDAs for the period 2016-2020, the results indicated that on average, MMDAs are moderately sustainable (4 to < 10 moderately sustainable). This means MMDAs have an acceptable capacity to meet their financial obligations in the short to medium term and a limited capacity in the long-term.

Regarding the influence of board of directors' attributes on financial sustainability, on average, the majority of the respondents representing 92% (board size); 87.2% (board independence) and 92% (board gender diversity) were in agreement with all the five statements for each that board of directors' attributes influence financial sustainability. Regarding the influence of internal auditors' attributes on financial sustainability, on average, the majority of the respondents representing 88.6% (internal auditor independence); 88.2% (internal audit size) and 87.4% (internal auditor competence) were in agreement with all the five statements for each that internal auditors' attributes influence financial sustainability. Regarding the influence of audit committee attributes on financial sustainability, on average, the majority of the respondents representing 87.4% (audit committee meetings) 86.8% (audit committee independence) and 88.8% (audit committee competence) were in agreement with all the five statements for each that audit committee attributes influence financial sustainability. The next chapter will discuss the findings from the structural equation model.

CHAPTER 7

INFERENTIAL ANALYSIS AND DISCUSSION OF FINDINGS

7.1 Introduction

Chapter 6 presented and described the response rate achieved in the study. Archival data on financial sustainability indicators were also discussed in Chapter 6. The chapter further presented and analysed descriptive results of both archival data and closed-ended questionnaires of the board of directors, internal auditors and the audit committee attributes. In this chapter, Section 7.2 discusses the assessment of the measurement model; Section 7.3 discusses the assessment of the structural model; Section 7.4 discusses the assessment of the significance of the structural model relationships; Section 7.5 discusses the results of direct effects; Section 7.6 discusses the results of moderating effects and Section 7.7 discusses chapter summary.

7.2 Assessment of measurement model

The research model was assessed using a two-step process: one was the assessment of the measurement model and, two was the assessment of the structural model. The main aim of model validation was to determine whether both the measurement and the structural models meet the quality criteria for empirical research. The following subsections discuss the guidelines used in this study to assess both measurement and the structural model. The study also assessed the moderation or interaction relationship proposed in the model.

7.2.1 Reliability and convergent validity

This section of the study assessed the reliability and validity of each of the constructs used in the study. In assessing the reliability of the constructs, Cronbach’s alpha, composite reliability (CR) and average variance extracted (AVE) were used. In assessing the validity of the constructs, convergent and discriminant measures were used. Table 7.7 below shows the result of Cronbach’s alpha and convergent validity for the second iterative confirmatory factor analysis (CFA) model. Also, Table 7.10 shows the factor loadings, results of composite reliability, Cronbach’s alpha, and AVE for all the constructs. Figure 7.3 shows the factor loadings and path coefficients that were obtained from SPLS-SEM.

Table 7.1: Loadings, construct reliability and convergent validity

Items	Outer Loadings	VIF	*t*-values	*p*-values	Crombach Alpha (CA)	Composite Reliability (CR) (rho_c)	Average Variance Extracted (AVE)
ACC1	0.602	1.287	14.319	0.000	0.791	0.858	0.549
ACC2	0.798	1.710	41.030	0.000			
ACC3	0.792	1.781	35.846	0.000			
ACC4	0.724	1.545	25.824	0.000			
ACC5	0.771	1.620	34.846	0.000			
ACI1	0.701	1.473	22.240	0.000	0.810	0.868	0.569
ACI2	0.711	1.686	18.864	0.000			
ACI3	0.816	2.012	42.124	0.000			
ACI4	0.761	1.657	35.809	0.000			
ACI5	0.776	1.694	38.869	0.000			
ACM1	0.773	1.690	31.092	0.000	0.813	0.869	0.572
ACM2	0.804	1.756	39.501	0.000			
ACM3	0.802	1.825	32.771	0.000			
ACM4	0.616	1.446	14.444	0.000			
ACM5	0.769	1.878	28.569	0.000			
BGD1	0.773	1.745	25.659	0.000	0.829	0.880	0.594
BGD2	0.782	1.710	29.850	0.000			
BGD3	0.773	1.698	28.493	0.000			
BGD4	0.711	1.539	20.133	0.000			
BGD5	0.813	1.920	42.142	0.000			
BI1	0.737	1.682	23.665	0.000	0.841	0.887	0.611
BI2	0.793	1.984	31.057	0.000			
BI3	0.782	1.735	25.611	0.000			
BI4	0.795	1.820	38.803	0.000			
BI5	0.801	1.864	34.923	0.000			
BS1	0.795	1.919	29.088	0.000	0.883	0.914	0.681
BS2	0.830	2.395	37.794	0.000			
BS3	0.856	2.552	39.416	0.000			
BS4	0.797	2.109	35.289	0.000			
BS5	0.846	2.345	51.679	0.000			
FS1	0.714	1.558	21.991	0.000	0.846	0.891	0.622
FS2	0.830	2.384	47.783	0.000			
FS3	0.863	2.684	82.639	0.000			

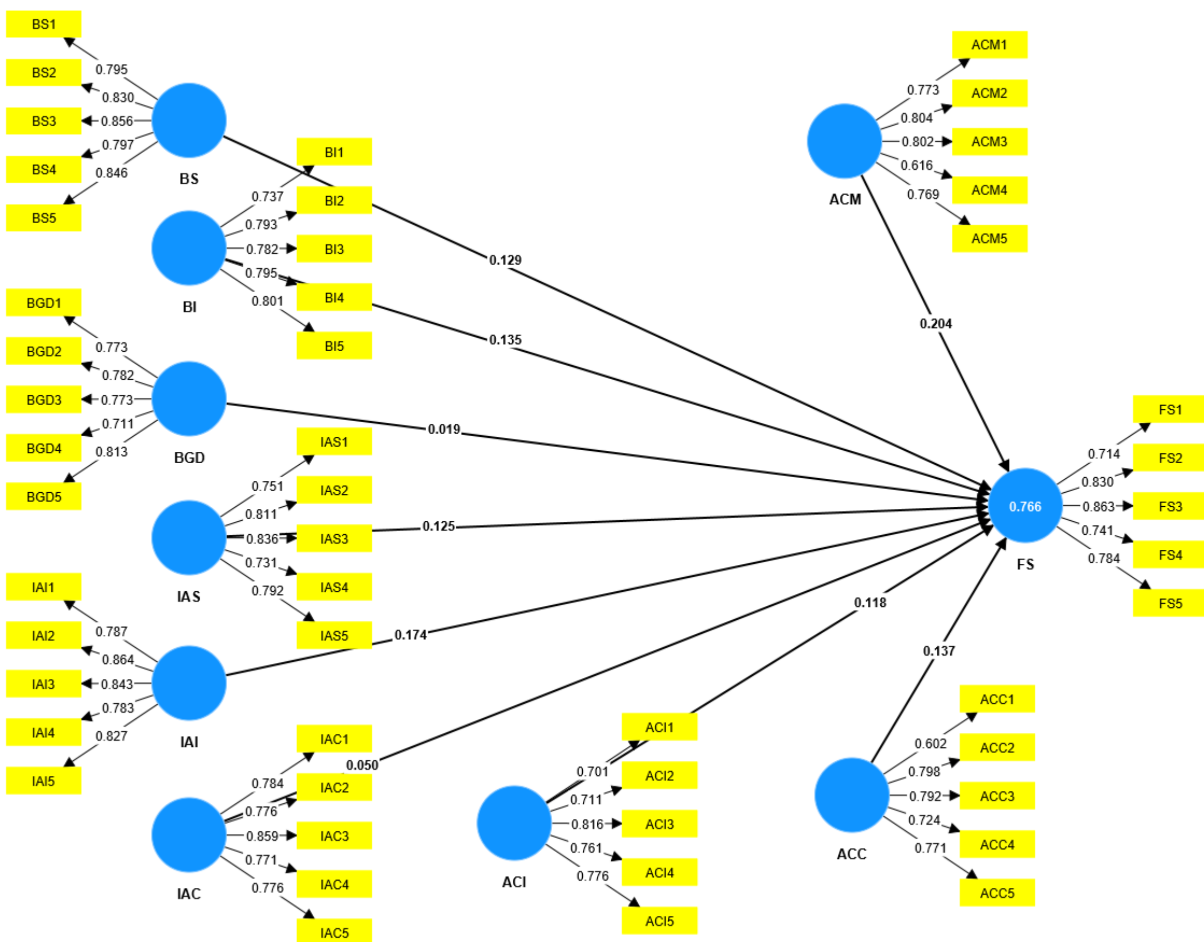
Items	Outer Loadings	VIF	*t*-values	*p*-values	Crombach Alpha (CA)	Composite Reliability (CR) (rho_c)	Average Variance Extracted (AVE)
FS4	0.741	1.684	29.956	0.000			
FS5	0.784	1.707	33.033	0.000			
IAC1	0.784	1.775	28.837	0.000	0.853	0.895	0.630
IAC2	0.776	1.981	30.098	0.000			
IAC3	0.859	2.421	54.528	0.000			
IAC4	0.771	1.785	34.324	0.000			
IAC5	0.776	1.785	30.546	0.000			
IAI1	0.787	1.970	29.832	0.000	0.879	0.912	0.675
IAI2	0.864	2.777	51.384	0.000			
IAI3	0.843	2.424	34.667	0.000			
IAI4	0.783	1.866	28.861	0.000			
IAI5	0.827	2.025	45.202	0.000			
IAS1	0.751	1.902	28.686	0.000	0.844	0.889	0.617
IAS2	0.811	2.360	34.889	0.000			
IAS3	0.836	2.188	51.053	0.000			
IAS4	0.731	1.678	22.489	0.000			
IAS5	0.792	1.787	32.517	0.000			

Source: Own compilation

7.2.1.1 Measurement model

The measurement model of this study has forty five (45) latent constructs, as shown in Figure 7.1.

Figure 7.1: Measurement model indicating outer loadings



7.2.1.1 Assessment of factor loadings

The first step in PLS-SEM is the assessment of a measurement model. In assessing the measurement model, reliability of the measurement scale for each construct was tested first. In assessing the reliability of each item, factor loadings of the indicators on each construct were checked. The factor loading refers to the correlation coefficient for each variable and its factor. It shows the variance explained by the variable on that particular factor. The rule of thumb of factor loadings according to Hair et al (2019) is 0.708, indicating higher factor loading which explains that the factor extracts are sufficient variance from that variable. As per Table 7.1, all loadings, except for ACCI and ACM4 were greater than 0.708. As a result, it is essential to validate the results of other measurement indexes for the constructs of these items.

7.2.2 Assessment of internal consistency

To assess the internal consistency of the individual reliability of each construct, composite reliability (CR) was calculated. In assessing the internal consistency of reliability, values ranging from 0.6 to 0.9 are considered best and a value below 0.6 shows a lack of composite reliability (Hair et al 2019). As per Table 7.1 above, the results show that the CR value is greater than 0.7 for all constructs in all constructs, indicating its reliability. This means that the constructs show a high level of internal consistency in each construct. The results further demonstrate that issues relating to internal consistency were not present in this study. As per Table 7.1, the values of Cronbach alpha range from 0.791 to 0.883. This means that the results have met the required threshold of 0.70. Therefore, construct reliability was achieved in the study.

7.2.3 Assessment of convergent validity

Convergent validity is defined as the degree of positive correlation of a measure (indicator) with other measures of the same construct (Hair et al 2019:2). The next step in the measurement model is to test the convergent validity that is reviewed by using the average variance extracted (AVE). Hair et al (2019:2) suggested that to establish convergent validity there is a need to assess the outer factor loadings (indicator reliability) and the average variance extracted (AVE). The authors explained that for single-item constructs the AVE estimation is not meaningful. For multi-item reflective constructs AVE values above 0.5 are considered to be representative of sufficient convergent validity (Hair et al 2019:2). Convergent validity takes two measures that are supposed to be measuring the same construct and shows that they are related. As per Table 7.1 above, the results show that all AVEs for each construct were greater than 0.5 which had values ranging from 0.643 to 0.843. All the reflective constructs of the study model met the conditions for AVE and also show factor loadings above the recommended level of 0.5 (see indicator reliability section).

7.2.4 Assessment of discriminant validity using cross loadings criterion

The next step was to assess the discriminant validity. Discriminant validity is assessed to check the extent to which one construct is dissimilar from the other constructs in the study model. In this study, Discriminant validity was assessed using three criteria namely cross-loadings, Fornell-Larcker criterion and Heterotrait-Monotrait ratio (HTMT) (Hair et al

2019:2). With regard to using the cross-loading approach, it is expected that the outer loading of one indicator on the other construct should be higher than any of its cross-loadings on another construct (Hair et al 2019:2). As per Table 7.2 below, the results show that all the items were correlated within their own theoretical construct and did not load well on the other constructs. This indicates that discriminant validity was not a problem in this study.

Table 7.2: Discriminant validity using cross loadings criterion

Items	**ACC**	**ACI**	**ACM**	**BGD**	**BI**	**BS**	**FS**	**IAC**	**IAI**	**IAS**
ACC1	***0.602***	0.458	0.326	0.280	0.366	0.352	0.452	0.357	0.428	0.397
ACC2	***0.798***	0.517	0.534	0.416	0.533	0.513	0.616	0.482	0.507	0.511
ACC3	***0.792***	0.652	0.422	0.354	0.503	0.416	0.542	0.433	0.461	0.523
ACC4	***0.724***	0.509	0.470	0.329	0.549	0.385	0.534	0.409	0.412	0.502
ACC5	***0.771***	0.527	0.502	0.346	0.483	0.441	0.568	0.428	0.461	0.500
ACI1	0.509	***0.701***	0.389	0.365	0.422	0.392	0.465	0.466	0.414	0.505
ACI2	0.456	***0.711***	0.384	0.277	0.379	0.308	0.442	0.442	0.366	0.392
ACI3	0.569	***0.816***	0.517	0.316	0.470	0.384	0.580	0.469	0.463	0.484
ACI4	0.578	***0.761***	0.444	0.335	0.499	0.394	0.561	0.463	0.461	0.531
ACI5	0.582	***0.776***	0.500	0.371	0.474	0.458	0.607	0.527	0.513	0.586
ACM1	0.490	0.469	***0.773***	0.350	0.531	0.481	0.627	0.499	0.480	0.502
ACM2	0.556	0.506	***0.804***	0.363	0.536	0.396	0.638	0.534	0.483	0.494
ACM3	0.457	0.495	***0.802***	0.401	0.467	0.456	0.576	0.500	0.472	0.486
ACM4	0.334	0.333	***0.616***	0.248	0.355	0.283	0.372	0.279	0.358	0.287
ACM5	0.450	0.426	***0.769***	0.369	0.462	0.454	0.464	0.391	0.341	0.396
BGD1	0.278	0.259	0.317	***0.773***	0.315	0.483	0.383	0.263	0.260	0.349
BGD2	0.418	0.348	0.418	***0.782***	0.403	0.596	0.450	0.329	0.372	0.414
BGD3	0.413	0.380	0.382	***0.773***	0.400	0.502	0.425	0.337	0.406	0.422
BGD4	0.316	0.314	0.270	***0.711***	0.330	0.403	0.369	0.286	0.320	0.394
BGD5	0.368	0.392	0.378	***0.813***	0.392	0.515	0.445	0.321	0.334	0.422
BI1	0.445	0.425	0.369	0.371	***0.737***	0.389	0.486	0.388	0.476	0.500
BI2	0.496	0.451	0.504	0.366	***0.793***	0.357	0.504	0.396	0.415	0.514
BI3	0.560	0.480	0.530	0.372	***0.782***	0.398	0.571	0.435	0.517	0.517

Items	ACC	ACI	ACM	BGD	BI	BS	FS	IAC	IAI	IAS
BI4	0.523	0.470	0.491	0.367	***0.795***	0.384	0.592	0.377	0.409	0.475
BI5	0.550	0.507	0.556	0.400	***0.801***	0.396	0.579	0.435	0.443	0.477
BS1	0.437	0.379	0.399	0.521	0.357	***0.795***	0.533	0.368	0.378	0.387
BS2	0.484	0.398	0.501	0.531	0.406	***0.830***	0.487	0.414	0.426	0.393
BS3	0.515	0.434	0.512	0.527	0.469	***0.856***	0.546	0.403	0.423	0.433
BS4	0.436	0.443	0.411	0.499	0.399	***0.797***	0.477	0.315	0.361	0.424
BS5	0.491	0.480	0.461	0.609	0.399	***0.846***	0.544	0.388	0.381	0.447
FS1	0.511	0.495	0.428	0.431	0.504	0.521	***0.714***	0.451	0.530	0.509
FS2	0.624	0.605	0.619	0.472	0.551	0.533	***0.830***	0.573	0.554	0.592
FS3	0.637	0.593	0.626	0.453	0.587	0.517	***0.863***	0.551	0.574	0.601
FS4	0.513	0.517	0.504	0.360	0.544	0.421	***0.741***	0.482	0.563	0.568
FS5	0.604	0.584	0.661	0.409	0.577	0.487	***0.784***	0.546	0.573	0.601
IAC1	0.438	0.469	0.440	0.368	0.415	0.416	0.515	***0.784***	0.467	0.591
IAC2	0.435	0.465	0.459	0.266	0.362	0.339	0.478	***0.776***	0.437	0.543
IAC3	0.517	0.558	0.556	0.345	0.453	0.425	0.592	***0.859***	0.515	0.646
IAC4	0.405	0.469	0.416	0.293	0.397	0.310	0.518	***0.771***	0.535	0.610
IAC5	0.468	0.526	0.502	0.312	0.430	0.322	0.521	***0.776***	0.511	0.599
IAI1	0.480	0.421	0.397	0.350	0.481	0.378	0.556	0.477	***0.787***	0.526
IAI2	0.509	0.481	0.488	0.343	0.448	0.380	0.588	0.533	***0.864***	0.549
IAI3	0.511	0.494	0.453	0.364	0.462	0.386	0.579	0.505	***0.843***	0.568
IAI4	0.455	0.471	0.422	0.340	0.439	0.371	0.552	0.480	***0.783***	0.548
IAI5	0.560	0.560	0.580	0.410	0.534	0.439	0.628	0.554	***0.827***	0.610
IAS1	0.494	0.515	0.472	0.425	0.553	0.385	0.562	0.595	0.551	***0.751***
IAS2	0.530	0.541	0.453	0.383	0.510	0.365	0.545	0.611	0.570	***0.811***
IAS3	0.580	0.562	0.481	0.423	0.485	0.407	0.612	0.629	0.561	***0.836***
IAS4	0.479	0.469	0.392	0.366	0.444	0.403	0.533	0.534	0.480	***0.731***
IAS5	0.500	0.529	0.500	0.440	0.496	0.423	0.607	0.590	0.520	***0.792***

Source: Own compilation

Table 7.3.5: Assessment of discriminant validity using Fornell and Larker's criterion

The next step was to assess discriminant validity using Fornell-Larcker criterion. The Fornell-Larcker (1981:440) criterion is used to assess the degree of shared variance between the latent variables of the model. The results obtained using the Fornell-Larcker criterion show that the square root of each AVE construct value has a higher value than the construct correlation with other latent variables. This means that the value of the AVE construct is higher than the correlation construct with other latent variables. As per Table 7.3, the square root of the first-order reflective construct's AVE is shown on the diagonal, indicating that the discriminant validity is established.

Table 7.3: Discriminant validity using Fornell and Larker's criterion

Constructs	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
ACC	***0.741***									
ACI	0.719	***0.754***								
ACM	0.615	0.598	***0.756***							
BGD	0.469	0.442	0.462	***0.771***						
BI	0.661	0.598	0.631	0.480	***0.782***					
BS	0.573	0.518	0.554	0.652	0.492	***0.825***				
FS	0.736	0.711	0.726	0.540	0.702	0.629	***0.788***			
IAC	0.572	0.628	0.600	0.400	0.520	0.458	0.663	***0.794***		
IAI	0.614	0.593	0.573	0.441	0.577	0.477	0.708	0.622	***0.821***	
.IAS	0.659	0.667	0.587	0.520	0.633	0.505	0.730	0.754	0.683	***0.785***

Source: Own compilation

Table 7.3.6: Assessment of discriminant validity using Heterotrait-Monotrait (HTMT) criterion

The next step was to assess discriminant validity using the Heterotrait-Monotrait (HTMT) criterion proposed by Henseler, Ringle and Sarstedt (2015:115). The use of the HTMT as a criterion involves comparing it to a predefined threshold. If the value of the HTMT is higher than this threshold, one can conclude that there is a lack of discriminant validity. Henseler et al (2015:115) suggested the threshold of HTMT to be 0.90 whilst Hair et al (2019:2) also suggested a value below 0.85. In this study, the value obtained is still below the cut-off value is within the threshold which shows good evidence of validity (see Table 7.4).

Table 7.4: Discriminant validity using HTMT criterion

Constructs	1	2	3	4	5	6	7	8	9	10
ACC										
ACI	0.897									
ACM	0.749	0.719								
BGD	0.572	0.535	0.553							
BI	0.805	0.719	0.746	0.571						
BS	0.683	0.607	0.646	0.757	0.571					
FS	0.896	0.849	0.848	0.642	0.829	0.727				
IAC	0.694	0.754	0.697	0.473	0.612	0.526	0.777			
IAI	0.736	0.695	0.664	0.513	0.671	0.541	0.823	0.717		
.IAS	0.806	0.801	0.690	0.620	0.754	0.585	0.863	0.888	0.793	

Source: Own compilation

7.2.5 Assessment of collinearity

The next step in the measurement model is to check for collinearity issues. Collinearity is said to have occurred when two or more indicator variables in the measurement model are highly interrelated (Hair et al 2022: chap. 5). Therefore, collinearity was also checked as suggested by Hair et al (2019:2). Variance inflation factor (VIF) is recognised standard metric used to measure indicator collinearity. Hair et al (2019) indicated that there is a collinearity issue among the predictor constructs if the value of VIF is 5 or more but no collinearity issue occurs if the value of VIF is 3 or lower. As per Table 7.1, there was no collinearity issue among the predictor constructs since all the values of VIF were below 3 as suggested by Hair et al (2019:2).

7.3 Assessment of structural model

The path model's theoretical or conceptual aspect is represented by the structural model. The structural model, also known as the inner model in PLS-SEM, contains the latent variables and their path relations. Hair et al (2019:2) indicated that if there is no collinearity issue, the next step after the assessment of the measurement model is to assess the structural model. In assessing the structural model, the used SRMR as a goodness-of-fit, coefficient of determination (R^2), blindfolding and predictive relevance

(Q^2) and effect size (f^2)to test the explanatory power of the model on the relationship between the exogenous and endogenous before the assessment of the path coefficients of the constructs. Table 7.5 shows the values of SRMR, coefficient of determination (R^2), effect size (f^2) and the blindfolding and predictive relevance (Q^2). Table 7.6 also shows the results of PLS bootstrapping consisting of the Beta value, t-values, p-values, and hypothesis results (whether accepted or rejected), whilst Figure 7.5 summarises the results of the structural model and PLS bootstrapping.

Table 7.5: Structural model's fit, explanatory power and predictive relevance

Criterion	Estimate
SRMR	0.070
R^2	0.818
R^2 adjusted	0.810
Q^2	0.490

Source: Own compilation

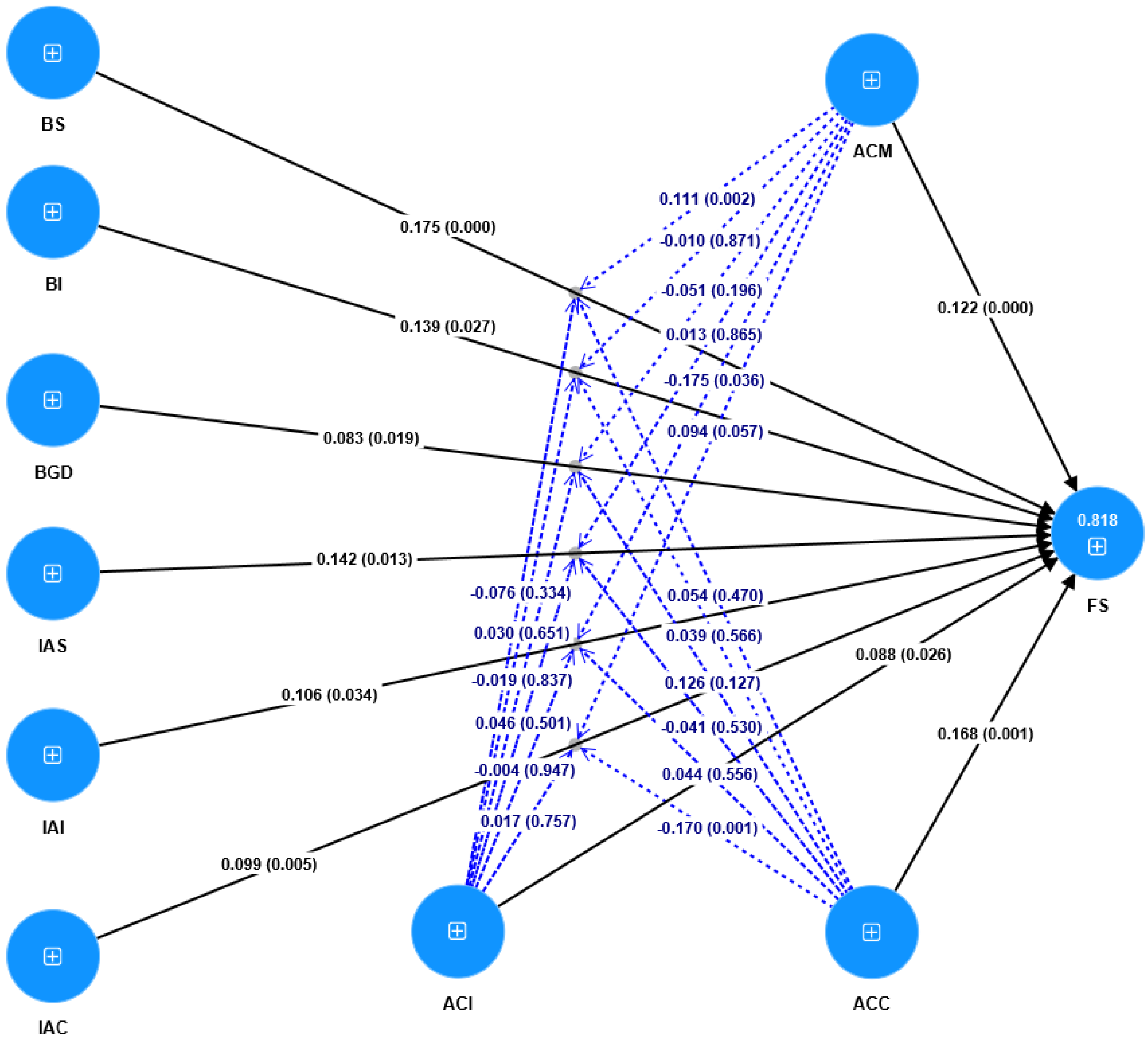
Table 7.6: Structural path coefficients results (direct and moderating)

Paths	*B*	*SE*	*t*-values	*p*-values	Confidence Interval (CI) 2.5%	Confidence Interval (CI) 97.5%	*f²*
Direct effects							
BS -> FS	0.175	0.040	4.333	0.000****	0.108	0.268	0.043
BI -> FS	0.139	0.063	2.210	0.027**	0.028	0.277	0.036
BGD -> FS	0.083	0.035	2.354	0.019**	0.024	0.159	0.014
IAI -> FS	0.106	0.050	2.117	0.034**	0.016	0.220	0.024
IAS -> FS	0.142	0.057	2.473	0.013**	0.021	0.242	0.023
IAC -> FS	0.099	0.036	2.798	0.005**	0.035	0.176	0.017
ACM -> FS	0.122	0.033	3.712	0.000****	0.056	0.184	0.029
ACI -> FS	0.088	0.040	2.228	0.026**	0.010	0.157	0.015
ACC -> FS	0.168	0.050	3.383	0.001***	0.075	0.272	0.036
Moderating effects							
ACM x BS -> FS	0.111	0.036	3.088	0.002***	0.034	0.173	0.024
ACM x BI -> FS	-0.010	0.063	0.162	0.871	-0.139	0.107	0.000
ACM x BGD -> FS	-0.051	0.040	1.294	0.196	-0.129	0.027	0.007
ACI x BS -> FS	-0.076	0.078	0.967	0.334	-0.245	0.064	0.006
ACI x BI -> FS	0.030	0.066	0.452	0.651	-0.141	0.131	0.002
ACI x BGD -> FS	-0.019	0.093	0.206	0.837	-0.207	0.160	0.000
ACC x BS -> FS	0.054	0.074	0.723	0.470	-0.076	0.226	0.003

Paths	*B*	*SE*	*t*-values	*p*-values	Confidence Interval (CI)		f^2
					2.5%	97.5%	
ACC x BI -> FS	0.039	0.069	0.575	0.566	-0.083	0.186	0.002
ACC x BGD -> FS	0.126	0.082	1.525	0.127	-0.025	0.302	0.019
ACM x IAI -> FS	-0.175	0.083	2.100	0.036**	-0.343	-0.020	0.033
ACM x IAS -> FS	0.013	0.078	0.170	0.865	-0.154	0.153	0.000
ACM x IAC -> FS	0.094	0.049	1.906	0.057*	0.009	0.203	0.014
ACI x IAI -> FS	-0.004	0.060	0.066	0.947	-0.176	0.086	0.000
ACI x IAS -> FS	0.046	0.068	0.673	0.501	-0.077	0.178	0.002
ACI x IAC -> FS	0.017	0.056	0.309	0.757	-0.113	0.109	0.000
ACC x IAI -> FS	0.044	0.074	0.590	0.556	-0.088	0.203	0.002
ACC x IAS -> FS	-0.041	0.065	0.627	0.530	-0.179	0.067	0.002
ACC x IAC -> FS	-0.170	0.053	3.216	0.001***	-0.280	-0.074	0.037

NB: **** = *p*<0.001; *** = *p*<0.01; ** = *p*<0.05; **** = *p*<0.10

Figure 7. 2: Structural model indicating path results of direct and moderating effect



7.3.1: Assessment of the standardised root mean square residual (SRMR)

To assess the goodness of fit of the structural model, the study used SRMR goodness-of-fit index. SRMR goodness of fit index was used to assess how sufficiently a partial least squares path model can explain different sets of data (Cho et al 2020:189). In general, when all the measurement models are reflective, the SRMR common factor model is the relevant model fit assessment criterion. Cho et al (2020:189) indicated that an SRMR value less than 0.08, 0.09 or between 0 and 1 is considered a good fit. Table 7.5 above shows an SRMR value of 0.070 (< .08) indicating that the model is a good fit.

7.3.2 Assessment of the coefficient of determination (R^2)

The next phase is to assess the predictive accuracy of the model by using the value of the coefficient of determination (R^2). The value of R^2 is linked to the predictive power of the model and ranges from zero to one. Hair et al (2019:2) stated four standard levels of the score for R^2. The authors indicated that if R^2 is above 0.75 it is considered substantial, if R^2 is above 0.50 it is considered moderate, and if R^2 is above 0.25 it is considered weak, and if R^2 is below 0.25 is considered unacceptable. As per Table 7.5 above, the score of R^2 for all the variables is substantial as recommended by Hair et al (2019:2). All the variables used in the study had an R^2 score of 0.818 indicating that the model can predict up to 81.8% of the variables influencing financial sustainability. This shows that each of these constructs is influenced by exogenous constructs with substantial criteria.

7.3.3 Assessment of the predictive relevance (Q^2)

In assessing the predictive relevance, the study used Q^2. In the SPLS-SEM, the study used a blindfolding procedure to determine the Q^2 (predictive relevance). Hair et al (2019:2) provided a standard score for Q^2. The authors indicated that if $Q^2 > 0$, it means that the model has predictive relevance and if it is $Q^2 < 0$, it means the model lacks predictive relevance of the exogenous construct on the endogenous construct. Hair et al (2019) suggested that if the predictive relevance (Q^2) has values of 0.02, 0.15, and 0.35 respectively, it means that exogenous constructs have a small, medium, or large predictive relevance for an endogenous latent variable. To conclude the assessment of the structural model, the current study tested the predictive relevance model by using Q^2. With reference to Table 7.5, the Q^2 value of all the endogenous constructs was 0.490 which is above zero and considered large indicating that the model has acceptable predictive power regarding the endogenous latent variables as recommended by Hair et al (2019:2).

7.3.4 Assessment of the effect size (f^2)

The next stage is to assess the effect size of the model. Therefore, the study used f2 to assess the effect size of the model. The value of f^2 is used to determine the relative effect of the exogenous constructs on the endogenous constructs. To assess the effect size, the study followed a guideline set by Cohen (1988). Cohen (1988) indicated that if the value of f^2 is 0.02 it represents a small effect, 0.15 represents a medium effect, and 0.35 represents a large effect. As indicated in Table 7.6 above, the following f^2 values are linked to H1a (0.043=small effect), H1b (0.036=small effect), H1c (0.014=small effect), H2a (0.024=small effect), H2b (0.023 = small effect), H2c (0.017 = weak effect), H3a (0.029 = small effect), H3b (0.015 = weak effect) and H3c (0.036 = small effect). Also, H4a(0.024 = small effect), H4b(0.000 = no effect), H4c (0.007 = no effect), H4d (0.006 = no effect), H4e (0.002= no effect), H4f (0.000 = no effect), H4g (0.003 = no effect), H4h (0.002 = no effect), H4i (0.019 = weak effect), H5a (0.033 = small effect), H5b (0.000 = no effect), H5c (0.014 = weak effect), H5d (0.000 = no effect), H5e (0.002), H5f (0.000 = no effect), H5g (0.002 = weak effect), H5h(0.002 = weak effect) and H5i(0.037 = small effect).

7.4 Assessment of the significance of the structural model relationships

After assessing the explanatory power of the structural model using SRMR, Q^2, R^2 and f^2, the next stage is to assess the significance between the exogenous constructs and the endogenous constructs. To assess the direction of the hypotheses, all the latent variables were incorporated in one or a single structural equation model. In assessing the significant relationships between the internal governance variables and financial sustainability, the study used bootstrapping to get data for each path relationship in the model to assess the hypotheses. Nine hypotheses for the constructions have been developed in this study. The study used SPLS-SEM 4 bootstrapping tool to assess the significance level. In the bootstrapping, the study used a significance level of 0.05, a two-tailed test, and 1000 subsamples. The results of the direct effects are shown in Table 7.6 above.

With regard to direct effect relationships, Table 7.6 above shows the value of the path coefficients has a standardised value between -1 and +1 (Values from 0.14 to 0.485). Estimated route coefficients approaching +1 indicate strong positive relationships, according to Hair et al (2017), and the closer the number comes to zero, the weaker the relationships get. In the next step, in the direction of conducting the T-test, relationships are found to have T-values of more than or equal to 1.645. Therefore, all the hypotheses for direct effect relationships are significant at H1a (β = 0.175, p= 0.000), H1b (β = 0.139, p= 0.027), H1c (β = 0.983, p= 0.019), H2a (β = 0.106, p= 0.034), H2b (β = 0.142, p= 0.013), H2c (β = 0.099, p= 0.005), H3a (β = 0.122, p= 0.000), H3b (β = 0.088, p= 0.026) and H3c (β = 0.168, p= 0.001) and therefore, accepted.

Regarding the moderation effect, the study used continuous types of data as the moderation, and the analysis is conducted using the Smart PLS 4. A moderator is a third construct or variable that can change or affect the relationship between the exogenous and endogenous variables. The first step in the moderation process was to create the interaction effect between the audit committee variables of financial sustainability and the board of directors and internal auditors' variables. To assess the size of the moderating effect, Kenny's (2018) guideline stated 0.005, 0.01 and 0.025 as the standards for small, medium, and large effect sizes respectively. Therefore, to obtain the significance of the moderating effect on the relationship between the exogenous and endogenous variables, the bootstrapping procedure was conducted. Concerning Table 7.5 above, the interactions term of ACM*BS (β = 0.177, p= 0.002), ACM*IAI (β = -0.175, p= 0.036), ACM*IAC (β = 0.094, p= 0.057) and ACC*IAC (β = -0.170, p= 0.001) are significant, for the one-tailed test with a significant level of 0.05. Therefore, it can be concluded that hypotheses H4a, H5a, H5i and H5c are accepted. Also, the interactions term of ACM*BI (β = -0.010, p= 0.871), ACM*BGD (β = -0.051, p= 0.196), ACI*BS (β = -0.76, p= 0.334), ACI*BI (β = 0.030, p= 0.651), ACI*BGD (β = -0.019, p= 0.837), ACC*BS (β = 0.054, p= 0.470), ACC*BI (β = 0.039, p= 0.566), ACC*BGD (β = 0.126, p= 0.127), ACM*IAS (β = 0.013, p= 0.865), ACI*IAI (β = -0.004, p= 0.947), ACI*IAS (β = 0.046, p= 0.501), ACI*IAC (β = 0.017, p= 0.757), ACC*IAI (β = 0.044, p= 0.556), ACC*IAS (β = -0.041, p= 0.530) are insignificant, for the one-tailed test with a significant level of 0.05. Therefore, it can be concluded that the hypothesis H4b, H4c , H4d , H4e , H4f , H4g , H4h , H4i , H5b , H5d , H5e , H5f , H5g and H5h are rejected.

7.5 Discussion of results (direct effects)

Table 7.5 above presents the SPLS-SEM results of the relationship between the board of directors' attributes and the financial sustainability of MMDAs. The path coefficients of SPLS-SEM results indicate the extent of the direct effect of the board of directors attributes, as exogenous variables, on the financial sustainability, as an endogenous variable. Concerning Table 7.5 and Figure 7.4 above, the findings from SEM are discussed below.

Specific objective 1: Specific objectives 1 sought to determine the relationship between board size, board independence and board gender diversity and financial sustainability of

MMDAs in Ghana. To achieve the specific objective 1, the following direct hypotheses were formulated and tested.

Hypothesis 1a: *There is a significant relationship between board size and the financial sustainability of MMDAs in Ghana*. Hypothesis 1a sought to establish whether there is a significant relationship between board size and the financial sustainability of MMDAs in Ghana. From Table 4.5, The SEM results show that board size has a predictive path coefficient of 0.175 with a p-value of 0.000. The finding from SEM shows that there is a significant relationship between board size and the financial sustainability of MMDAs over the period covered in this study. This finding implies that an increase in the board size by one member will lead to a 17.5% increase in the financial sustainability of MMDAs. This finding confirms both agency and resource dependency theories on the effect of large boards on financial sustainability. Therefore, the hypothesis is accepted at a 5% level of significance. Empirically, the finding from the structural equation model supports Johl et al (2015: 239); Okoye et al. (2017:4035); Muhammad et al (2016) and Boubacar (2018:629) studies which reported a significant relationship between the board size (large board) and financial sustainability. From the theoretical perspective, this finding supports the agency theory's argument that large boards can monitor and control management from their opportunistic interest which leads to the improvement in financial sustainability (Edia & Jessica 2020: 31; Hu & Loh 2018:1; Akbas 2016:7; Alfraih 2016:154Edia & Jessica 2020: 31; Al-Bassam et al 2018:335; Ntim et al 2017). This finding also supports the resource dependency theory which advocates that a large board size enables the board members with diverse knowledge (resources) to deploy their resources for the improvement of the financial sustainability of MMDAs (Rubino & Napoli 2020: 6; Wang et al 2020: 1172; Berrone & Gomez-Mejia 2009: 103; Jensen & Meckling 1976; Al-Bassam et al 2018).

Hypothesis 1b: *There is a significant relationship between board independence and financial sustainability*. Hypothesis 1b sought to establish whether there is a significant relationship between board independence and the financial sustainability of MMDAs in Ghana. From Table 4.5, The SEM results show that board independence has a predictive path coefficient of 0.139 with a p-value of 0.027. The finding from SEM shows that there is a significant relationship between board independence and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. This finding implies that if the independent non-executive director serving on boards is increased by 1%, the financial sustainability of MMDAs also increases by 13.9%. The finding from the structural equation model supports prior studies which reported a significant relationship between board independence (independent non-executive directors) and financial sustainability of MMDAs (Ntim (2011: 428; Khumalo 2011: 11; Kanakriyah 2021: 341; Ghasemi & Ab Razak 2016: 3; Ammari et al 2016: 10; Alhussayen & Shabou 2016: 149; Alqatan et al 2019: 1; Kapil & Mishra 2019: 2033). This finding also supports agency theory which advocates that independent non-executive members on the board can monitor and supervise management effectively ((Al-Matari & Al- Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85). Similarly, the finding supports resource dependency theory which advocates that independent non-executive directors on boards could help improve financial sustainability due to their input for decision making such as investment and strategic planning decisions, and their networking value with the external environment and other stakeholders (Cuervo–Cazurra et al 2019:491; Rubino & Napoli 2020:1; Zona et al 2018:589). This finding implies that a large proportion of independent non-executive directors on boards can improve the financial sustainability of MMDAs. The significant relationship found between board independence and financial sustainability could be that the board of directors is more active in providing resources to the MMDAs and monitoring the financial sustainability activities of Metropolitan, Municipal and District Chief Executives. It could also be that the board of directors is appointed on merit rather than their intimacy to the Metropolitan, Municipal and District Chief Executives or their affiliation to political parties and personal connections in the society, which enhances their oversight function of the board (required by agency theory) as well as their strategic resource roles, such as a strategic link to society and external financial resources as well as advice and counsel on financial sustainability (required by resource dependency theory).

Hypothesis 1c: *There is a significant relationship between board gender diversity and financial sustainability*. Hypothesis 1c sought to establish whether there is a significant relationship between board gender diversity and the financial sustainability of MMDAs in Ghana. From Table 4.5, The SEM results show that board gender diversity has a predictive path coefficient of 0.083 with a p-value of 0.019. The finding from SEM shows that there is a significant relationship between board gender diversity and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. This finding implies that if the number of women directors serving on boards is increased by 1%, the financial sustainability of MMDAs also increases by 8.3%. In support of the findings from the structural equation model, prior studies reported a significant relationship between the number of women serving on boards (board gender diversity) and the financial sustainability of MMDAs (Kanakriyah 2021: 341; Fariha et al 2021: 2443; Fernández & Tejerina 2020: 324; Dwaikat et al 2021; Ntim & Al-Najjar 2018; Mahmood et al 2018: 1; Johl et al 2015: 239). The significant relationship found between board gender diversity and financial sustainability could be that from the perspective of agency theory, women on boards contribute a wider range of perspectives in decision-making, which increases the independence of the board while reducing agency costs and, as a consequence, the financial sustainability of the MMDAs improves (Ahmadi et al 2018:218; Kakabadse et al 2015:265). Similarly, from the perspective of resource dependency theory, women directors bring knowledge, skills and experiences to their boards that differ from those of their male counterparts (Terjesen et al 2009: 320); have the ability to create linkages to different parties such as customers, suppliers, future employees or suppliers than men (Hillman, Shropshire & Canella 2007: 941) and are better community influentials than men, which in turn improves financial sustainability (Wang et 2016: 775; Farrag & Mallin 2016: 1528; Sheikha et al 2021: 1; Hoobler et al 2016: 160). This finding implies that a large proportion of women serving on boards can improve the financial sustainability of MMDAs.

Specific objective 2: Specific objective 2 sought to determine the relationship between internal auditor independence, internal audit size and internal auditor's competence and financial sustainability of MMDAs in Ghana. To achieve the specific objective 2, the following direct hypotheses were formulated and tested.

Hypothesis 2a: *There is a significant relationship between internal auditor independence and financial sustainability*. Hypothesis 2a sought to establish whether there is a significant relationship between internal auditor independence and the financial sustainability of MMDAs in Ghana. From Table 4.5, the coefficient of 0.142 with a p-value of 0.013 from SEM shows that when the number of meetings between internal auditors and audit committees increases by 1%, financial sustainability will increase by 14.2%. The finding from SEM shows that there is a significant relationship between internal auditor independence and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. Empirically, this finding from the structural equation model supports Newman and Comfort (2018: 1); Dellai and Omri (2016: 208); Alzoubi (2019: 72); Alzeban (2020: 437) as well as Sarhan et al (2020: 98) studies which reported a significant relationship between the internal auditor independence and financial sustainability. Theoretically, this finding supports the agency theory's argument that independent internal auditors can monitor and control management from their opportunistic interest which leads to the improvement in the financial sustainability of MMDAs (Ofosuhene et al 2021: 55; Chan et al 2018: 423; Al-Bassam, Ntim, Opong and Downs 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). This finding also supports the resource dependency theory which advocates that large independent internal auditors bring on board diverse knowledge (resources) for the improvement of the financial sustainability of MMDAs (Hay & Cordery 2018:1; Asiedu & Deffor 2017:82; Ibrahim, Diibuzie & Abubakari 2017:684; Pappa & Filos 2019:30; Mbelwa & Lenatusi 2019: 13; Pfeffer & Salancik 2015: 1).

Hypothesis 2b: *There is a significant relationship between internal audit size and financial sustainability*. Hypothesis 2b sought to establish whether there is a significant relationship between internal audit size and the financial sustainability of MMDAs in Ghana. From Table 4.5, the coefficient of 0.106 with a p-value of 0.034 from SEM shows that when the size of the internal audit increases by 1%, financial sustainability will increase by 10.6%. The finding from SEM shows that there is a significant relationship between internal audit size and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. Empirically, the finding from the structural equation model supports Alzeban (2020: 437); Bengrich and El Ghadouia (2020: 98); Wadesango and Makerevi (2018: 1528) as well as Newman and Comfort (2018: 1) studies which reported a significant relationship between the internal audit size (the number of internal auditors) and financial sustainability of MMDAs. From the theoretical perspective, this finding supports the agency theory's argument that large size of internal audits can monitor and control management from their opportunistic interest which leads to the improvement in the financial sustainability of MMDAs (Kamal et al 2021: 5; IIA 2020: 1; Eulerich & Eulerich 2020: 83; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). This finding also supports the resource dependency theory which advocates that a large size of internal audit enables the internal auditors with diverse knowledge (resources) to deploy their resources for the improvement of the financial sustainability of MMDAs (Chan et al 2018: 423; Al-Bassam et al 2018:335; Prawitt et al 2009: 1255; Al-Rassas & Kamardin 2015: 460; Naiker & Sharma 2009: 559).

Hypothesis 2c: *There is a significant relationship between internal auditor competence and financial sustainability*. Hypothesis 2c sought to establish whether there is a significant relationship between internal auditor competence and the financial sustainability of MMDAs in Ghana. From Table 4.5, the coefficient of 0.099 with a p-value of 0.005 from SEM shows that when the number of internal auditors with accounting and or auditing increases by 1%, financial sustainability will increase by 9.9%. The finding from SEM shows that there is a significant relationship between internal auditor competence and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. Empirically, this finding from the structural equation model supports Hazaea et al (2021); Alzeban (2020: 437); Wadesango and Makerevi (2018: 1528) as well as Newman and Comfort (2018: 1) studies, that reported a significant relationship between the internal auditor competence and financial sustainability of MMDAs. Theoretically, this finding supports the agency theory's argument that competent internal auditors can monitor and control management from their opportunistic interest which leads to the improvement in the financial sustainability of MMDAs (Przybylska & Kańduła 2019: 6; Jones & Beattie 2015: 59; Ackermann et al 2016: 44). This finding also supports the resource dependency theory which advocates that competent internal auditors enable the internal auditors with diverse knowledge (resources) to deploy their resources for the improvement of financial sustainability of MMDAs (IIA 2020: 1; Hazaea 2020: 867; Prawitt et al 2009).

Specific objective 3: The specific objective 3 sought to determine the relationship between audit committee meetings, audit committee independence and audit committee competence and financial sustainability of MMDAs in Ghana. To achieve specific objective 3, the following direct hypotheses were formulated and tested.

Hypothesis 3a: *There is a significant relationship between audit committee meetings and financial sustainability*. Hypothesis 3a sought to establish whether there is a significant relationship between audit committee meetings and the financial sustainability of MMDAs in Ghana. From Table 4.5, the coefficient of 0.122 with a p-value of 0.000 from SEM shows that when the number of meetings audit committees have in a year increases by 1%, financial sustainability will increase by 12.2%. The finding from SEM shows that there is a significant relationship between audit committee meetings and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. Empirically, this finding from the structural equation model supports Ashari and Krismiaji (2020: 139); Elbadry et al (2015); Ben-Barka and Legendre (2016: 16) as well as Bansal and Sharma (2016: 103) studies, that reported a significant relationship between the audit committee meetings and financial sustainability of MMDAs. Theoretically, this finding supports the agency theory's argument that the frequency of audit committee meetings helps the audit committees to have the capacity to monitor and control management from their opportunistic interest which leads to the improvement in the financial sustainability of MMDAs (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Garas & ElMassah, 2018; Qeshtaa & Ali 2020; Garas & ElMassah 2018; Qeshtaa & Ali 2020: 5979). This finding also supports the resource dependency theory which advocates that the frequency of audit committee meetings enables the audit committee members with diverse knowledge (resources) to deploy their resources for the improvement of the financial sustainability of MMDAs (Al-Lawati et al 2021: 557; Gebrayel, Jarrar, Salloum & Lefebvre 2018: 197; Januarti et al 2020: 179; Wu, 2012: 321; Lisic et al 2016: 1199; Farooq et al 2018: 94).

Hypothesis 3b: *There is a significant relationship between audit committee independence and financial sustainability*. Hypothesis 3b sought to establish whether there is a significant relationship between audit committee independence and the financial sustainability of MMDAs in Ghana. From Table 4.5, the coefficient of 0.088 with a p-value of 0.026 from SEM shows that when the number of independent non-executive members on audit committees increases by 1%, financial sustainability will increase by

8.8%. The finding from SEM shows that there is a significant relationship between board gender diversity and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. Empirically, this finding from the structural equation model supports Robin and Amran (2016: 190); Ashari and Krismiaji (2020: 139); Fariha et al (2021: 2443) as well as Alzaben (2020: 437) studies which reported a significant relationship between the audit committee independence and financial sustainability of MMDAs. Theoretically, this finding supports the agency theory's argument that independent non-executive members serving on audit committees can monitor and control management from their opportunistic interest which leads to the improvement in the financial sustainability of MMDAs (Omesi & Appah 2022:1; Qeshta et al 2021: 1667; Al Farooque et aL 2019:54; Naimah 2017; Alqatamin 2018:48). This finding also supports the resource dependency theory which advocates large proportion of independent non-executive members on audit committees enables the audit committee members with diverse knowledge (resources) to deploy their resources for the improvement of financial sustainability of MMDAs (Chan et al 2018: 423; Al-Bassam et al 2018:335; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194).

Hypothesis 3c: *There is a significant relationship between audit committee competence and financial sustainability*. Hypothesis 3c sought to establish whether there is a significant relationship between audit committee competence and the financial sustainability of MMDAs in Ghana. From Table 4.5, the coefficient of 0.168 with a p-value of 0.001 from SEM shows that when the number of audit committee members with accounting and or auditing qualifications increases by 1%, financial sustainability will increase by 16.8%. The finding from SEM shows that there is a significant relationship between audit committee competence and the financial sustainability of MMDAs. Therefore, the hypothesis is accepted at a 5% level of significance. Empirically, this finding from the structural equation model supports Albedal et al (2020: 23); Elghuweel et al (2017: 190); Nasiri and Ramakrishnan (2020: 1124); Ashari and Krismiaji (2020: 139) as well as Shankaraiah and Amiri (2017: 1) studies which reported a significant relationship between the audit committee competence and financial sustainability of MMDAs. Theoretically, this finding supports the agency theory's argument that audit committee members with accounting and or auditing qualifications can monitor and control management from their opportunistic interest which leads to the improvement in the financial sustainability of MMDAs (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Sultana 2015: 88; Sultana & Van der Zahn 2015: 279; Januarti et al 2020: 179; Jensen & Meckling 1976). This finding also supports the resource dependency theory which advocates that audit committee members with accounting and or auditing qualifications enable the audit committee members with diverse knowledge (resources) deploy their resources for the improvement of the financial sustainability of MMDAs (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Al-Lawati et al 2021: 557; Kusnadi et al 2016: 197; Cohen et al 2014: 243; Hillman et al 2000: 235; Dhaliwal et al 2010: 787).

7.6 Discussion of results (moderating effects)

Table 4.7 above presents the SEM outcomes of the moderating effect of audit committee attributes on the association among the board of directors' attributes and the financial sustainability of MMDAs. The path coefficients of SEM results indicate the extent of the effect of the audit committee attributes, as exogenous variables on the relationship between boards of directors variables as another exogenous variable, and the financial sustainability as an endogenous variable. Concerning Table 4.5 above, the moderating effect of audit committee attributes on the association between the board of directors attributes and financial sustainability is discussed below.

Specific objective 4: Specific objective 4 sought to determine the moderating effect of audit committee meetings, audit committee independence and audit committee competence on the relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana. To achieve this specific objective 4, the following moderating hypotheses were further formulated and tested.

Hypothesis 4a: An audit committee meeting has a significant moderating effect on board size and financial sustainability. Hypothesis 4a sought to establish whether audit committee meeting significantly moderates the association between board size and financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee meetings on board size and financial sustainability ACM*BS ($\beta = 0.177$, $p = 0.002$) is significant. The increase of effect between board size and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that an audit committee meeting as a moderator strengthens the relationship between board size and financial sustainability. This finding implies that a percentage increase in the number of meetings audit committees holds in a year leads to a 17.5% increase in the positive relationship between the number of board members and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of meetings audit committees holds in a year (audit committee meetings) and the number of board members (board size) is positively significant to the financial sustainability of MMDAs. Thus, H4a is accepted at a 5% significance level. Empirically, the finding from the structural equation model supports studies of Samuel (2020:146); Iskak and Muslih (2022:440); Wardati et al (2021:1); Shatnawi et al (2022:1) as well as El-Hawary (2021:134) who reported a significant relationship between audit committee meetings and board size which in turn, enhances financial sustainability. Theoretically, the finding also supports the views of both agency and resource dependency theories. From the perspective of resource dependency theory, regular meetings between audit committees and the boards enhance the board's ability to acquire resources for MMDAs and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Rubino & Napoli 2020: 6; Pfeffer & Salancik 1978: 358; Volonté 2015:25; Hillman & Dalziel 2003: 28). Wang, Li & Qi 2020: 1172). Moreover, from the perspective of agency theory, regular meetings between audit committees and the board of directors strengthen the opinions of other directors to satisfy the interest of societies rather than their interest, which in turn can improve the financial sustainability of MMDAs (Edia & Jessica 2020: 31; Hu & Loh 2018:1; Akbas 2016:7; Alfraih 2016:154; Edia & Jessica 2020: 31; Al-Bassam et al 2018:335; Ntim et al 2017).

Hypothesis 4b: *An audit committee meeting has a significant moderating effect on board independence and financial sustainability*. Hypothesis 4b sought to establish whether audit committee meeting significantly moderates the association between board independence and financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee meetings on board independence and financial sustainability ACM*BI (β = -0.010, p= 0.871) is significant. The increase of effect between board size and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee meeting serves as a variable that weakens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of meetings audit committees holds in a year leads to a 1.0% decrease in the relationship between the independent non-executive directors on boards and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of meetings audit committees holds in a year (audit committee meetings) and the number of independent non-executive directors serving on boards (board independence) is negatively insignificant to the financial sustainability of MMDAs. Thus, the H4b is rejected at a 5% insignificance level. Empirically, the finding from the structural equation model supports the study of Braswell et al (2012: 191) who reported that audit committee meetings do not have a significant moderating effect on the association between board independence and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective resource dependency theory, regular meetings between audit committees and the boards enhance the independent non-executive directors' ability to acquire resources for MMDAs and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Cuervo–Cazurra, Mudambi & Pedersen 2019:491; Rubino & Napoli 2020:1; Zona, Gomez–Mejia & Withers 2018:589; Rubino & Napoli 2020:1; Liu et al 2015:223; Pfeffer & Salancik 1978: 163; Carpenter & Westphal 2001). Moreover, from the perspective of agency theory, regular meetings between audit committees and the board of directors strengthen the monitoring and control capacity of the independent non-executive directors, which in turn can improve the financial sustainability of MMDAs (Al-Matari & Al-Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85).

Many previous studies on audit committee meetings and board independence, viewed through the lens of agency and resource dependency theories, have produced inconclusive findings due to variations in methodologies (see Tables 4.7 and 4.2). Differences in research designs, sample sizes, and measurement approaches can lead to inconsistent results, making it difficult to fully understand the implications of these theories. The conflicting results in this study may be attributed to various factors, such as disparities in sample sizes, respondent characteristics, data collection methods, and statistical analyses compared to previous studies. The choice of research methodology also plays a role, as quantitative studies prioritise objective data and statistical analysis, while qualitative studies focus on subjective experiences and in-depth understanding. Furthermore, the use of different statistical approaches and components in forming the structural latent variable can contribute to mixed results. Previous studies have primarily focused on private sector organisations, particularly listed ones, when examining the moderating effect of audit committee meetings on board independence and financial performance. Additionally, differences in the number of audit committee meetings per year and regulations across countries and sectors can further contribute to inconclusive findings. It is important to note that findings from previous studies conducted in specific countries may not necessarily apply to MMDAs, which adds to the conflicting results.

Hypothesis 4c: *An audit committee meeting has a significant moderating effect on board gender diversity and financial sustainability*. Hypothesis 4c sought to establish whether audit committee meeting significantly moderates the association between board gender diversity and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee meetings on board gender diversity and financial sustainability ACM*BGD (β = -0.051, p= 0.196) is significant. The increase of effect between board gender diversity and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee meeting serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of meetings audit committees holds in a year leads to a 5.1% decrease in the negative relationship between the number of women on boards and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of meetings audit committees holds in a year (audit committee meetings) and the number of women serving on boards (board gender diversity) is negatively insignificant to the financial sustainability of MMDAs. Thus, H4c is rejected at a 5% significance level. This finding implies that an increase in audit committee meetings in a year decreases the explanatory power of women serving on boards by 5.1% which in turn, decreases the financial sustainability of MMDAs by 5.1%. Empirically, the finding from the structural equation model does not support studies of Fariha, Hossain and Ghosh (2021: 2443);

Aljaaidi et al (2020: 179) as well as Amin et al (2017:217) who reported that audit committee meetings strengthen the relationship between board gender diversity and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, regular meetings between audit committees and the boards enhance the women directors' perspectives to acquire resources for MMDAs and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Nyatichi 2016:1; Sahar et al 2018:556; Hillman et al 2007: 941). Moreover, from the perspective of agency theory, regular meetings between audit committees and the board of directors strengthen the monitoring and control capacity of women directors which in turn, can improve the financial sustainability of MMDAs (Sheikha et al 2021: 1; Shin, Chang, Jeon, 96 & Kim 2019:1; Jensen & Meckling, 1976; Fama and Jensen 1983: 327).

Existing studies on the relationship between audit committee meetings and board gender diversity from the perspective of agency and resource dependency theories have produced inconsistent findings. This inconsistency may be due to differences in research methodologies, sample sizes, measurement approaches, respondent characteristics, and statistical analyses compared to previous studies (see Tables 4.7 and 4.3). The focus on private sector organizations, especially listed ones, and variations in regulations across countries and sectors can also contribute to inconclusive results. Additionally, findings from previous studies conducted in specific countries may not be applicable to MMDAs, further adding to the conflicting results.

Hypothesis 4d: *Audit committee independence has a significant moderating effect on board size and financial sustainability*. Hypothesis 4d sought to establish whether audit committee independence significantly moderates the association between board size and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee independence on board size and financial sustainability ACI*BS ($\beta = -0.76$, $p = 0.334$) is insignificant. The increase of effect between board size and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee meeting serves as a variable that weakens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of independent non-executive directors on audit committees leads to a 7.6% decrease in the negative relationship between the number of board members and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of independent non-executive directors serving on audit committees (audit committee independent) and the number of board members (board size) is negatively insignificant to the financial sustainability of MMDAs. Thus, H4d is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Dakhlallh et al (2021:126); Samuel (2020:146); Iskak and Muslih (2022:440); Wardati et al (2021:1); Shatnawi et al (2022:1); El-Hawary (2021:134) who reported that audit committee independence strengthens the relationship between size and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the number of independent non-executive members on audit committees can strengthen the board members' perspectives to acquire resources and bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Cuervo–Cazurra et al 2019:491; Rubino & Napoli 2020:1; Rubino & Napoli 2020:1). Moreover, from the perspective of agency theory, the number of independent non-executive members on audit committees can strengthen the monitoring and control capacity of board members which in turn, can improve the financial sustainability of MMDAs (Edia & Jessica 2020: 31; Hu & Loh 2018:1; Akbas 2016:7; Alfraih 2016:154Edia & Jessica 2020: 31; Al-Bassam et al 2018:335; Ntim et al 2017).

Many studies have been conducted on the independence of audit committees and the size of boards, with a focus on agency and resource dependency theories. However, these studies have used different methodologies, leading to inconsistent and inconclusive findings. Factors such as variations in research designs, sample sizes, and measurement approaches can contribute to these conflicting results (see Tables 4.8 and 4.1). The choice between quantitative and qualitative research methods can also influence the results. Furthermore, the use of different statistical approaches and components in the analysis can further contribute to mixed results. It is important to note that previous studies have mainly focused on private sector organizations, particularly those listed on stock exchanges, and may not be directly applicable to MMDAs.

Additionally, the regulations in different countries and sectors can also impact the results.

Hypothesis 4e: *Audit committee independence has a significant moderating effect on board independence and financial sustainability*. Hypothesis 4e sought to establish whether audit committee independence significantly moderates the association between board independence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee independence on board independence and financial sustainability ACI*BI ($\beta = 0.030$, $p = 0.651$) is insignificant. The increase of effect between board independence and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee independence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of independent non-executive directors on audit committees leads to a 3.0% increase in the positive relationship between the number of independent non-executive directors on boards and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of independent non-executive directors serving on audit committees (audit committee independent) and the number of independent non-executive directors serving on boards (board independent) is positively insignificant to the financial sustainability of MMDAs. Thus, H4e is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Dakhlallh et al (2021:126); Siagian and Tresnaningsih (2011:192); Iskak and Muslih (2022:440); Wardati et al (2021:1); Shatnawi et al (2022:1); El-Hawary (2021:134) who reported that audit committee independence strengthens the relationship between board independence and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the number of independent non-executive members on audit committees can strengthen the independent non-executive directors serving on boards' perspectives to acquire resources and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Cuervo–Cazurra et al 2019:491; Rubino & Napoli 2020:1; Rubino & Napoli 2020:1). Moreover, from the perspective of agency theory, the interaction between the independent non-executive members on audit committees and the number of independent non-executive members on boards can strengthen the monitoring and control capacity of the independent non-executive board members which in turn, can improve the financial sustainability of MMDAs (Al-Matari & Al- Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85).

Several studies have examined the independence of audit committees and boards from the perspectives of agency and resource dependency theories. However, these studies have used different methods and produced mixed results. The conflicting findings from this study can be attributed to differences in sample sizes, characteristics of respondents, data collection methods, and statistical analyses (see Tables 4.8 and 4.2). The choice between quantitative and qualitative research methodologies can also impact the outcomes. Furthermore, the use of different statistical approaches and components in forming the structural latent variable leads to mixed results. The limited focus on private sector organizations, particularly listed ones, and variations in regulations across countries and sectors also contribute to inconclusive findings. Additionally, findings from previous studies conducted in specific countries may not be applicable to MMDAs, further adding to the conflicting results.

Hypothesis 4f: *Audit committee independence has a significant moderating effect on board gender diversity and financial sustainability*. Hypothesis 4f sought to establish whether audit committee independence significantly moderates the association between board gender diversity and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee independence on board gender diversity and financial sustainability ACI*BGD (β = -0.019, p= 0.837) is significant. The increase of effect between board gender diversity and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee independence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of independent non-executive directors on audit committees leads to a 1.9% decrease in the negative relationship between the number of women on board and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of independent non-executive directors serving on audit committees (audit committee independent) and the number of women serving on boards (board gender diversity) is negatively insignificant to the financial sustainability of MMDAs. Thus, the H4f is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Iskak and Muslih (2022:440); Wardati et al (2021:1); Shatnawi et al (2022:1); El-Hawary (2021:134) who reported that audit committee independence strengthens the relationship between board gender diversity and financial sustainability. The finding from this study however supports Abata and Migiro (2016:189) who proved that audit committee independence has an insignificant moderating effect on the relationship between board independence and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the number of independent non-executive members on audit committees can strengthen the women directors' perspectives to acquire resources and bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Nyatichi 2016:1; Sahar et al 2018:556; Hillman et al 2007: 941). Moreover, from the perspective of agency theory, the interaction between the independent non-executive members on audit committees and the number of women on boards can strengthen the monitoring and control capacity of the women directors which in turn, can improve the financial sustainability of MMDAs (Omesi & Appah 2022:1; Chan & Kogan 2016:121; Sterin 2020:193; Chaudhry et al 2020:621; Chou & Buchdadi 2017:24; Namakavarani et al 2021: 2; Alzeban & Sawan 2015: 61).

This study brings attention to the inconsistent findings in previous research on the independence of audit committees and the board gender diversity from the perspective of agency and resource dependency theories. These inconsistencies can be attributed to differences in research methodologies. Variations in study designs, sample sizes, measurement approaches, and data collection methods have led to conflicting results (see Tables 4.8 and 4.3). The choice between quantitative or qualitative research methods, as well as different statistical approaches and components in the structural latent variable, have also influenced the outcomes. Additionally, the limited focus on private sector organizations, particularly those that are listed, and the variations in regulations across countries and sectors have further contributed to the inconclusive findings. It is important to note that the findings from previous studies conducted in specific countries may not be applicable to MMDAs, which adds to the conflicting results.

Hypothesis 4g: *Audit committee competence has a significant moderating effect on board size and financial sustainability*. Hypothesis 4g sought to establish whether audit committee competence significantly moderates the association between board size and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee competence on board size and financial sustainability ACC*BS (β = 0.054, p= 0.470) is insignificant. The increase of effect between board size and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee meeting serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of audit committee members with accounting and or auditing qualifications leads to a 5.4% increase in the positive relationship between the number of board members and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of audit committee members with accounting and or auditing qualifications (audit committee competence) and the number of board members (board size) is positively insignificant to the financial sustainability of MMDAs. Thus, H4g is rejected at a 5% significance level. This insignificant moderating effect of audit committee competence on the relationship between board size and financial sustainability may be that members serving on the audit committees do not have accounting and or auditing knowledge. It may also be attributed to inefficient board sizes which often fail to take financial sustainability decisions due to unqualified and inexperienced members serving on the board which in turn, could adversely affect the financial sustainability of MMDAs. Empirically, the finding from the structural equation model does not support studies of Fariha, Hossain and Ghosh (2021: 2443); Aljaaidi et al (2020: 179) as well as Amin et al (2017:217) who reported that audit committee competence strengthens the relationship between board size and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the interaction between audit committee members with accounting and or auditing qualifications and the board members enhances the board members' perspectives to acquire resources and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Nyatichi 2016:1; Sahar et al 2018:556; Hillman et al 2007: 941). Moreover, from the perspective of agency theory, the interaction between audit committee members with accounting and or auditing qualifications and the board members strengthens the monitoring and control capacity of board members which in turn, can improve the financial sustainability of MMDAs (Sheikha et al 2021: 1; Shin, Chang, Jeon, 96 & Kim 2019:1; Jensen & Meckling, 1976; Fama and Jensen 1983: 327).

Previous studies on audit committee competence and board size have generated inconsistent findings due to methodological variations. Different research designs, sample sizes, measurement approaches, and statistical analyses have hindered a comprehensive understanding of the implications of agency and resource dependency theories (see Tables 4.9 and 4.1). Factors such as respondent characteristics, data collection methods, and statistical approaches used also contribute to the conflicting results. Limited focus on private sector organisations and variations in regulations across countries and sectors further contribute to inconclusive findings.

Hypothesis 4h: *Audit committee competence has a significant moderating effect on board independence and financial sustainability*. Hypothesis 4h sought to establish whether audit committee competence significantly moderates the association between board independence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee competence on board independence and financial sustainability ACC*BI ($\beta = 0.039$, $p = 0.566$) is significant. The increase of effect between board independence and financial sustainability when the moderator (audit committee competence) is included in the model (Figure 7.2) indicates that audit committee competence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of audit committee members with accounting and or auditing qualifications leads to a 3.9% increase in the positive relationship between the independent non-executive directors on boards and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction of the number of audit committee members with accounting and or auditing qualifications (audit committee competence) and the independent non-executive directors serving on boards (board independence) is positively insignificant to the financial sustainability of MMDAs. Thus, H4h is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Aprianti et al (2021:42); Samuel (2020:146); Iskak and Muslih (2022:440); Wardati et al (2021:1); Shatnawi et.al (2022:1); El-Hawary (2021:134) as well as Buallay & Al-Ajmi (2019:249) who reported that audit committee competence strengthens the relationship between board independence and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective resource dependency theory, the interaction between audit committee members with accounting and or auditing qualifications and the independent non-executives board members enhances the independent non-executive board members' perspectives to acquire resources and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Cuervo–Cazurra et al 2019:491; Rubino & Napoli 2020:1; Zona et al 2018:589; Rubino & Napoli 2020:1). Moreover, from the perspective of agency theory, the interaction between audit committee members with accounting and or auditing qualifications and the independent non-executive board members strengthens the monitoring and control capacity of independent non-executive board members which in turn, can improve financial sustainability of MMDAs (Al-Matari & Al-Arussi 2016: 93; Abdelbadie & Salama 2019: 85; Rubino & Napoli 2020: 6; Abdelbadie & Salama 2019: 85).

Existing studies on the audit committee competence and the board independence has produced inconclusive findings due to the use of different methodologies. These differences in research design, sample sizes, measurement approaches, and data collection methods can lead to inconsistent results and hinder a comprehensive understanding (see Tables 4.9 and 4.2). The conflicting results may be attributed to these factors when compared to previous studies. The choice between quantitative or qualitative research methods can also influence the results by emphasising either objective data or subjective experiences. Additionally, variations in statistical approaches and the components used to form the structural latent variables can contribute to mixed results. Previous studies have primarily focused on listed private sector organisations, and differences in regulations across countries and sectors can also impact the findings.

Therefore, the findings from previous studies conducted in specific countries may not be applicable to MMDAs, further contributing to conflicting results.

Hypothesis 4i: *Audit committee competence has a significant moderating effect on board gender diversity and financial sustainability*. This hypothesis sought to establish whether audit committee competence significantly moderates the association between board gender diversity and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee competence on board gender diversity and financial sustainability ACC*BGD (β = 0.126, p= 0.127) is insignificant. The increase of effect between board gender diversity and financial sustainability when the moderator (audit committee competence) is included in the model (Figure 7.6) indicates that audit committee competence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of audit committee members with accounting and or auditing qualifications leads to a 12.6% increase in the positive relationship between the number of women on boards and the financial sustainability of MMDAs. Therefore, this finding shows that the interaction between the audit committee members with accounting and or auditing qualifications (audit committee competence) and the number of women serving on boards (board gender diversity) is positively insignificant to the financial sustainability of MMDAs. Thus, H4i is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Samuel (2020:146); Iskak and Muslih (2022:440); Wardati et al (2021:1); Shatnawi et.al (2022:1); El-Hawary (2021:134) as well as Buallay & Al-Ajmi (2019:249) who reported that audit committee competence strengthens the relationship between board gender diversity and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the interaction between audit committee members with accounting and or auditing qualifications and the women directors enhances the women directors' perspectives to acquire resources and bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Nyatichi 2016:1; Sahar et al 2018:556; Hillman et al 2007: 941). Moreover, from the perspective of agency theory, the interaction between audit committee members with accounting and or auditing qualifications and the women directors strengthens the monitoring and control capacity of women directors which in turn, can improve the financial sustainability of MMDAs (Sheikha et al 2021: 1; Shin et al 2019:1).

Existing studies on the audit committee competence and the board gender diversit has produced inconclusive findings due to the use of different methodologies. These differences in research design, sample sizes, measurement approaches, and data collection methods can lead to inconsistent results and hinder a comprehensive understanding (see Tables 4.9 and 4.3). The conflicting results may be attributed to these factors when compared to previous studies. The choice between quantitative or qualitative research methods can also influence the results by emphasising either objective data or subjective experiences. Additionally, variations in statistical approaches and the components used to form the structural latent variables can contribute to mixed results. Previous studies have primarily focused on listed private sector organisations, and differences in regulations across countries and sectors can also impact the findings. Therefore, the findings from previous studies conducted in specific countries may not be applicable to MMDAs, further contributing to conflicting results.

Specific objective 5: Specific objective 5 sought to determine the moderating effect of audit committee meetings, audit committee independence and audit committee competence on the relationship between internal auditor independence, internal audit size and internal auditor competence and financial sustainability of MMDAs in Ghana. To achieve this specific objective 5, the following moderating hypotheses were further formulated and tested.

Hypothesis 5a: *An audit committee meeting has a significant moderating effect on internal auditor independence and financial sustainability*. This hypothesis sought to establish whether audit committee meeting significantly moderates the association between internal auditor independence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee meetings on internal auditor independence and financial sustainability ACM*IAI (β = -0.175, p= 0.036) is significant. The increase of effect between internal auditor independence and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee meeting serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of meetings audit committees holds in a year decreases the explanatory power of the number of times internal auditors meet the audit committees in a year by 17.5% which in turn, decreases the financial sustainability of MMDAs by 17.5%. Therefore, the result from SEM shows that audit committee meetings negatively and significantly moderate the relationship between internal auditor independence and the financial sustainability of MMDAs. In this case, the H5a is accepted at a 5% significance level. Empirically, the finding from the structural equation model supports studies of Alzoubi (2019: 72); Tusek (2015:187); Abdullfatah and Laith (2017: 10); Alzeban (2015: 539); Khelil and Ozkan (2016: 84) who reported that audit committee meetings have a significant moderating effect on the association between internal auditor independence and financial sustainability. Theoretically, this finding supports the views of both agency and resource dependency theories. From the perspective of resource dependency theory, regular meetings between audit committees and the internal auditors enhance the internal auditors' ability to acquire resources and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Mbelwa & Lenatusi 2019: 1: 13; IIA 2017: 3). Moreover, from the perspective of agency theory, regular meetings between audit committees and internal auditors strengthens the monitoring and control capacity of the internal auditors, which in turn can improve financial sustainability of MMDAs (John & Chukwumerije 2012:25; Mardiah & Erlina 2012:22; Panda & Leepsa 2017:74).

Hypothesis 5b: *An audit committee meeting has a significant moderating effect on internal audit size and financial sustainability*. This hypothesis sought to establish whether audit committee meeting significantly moderates the association between internal audit size and financial sustainability of MMDAs From Table 7.6, the path coefficient between the moderating effect of audit committee meetings on internal audit size and financial sustainability ACM*IAS (β = 0.013, p= 0.865) is significant. The increase of effect between internal audit size and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee meeting serves as a variable that negligibly strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of meetings audit committees holds in a year increases the explanatory power of the number of internal auditors by 1.3% which in turn, increases the financial sustainability of MMDAs by 1.3%. Therefore, the result from SEM shows that audit committee meetings positively and insignificantly moderate the relationship between internal audit size and the financial sustainability of MMDAs. In this case, the H5b is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Iskak and Muslih (2022:440) as well as Herranza et al (2022:121) who reported a significant relationship between audit committee meetings and internal audit size which in turn, enhances financial sustainability. Theoretically, the finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, regular meetings between audit committees and the internal auditors enhance the internal auditors' ability to acquire resources and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (IIA 2020: 1; Eulerich & Eulerich 2020: 83; Kamal et al 2021: 5; Almutairi & Quttainah 2020: 765; Almujamed & Alfraih 2020: 249; Ntim et al 2015:194). Moreover, from the perspective of agency theory, regular meetings between audit committees and internal auditors strengthen the opinions and perspectives of the internal audit members which in turn, can improve the financial sustainability of MMDAs (Ismael & Roberts 2018:288; Jensen & Mechkling 1976).

Studies on audit committee meetings and internal audit size have produced inconsistent results due to variations in research designs, sample sizes, measurement approaches, and methodologies. Factors such as differences in sample sizes, respondent characteristics, data collection methods, and statistical analyses may have contributed to the conflicting findings (see Tables 4.7 and 4.5). Moreover, the choice of research methodology, statistical approaches, and components forming the structural latent variable can also affect results. Prior research has mainly focused on private sector organisations, particularly listed ones, overlooking the impact of audit committee meetings on board independence and financial performance in other contexts. Varying regulations and frequency of audit committee meetings across countries and sectors further contribute to inconclusive findings. Therefore, findings from specific countries may not be applicable to the MMDAs, adding to the conflicting results.

Hypothesis 5c: *An audit committee meeting has a significant moderating effect on internal auditor competence and financial sustainability*. This hypothesis sought to establish whether audit committee meeting significantly moderates the association between internal auditor competence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee meetings on internal auditor competence and financial sustainability ACM*IAC (β = 0.094, p= 0.057) is significant. The increase of effect between internal auditor competence and financial sustainability when the moderator (audit committee meetings) is included in the model (Figure 7.2) indicates that audit committee meeting serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of meetings audit committees holds in a year increases the competence of the internal auditors who hold accounting and or auditing qualifications by 9.4% which in turn, increases the financial sustainability of MMDAs by 9.4%. Therefore, the result from SEM shows that audit committee meetings positively and significantly moderate the relationship between internal auditor competence and the financial sustainability of MMDAs. In this case, the H5c is accepted at a 5% significance level. Empirically, the finding from the structural equation model is in agreement with Abdullfatah and Laith (2017: 10); Alzeban (2015: 539) as well as Khelil and Ozkan (2016: 84)) who reported that audit committee meetings strengthen the relationship between internal auditor competence and financial sustainability. Theoretically, this finding supports the views of both agency and resource dependency theories. From the perspective of resource dependency theory, regular meetings between audit committees and the internal auditors who have accounting and or auditing qualifications enhance the internal auditors' perspectives to link the MMDA to the financial resources and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Erasmus & Coetzee 2018: 90; IIA 2017: 1; Endaya & Hanefah 2013: 92; Ackermann et al 2016: 44; Coetzee & Erasmus 2017: 237). Moreover, from the perspective of agency theory, regular meetings between audit committees and internal auditors strengthen the monitoring and control capacity of internal auditors with accounting and or auditing qualifications which in turn, can improve the financial sustainability of MMDAs (Al-Rassas & Kamardin 2015: 461; Przybylska & Kańduła 2019:6; Coetzee 2016: 348; Coetzee & Erasmus 2017:237).

Hypothesis 5d: *Audit committee independence has a significant moderating effect on internal auditor independence and financial sustainability*. The tenth hypothesis sought to establish whether audit committee independence significantly moderates the association between internal auditor independence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee independence on internal auditor independence and financial sustainability ACI*IAI (β = -0.004, p= 0.947) is insignificant. The increase of effect between internal auditor independence and financial sustainability when the moderator (audit committee independence) is included in the model (Figure 7.2) indicates that audit committee independence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of independent non-executive members on audit committees decreases the explanatory power of the number of meetings internal auditors hold with the board of directors by 0.004% which in turn, decreases the financial sustainability of MMDAs by 0.004%. Therefore, the result from SEM shows that audit committee independence negatively and insignificantly moderates the relationship between internal auditor independence and the financial sustainability of MMDAs. In this case, the H5d is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Kawedar et al (2021: 74); Alzeban (2015: 61); Salehi (2016: 224) and Abbott et al (2012: 94) reported that the audit committee independence strengthens the relationship between internal auditor independence and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the number of independent non-executive members on audit committees can strengthen the internal auditors' perspectives and bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Saona et al 2020: 98; Sultana et al 2015: 72; Kusnadi et al 2016: 197). Moreover, from the perspective of agency theory, the number of independent non-executive members on audit committees can strengthen the monitoring and control capacity of internal auditors which in turn, can improve the financial sustainability of MMDAs (Omesi & Appah 2022:1; Chan & Kogan 2016:121; Naimah 2017:1; Alqatamin 2018:48; AlMatari 2013:1; Kallamu & Saat 2015:206; Qeshta et al 2021: 1667; Al Farooque et al 2019:54).

Hypothesis 5e: *Audit committee independence has a significant moderating effect on internal audit size and financial sustainability*. The tenth hypothesis sought to establish whether audit committee independence significantly moderates the association between internal audit size and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee independence on internal audit size and financial sustainability ACI*IAS ($\beta = 0.046$, $p= 0.501$) is insignificant. The increase of effect between internal audit size and financial sustainability when the moderator (audit committee independence) is included in the model (Figure 7.2) indicates that audit committee independence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of independent non-executive members on audit committees increases the explanatory power of the number of internal auditors by 4.6% which in turn, increases the financial sustainability of MMDAs by 4.6%. Therefore, the result from SEM shows that audit committee independence positively and insignificantly moderates the relationship between internal audit size and the financial sustainability of MMDAs. In this case, the H5e is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Alzeban (2018b: 336); Mareque et al (2017:154); Salehi et al (2018:311) who reported that audit committee independence strengthens the relationship between internal audit size and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the number of independent non-executive members on audit committees can strengthen the internal auditors' perspectives and bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Saona et al 2020: 98; Sultana et al 2015: 72; Kusnadi et al 2016: 197). Moreover, from the perspective of agency theory, the interaction between the independent non-executive members on audit committees and the number of internal auditors can strengthen the monitoring and control capacity of the internal auditors which in turn, can improve the financial sustainability of MMDAs (Omesi & Appah 2022:1; Chan & Kogan 2016:121; Naimah 2017:1; Alqatamin 2018:48; Qeshta et al 2021: 1667; Al Farooque et al 2019:54).

Previous studies on audit committee independence and internal audit size have varying methodologies, leading to inconclusive findings. The differences in research designs, sample sizes, measurement approaches, and statistical analyses used compared to previous studies can contribute to inconsistent results (see Tables 4.8 and 4.5). The choice of research methodology, whether quantitative or qualitative, can also influence the results. Additionally, the use of different statistical approaches and components forming the structural latent variable can contribute to mixed results. Previous studies focusing mainly on private sector organisations, particularly listed ones, and differences in regulations across countries and sectors can also lead to inconclusive findings. The findings from previous studies conducted in specific countries may not necessarily apply to MMDAs, further contributing to conflicting results.

Hypothesis 5f: *Audit committee independence has a significant moderating effect on internal auditor competence and financial sustainability*. This hypothesis sought to establish whether audit committee independence significantly moderates the association between internal auditor competence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee independence on internal auditor competence and financial sustainability ACI*IAC ($\beta = 0.017$, $p = 0.757$) is insignificant. The increase of effect between internal auditor competence and financial sustainability when the moderator (audit committee independence) is included in the model (Figure 7.2) indicates that audit committee independence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of independent non-executive members on audit committees increases the explanatory power of the internal auditors who hold accounting and or auditing qualifications by 1.7% which in turn, increases the financial sustainability of MMDAs by 1.7%. Therefore, the result from SEM shows that audit committee independence positively and insignificantly moderates the relationship between internal auditor competence and the financial sustainability of MMDAs. In this case, the H5f is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Hazaea et al (2020: 867); Iskak and Muslih (2022:440); Wardati et al (2021:1) as well as Shatnawi et al (2022:1) who reported that audit committee independence strengthens the relationship between internal auditor competence and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the interaction between the independent non-executive members on audit committees and internal auditors can strengthen the internal auditors with accounting and or auditing qualifications' perspectives and bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Saona et al 2020: 98; Sultana et al 2015: 72; Kusnadi at al 2016: 197). Moreover, from the perspective of agency theory, the interaction between the independent non-executive members on audit committees and the internal auditors with accounting and or auditing qualifications can strengthen the monitoring and control capacity of the internal auditors with accounting and or auditing qualifications which in turn, can improve the financial sustainability of MMDAs (Omesi & Appah 2022:1; Chan & Kogan 2016:121; Naimah 2017:1; Qeshta et al 2021: 1667; Al Farooque et al 2019:54).

Previous studies on audit committee independence and internal audit competence have generated inconsistent findings due to methodological variations. Different research designs, sample sizes, measurement approaches, and statistical analyses have hindered a comprehensive understanding of the implications of agency and resource dependency theories (see Tables 4.8 and 4.6). Factors such as respondent characteristics, data collection methods, and statistical approaches used also contribute to the conflicting results. Limited focus on private sector organisations and variations in regulations across countries and sectors further contribute to inconclusive findings.

Hypothesis 5g: *Audit committee competence has a significant moderating effect on internal auditor independence and financial sustainability*. The tenth hypothesis sought to establish whether audit committee competence significantly moderates the association between internal auditor independence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee competence on internal auditor independence and financial sustainability ACC*IAI (β = 0.044, p= 0.556) is significant. The increase of effect between internal auditor independence and financial sustainability when the moderator (audit committee competence) is included in the model (Figure 7.2) indicates that an audit committee meeting serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of audit committee members with accounting and or auditing qualifications increases the explanatory power of the number of meetings internal auditors hold with audit committees by 4.4% which in turn, increases the financial sustainability of MMDAs by 4.4%. Therefore, the result from SEM shows that audit committee competence positively and insignificantly moderates the relationship between internal auditor independence and the financial sustainability of MMDAs. In this case, the H5g is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Badara and Saidin (2014: 176) and Bilal et al (2018: 253) who reported that audit committee competence strengthens the relationship between internal auditors' independence and financial sustainability. However, this finding supports Alzeban (2020: 437) who reported that competence strengthens the relationship between internal auditors' independence and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the interaction between audit committee members with accounting and or auditing qualifications and the internal auditors enhances the internal auditors' perspectives and brings to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Legodi 2020: 160; Hornberger & Forster 2019:23). Moreover, from the perspective of agency theory, the interaction between audit committee members with accounting and or auditing qualifications and the internal auditors strengthens the monitoring and control capacity of the internal auditors which in turn, can improve the financial sustainability of MMDAs (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179).

Existing studies on the audit committee competence and the independence of internal audit has produced inconclusive findings due to the use of different methodologies. These differences in research design, sample sizes, measurement approaches, and data collection methods can lead to inconsistent results and hinder a comprehensive understanding (see Tables 4.9 and 4.4). The conflicting results may be attributed to these factors when compared to previous studies. The choice between quantitative or qualitative research methods can also influence the results by emphasising either objective data or subjective experiences. Additionally, variations in statistical approaches and the components used to form the structural latent variables can contribute to mixed results. Previous studies have primarily focused on listed private sector organisations, and differences in regulations across countries and sectors can also impact the findings. Therefore, the findings from previous studies conducted in specific countries may not be applicable to MMDAs, further contributing to conflicting results.

Hypothesis 5h: *Audit committee competence has a significant moderating effect on internal auditor size and financial sustainability*. The tenth hypothesis sought to establish whether audit committee competence significantly moderates the association between internal audit size and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee competence on internal audit size and financial sustainability ACC*IAS (β = -0.041, p= 0.530) is significant. The increase of effect between internal audit size and financial sustainability when the moderator (audit committee competence) is included in the model (Figure 7.2) indicates that audit committee competence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of audit committee members with accounting and or auditing qualifications decreases the explanatory power of the number of internal auditors by 4.1% which in turn, decreases the financial sustainability of MMDAs by 4.1%. Therefore, the result from SEM shows that audit committee competence negatively and insignificantly moderates the relationship between internal audit size and the financial sustainability of MMDAs. In this case, the H5h is rejected at a 5% significance level. Empirically, the finding from the structural equation model does not support studies of Iskak and Muslih (2022:440); Herranza et al (2022:121); See et al (2020: 47); Johl et al (2013:780); Ghafran and O'Sullivan (2017:578) as well as Wu et al (2017: 1133) who reported that audit committee competence strengthens the relationship between internal audit size and financial sustainability. Theoretically, this finding does not support the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the interaction between audit committee members with accounting and or auditing qualifications and the internal auditors enhances the internal auditors' perspectives to link the MMDAs to financial resources and to bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability

(Legodi 2020: 160; Hornberger & Forster 2019:23). Moreover, from the perspective of agency theory, the interaction between audit committee members with accounting and or auditing qualifications and the internal auditors strengthens the monitoring and control capacity of internal auditors which in turn, can improve the financial sustainability of MMDAs (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179).

Existing studies on audit committee competence and internal audit size have produced inconclusive findings due to variations in methodologies, sample sizes, and measurement approaches (see Sections 4.9 and 4.5). Respondent characteristics, data collection methods, and statistical analyses also differ from previous studies, contributing to conflicting results. The choice between quantitative and qualitative research methodologies can influence results, as well as differences in statistical approaches and components forming the structural latent variables. Previous studies focused on listed private sector organisations, and variations in regulations across countries and sectors further impact findings. Therefore, findings from specific countries may not be applicable to MMDAs, adding to the conflicting results.

Hypothesis 5i: *Audit committee competence has a significant moderating effect on internal audit competence and financial sustainability*. The tenth hypothesis sought to establish whether audit committee competence significantly moderates the association between internal auditor competence and the financial sustainability of MMDAs. From Table 7.6, the path coefficient between the moderating effect of audit committee competence on internal audit competence and financial sustainability ACC*IAC (β = -0.170, p= 0.001) is significant. The increase of effect between internal auditor competence and financial sustainability when the moderator (audit committee competence) is included in the model (Figure 7.2) indicates that audit committee competence serves as a variable that strengthens the relationship between these exogenous and endogenous variables. This finding implies that a percentage increase in the number of audit committee members with accounting and or auditing qualifications decreases the explanatory power of the internal auditors who hold accounting and or auditing qualifications by 1.70% which in turn, decreases the financial sustainability of MMDAs by 1.70%. Therefore, the result from SEM shows that audit committee competence negatively and significantly moderates the relationship between internal auditor competence and the financial sustainability of MMDAs. In this case, the H5i is accepted at a 5% significance level. Empirically, the finding from the structural equation model support studies of Iskak and Muslih (2022:440); Herranza et al (2022:121); Abbott et al (2016: 3); Ghafran and O'Sullivan (2017:578) and Hazaea et al (2020: 867) who reported that audit committee competence strengthens the relationship between internal audit competence and financial sustainability. Theoretically, this finding supports the views of both agency and resource dependency theories. From the perspective of resource dependency theory, the interaction between audit committee members with accounting and or auditing qualifications and the internal auditors with accounting and or auditing qualifications enhances the internal auditors' effectiveness to link the MMDAs to financial resources and bring to the boardroom diverse perspectives, skills, experience, networks, qualifications and knowledge for MMDAs to make effective decisions to enhance financial sustainability (Legodi 2020: 160; Hornberger & Forster 2019:23). Moreover, from the perspective of agency theory, the interaction between audit committee members with accounting and or auditing qualifications and the internal auditors with accounting and or auditing qualifications strengthens the monitoring and control capacity of the internal auditors which in turn, can improve financial sustainability of MMDAs (Omesi & Appah 2022:1; Appah & Tebepah 2020:48; Januarti et al 2020: 179).

7.7 Chapter summary

This chapter assessed the fitness of the structural model using Cronbach's alpha, composite reliability (CR) and average variance extracted (AVE). In assessing the validity of the constructs, convergent and discriminant validity were assessed. The chapter also tested the hypothesis using PLS structural model evaluation technique. The chapter discussed the findings in line with the empirical and theoretical perspectives. The chapter also assessed the quality of the structural model. In assessing the structural model, the study used SRMR as a goodness-of-fit (GoF), coefficient of determination (R2), blindfolding and predictive relevance (Q2) and effect size (f2) to test the explanatory power of the model on the relationship between the exogenous and endogenous before the assessment of the path coefficients of the constructs. To simplify the discussion of the findings, the objectives of the study and their respective hypotheses were summarised. The following chapter presents a summary of findings, conclusions and recommendations.

CHAPTER 8

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

8.1 Introduction

The concept of local government and financial sustainability was discussed in Chapter 2. The theoretical framework was discussed in Chapter 3. The theoretical framework explained the theoretical perspective of the study. The theoretical framework was based on the agency and resource dependency theories about the board of directors, internal auditors and audit committee attributes and financial sustainability. The conceptual framework of the study was also discussed in Chapter 4. The conceptual framework was designed to determine the relationship of the board of directors, internal auditors and audit committee attributes with the financial sustainability of MMDAs in Ghana. The conceptual framework explained how the audit committee attributes moderate the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs. The conceptual framework presented in Chapter 4 was the basis for developing the hypotheses in the study. The hypotheses were formulated and tested using the structural equation modelling discussed in Chapter 5. Analysis and discussions of the hypotheses were discussed in Chapters 6 and 7. The summary of findings, recommendations and conclusions relating to the hypotheses are discussed in this chapter.

8.2 Overview of the study

The study was motivated by the research problem (refer to section 1.6) as despite the presence of internal governance mechanisms, the MMDAs in Ghana are not financially sustainable thus, how audit committees, board of directors and internal auditors' attributes can determine the financial sustainability of MMDAs remains questionable and requires investigation. Hence, as mentioned in section 1.7.1, the study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. To develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs, five main secondary objectives were addressed (refer to Section 1.7.2). To achieve the objectives of the study, five main hypotheses were formulated and empirically tested on the audit committee, board of directors and internal auditors' attributes and financial sustainability (refer to section 1.8).

To achieve the research objectives, detailed literature was reviewed from the perspective of agency and resource dependency perspectives on board of directors, internal auditors and audit committee attributes, and how such attributes could influence the financial sustainability of MMDAs. To determine the moderating role of the audit committee on the relationship between internal governance mechanisms and financial sustainability, a research framework was developed, and the hypotheses indicating the relationship between the board of directors, internal auditors and audit committee attributes were formulated. This framework developed and tested board of directors attributes (board size, board independence and board gender diversity), internal auditors' attributes (internal audit size, internal auditors' independence and internal auditor competence), and audit committee attributes as moderators (audit committee meetings, audit committee independence and audit committee competence) on financial sustainability. To test the relationship between the internal governance mechanisms and financial sustainability, a survey was administered to 207 board chairpersons, 207 audit committee chairpersons and 207 chief audit executives of 207 MMDAs. The survey items to test the framework of the relationship were developed from the review of the board of directors, internal auditors and the audit committee literature. These survey items were subjected to validity and reliability checks.

The quantitative analysis was conducted using partial least squares structural equation modelling (PLS-SEM), as an analysis tool. The study hypothesised that board of directors' attributes (board size, board independence and board gender diversity), internal auditors' attributes (internal auditor independence, internal audit size and internal auditor competence) as well as audit committee attributes (audit committee meetings, audit committee independence and audit committee competence) have significant relationships with financial sustainability. The study further hypothesised that audit committee attributes (audit committee meetings, audit committee independence and audit committee competence) have a significant moderating effect on the relationship between the board of directors attributes (board size, board independence and board gender diversity) and internal auditors' attributes (internal audit independence, internal audit size and internal audit competence), and financial sustainability of MMDAs. This study followed the ontological position of objectivism and avoided the influence of subjectivism by considering only data from the sampled MMDAs. This led to the epistemological position of positivism that required the study to use a deductive reasoning through quantitative data from secondary and primary sources of sampled MMDAs and quantitative techniques through structural equation modelling analysis. A deductive reasoning was also used to test the theory in the context of MMDAs through the five main hypotheses that were formulated. In this study, five main hypotheses were developed to test the moderating role of audit committee variables on the relationship between internal auditors and the board of directors' variables and financial sustainability, therefore investigating a social phenomenon as postulated by positivism. The audit committee, internal auditors and the board of directors' variables were observed using a structured questionnaire and the financial sustainability variables were observed using the financial information from the Auditor General's annual audit reports. The study used quantitative correlational design and descriptive design to describe and establish the relationship between the audit committee, board of directors and internal auditors' attributes and financial sustainability of MMDAs in Ghana. The study used the quantitative correlational and descriptive research design to test the hypotheses in support or disaffirmed the agency and resource dependency theories.

8.2.1 Chapter 1 – Introduction

Chapter 1 introduced the study. The chapter provided brief background information for Ghanaian municipalities, internal governance mechanisms and financial sustainability. The chapter provided the contextual meaning of financial sustainability and the motivation for the choice of internal governance variables. The chapter discussed previous studies informing the research gap. These discussions led to the identification of the research problem, followed by the aim, primary and secondary objectives of this study. This study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. The chapter further provided a brief discussion of the theoretical framework underpinning this study. Both agency and resource dependency theories were discussed briefly. The chapter discussed the delineation, limitations, definition of key terms, and significance; brief research methodology and the structure of the study were also discussed. The next chapter will discuss the concept of local government and financial sustainability.

8.2.2 Chapter 2 – The concept of local government

The chapter discussed a brief history of the Republic of Ghana. It discussed the concept of decentralisation in Ghana and the emergence of local governance in Ghana. The chapter indicated that the concept of decentralisation of the local governance system in Ghana is traceable to the colonial era when the system of indirect rule was in operation. The local government system had gone through several reforms. The chapter has revealed that at the moment, the local governance system in Ghana comprises a four-tier structure. These structures operate at the regional, district and sub-district levels. These structures consist of Regional Coordinating Councils on the first tier, MMDAs on the second tier Urban or Town or Area or Zonal Councils on the third tier and Unit Committees on the fourth tier. The chapter indicated that the local government system in Ghana has the following structure: (i) Regional Coordinating Council, (ii) Four-tier Metropolitan Assembly, (iii) Three-tier Municipal or District Assembly, (iv) Urban or Town or Area or Zonal Council, and (v) Unit Committee. The chapter has further shown that from the immediate period after independence in 1957 to the mid-1980s, the central government was responsible for local-level development. However, the 1992 Constitution of the Republic of Ghana mandated the creation of MMDAs to enhance developments at the local levels. Additionally, the chapter revealed that despite the adoption of decentralisation concept, a number of MMDAs in Africa have faced governance challenges and poor service deliveries as a result of inadequate funds. The chapter indicated that the main sources of revenue for MMDAs in Ghana come from three different avenues namely: intergovernmental transfers including District Assemblies Common Fund, recurrent expenditure transfers and Ceded revenue; internally generated funds which comprises own revenues from tax and non-tax sources such as rates, lands, licenses, fees, investment, rent and miscellaneous sources; and additional source of finance from other financial arrangements for their capital investments such as borrowings, investment fund and non-monetary arrangement that include community contributions. The chapter has shown that MMDAs in Ghana are not able to raise adequate funds internally and therefore the little revenue raised internally cannot cover their expenditure. The chapter revealed that MMDAs in Ghana are financially unsustainable and depend on financial transfers and assistance from the central government.

8.2.3 Chapter 3 – Theoretical literature review

The chapter discussed the agency and the resource dependency theories about corporate governance mechanisms and how they can impact an organisations financial performance. The main aim of this chapter was to shed light on the main theories used in this study to explain the relationship between internal governance mechanisms and financial sustainability. This chapter mainly focused on agency theory and resource dependence theory as a solid framework on which to formulate the research hypothesis and interpret the research findings. This chapter discussed the internal governance variables from the agency and resource dependency perspective. In the discussions, whilst the agency theory argues for the monitoring role of internal auditors, audit committees and the boards, the resource dependence theory regards internal auditors, audit committees and the board of directors as resources that adds value to the organisation. The role of audit committees, internal auditors and the board of directors is to bring different resources and competencies which help to build different relationships with external sources of resources, which in turn will give organisations a wider range of possible solutions for their financial sustainability issues.

8.2.4 Chapter 4 – Empirical literature review

The chapter presented the conceptual framework of the study, concentrated on the empirical literature review, and development of hypotheses. Audit committee, board of directors, internal auditors and financial performance literature are evolving as it attracts more and more researchers' attention from both developed and developing countries. This chapter presented a comprehensive review of the board of directors, internal auditors, and audit committee and financial performance literature as related to this study. It reviewed previous literature on audit board of directors' attributes (board size, board independence and board gender diversity), internal audit attributes (internal audit size, internal auditor independence and internal auditor competence) and audit committee attributes (audit committee independence, audit committee meetings and audit committee competence) under study. The chapter further reviewed several previous studies that have investigated board of directors, internal auditors and audit committee attributes and financial performance/sustainability globally. The chapter justified from the perspectives of the agency and resource dependency theories how the board of directors, internal auditors and the audit committee attributes can determine the financial sustainability of MMDAs. The chapter also reviewed the literature on how the audit committee attributes can strengthen the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. It has been argued in this study that a financially sustainable MMDA will be able to deliver services to the community continuingly. The chapter presented and discussed the conceptual framework of the study, linking both the agency and resource dependency theories, the board of directors, internal auditors and the audit committee as essential elements in achieving good corporate governance.

8.2.5 Chapter 5 – Research methodology

This chapter discussed the various research philosophies and paradigms and justified positivism as a paradigm used in the study. The chapter also discussed the various research approaches and designs and justified the need to use a quantitative approach and descriptive design in the study. A questionnaire was used for data collection. The items of all constructs were developed based on previous studies in the same field. The sources of measurement of all items were introduced. The questionnaires were distributed to the respondents (Chief audit executives, audit committee chairpersons and board of directors' chairpersons) in 207 MMDAs. The questionnaire was first subjected to a pilot study and experts' judgments to arrive at the final questionnaire for the study. The questionnaires were distributed by hand and through e-mail to the respondents to avoid any ambiguity in the questions and to avoid any delay. The questionnaire distribution and collection took about three (3) months. Sampling was based on the purposive sampling technique. the study used census balanced panel data design and survey approach to administer 621 structured questionnaires to the chief audit executives, audit committee and board of directors chairpersons in the 207 MMDAs. 621 questionnaires were dadministered to the respondents in the 207 MMDAs. The valid responses that were used in the analysis process were 621 for the 207 MMDAs, resulting in a response rate of 100%. SPSS and Smart PLS were used to analyse the data collected. The chapter discussed the measurement of financial sustainability. This study followed the recommendations of the main international organisations (European Union 2012) and the pronouncements made by international accounting bodies such as IFAC (2012), FASB (2012) and a prior study (Bolívar et al 2016). The measurement of financial sustainability is a dependent variable reflected in the income (adjusted for extraordinary results), which is an accounting measurement based on the accrual basis (IFAC 2013). Under this approach, financial sustainability can be measured from a much more comprehensive approach using internally generated funds and expenses incurred. This concept effectively represents the MMDAs' ability to be financially sustainable in the future. The study used a quantitative research paradigm, and a survey design to collect longitudinal data for a period of five years, from 2016 to 2020. Both secondary and primary data were collected using structural equation modelling for analysis.

8.2.6 Chapter 6 – Descriptive analysis and discussion of findings

This chapter gave a detailed analysis of descriptive results in the form of frequency distribution tables. The chapter analysed the results in relation to independent, dependent and moderating variables. The results were analysed by the specific objectives formulated. The chapter discussed the results of the literature and the research objectives. This chapter discussed the findings obtained from the questionnaire survey. SPSS was used to present the responses with descriptive statistics in the form of frequency, mean and standard deviation. Several observations were made from the results discussed in this chapter. Firstly, the majority of audit committees meet four (4) times a year. The descriptive analysis disclosed that majority of the MMDAs (169 out of the 207) have minimum board size of 21 members and maximum of 40 members; majority of the MMDAs' board members ranging from 10-20 with a minimum of 47.6% (of minimum of 21 board members) and a maximum of 50% (of maximum of 40 board members) from the 207 sampled MMDAs are independent non-executive members; for every 21 board members in MMDAs in Ghana, there is one woman only (representing 4.76%) and for every 40 board members, there are 6 women (representing 15%); majority of the MMDAs (150 of the 207) have minimum internal auditors of 3 and maximum of 4; majority of internal auditors in MMDAs meet audit committees four (4) times in a year; majority of the MMDAs (154 out of the 207) have minimum of 3 and maximum of 4 internal auditors who have accounting and or auditing qualifications; majority of audit committees meet 4 times in a year, out of the five (5) mandatory requirement of audit committee members, 4 (92.8% of 5) are independent non-executive members, and approximately 4 of the 5 mandatory audit committee members have accounting and or auditing qualifications.

8.2.7 Chapter 7 – Inferential analysis and discussion of findings

This chapter gave a detailed analysis of structural equation modelling results. The chapter analysed the results in relation to independent, dependent and moderating variables. The results were analysed by the specific objectives formulated. The chapter discussed the results of the literature by the research objectives. The test results show that most of the statements were significantly agreed upon by all three sample groups, namely: the audit committee chairpersons, chief audit executives and board of directors' chairpersons. This chapter introduced and analysed five main research hypotheses. The main objective of the hypothesis testing was to investigate whether there are any significant differences in the different responding groups. Chapter 8 is the final chapter of the study. This chapter summarises the main findings of the study as well as recommendations, implications and contribution of the study for practice, policy and theory.

8.3 Summary of findings and practical recommendations

The study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. Therefore, the study makes various recommendations based on the results of the study. The relationship between the objectives, the hypothesis for each independent variable and the results of the hypotheses tests are presented in this section. To solve the research problem, five secondary objectives were formulated, and twenty-seven respective hypotheses were tested in this study, using structural equation modelling. The purpose was to measure the relationships between internal governance attributes and the financial sustainability of MMDAs. Table 8.1 below provides a summary of the hypotheses, the results obtained and the theoretical conclusion. The recommendations are also made based on the framework of internal governance mechanisms as well as the practical application and further studies. Table 8.6 below presents a summary hypotheses' findings.

Table 8.1: Summary of findings of hypotheses testing

Secondary objective 1: *To determine the relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana.*					
Code	Hypothesised	Results	Decision	Theoretical conclusion	
				Agency theory	Resource dependency theory
H_{1a}: BS → FS	Significant	Significant	Accepted	Supported	Supported
H_{1b}: BI → FS	Significant	Significant	Accepted	Supported	Supported
H_{1c}: BGD → FS	Significant	Significant	Accepted	Supported	Supported
Secondary objective 2: *To determine the relationship between internal auditors independence, internal audit size and internal auditor's competence and financial sustainability of MMDAs in Ghana.*					
Code	Hypothesised	Results	Decision	Theoretical conclusion	
				Agency theory	Resource dependency theory
H_{2a}: IAI → FS	Significant	Significant	Accepted	Supported	Supported
H_{2b}: IAS → FS	Significant	Significant	Accepted	Supported	Supported
H_{2c}: IAC → FS	Significant	Significant	Accepted	Supported	Supported
Secondary objective 3: *To determine the relationship between audit committee meetings, audit committee independence and audit committee competence and financial sustainability of MMDAs in Ghana.*					
Code	Hypothesised	Results	Decision	Theoretical conclusion	

				Agency theory	Resource dependency theory
$H_{3a:}$ ACM → FS	Significant	Significant	Accepted	Supported	Supported
H_{3b}: ACI → FS	Significant	Significant	Accepted	Supported	Supported
H_{3}c: ACC → FS	Significant	Significant	Accepted	Supported	Supported

Secondary objective 4: *To determine the moderating effect of audit committee meetings, audit committee independence and audit committee competence on the relationship between board size, board independence and board gender diversity and financial sustainability of MMDAs in Ghana.*

Code	Hypothesised	Results	Decision	Theoretical conclusion	
				Agency theory	Resource dependency theory
H_{4a} ACM (BS) → FS	Significant	Significant	Accepted	Supported	Supported
H_{4b} ACM (BI) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{4c} ACM (BGD) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{4d} ACI (BS) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
$H_{4e:}$ ACI (BI) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
$H_{4f:}$ ACI (BGD) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{4g} ACC (BS) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{4h} ACC (BI) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{4i} ACC (BGD) → FS	Significant	Insignificant	Rejected	Not supported	Not supported

Secondary objective 5: *To determine the moderating effect of audit committee meetings, audit committee independence, and audit committee competence on the relationship between internal auditor independence, internal audit size and internal auditor competence and financial sustainability of MMDAs in Ghana.*

Code	Hypothesised	Results	Decision	Theoretical conclusion	
				Agency theory	Resource dependency theory
$H_{5a:}$ ACM (IAI) → FS	Significant	Significant	Accepted	Supported	Supported
$H_{5b:}$ ACM (IAS) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
$H_{5c:}$ ACM (IAC) → FS	Significant	Significant	Accepted	Supported	Supported
$H_{5d:}$ ACI (IAI) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
$H_{5e:}$ ACI (IAS) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{5f} : ACI (IAC) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{5g} ACC (IAI) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{5h} ACC (IAS) → FS	Significant	Insignificant	Rejected	Not supported	Not supported
H_{5i} ACC (IAC) → FS	Significant	Significant	Accepted	Supported	Supported

Source: Own compilation

From Table 8.1, it is noted that 44.44% of the hypotheses (12 out of 27) are statistically supported. Table 10 shows that there is a significant moderating effect of the audit committee meetings on only the board size. Also, there is a significant moderating effect of the audit committee meeting on internal auditor independence, internal auditor competence, and financial sustainability. In the analysis of PLS-SEM, the existence of moderating effect is indicated when the value of the interaction path is significant, meaning that the P-values of the interaction effect must be less than 0.05. Thus, the audit committee attributes significantly moderate the relationship between the board of directors and internal auditors' attributes and financial sustainability of MMDAs with P-values less than 0.05.

From objective one to objective three, the study developed and tested nine (9) hypotheses. The results from the structural equation modelling indicate that the board of directors; internal auditors and the audit committee attributes predict financial sustainability better. This means that the board of directors' attributes (board size, board independence, and board gender diversity) have a significant relationship with the financial sustainability of MMDAs in Ghana. The internal auditors' attributes (internal auditor independence, internal audit size, and internal auditor competence) have a significant relationship with the financial sustainability of MMDAs in Ghana. The audit committee attributes (audit committee meetings, audit committee independence, and audit committee competence) has a significant relationship with the financial sustainability of MMDAs in Ghana.

The fourth objective of the study was to determine whether the audit committee attributes (audit committee meetings, audit committee independence, and audit committee competence) moderate the relationship between the board of directors attributes (board size, board independence, and board gender diversity) and financial sustainability of MMDAs in Ghana. The study developed and tested nine (9) hypotheses. The results from the structural equation modelling indicated that the audit committee meeting has a significant moderating effect on the relationship between only board size and financial sustainability. Audit committee independence has an insignificant moderating effect on the relationship between board size, board independence, board gender diversity and financial sustainability. Audit committee competence has an insignificant moderating effect on the relationship between board size, board independence, board gender diversity, and financial sustainability.

The fifth objective of this study was to determine whether the audit committee meetings, audit committee independence, and audit committee competence moderate the relationship between internal auditors' attributes (internal auditor independence, internal audit size, and internal auditor competence) and the financial sustainability of MMDAs in Ghana. The study developed and tested nine (9) hypotheses. The results from the structural equation modelling indicated that from the 9 hypotheses, the audit committee meeting has a significant moderating effect on the relationship between internal auditor independence, internal auditor competence, and financial sustainability but has an insignificant moderate effect on internal audit size and financial sustainability. Audit committee independence has an insignificant moderating effect on the relationship between internal auditor independence, internal audit size, internal auditor competence, and financial sustainability. Audit committee competence has a significant moderating effect on the relationship between internal auditor competence and financial sustainability but has an insignificant moderating effect on the relationship between internal auditor independence, internal audit size, and financial sustainability. The section below discusses the practical recommendations and implications to the board of directors, internal auditors and audit committees based on the findings of the study.

8.3.1 Practical recommendations 1: Board size

With regard to board size, the results from the archival data indicated that the majority of the MMDAs have board or council members ranging from 21-40 members. In this case, the majority of the MMDAs (169 out of the 207) have a minimum board size of 21 members and a maximum of 40 members. The results from the descriptive closed-ended questionnaire showed an overall average score of 4.60. This means that the majority of the respondents (92%) were in agreement that board size has a significant influence on the financial sustainability of MMDAs. Additionally, the result from the path coefficient of the structural equation model showed that board size (number of board members) with ($\beta = 0.175$ and p-value of 0.000) has a significant relationship with the financial sustainability of MMDAs. The significant relationship between board size and financial sustainability was a result of an increase in the number of board members. Therefore, to enhance the financial sustainability of MMDAs, the study recommends an average board size of at least 15 to 40. The board members should have the necessary qualifications such as accounting and auditing with the required experience. This recommendation is based on the findings from the study. As indicated earlier, the concept of local governance differs from that of the private sector. Therefore, this assertion cannot support prior studies by Tjano (2021:116) who found an average of 11, Cheung (2019:212) reported an average of 10; Habbash (2012:77) reported an average of 9 in the United Kingdom, Cheng, Lui and Shum (2015:534) reported an average of 9 in Hong Kong helps to improve financial sustainability. This finding offers support to the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that larger boards can increase the financial sustainability of MMDAs. The findings can help the board of directors in maximising their contributions and improving their roles in the financial sustainability of MMDAs.

8.3.2 Practical recommendations 2: Board independence

With regard to board independence, the results from the archival data indicated that the majority of the MMDAs' board members ranged from 10-20 with a minimum of 47.6% (of a minimum of 21 board members) and a maximum of 50% (of a maximum of 40 board members) from the 207 sampled MMDAs are independent non-executive members. The results from the closed-ended questionnaire showed an overall average score of 4.36. This means that the majority of the respondents (87.2%) were in agreement that board independence has a significant influence on the financial sustainability of MMDAs. Additionally, the result from the path coefficient of the structural equation model showed that board independence (measured as the proportion of independent non-executive directors) with (β = 0.139 and p-value of 0.027) has a significant relationship with the financial sustainability of MMDAs. The significant relationship between board independence and financial sustainability was a result of the increase in the number of independent non-executive directors on boards. Therefore, to enhance the financial sustainability of MMDAs, the study recommends that an average of at least 50% of board members should be independent non-executives. This assertion is supported by prior studies such as Tjano (2021:115) reported an average of 83.3%, Garven (2015:67) reported an average of 74.2%, Ogbechie (2012:131) reported 65%; Abdelsalam et al (2008:953) reported 55%; PriceWaterCoopers report (2011) reported 63.6%. Samuel (2020:140) reported an average of 76.5% helps to improve financial sustainability. This finding offers support to the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that independent non-executive directors can increase the financial sustainability of MMDAs.

8.3.3 Practical recommendations 3: Board gender diversity

Regarding board gender diversity, the results from the archival data indicated that for every 21 board members in MMDAs in Ghana, there is one woman only (representing 4.76%) and for every 40 board members, there are 6 women (representing 15%). The results from the closed-ended questionnaire showed an overall average score of 4.60, representing 92% of the respondents who agreed that board independence has a significant influence on the financial sustainability of MMDAs. Additionally, the result from the path coefficient of the structural equation model showed that board gender diversity (measured as the proportion of women on boards) with (β = 0.083 and p-value of 0.019) has a significant relationship with the financial sustainability of MMDAs. The significant relationship between board gender diversity and financial sustainability was as a result increase in the number of women directors. Therefore, to enhance the financial sustainability of MMDAs, the study recommends that an average of at least 30% of board members should be women. This assertion is supported by Kiflee et al (2020:552) as well as Wahid (2018:705) who indicated that a board that constitutes 30% of women enhances financial sustainability. This finding offers support to the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that women on boards can increase the financial sustainability of MMDAs.

8.3.4 Practical recommendations 4: Internal auditor independence

Regarding internal auditors' independence, the results from the archival data indicated that the majority of the MMDAs (53.62%) from the 207 sampled MMDAs indicated that internal auditors meet audit committees four (4) times a year. The results from the descriptive closed-ended questionnaire showed an overall average score of 4.43. This means that the majority of the respondents (88.6%) were in agreement that internal auditors' independence has a significant influence on the financial sustainability of MMDAs. Additionally, the result from the path coefficient of the structural equation model showed that internal auditor independence (measured as the number of times internal auditors meet the audit committees) with (β = 0.106 and p-value of 0.034) has a significant relationship with the financial sustainability of MMDAs. The significant relationship between internal auditor independence and financial sustainability was as a result increase in the number of audit committee meetings with internal auditors. In the period under review, the numbers of times internal auditors meet the audit committee averaged 4 times. Therefore, to enhance the financial sustainability of MMDAs, the study recommends that on average, internal auditors should meet audit committees at least 4 times a year. This assertion is supported by the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that regular meetings between internal auditors and audit committees can increase the financial sustainability of MMDAs.

8.3.5 Practical recommendations 5: Internal audit size

With regard to internal audit size, the results from the archival data indicated that the majority of the MMDAs have internal auditors ranging from 3-4. In this case, the majority of the MMDAs (150 of the 207) have minimum internal auditors of 3 and a maximum of 4. The results from the closed-ended questionnaire showed an overall average score of 4.41. This means that the majority of the respondents (88.2%) were in agreement that internal audit size has a significant influence on the financial sustainability of MMDAs. Additionally, the result from the path coefficient of the structural equation model showed that internal audit size (measured as the number of internal auditors) with (β = 0.142 and p-value of 0.013) has a significant relationship with the financial sustainability of MMDAs.

The significant relationship between internal audit size and financial sustainability was as a result increase in the number of internal auditors. In the period under review, the internal audit size averaged 4. Therefore, to enhance the financial sustainability of MMDAs, the study recommends that on average, the internal audit size should be between 4 and 5. This finding offers support to the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggests that more internal auditors can increase the financial sustainability of MMDAs.

8.3.6 Practical recommendations 6: Internal auditor competence

With regard to internal auditor competence, the results from the archival data indicated that the majority of the MMDAs have internal auditors with accounting and or auditing qualifications ranging from 3-4 representing 74.4% (46.4%+28.0%). In this case, the majority of the MMDAs (154 out of the 207) have a minimum of 3 and a maximum of 4 internal auditors who have accounting and or auditing qualifications. The results from the closed-ended questionnaire showed an overall average score of 4.37. This means that the majority of the respondents (87.4%) were in agreement that internal auditor competence has a significant influence on the financial sustainability of MMDAs in Ghana. Additionally, the result from the path coefficient of the structural equation model showed that internal auditor competence (measured as the number of internal auditors who have accounting and or auditing qualifications) with (β = 0.099 and p-value of 0.005) has a significant relationship with the financial sustainability of MMDAs. The significant relationship between internal auditor competence and financial sustainability was a result of an increase in the number of internal auditors who have accounting and or auditing qualifications. Therefore, to enhance the financial sustainability of MMDAs, the study recommends that an average of 100% of internal auditors should hold accounting and or auditing qualifications. This assertion is supported by the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that more internal auditors with accounting and or auditing qualifications can increase the financial sustainability of MMDAs.

8.3.7 Practical recommendations 7: Audit committee meetings

Regarding audit committee meetings, the results from the archival data indicated that the majority of the audit committees (53.6%) from the 207 sampled MMDAs meet four (4) times a year. The results from the closed-ended questionnaire showed an overall average score of 4.37. This means that the majority of the respondents (87.4%) were in agreement that regular audit committee meetings have a significant influence on the financial sustainability of MMDAs. Additionally, the result from the path coefficient of the structural equation model showed that audit committee meetings (measured as the number of times audit committees meet in a year) with ($\beta = 0.122$ and p-value of 0.000) have a significant relationship with the financial sustainability of MMDAs. The significant relationship between audit committee meetings and financial sustainability was a result of an increase in the number of audit committee meetings in a year. Therefore, to enhance the financial sustainability of MMDAs, the study recommends that on average, audit committees should meet 4 or 5 times a year. This assertion is supported by the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that regular audit committee meetings can increase the financial sustainability of MMDAs.

8.3.8 Practical recommendations 8: Audit committee independence

Regarding audit committee independence, the results from the archival data indicated that the majority of the audit committee members (92.8%) from the 207 sampled MMDAs are independent non-executives during the study period. Out of the five (5) mandatory requirements of audit committee members, 4 (92.8% of 5) are independent non-executive members. The results from the closed-ended questionnaire showed an overall average score of 4.34. This means that the majority of the respondents (86.8%) were in agreement that regular audit committee independence has a significant influence on the financial sustainability of MMDAs. Additionally, the result from the path coefficient of the structural equation model showed that audit committee independence (measured as the proportion of independent non-executive members on audit committees) with ($\beta = 0.088$ and p-value of 0.026) has a significant relationship with the financial sustainability of

MMDAs. The significant relationship between audit committee independence and financial sustainability was a result of an increase in the number of independent non-executive members on audit committees. Therefore, to enhance the financial sustainability of MMDAs, the study recommends that an average of at least 90% of audit committee members should be independent non-executive members. This assertion is supported by the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that independent non-executive members on audit committees can increase the financial sustainability of MMDAs.

8.3.9 Practical recommendations 9: Audit committee competence

Regarding audit committee competence, the results from the archival data indicated that the majority of the audit committee members (79.2%) from the 207 sampled MMDAs have accounting and or auditing qualifications during the study period. This means approximately 4 of the 5 mandatory audit committee members have accounting and or auditing qualifications. The results from the closed-ended questionnaire showed an overall average score of 4.44. This means that the majority of the respondents (88.8%) were in agreement that regular audit committee competence has a significant influence on the financial sustainability of MMDAs in Ghana. Additionally, the result from the path coefficient of the structural equation model showed that audit committee competence (measured as the number of audit committee members who have accounting and or auditing qualification) with ($\beta = 0.168$ and p-value of 0.001) has a significant relationship with the financial sustainability of MMDAs. The significant relationship between audit committee competence and financial sustainability was a result of an increase in the number of audit committee members who have accounting and or auditing qualifications. In this regard, the study recommends that an average of at least 90% of audit committee members should hold accounting and or auditing qualifications. This assertion is supported by the theoretical arguments that the higher links to financial resources, boardroom diverse perspectives, skills, experience, qualifications and knowledge (resources dependence theory) and higher monitoring and control capacity (agency theory), suggest that audit committee members with accounting and or auditing qualifications can help increase the financial sustainability of MMDAs.

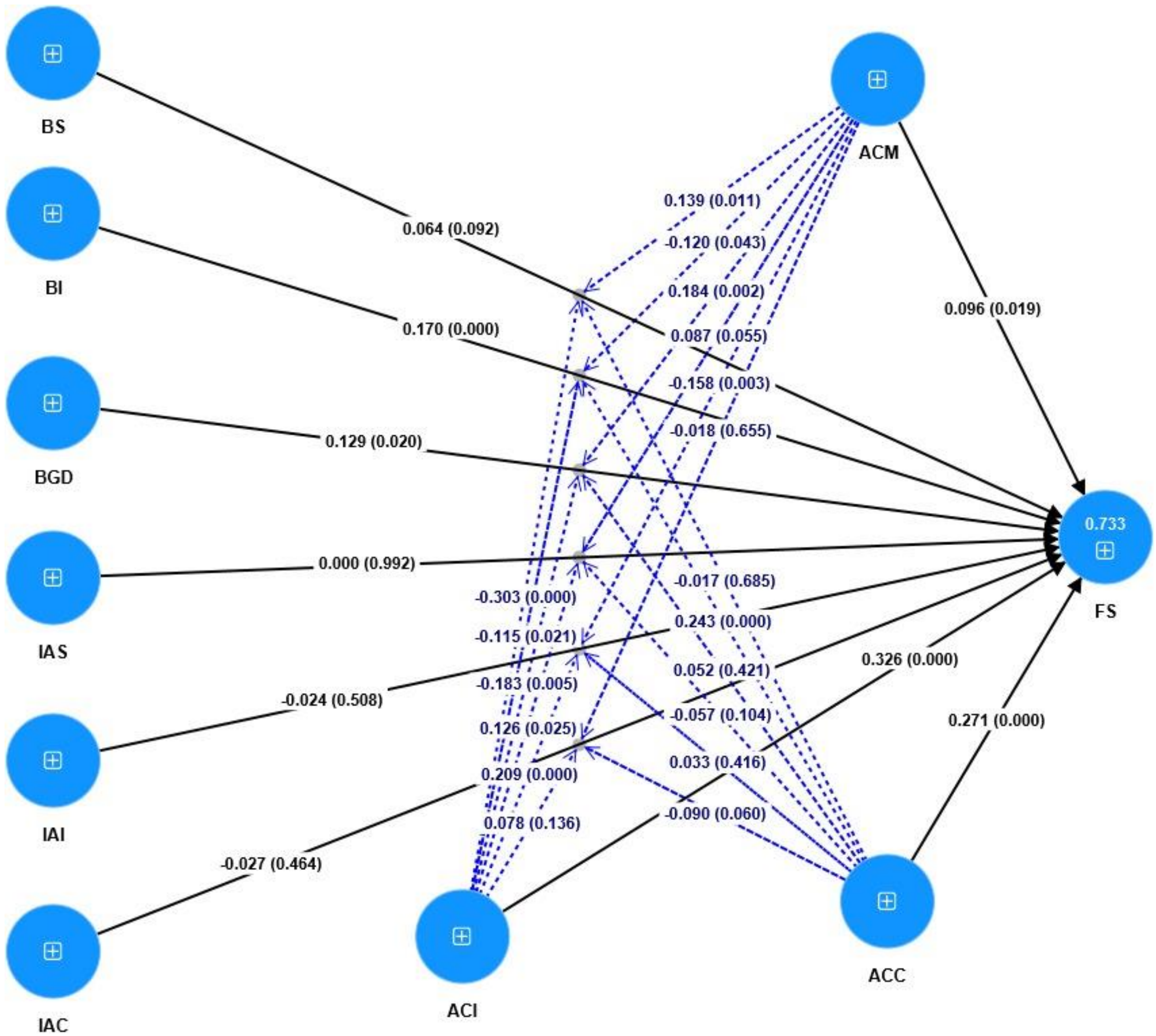
8.4 Modified framework of internal governance mechanisms to enhance financial sustainability

The study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable. The study proposed a conceptual framework in Figure 4.1. By the empirical results presented and discussed in chapter 7 together with the summarised findings and hypotheses in Table 7.8, the conceptual framework has been modified to be commensurate with the findings of the study. The modified framework is presented in Figure 8.1.

Despite the various measures put in place by the government to enhance the financial sustainability of MMDAs in Ghana, MMDAs are still not financially sustainable. To address the financial sustainability issue, it is argued in the recommendations that the MMDAs in Ghana must consider adopting and applying the conceptual framework for MMDA's financial sustainability proposed in Figure 8.1.

The development of the internal governance framework to enhance the financial sustainability of the MMDAs in Ghana was the overall aim of this study. The recommendations made for the framework are based on the quantitative data which is reflecting the international best practices. The framework which is a model of internal governance mechanisms consists of guidelines for enhancing the financial sustainability of MMDAs in Ghana. The framework is shown below:

Figure 8.1: Revised framework of internal governance mechanisms to enhance financial sustainability in MMDAs



Source: Researcher's explanation and conceptualisation of theories on financial sustainability in MMDAs in Ghana

Concerning Figure 8.1 above, the audit committee attributes [audit committee meetings (ACM), audit committee independence (ACI) and audit committee competence (ACC)] served as moderating variables for the relationship between the board of directors attributes (board size (BS), board independence (BI) and board gender diversity (BGD)] and internal auditors attributes (internal audit size (IAS), internal audit independence (IAI) and internal audit competence (IAC)] variables and financial sustainability (FS). This means that audit committee attributes are moderating variables, board of directors and internal auditors' attributes are the independent (exogenous) variables and financial sustainability (FS) is a dependent (endogenous) variable. As it emerged from the findings, despite the various initiatives for improving financial sustainability in the Ghanaian MMDAs, there are still constrained inadequate internal revenue generation and poor internal governance. Such findings seem consonant with theoretical findings that signified the major paradoxes of financial sustainability in the contemporary MMDAs are often associated with a lack of suitable government financing frameworks of how the internal governance mechanisms can make MMDAs financially sustainable.

Internal governance and financial sustainability within MMDAs are of the utmost importance for any government. Proper governance and oversight practices ensure that MMDA's activities are transparent and accountable to citizens, while strong fiscal management policies guarantee the financial sustainability of MMDAs. Such procedures not only protect MMDA's resources but also increase public confidence in local governments, allowing them to remain responsive to citizen needs. By proactively addressing issues relating to internal governance and financial sustainability, MMDAs can develop better plans and projects while being more effective at providing services, launching initiatives and driving positive change in their communities. The internal auditors, audit committee and board of directors in MMDAs are three essential and highly influential players when it comes to financial management of MMDAs. An audit committee is responsible for overseeing and monitoring the financial reporting process within the MMDAs, while the internal auditors work to ensure that processes and systems comply with laws, regulations, policies and contractual requirements. The board of directors is ultimately responsible for setting the overall strategy of the MMDAs and guiding the implementation of their long-term objectives. Together these three key internal governance mechanisms provide oversight and assurance that public funds are accounted for correctly which ultimately helps secure financial sustainability in MMDAs. Audit committees play a key role in helping the internal governance in MMDAs to operate efficiently and effectively. By working closely with both the board of directors and internal auditors, audit committees help increase transparency within the MMDAs, moderate the abuse or misuse of executive power, safeguard financial assets, monitor regulatory compliance requirements, identify fraud risks in advance, communicate potential strategies to improve internally generated revenues, and assist in setting best practice standards based on industry knowledge. Ultimately, by functioning collaboratively with the board of directors and internal auditors, the audit committee can make sure that an effective level of oversight is maintained at all times in MMDAs which in turn enhances MMDAs’ financial sustainability.

Drawing from the findings of the study, the MMDAs should adopt and implement the financial sustainability framework developed in the study. To effectively implement this framework for the financial sustainability of MMDAs, it is necessary to consider and utilise nine key internal governance variables. These variables include audit committee meetings, audit committee independence, audit committee competence, board size, board independence, board gender diversity, internal audit board size, internal auditor independence, and internal auditor competence. In addition, three crucial constructs related to the audit committee should be taken into account for MMDAs' financial sustainability. These constructs are audit committee meetings, audit committee independence, and audit committee competence. Similarly, three important constructs of the board of directors should be considered for MMDAs' financial sustainability. These constructs are board size, board independence, and board gender diversity. Lastly, three essential constructs of internal auditors should be integrated for MMDAs' financial sustainability. These constructs are internal audit board size, internal auditor independence, and internal auditor competence. It was further argued that all nine constructs must be accompanied by measurement of the overall financial sustainability of the MMDAs using five ratios (net surplus margin ratio, net cash flow from operations to total debt ratio, rates coverage ratio, rates revenue to total revenue ratio, and asset turnover ratio) are recommendable for MMDAs financial sustainability.

To address the financial sustainability issues in MMDAs in Ghana, this study sought to use the perspectives of agency and resource dependency theories to assess and develop a framework or model that can be tested, validated and suggested to the government through the Ministry of Local Government and Rural Development in Ghana. Concerning Figure 8.1, this study argues that an approach for improving financial sustainability in the MMDAs in Ghana is predicted in three main combined internal governance mechanisms. As a result of this, this study argues that the three main combined internal governance mechanisms that would enhance financial sustainability in the MMDAs are audit committees, internal auditors and the board of directors (the council members). The effectiveness of these mechanisms is catalysed by a continuum linking the nine attributes of the three internal governance mechanisms to the five main financial sustainability ratios. As the application of such combined constructs influences the improvement of financial sustainability, this model should be adopted to enhance the overall financial sustainability of the MMDAs according to the three perspectives that include audit committee, internal auditors and board of directors attributes.

8.5 Policy recommendations based on the proposed framework

The findings of the study have important policy recommendations and implications for the government through the Ministry of Local Government and Rural Development. Drawing from these findings, it is argued that the government through the Ministry of Local Government must adopt and applies the MMDAs financial sustainability framework proposed in Figure 8.1. The application of such a framework would require the implementation of the recommendations discussed below.

8.5.1 Policy recommendations on financial sustainability

The section below discusses the policy recommendations and implications on the financial sustainability measurements to the government through the Ministry of Local Government and Rural Development for the adoption and implementation of the proposed framework based on the findings of the study.

8.5.1.1 Policy recommendation 1: Net surplus margin

As shown in Table 6.5, the net surplus margin ratio for the 207 MMDAs decreased, from -3.19 in 2016 to -3.00 in 2017 and also decreased from -3.81 in 2018 to -3.40 and -3.28 in 2019 and 2020 respectively. The findings from the archival data indicated an average of - -3.34 indicating financially unsustainable. This is not surprising given that there was a change in internal revenue generation and operating expenses in the study period 2016-2020. This implies the percentage of surplus MMDAs get from the total internally generated revenues decrease as a result of an increase in operating expenses. The finding indicates that the persistent increase in expenses of the MMDAs from 2016-2020 resulted in a persistent decrease in the net surplus margin. If MMDAs can increase internally generated revenue, it will translate to a deficit if there is an increase in expenses. Conversely, a decrease in internally generated revenue, followed by tight control over expenses, might put the MMDAs further in surplus. This result indicates that NSMR falls below the required minimum standard of 1%. A positive net surplus margin indicates that the MMDAs are financially sustainable whilst a negative or very small net surplus margin indicates MMDAs are financially unsustainable. This ratio gives information to the stakeholders to see the investment opportunities for MMDAs. This ratio also indicates whether or not MMDAs can continue service deliveries. Therefore, the study recommends to the Ministry of Local Government and Rural Development constantly monitor whether MMDAs are operating in severe economic hardship or a favourable economy. If MMDAs are in serious economic hardship, then MMDAs should opt for a more conservative net surplus margin by reducing service deliveries which in turn, will decrease expenses. Other policy measures MMDAs can adopt are to privatise revenue generation services (that is to enter into private-public partnerships for rates collection), raising revenue from other sources by entering into a joint venture agreement with private sectors.

8.5.1.2 Policy recommendation 2: Net cash flow from operations to total debt ratio

As shown in Table 6.5, the net cash flow from operations to total debt ratio for the 207 MMDAs decreased, from -54.54 in 2016 to -59.30 in 2017 and also decreased from -39.06 in 2018 to -24.94 and -27.01 in 2019 and 2020 respectively. The findings from the archival data indicated an average of -40.97% indicating financially unsustainable. This ratio indicates how well the MMDAs generate enough revenue internally to pay their debts and finance their daily operations. The cash flow from operations on the other hand begins with net income and any changes in that income that would affect cash flow from operating activities. A decrease in internally generated revenues leads to an increase in debt obligations or if MMDAs debts or expenses increase and cause the net internally generated revenue to decrease, MMDAs will see a decrease in cash flow from operations. Persistent growth in assets or a decrease in liabilities from one period to another constitutes the use of cash and reduces cash flow from operations. Therefore, MMDAs can minimise expenditure on non-current assets and critically negotiate for an extension for payables or non-current liabilities to invest the available funds in short-term investments or marketable securities to beef up their revenues. The finding also indicates poor receivable collection practices. This leads to an increase in current assets with the use of little available cash that decreases cash flow from operations. Therefore, MMDAs should also ensure that all outstanding taxes from business operators are collected on time to increase the revenue base. For MMDAs to practice good financial management; they have to monitor their operating cash flow ratio well and take proactive steps when necessary. Therefore, the study recommends to the Ministry of Local Government and Rural Development put in place workable policies by focusing on budgeting for cash reserves so that any unexpected costs can be addressed without tapping into internally generated funds and also, establish policies to enhance transparency regarding spending decisions on capital projects and unforeseen contingencies. MMDAs should aim to maintain a healthy operating cash flow ratio to ensure that their finances are in order. This can help MMDAs understand where their funds are being allocated and if they have more cash on hand to pay operating expenses. MMDAs can adopt other policy measures such as strengthening their financial structure using low financial gearing (that is MMDAs should manage their debt levels) and opting for central government loans instead of bank loans. More vigorous rates collection procedures should be adopted to recover overdue rates and other taxes and take punitive measures against defaulters.

8.5.1.3 Policy recommendation 3: Rates coverage ratio

As shown in Table 6.5, the rates coverage ratio for the 207 MMDAs decreased, from -0.24 in 2016 to 0.25 in 2017 and also decreased from 0.21 in 2018 to 0.23 and 0.23 in 2019 and 2020 respectively. The findings from the archival data indicated an average of -23% indicating financially vulnerable. The finding from the archival data showed an average of 0.23 (23%). This result indicates that RCR falls below the required minimum standard between 40% and 60%. The decrease in the rates coverage ratio is a result of a decrease in revenue collection in the form of licenses, fees and miscellaneous charges, investment income, and rates which led to the increase in operating expenses. The finding suggests that MMDAs' expenses increased which led to the financial unsustainability of the MMDAs in the study period from 2016-2020. Therefore, MMDAs are required to streamline their revenue collection strategies and minimise their expenses to increase their revenue base. MMDAs should also sensitise the citizens to the need to pay property rates and other tax obligations. Proper accountability and quality of service provision will entice the citizens to honour their tax obligations. MMDAs can also increase tax rates commensurate with the service provision and identify new local taxes with approval from the government through the Ministry of Local Government and Rural Development.

8.5.1.4 Policy recommendation 4: Rates revenue to total revenue ratio

As shown in Table 6.5, the rates revenue to total revenue ratio for the 207 MMDAs decreased, from 0.28 (28%) in 2016 to 0.27 (27%) in 2017 and also decreased from 0.21 in 2018 to 0.17 (17%) and 0.14 (14%) in 2019 and 2020 respectively. The findings from the archival data indicated an average of 21% indicating financially unsustainable. The finding from the archival data showed rates revenue to total revenue ratio of 0.21 (21%). This result indicates that RRTRR falls below the required minimum standard of 40%. The decrease in rates revenue relative to total revenue could be a result of citizens not paying rates or taxes and MMDAs' inability to collect rates. Rates revenue to total revenue ratio and rates coverage ratio have been recognised as essential tools to measure and evaluate the financial sustainability of MMDAs. The MMDAs can use the digital address system to track all property owners for the payment of property rates. The persistent decrease in rates revenue to total revenue led to the financial unsustainability of the MMDAs and therefore had to depend on the District Assemblies Common fund to survive. MMDAs can also enhance rates revenue by improving the identification of taxpayers and assessment of tax liabilities; putting in place effective rates or tax collection and enforcement machinery; improving accounting and record keeping, and ensuring that more effective means are in place to collect all outstanding taxes. MMDAs should also consider the proportion of the tax collection cost against tax yield because some local taxes cost more to collect than they yield. To minimise the tax collection costs, MMDAs can request qualified national service persons from the National Service Secretariat annually to increase rates or tax collections without incurring costs since such persons are paid by the central government for the services rendered. MMDAs can improve rate revenues by making sure that all formal and informal settlements are registered and registration and rates or tax payments certificates issued to that effect. Also, the management of internally generated revenues is characterised by weak accountability and transparency. The MMDAs normally believe the internally generated revenues are for them and can therefore use it without being accountable to citizens. Therefore, the study recommends that audit committees should streamline these sources of revenue since these revenues constitute the financial sustainability of MMDAs. The audit committees should collaborate with the Public Account Committee to hold management accountable for the proper utilisation of all revenues collected. The study further recommends that audit committees should ensure that management identifies and eliminates all the loopholes in the system that causes potential sources of revenue to be lost by calling for accountability and reports. The study, therefore, recommends that the audit committee should identify more lucrative investment opportunities for MMDAs to invest more of their revenues to get more returns to enhance their financial sustainability. As part of the processes of reforming the Public Financial Management system and deepening fiscal decentralisation in Ghana, this study has proposed a framework, if adopted and implemented, can lead to improvement in internally generated revenues, which in turn will enhance the financial sustainability of MMDAs.

8.5.1.5 Policy recommendation 5: Assets turnover ratio

As shown in Table 6.5, the net cash flow from operations to total debt ratio for the 207 MMDAs decreased, from 2.82 in 2016 to 1.83 in 2017 and also decreased from 2.56 in 2018 to 0.49 and increased to 0.56 in 2019 and 2020 respectively. This ratio indicates how efficiently MMDAs use the available assets to generate enough revenue internally to pay their debts and finance their daily operations. The findings from the archival data indicated an average of 1.65 indicating financially unsustainable. This result indicates that ATR falls below the basic required standard of 50%. MMDAs asset turnover ratios are an important tool that can be used to assess the overall efficiency of an MMDA. It indicates how well assets are being used as sources of revenue generation and helps identify potential areas in need of improvement. MMDAs with high asset turnover ratios have more efficient operations, while those with lower ratios may need to invest in processes or infrastructure to increase their generating capacity. Moreover, the ratio can also help the communities, government and donor organisations assess the financial stability of MMDAs by providing insight into their ability to make surplus and repay debts. Overall, the asset turnover ratio is a key indicator of financial sustainability for MMDAs and should be tracked regularly to ensure maximum surplus. The study recommends to the Ministry of Local Government and Rural Development that policy should be made in a way that not only maximises efficiency but also ensures revenue soundness. The study, therefore, recommends that it is essential to implement proper asset management practices, such as monitoring and updating asset records regularly and establishing guidelines for the acquisition, disposal, maintenance and replacement of assets. Additionally, there need to be clear policies focused on preventing the misuse or misallocation of resources so public funds are allocated effectively while preserving financial sustainability. An effective policy recommendation would ensure that MMDAs can maximise the value of their assets while ensuring the financial sustainability.

8.5.1.6 Policy recommendation 6: overall average of financial sustainability

On the overall average of financial sustainability, the results from the archival data showed -42.21 indicating financially unsustainable. On average, this means MMDAs have limited capacity to meet their short-term financial commitments and no capacity to meet their medium to long-term financial commitments. Based on internally generated revenues, MMDAs need to have major revenue and expense adjustments and structural reform to be able to manage unforeseen financial shocks and any adverse changes in their activities. There is a need for MMDAs to set the best standard so that they can maintain expenditures at a manageable level and increase the internally generated revenue. The results have proven that without government subventions (District Assemblies Common Fund) and other funds from donor agencies, MMDAs in Ghana cannot survive on internally generated revenues. MDAs with unfavourable liquidity need to consider policy measures to improve, assets turnover, operating cash flows, interest coverage and net surplus margin. The study recommends to the government through the Ministry of Local Government and Rural Development devise a policy that MMDAs should publish financial sustainability ratios or indicators in their financial statements at the end of every accounting year. Financial sustainability targets should also be set based on which actual results will be compared. Financial sustainability target for a surplus between 1-4% will buffer MMDAs from external financial shocks and enhances the ability to repay debt (Kloha et al 2005: 313). This will help the government, general public, donor agencies and financial analysts to assess the financial sustainability position of MMDAs when needed. Adopting and implementing the proposed framework and applying the ratios used in this study together with other recommended ratios discussed in the literature could be appropriate.

8.6.2 Policy recommendations on internal governance variables

The section below discusses the policy recommendations and implications on the board of directors, internal auditors and audit committee attributes to the government through the Ministry of Local Government and Rural Development for the adoption and implementation of the proposed framework based on the findings of the study.

8.6.2.1 Policy recommendation 1: Board size

The findings showed that, when the number of board members increases, the financial sustainability of MMDAs also increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby the board size must be tailored according to population size; the Metropolitan and Municipal Assembles may do well with more board members while District Assemblies may be satisfied with fewer board members. At the moment, the Local Government Act 2016 and the Public Financial Management Act 2016 do not prescribe the actual number of boards of directors in each MMDA. The number of board members in each MMDA is determined by the Electoral Commission of Ghana based on the population requirement in each district. The legislation should specify the actual number of board of directors needed by metropolitan, municipal and district assemblies. The government through the Ministry of Local Government should continue to update the regulatory framework aimed at improving the number of people to be appointed into the board of MMDAs in Ghana. Therefore, based on agency and resource dependency theories, the study recommends that the regulators of MMDAs need to adopt the proposed framework in the study and exercise regulatory enforcement by adopting an optimum board size to enhance financial sustainability. This recommendation is based on the empirical evidence from this study and other prior studies that also confirmed that board size has a significant influence on financial sustainability.

8.6.2.2 Policy recommendation 2: Board independence

By adopting and implementing the proposed framework, future policy reforms should emphasis the relationship between board independence and financial sustainability. The findings showed that when boards consist of non-executive directors, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby all board members must be non-executive directors. Aside from this, members of the board should not have any direct financial ties to the chief executive officers and the municipal finance directors. Also, board members should not have direct political links. In addition to these requirements, it is also recommended that interested persons who want to be board members should register with the Local Government Service Secretariat before being appointed as a member of the board as part of broader efforts towards greater governmental transparency. The Local Government Act 2016 and the Public Financial Management Act 2016 do not prescribe the independence of the board of directors. Therefore, the government through the Ministry of Local Government should consider legislating the independence of the board of directors as a requirement. The legislation should specify the number of independent non-executive directors to serve as board members. As a result, the government through the Ministry of Local Government should as a matter of legislation increase the minimum number of non-executive directors to at least 80%. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that the existence of non-executive directors on the board has a significant influence on financial sustainability.

8.6.2.3 Policy recommendation 3: Board gender diversity

The findings showed that when more women directors serve on boards, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby a criteria or a quota should be set to include more women directors into the boards of MMDAs. Alternatively, a policy recommendation on this would be to implement gender quotas or targets, which require at least a certain percentage of each gender to be represented on the board. Furthermore, boards should ensure that their selection processes are fair and merit-based so that individuals from all genders have an equal opportunity for consideration. Lastly, creating a zero-tolerance policy against discrimination and harassment can foster an inclusive environment where individuals from all genders feel comfortable contributing their ideas toward the enhancement of financial sustainability. The Local Government Act 2016 (Act 392) and the Public Financial Management Act 2016 do not prescribe the number of women on the boards of MMDAs. Therefore, the government through the Ministry of Local Government should consider legislation for the board gender diversity as a requirement. The legislation should specify the number or the quota of women and men to serve as board members in MMDAs. In support of this recommendation, as discussed under Section 3.8.3, France has a quota of 44.4% of women to serve on boards, the United Kingdom has 30.3% and Australia has 29.6%, and Norway has a quota of 40%. As a result, the government through the Ministry of Local Government should as a matter of legislation increase the minimum number of women on boards to 40%. This could be achieved by providing at least a 40% quota for women in the local government elections in each district. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that women directors have a significant influence on financial sustainability.

8.6.2.4 Policy recommendation 4: Internal auditor independence

The findings showed that, when internal auditors meet the audit committee regularly, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby internal auditors must meet audit committees regularly in a year to discuss financial sustainability issues. Aside from this, audit committees should strengthen the relationship between the internal auditors and the board of directors. There should be a designated board of directors responsible for overseeing the internal auditing process and an independent auditor who operates on an annual basis to review operations and provide input on any areas that need significant improvement. Additionally, regular external audits should be conducted to further enhance the quality of the internal audit processes, as well as meet guidelines established by the government. Lastly, any conflicts of interest should be avoided at all costs - as having such involvement can easily result in biased results - and if found necessary, having a separate team or individual appointed specifically for keeping a watchful eye over these matters would help promote better ethics at all levels. The Local Government Act and the Public Financial Management do not prescribe the independence of the internal auditors, as required by the IIA Standards. Therefore, the government through the Ministry of Local Government should consider legislating the independence of internal auditors as a requirement. The legislation should specify the number of times internal auditors should meet audit committees to discuss financial sustainability issues. As a result, the government through the Ministry of Local Government should as a matter of legislation allow internal auditors to meet audit committees four (4) or five (5) times in a year. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that regular meetings between internal auditors and audit committees have a significant influence on financial sustainability.

8.6.2.5 Policy recommendation 5: Internal audit size

The findings showed that when the size of the internal audit increases, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby the size of the internal audit can enhance financial sustainability. In this case, the internal audit size should be tailored according to population size; the Metropolitan and Municipal Assembles may do well with more internal auditors while District Assemblies may be satisfied with lesser internal auditors. Finally, it is important to consider how long individual internal auditors would need to dedicate to their roles, since too heavy a load could lead to burnout and too light a load could mean not enough progress being made. All of these factors together can help inform any policy recommendation dealing with internal audit size in MMDAs. The Local Government Act and the Public Financial Management Act do not prescribe the number of internal auditors in each MMDA. Therefore, the government through the Ministry of Local Government should consider legislating the number of internal auditors as a requirement for each MMDA by considering the size of each MMDA. The legislation should specify the number of times internal auditors are needed by metropolitan, municipal and district assemblies. As a result, the government through the Ministry of Local Government should as a matter of legislation specify a minimum of 5 and a maximum of 10 internal auditors in each MMDA based on their size in terms of population. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that the optimum number of internal auditors has a significant influence on financial sustainability.

8.6.2.6 Policy recommendation 6: Internal auditor competence

The findings showed that when internal auditors have accounting and or auditing qualifications, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby all internal auditors must have accounting and or auditing. When it comes to setting policy recommendations on internal audit competencies in MMDAs, governments need to ensure they take into account the specific challenges MMDAs are facing. By paying attention to MMDAs' current and future needs, governments can implement strategic training plans that develop consultative approaches, and offer technical expertise and staff with the right knowledge to meet any changes in operational complexity. Furthermore, having a standards-based approach ensures that compliance and oversight functions are embedded throughout the whole system so they remain compliant with relevant laws. Finally, developing policies that demand ongoing education is essential for building a successful framework required for regular review of performance and effectiveness. The competency framework for the internal auditors must be created. It must be emphasised that all audit committee and internal audit members must hold accounting and or auditing qualifications, preferably degree or chartered accounting or certified internal auditing certificates. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that internal auditors with accounting and or auditing qualifications have a significant influence on financial sustainability.

8.6.2.7 Policy recommendation 7: Audit committee meetings

The findings showed that, when audit committees meet regularly in a year, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby audit committee members must meet 4 or 5 times in a year. The Local Government Act 2016 and the Public Financial Management Act 2016 do not prescribe the number of meetings to be held by audit committees in a year. Therefore, the government through the Ministry of Local Government should consider legislating the number of times audit committees should meet in a year. The legislation should specify the number of times in a year audit committees should meet to discuss financial sustainability issues. The adoption of the proposed framework is also valuable to improve the audit committee meetings in MMDAs. The skills of the audit committees can be improved by introducing virtual and telephonic audit committee meetings. The virtual and telephonic meetings will allow qualified and skilled audit committee members located anywhere in the world to be appointed and provide the necessary services without the additional costs and logistics of traveling and accommodation. Also, the introduction of virtual training to existing members in need of skills will reduce the cost of training audit committee members. As a result, the government through the Ministry of Local Government should as a matter of legislation allow audit committees to meet four (4) or five (5) times a year. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that regular audit committee meetings have a significant influence on financial sustainability.

8.6.2.8 Policy recommendation 8: Audit committee independence

The findings showed that when audit committees consist of non-executive directors, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby all audit committee members must be non-executive directors. The Public Financial Management Act 2016 indicates that the majority of audit committee members (maximum of 3 of the total of 5 audit committee members) should be appointed by the Institute of Chartered Accountants, Ghana and the Internal Audit Agency, Ghana. The remaining 2 of 5 should be appointed by the board of directors. For this reason, it could be easy for audit committee members to be threatened with dismissal or termination of the appointment. The independence level of audit committees could be compromised since the appointment could also be influenced by political affiliations. Therefore, members of the audit committee should not have any direct financial ties to the chief executive officers and the municipal finance directors. Also, audit committee members should not have direct political links. The study further recommends that interested persons who want to be members of audit committees should register with the Local Government Service Secretariat before being appointed as a member of an audit committee as part of broader efforts towards greater governmental transparency. The Local Government Act 2016 and the Public Financial Management Act 2016 do not prescribe the number of independent non-executive audit committee members, as required by the IIA Standards. Therefore, the government through the Ministry of Local Government should consider legislating the independence of audit committees as a requirement. The legislation should specify the number of independent non-executive directors (if possible 100% of audit committee members) to serve on audit committees and make it mandatory for the audit committee chairperson to be an independent non-executive. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that independent non-executive members on audit committees have a significant influence on financial sustainability.

8.6.2.9 Policy recommendation 9: Audit committee competence

The findings showed that when audit committee members have accounting and or auditing qualifications, the financial sustainability of MMDAs increases. Therefore, the study recommends that the government through the Ministry of Local Government should consider introducing a requirement whereby all audit committee members must have accounting and or auditing. Aside from this, audit committee members should have experience dealing with local government financial regulations and operations, or civic-mindedness or business acumen. Developing appropriate policies will also involve creating effective training programmes for the audit committee members to maintain proficiency in auditing techniques and awareness of the latest trends. Lastly, the Ministry of Local Government should collaborate with the Institute of Chartered Accountants to get qualified chartered accountants to serve on audit committees in MMDAs. The competency framework for the audit committees must be created. It must be emphasised that all audit committee members must hold accounting and or auditing qualifications, preferably degree or chartered accounting or certified internal auditing certificates. The actions from the proposed framework can be used by the board of directors and the government to assess the effectiveness of audit committees and revisit their strategies in prioritising the value of audit committees. The competent audit committee members behave ethically, are cognisant of the relevant legislation and the municipal environment, and contribute to the right mix of skills and capabilities, can be appointed, when the framework is adopted. Also, a competent audit committee function can be developed by the MMDAs if the proposed framework is adopted. As a result, the government through the Ministry of Local Government should as a matter of legislation make it compulsory for 100% of the audit committees to have accounting and or auditing qualifications. This recommendation is based on the empirical evidence from the study and other prior studies that also confirmed that audit committee members with accounting and or auditing qualifications have a significant influence on financial sustainability.

8.6.2.10 Policy recommendation 10: Moderating effect of audit committee attributes on board of directors and internal auditors attributes

The findings showed that the interactions terms of audit committee attribute and the board of directors and internal auditors' attributes. The findings showed that audit committee meetings moderated the relationship between board size, internal auditor independence, internal auditor competence and financial sustainability (β = 0.177, p= 0.002; ACM*IAI (β = -0.175, p= 0.036; ACC*IAC (β = -0.094, p= 0.057) respectively. The findings also showed that audit committee competence moderated the relationship between internal auditor competence and financial sustainability (β = -0.170, p= 0.001). This implies that audit committee meetings can influence board size, internal auditor independence and internal auditor competence to increase which in turn increases the financial sustainability of MMDAs in Ghana. Audit committee competence can also influence internal auditor competence to increase financial sustainability. Therefore, the government through the Ministry of Local Government and Rural Development should ensure that audit committees in MMDAs meet 4 or 5 times a year to ensure that financial sustainability issues are discussed on time and resolved. The ministry should also ensure that all five required audit committee members should have accounting and or auditing qualifications. The policymakers should also ensure that internal auditors or more essentially the chief audit executives will meet the audit committee chairpersons at regular intervals in a year since such meetings have a significant influence on financial sustainability. Additionally, the policy makers especially the Internal Audit Agency should ensure that all the internal auditors are recruited and selected based on their accounting and or auditing qualifications. Internal auditors should not be employed based on their political affiliations since this could affect the employment of competent internal auditors. The audit committees should meet regularly with the board of directors and internal auditors to discuss issues relating to internally generated revenue which affects the financial sustainability of MMDAs. The audit committee meetings should not focus on personal issues of board members, internal auditors and the audit committee members but rather on critical issues relating to how MMDAs can increase internal revenue generation which in turn will enhance financial sustainability. It is also essential for a good number of board members especially the board chair to have accounting and or auditing qualifications to understand the issues that will be discussed at the meeting relating to financial sustainability.

Statistically, the findings did not show a significant moderating effect of audit committee meetings on the relationship between board independence, board gender diversity, internal audit size, and financial sustainability [(ACM*BI (β = -0.010, p= 0.871); ACM*BGD (β = -0.051, p= 0.196); ACM*IAS (β = 0.013, p= 0.865); respectively. Further, audit committee independence and audit committee competence failed to moderate the relationship between [ACI*BS (β = -0.76, p= 0.334); ACI*BI (β = 0.030, p= 0.651); ACI*BGD (β = -0.019, p= 0.837); ACC*BS (β = 0.054, p= 0.470); ACC*BI (β = 0.039, p= 0.566); ACC*BGD (β = 0.126, p= 0.127); ACI*IAI (β = -0.004, p= 0.947); ACI*IAS (β = 0.046, p= 0.501); ACI*IAC (β = 0.017, p= 0.757), ACC*IAI (β = 0.044, p= 0.556); ACC*IAS (β = -0.041, p= 0.530)] and financial sustainability of MMDAs in Ghana significantly. However, these variables individually or directly showed a statistical significance on financial sustainability. Therefore, the study argued that the improvement in these variables can have a significant influence on the financial sustainability of MMDAs. The study recommends that policymakers should ensure that the board of directors and audit committees in MMDAs should be composed of more independent non-executive directors. These independent non-executive directors will be able to monitor and control management and politicians from their opportunistic behaviours and offer more advice, counsel, experience and perspectives to MMDAs which in turn will increase financial sustainability. As indicated above, the independent non-executive directors serving on boards and audit committees should also have accounting and or auditing qualifications which will help them contribute more meaningfully when discussing financial sustainability issues. The findings indicated that a board and internal audit with a reasonable number will work well to increase the financial sustainability of MMDAs. Therefore, the study recommends that the management and regulatory bodies should ensure that the MMDAs comply with the proposed framework in the study in addition to the corporate governance codes in Ghana and use the appropriate size of the board and internal audit. The policymakers should ensure that the size of the board and internal audit that can work for municipal assemblies, metropolitan assemblies and district assemblies should include individuals with relevant qualifications, knowledge and experience to improve the financial sustainability of MMDAs. The study further recommends that the board should compose of both men and women. The policymakers should have a quota for women directors in MMDAs as per other countries already discussed. Women directors should also have the necessary qualifications to be able to contribute meaningfully when discussing financial sustainability issues. Finally, the inclusion of independent non-executive members, women and a reasonable number of board members on boards, regular audit committee meetings, audit committee members with accounting and or auditing qualifications, a reasonable number of internal auditors, regular meetings between internal auditors and audit committees and internal auditors with accounting and or auditing qualifications, to be good corporate governance practices, which is also supported by both agency and resource dependency theories. From the perspectives of both agency and resource dependency theories, a good structure of these internal governance mechanisms can help increase the financial sustainability of MMDAs. The study also recommends to policy makers put measures in place to prevent the management of MMDAs from all activities of corruption and also refrain from all unethical activities such as the appointment of family and friends who do not have the required qualifications and experience to be part of audit committees, board of directors and internal auditors. This will secure the internally generated revenues of MMDAs which in turn increases financial sustainability and promotes continues service deliveries.

In addition to the ongoing recommendations, the government through the Ministry of Local Government, Local Government Services, and the board of directors of MMDAs can use the proposed framework to enhance their knowledge and understanding of the role of the audit committees in strengthening the monitoring and resource provision roles of the board of directors and internal auditors thereby improving the financial sustainability of MMDAs. The proposed framework can also be used as the basis for recruiting qualified members that will add value to the committees. The proposed framework can further be used to determine the minimum requirements of competencies for audit committees and internal audit members. The proposed framework can similarly be used to determine the optimum size of the board of directors and internal auditors. The proposed framework can as well serve as a guideline to enhance the independence of audit committees, board of directors and internal auditors in MMDAs. Moreover, the proposed framework could be used to determine the number of times audit committees should meet in a year and for the internal auditors to meet audit committees to discuss financial sustainability issues. Finally, the Institute of Chartered Accountants-Ghana, the Internal Audit Agency Ghana and the Institute of Board of Directors-Ghana can adopt the proposed framework to revise their code of ethics, to guide members who can serve on audit committees, internal audits and boards.

The main objective of the decentralisation policy in Ghana is to transform society by sanctioning citizens to take charge of their development agenda to improve their livelihoods. This is mainly geared towards poverty reduction through the promotion of production and related activities to raise people’s income and material well-being. The realisation of this objective rests on the extent to which the MMDAs can mobilise sufficient revenues to meet the needs and aspirations of citizens. This also depends on the extent to which citizens fulfill their tax obligations. Regrettably, a number of MMDAs are not mobilising enough revenues and many citizens do not fulfill their tax obligations thus limiting the potential of the MMDAs to improve the provision of services to citizens. Also, the management of internally generated revenues is characterised by weak accountability and transparency. The MMDAs normally believe the internally generated revenues are for them and can therefore use it without being accountable to citizens. Therefore, the study recommends that audit committees, internal auditors and the board of directors should streamline these sources of revenue since these revenues constitute the financial sustainability of MMDAs. The audit committees should collaborate with the Public Account Committee to hold management accountable for any missing amount of these internally generated revenues. The study further recommends that audit committees, internal auditors and the board of directors should identify and eliminate all the loopholes in the system that causes potential sources of revenue to be lost.

As already discussed, MMDAs’ sources of revenue include local taxes, transfers from the central government and other sources of income. But these sources of income cannot cover all the investment and development needs of the MMDAs. Therefore, it is important for the board of directors, internal auditors and the audit committees in MMDAs to identify other reliable and sustainable sources of revenue to be able to provide continuous services to the citizens. The study recommends that it is necessary to bring MMDAs to financial markets and to participate with the private sector organisations to increase revenue, which leads to enhancement in financial sustainability. In this case, MMDAs can compete with the private sector to increase revenue through building factories commensurate with MMDA's tasks such as sand & gravel and concrete components and sale of asphalt to demanding individuals and organisations. MMDAs can also sell bonds as a means of increasing revenue. The proceeds from the sale of bonds can be used to construct projects, which in turn can boost the revenue base of MMDAs. Kermani (2017:987) and Abgon (2010: 216) expressed that if MMDAs compete with private sector organisations, additional revenue will be generated to boost their finances. The study therefore recommends that the audit committee chairpersons, chief audit executives and the board of directors' chairpersons should identify more lucrative investment opportunities for MMDAs to invest more of their revenues to get more returns to enhance their financial sustainability. As part of the processes of reforming the public financial management system and deepening decentralisation in Ghana, this study has proposed a framework, if adopted and implemented, can lead to improvement in internally generated revenues, which in turn will enhance the financial sustainability of MMDAs.

8.7 Contributions of the study

The findings of this have contributed to the knowledge of internal governance mechanisms (audit committee, internal audit and board of directors) and the financial sustainability of MMDAs. The findings also have a number of implications for audit committees, boards of directors, internal auditors, and management and regulators of MMDAs. The findings have also contributed significantly to the agency and resource dependency theories by showing interaction mechanisms among the variables. The sections below discuss the study's contribution to the existing knowledge, policy and practice, theory and methodology.

8.7.1 Contribution to the existing knowledge

This study has contributed immensely to the existing knowledge. The study extended the prior literature by not investigating the effect of either board of directors' or internal auditors' attributes on financial sustainability in isolation, but it contributed new insights by showing how audit committee attributes moderate either the board of directors or internal auditors' attributes to determine the financial sustainability at the local government level. The findings indicated that the board of directors; internal auditors and audit committee attributes directly play a significant role in enhancing the financial sustainability of MMDAs. Further, the findings indicated that audit committee meetings significantly moderate the relationship between board size, internal auditor independence, internal auditor competence and financial sustainability. Also, audit committee independence and competence moderate the relationship between board size, board independence, board gender diversity, internal audit size and financial sustainability respectively but the moderating effects are not significant.

Given the preceding discussion, this study has filled the literature gap, adding originalities, and therefore, shedding light on inconclusive results in previous studies concerning the relationship between internal governance mechanisms and financial sustainability. The study aimed to establish the moderating effect of audit committee attributes on the relationship between the board of directors and internal auditors' attributes and financial sustainability. The prior studies examined the effect of these internal governance attributes and financial performance at the private sector mostly listed organisations (see Sections 1.4; 4.4.1-4.4.9). None of such studies used audit committee attributes as moderating variables on the internal auditors' and board of directors' attributes and financial sustainability. Additionally, there were contradictory findings in the literature (see Sections 1.4; 4.4.1-4.4.9). A number of prior studies also depended primarily on secondary data, with few studies emphasised primary data, particularly PLS-SEM in the private sector. Using both primary and secondary data, this study has provided additional contribution by assessing the moderating effect of audit committee attributes on the relationship between the board of directors and internal auditors' attributes and financial sustainability at the local government level. These findings have helped resolve the contradictory findings that existed in the prior studies.

The study has provided an opportunity to further analyse the influence of internal governance variables on financial sustainability in public sector organisations globally by concentrating on other public sector areas such as government business enterprises. The empirical evidence shows that there were no previous studies that addressed how the audit committee attributes moderate the relationship between the board of directors and internal auditors' attributes and the financial sustainability of MMDAs. Hence, the study has filled this academic gap by determining the moderating role of the audit committee on the relationship between internal governance variables and financial sustainability. Therefore, the study has provided literature for further studies in other public sector organisations.

8.7.2 Contributions to policy and practice

The study aimed to develop and propose a framework, comprised of attributes of audit committees, internal auditors and boards of directors to enhance the financial sustainability of MMDAs. Therefore, the study has achieved this aim by proposing a framework that can be used by MMDAs in Ghana, audit committees, internal auditors, boards of directors and regulators to complement legislation and policies, to increase the internally generated revenue, which in turn will lead to increase in financial sustainability of MMDAs. This is the only study that has proposed a framework on how internal mechanisms can determine financial sustainability at the local government level. The proposed framework comprises sets of ratios that define financial sustainability at the local government level. The framework assessed the overall financial sustainability (in terms of a total score and grading) of the financial sustainability status at the local government level. No study was conducted at the local government level to determine how the audit committee moderates the relationship between internal governance mechanisms and financial sustainability. The prior studies only assessed the financial sustainability at the local government level such as in New Zealand local authorities. Therefore, this study has filled this gap by proposing a framework of how internal governance mechanisms determine financial sustainability at the local government level in Ghana. The proposed framework could apply to other jurisdictions with similar governance structures and legal requirements as in Ghana. A number of the ratios used in the framework are common to MMDAs globally.

The study has made an immense contribution to practice by documenting the financial sustainability status of MMDAs in Ghana. The findings from the study indicated that MMDAs in Ghana are financially unsustainable as a result of inadequate internally generated revenues; therefore the going concern status of the MMDAs seems to be threatened. This information is vital and can be used by the government through the Ministry of Local Government and Rural Development to build the confidence of the communities and other stakeholders in the financial sustainability of MMDAs in Ghana. A conceptualisation of financial sustainability factors, as well as the managerial implications, has been discussed, thus contributing to MMDA's financial sustainability policy issues, and the policymakers in other government organisations in the public sector will find the findings of this study invaluable.

Further, the findings of the study will equip the board directors, internal auditors, audit committees, chief executive officers and the government with enough strategies to implement the required controls, effect proper implementation mechanisms and employ the right leadership with the required qualifications, experience and skills to lead the MMDAs. In this case, it is believed that this study has been conducted at the right time when the general public and the media reports are always centred on how these MMDAs can improve their internally generated revenues to be financially sustainable.

Additionally, the findings from the study will help the board of directors, internal auditors and audit committees to understand the different attributes that will help them to perform better during deliberations on financial sustainability issues. The findings can also help the board of directors, internal auditors and audit committees in maximising their monitoring and control roles and bringing to the boardroom various perspectives, knowledge, advice and counseling in improving the financial sustainability of MMDAs.

8.7.3 Contribution to theory

Theoretically, the findings from this study have made an immense contribution to both agency and resource dependency theories. The study has filled the gap that existed in the literature by applying both agency and resource dependency theories in the context of the local government level. The existing studies applied the concept of agency and resource dependency theories in the private sector mostly listed organisations. The validated comprehensive conceptual framework with a second-order construct that links the board of directors, internal auditors' attributes and financial sustainability from the perspectives of agency and resource dependency theories at the local government level can be considered a contribution to the literature on internal governance and catalyse other studies.

This study used multiple theories (agency and resource dependency theories) to jointly explain the hypothesised relationships between the variables. The applicability of this theoretical framework to the current study is argued in Section 3.3. The use of multiple theories was based on the argument discussed in Section 3.7.3 that a single theory cannot fully explain research phenomena and account for all hypothesised variable associations. To the best of the researcher's knowledge, no other study in the context of MMDA governance followed this approach. Instead, other studies have largely employed individual mainstream theories (see Section 1.4). Few studies that employed this complementary approach were not conducted in the context of MMDAs; instead, such studies focused on listed organisations (see Section 1.4).

The study has contributed to the underpinning theories (agency and resource dependency theories) in providing insights into internal governance variables and financial sustainability globally. This study followed the ontological position of objectivism and avoided the influence of subjectivism by considering only data from the sampled MMDAs. This led to the epistemological position of positivism that required the study to use a deductive reasoning through quantitative data from secondary and primary sources of 207 sampled MMDAs and quantitative techniques through structural equation modelling analysis. Therefore, the study followed the positivism paradigm to empirically test hypotheses to either affirm or disaffirm existing theories in corporate governance studies. The findings of the study have contributed to the theory by revealing the relationships among the variables. Both agency and resource dependence theories support the board of directors, internal auditors and audit committee attributes used in the study on the basis that such attributes help to alleviate agency costs (agency theory), facilitate access to untapped resources and networks (resource dependency theory), and enhances financial sustainability at the local government level.

8.7.4 Contribution to methodology

To the best of the researcher's knowledge, SEM analysis of panel data has not previously been applied to the local government level. A research gap thus existed on the moderating role of the audit committees on the relationship between internal governance mechanisms and financial sustainability of MMDAs as well as the application of the PLSEM LS analysis. This study determined financial sustainability factors and developed a model of how the attributes of the audit committee, board of directors and internal auditors determine the financial sustainability of MMDAs while applying the PLS-SEM analysis technique, thus contributing to the methodology. As discussed in Section 4.3, prior studies on internal governance and financial sustainability used cross-sectional analysis, mostly in the private sector or listed organisations. However, this study employed a panel data analysis that compares years. Besides, this study has solved the limitations of different corporate governance and financial sustainability studies at the local government level by using census data from 2016 to 2020. Using recent data from 2016 to 2020 is more valuable as the current demand for financial sustainability studies has increased.

The study also contributed to the field of reliability and validity. In support of Hair et al (2019: 1) as well as Ritonga (2014), the MMDAs' financial sustainability model developed meets the criteria of reliability and validity. In theory, the indicators used to develop the financial sustainability of MMDAs in this study were derived from existing financial sustainability theories at the local government level (Kloha et al 2005; Wang et al 2007). Also, the study used three dimensions of internal governance with five indicators each and determined their explanatory power on financial sustainability. In Chapter 1, this study conceptualised the meaning of financial sustainability as a basis to determine the indicators of financial sustainability. Based on the definition of financial sustainability, indicators were developed to measure financial sustainability. Prior studies such as Ritonga (2014); Kloha et al (2005); Nollenberger et al (2003) and Wang et al (2007) developed financial sustainability models based on similar indicators. However, this study developed financial sustainability model based on more logical indicators. In this study, financial statements, which were prepared based on international accounting standards and audited by the Auditor General, were used to measure the financial sustainability of the 207 sampled MMDAs. This makes the findings from the study more reliable. Also, this study fulfilled the criteria of predictive validity discussed in Chapter 5. The indicators used to measure the financial sustainability and internal governance variables have predictive ability, in that the financial sustainability information and internal governance variables can be used to predict financial unsustainability before MMDAs become financially insolvent (Kloha et al 2005). Even though the financial sustainability developed is more robust with the R^2 of 0.818. This implies all the variables used in the study had an R^2 score of 0.818 indicating that the model can predict up to 81.8% of the variables influencing financial sustainability. This shows that each of these constructs is influenced by exogenous constructs with substantial criteria. This finding indicates that there are other factors not covered in this study which constitute only 18.2% that also affect financial sustainability. Therefore, the findings from this study will encourage further studies to develop more refined tools that are more unconventional than SEM analysis to uncover those hidden factors that can also explain financial sustainability.

8.8 Limitations and recommendations for further studies

This study examined the moderating role of the audit committee on the relationship between internal governance mechanisms and the financial sustainability of MMDAs from the perspective of agency and resource dependency theories. This study has some limitations that may open the door for similar future studies. Therefore, based on the findings from this study, the following recommendations for future studies are made.

First, the findings of this study were limited to the MMDAs in Ghana. This is the first study in Ghana and globally based on the researcher's knowledge that has examined the moderating role of audit committees on the relationship between internal governance and financial sustainability at the local government level. This study has bridged the gap that existed in the literature on internal governance mechanisms and financial sustainability at the local government level. Also, this study used data from Ghana. Care should be taken in generalising the results to the MMDAs of other countries that have different regulations, practices, and features. However, the similarity in the results of this study and the findings of studies in other countries may indicate a high degree of generalisability. To obtain more insights; a comparative study is recommended to be undertaken using MMDAs in different countries with the same or similar variables. The comparative studies will help to get more insights into how internal governance mechanisms affect financial sustainability. Moreover, these studies will help explain how diverse regulatory requirements affect the level of audit efficiency in different institutional settings.

Second, there are a number of fundamental theories in corporate governance such as agency, stewardship, stakeholder, resource dependency, transaction cost, political and business ethics, discourse and postmodernism, signaling and institutional theories. However, this study considered only agency and resource dependency theories. Therefore, this study recommends that future studies should be conducted on the relationship between internal governance and financial sustainability from the perspective of the other aforementioned theories.

Third, the study showed that internal governance mechanisms are important for all MMDAs to be financially sustainable. However, this study was limited to the public sector and ignored the private sector and state-owned organisations that are equally important for economic growth and development in Ghana and globally. In this case, as this study only focused on MMDAs, this study recommends future studies to use resource dependency, agency and other corporate governance theories to examine the relationship between internal governance mechanisms and the financial sustainability of the private sector and state-owned organisations.

Fourth, this study examined the moderating role of the audit committee on the relationship between internal governance mechanisms and the financial sustainability of MMDAs in Ghana. The internal governance mechanisms studied comprised the board of directors, internal auditors and audit committees. In this regard, the study did not consider the external corporate governance mechanisms. However, external corporate governance mechanisms are also important. This study recommends for future study to use resource dependency, agency and other corporate governance theories to examine the relationship between external corporate governance mechanisms and financial sustainability of MMDAs in Ghana or other parts of the world. This would add to the body of knowledge on corporate governance and financial sustainability.

Fifth, the study showed inconclusive results about the relationship between the audit committee, board of directors and the internal auditors' attributes, and the financial sustainability of MMDAs. The inconclusive results may be a result of the use of audit committee meetings, audit committee independence and audit committee competence as moderating variables. The inconclusive results may also be attributed to the use of the panel data with the study's period which spanned from 2016 to 2020 with 1035 firm-year observations. Therefore, as a result of the inconclusive results, this study recommends that future study to use resource dependency, agency and other corporate governance theories and cross-sectional data to examine the relationship between audit committee, board of directors and the internal auditors’ attributes and financial sustainability for a period longer than five years and for a large sample size of more than 207 MMDAs with different audit committee attributes such as age, gender, ethnicity, political affiliation, industry experience or internal audit and board of directors attributes such age, ethnicity, political affiliation, industry experience as moderating or mediating variables.

Sixth, the study was limited to financial ratios as indicators to measure financial sustainability. However, non-financial indicators were ignored which are also essential in measuring financial sustainability. Therefore, the study also recommends future studies use non-financial indicators such as demographic factors (such as population density, employment rate, and income levels), environmental factors (such as community needs and resources, disaster risk, political culture, and external economic conditions), organisational factors (such as management practices) to measure financial sustainability, and different data collection tools such focus group discussions and interviews to further establish the relationship between corporate governance mechanisms and financial sustainability either in a public or private sector.

Finally, strategic financial planning is one of the four pillars that MMDAs should consider in the initiatives for developing a financially sustainable local government (Mhlanga 2019:219). The development of an effective strategic financial plan will clarify the direction and the critical activities that the MMDAs will have to accomplish to develop a financially sustainable MMDA (Mhlanga 2019:219). To achieve that, the process of strategic financial planning will require the application of four steps encompassing environmental analysis such as population growth, analysis of the adequacy of the sources of funds; setting of the financial sustainability goals and objectives such as outlining the period against which significant local government dependence on debts and borrowing will be eliminated; developing and applying the strategies for leveraging local government financial sustainability such as the development of a combination of government businesses in conjunction with commercial activities undertaken through public-private initiatives to boost the overall level of revenue generation; and evaluation and undertaking the necessary corrective improvement measures such as sound financial administration and management (Mhlanga 2019:219). Therefore, this study recommends that future study to use resource dependency, agency and other corporate governance theories to examine the relationship between the audit committee, the board of directors and the internal auditors' attributes and financial sustainability by using environmental analysis, setting the financial sustainability goals and objectives, developing and applying the strategies for leveraging local government financial sustainability and evaluation and undertaking the necessary corrective improvement measures as proxies for financial sustainability.

8.9 Conclusion

The study aimed to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs to be financially sustainable with an integrated perspective of agency and resource dependency theories. To develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between the board of directors and internal auditors' attributes for MMDAs, the study stated five secondary objectives, from which five main hypotheses were formulated and tested using structural equation modelling.

The findings of the study indicate that all the internal governance variables have a direct significant relationship with financial sustainability of MMDAs. These variables include the board size, board independence, board gender diversity, internal audit independence, internal audit size, internal audit competence, audit committee meetings, audit committee independence, and the audit committee competence. Furthermore, the study found that audit committee meetings moderate the relationship between board size, internal audit independence, internal audit competence, and financial sustainability. Additionally, the audit committee competence moderates the relationship between internal audit competence and financial sustainability. However, the study did not find significant moderation effects of audit committee meetings on board independence, board gender diversity, internal audit size, internal audit competence, and financial sustainability. Similarly, the audit committee independence and competence did not significantly moderate the attributes of the board of directors and internal audit activities.

In order to enhance the internal governance mechanisms and financial sustainability in MMDAs, the study has made more recommendations and presented a proposed framework to improve financial sustainability. The study also advanced its implication to theory and practice, as well as recommendations for further studies. The study revealed that audit committees, internal auditors and board of directors' attributes can enhance the financial sustainability of MMDAs which in turn, can result in continuous service deliveries. In addition, the absence of a financial sustainability framework for MMDAs is also a major contributor to the financial unsustainability of MMDAs. Therefore, the study concludes that if MMDAs adopt and implement the internal governance and financial sustainability framework proposed in this study, the financial sustainability of MMDAs can improve. A financially sustainable MMDA will be able to render continued services to its community members.

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ANNEXURE A: UNISA ETHICAL CLEARANCE CERTIFICATE

UNISA COLLEGE OF ACCOUNTING SCIENCES RESEARCH ETHICS REVIEW COMMITTEE

UNISA university of south africa

UNISA COLLEGE OF ACCOUNTING SCIENCES RESEARCH ETHICS REVIEW COMMITTEE

Date: 6 October 2020

ERC Reference # : 2020_CAS_035
Name : JK Agyemang
Student no: 49919180

Dear Mr JK Agyemang,

Decision: Ethics Approval from 6 October 2020 to 5 October 2023

Researcher(s): Mr Joseph Kwasi Agyemang (africa197676@yahoo.com)
Supervisor(S): Dr Cameron Modisane (Modisane.cameron@gmail.com)

Working title of research: The moderating role of audit committee on the relationship between internal corporate governance and financial sustainability of Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana

Qualification: PhD

Thank you for the application for research ethics clearance by the Unisa College of Accounting Sciences Research Ethics Review Committee for the above mentioned research. Conceptual ethics approval is granted for the research proposal and is valid for the period **6 October 2020 to 5 October 2023. Should the research design involve secondary data analysis or human participation a separate application for ethics clearance needs to be submitted with information pertaining to the data collection before the fieldwork phase commences.**

*The **low risk application** was **approved** by the CAS RERC on **6 October 2020** in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.*

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.

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2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the CAS RERC.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No fieldwork activities may continue after the expiry date **(5 October 2023)**. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:

*The reference number **2020_CAS_035** should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.*

Yours sincerely,

Signature : **Prof Lourens Erasmus**

Chair of CAS RERC

E-mail: erasmlj1@unisa.ac.za
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Signature : **Prof Lungile Ntsalaze**

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ANNEXURE B: INFORMATION SHEET AND INFORMED CONSENT FORM

PARTICIPANT INFORMATION SHEET

Ethics clearance reference number: *2020_CAS_035*

PhD Title: The moderating role of the audit committee on the relationship between internal governance and financial sustainability in local government in Ghana

Dear prospective participant

My name is Joseph Kwasi Agyemang and I am doing research supervised by Professor Cameron Modisane, towards an award of PhD in Accounting Sciences at University of South Africa. I am inviting you to participate in a study entitled: *"The moderating role of the audit committee on the relationship between internal governance and financial sustainability in local government in Ghana".*

The aim of the study is to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between board of directors and internal auditors' attributes for MMDAs to be financially sustainable". This will help to provide guidelines to these MMDAs with how audit committee and internal governance mechanisms affect the financial sustainability. Being a participant is voluntary and you are under no obligation to consent to participation. You may also withdraw at any time without penalty. Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard in his office for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. Information will be shredded once the five year period has expired while password protected electronic information will be removed from the computer permanently.

The results from this study will be used solely for academic purposes and as such confidentiality and integrity of the information that you will provide on behalf of the MMDA will be assured. Anonymity of individual responses will be maintained in the study. Additionally, the study is not soliciting for sensitive information about the MMDA. The results will be included in the thesis that will be made available at the University of South Africa website and also some aspects will be disseminated in aggregate through possible conference presentations or professional and academic journal articles. Please note that the name of the MMDA will not be mentioned in the report or conference presentations. A copy of the results from the study will be provided to you at your request.

While there is no financial or other direct benefit in participating, your contribution will assist me to develop and propose a framework that incorporates how audit committee attributes can strengthen the relationship between board of directors and internal auditors' attributes for MMDAs. It will take about 10 minutes of your time to complete the questionnaire. **I would greatly appreciate your contribution!**

This study has received written approval from the Research Ethics Committee of the College of Accounting Sciences at the University of South Africa, South Africa. If you would like to see the ethics approval letter, have any questions in respect of this study or want to receive a summary of the results, please contact me:

Joseph Kwasi Agyemang
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The findings from this study will provide relevant information to the board and government to take economic decisions by helping the MMDAs to be financially sustainable. Responses to this questionnaire will also serve as a guide as to whether or not regulatory bodies should organise training or seminars for the board, internal auditors, external auditors and the audit committee members at the local government level in Ghana for the successful implementation of policies to curb fraud and other financial infractions in order to make MMDAs financially sustainable.

Thank you for taking time to read this information sheet and for participating in this study.

CONSENT TO PARTICIPATE IN THIS STUDY

- I have read and understood the study as explained in the information sheet.
- I understand that my participation is voluntary and that I am free to withdraw at any time without penalty.
- I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

I <u>understand and accept the above</u> and will participate in this study.

________________________________ ______________________________

Signature Date

NNEXURE C: SURVEY QUESTIONNAIRE

INSTRUCTIONS

1) There are **SIX (6)** sections in this questionnaire. Please answer all the questions in each section.

2) You will take about 15 to 25 minutes to complete this questionnaire.

SECTION A: This section provides the educational background and professional experience of the chairpersons of the board of directors, chief audit executives and audit committee chairpersons. Please tick **(√)** in the box that suits the statement provided.

A1. Indicate your highest level of education:

a. SSSCE/WASSCE ☐
b. Diploma ☐
c. First degree ☐
d. Postgraduate ☐
e. Professional qualification ☐

A2. How many years have you been working in the MMDA?

a. Less than 2 years ☐
b. Between 2 and 5 years ☐
c. Between 6 and 10 years ☐
d. Between 11 and 15 years ☐
e More than 16 years ☐

A3. How many years of your professional experience have you been part of governance activities for MMDAs?

a. Less than 2 years ☐

b. Between 2 and 5 years
c. Between 6 and 10 years
d. Between11 and 15 years
e. More than 16 years

SECTION B: This section provides information about the board of directors, internal auditors and audit committee attributes used in the study. You are kindly required to fill the boxes after the question.

B1 In your observation, what is the ideal size of the board of directors in your MMDA?

Board size	**Please tick (√)**
10-20 members	
21-30 members	
31-40 members	
41-50 members	
51-60 members	

B 2 In your observation, how many of the board members are independent non-executive directors?

Board independence	**Please tick (√)**
1-5 members	
6-10 members	
11-15 members	
16-20 members	
21 or more	

B3 In your observation, how many of the board members are women?

Board gender diversity	**Please tick (√)**
1-3 member	

4-6 members	
7-9 members	
10-12 members	
13 or more	

B4 In your observation, what is the size of the internal audit in your MMDA?

Internal audit size	**Please tick (√)**
1 member	
2 members	
3 members	
4 members	
5 or more	

B5 In your observation, how many times does the chief audit executive meet the audit committee in a year?

Internal audit independence	**Please tick (√)**
1 meeting in a year	
2 meetings in a year	
3 meetings in a year	
4 meetings in a year	
5 or more meetings in a year	

B6 In your observation, how many internal auditors have accounting and or auditing qualification?

Internal audit competence	**Please tick (√)**
1 member	
2 members	
3 members	
4 members	

5 or more members	

B7 In your observation, what is the ideal number of meetings audit committees hold in a year in your MMDA?

Audit committee meeting	Please tick (√)
1 meeting in a year	
2 meetings in a year	
3 meetings in a year	
4 meetings in a year	
5 or more meetings in a year	

B8 Section 87 (1) of the PFM Act 2016 requires that the audit committee of MMDAs should consist of five (5) members. How many independent non-executive directors are there on the audit committee?

Audit committee independence	Please tick (√)
I member	
2members	
3 members	
4 members	
5 or more	

B9 Section 87 (1) of the PFM Act 2016 mentions that an audit committee of MMDAs should consist of members who have accounting and or auditing qualifications nominated by the Internal Audit Agency and Institute of Chartered Accountants. Out of the five (5) statutory audit committee members, how many of them have accounting and or auditing qualification?

Audit committee competence	Please tick (√)
1 member	
2 members	
3 members	

4 members	
5 or more	

SECTION C: This section has statements about financial sustainability measurement. In order to determine the financial sustainability of MMDAs, the following ratios were calculated from the financial statements of MMDAs in the Auditor General's report from 2016-2020. The ratios are net surplus margin ratio (NSMR), net cash flow from operations to total debt ratio (NCFTDR), rates coverage ratio (RCR), rates revenue to total revenue ratio (RRTRR), and asset turnover ratio (ATR)

Financial sustainability ratios (Archival data)

Ratios	**2016**	**2017**	**2018**	**2019**	**2020**
Net surplus margin ratio (NSMR)	-3.19	-3.00	-3.81	-3.40	-3.28
Net cash flow from operations to total debt ratio (NCFTDR)	-54.54	-59.30	39.06	-24.94	27.01
Rates coverage ratio (RCR)	0.24	0.25	0.208	0.23	0.23
Rates revenue to total revenue ratio (RRTRR)	0.28	0.27	0.208	0.17	0.14
Assets Turnover Ratio (ATR)	2.82	1.83	2.56	0.49	0.56

With reference to the table above, please rate the extent to which you agree or disagree with the statements by ticking **(√)** in the box that suits the statement in the space provided.

SR No	**FINANCIAL SUSTAINABILITY MEASUREMENTS**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	Scale	1	2	3	4	5
Construct	**Financial sustainability (FS)**					
FS1 (NSMR)	From 2016-2020, MMDAs are financially unsustainable because the average net surplus margin is less than 0% due to their inability to generate enough revenue internally.					

FS2 (NCFOTTR)	From 2016-2020, MMDAs are financially unsustainable because the average net cash flows from operations to total debt is less than 1% due to their inability to generate enough revenue internally.					
FS3 (RCR)	From 2016-2020, MMDAs are financially unsustainable because the average rates coverage is less than 40% due to their inability to generate enough tax revenue internally.					
FS4 (RRTRR)	From 2016-2020, MMDAs are financially unsustainable because the average rates revenue to total revenue is less than 40% due to their inability to generate enough rates revenue internally.					
FS5 (ATR)	From 2016-2020, MMDAs are minimally sustainable because the average assets turnover ratio is less than 50% due to their inability to use available assets to generate enough revenue internally.					

SECTION D: This section has statements about board of directors' attributes: board size, board independence and board gender diversity. Please determine the effect of the board of directors' attributes on the financial sustainability, by ticking **(√)** in the box that suits the statement in the space provided.

SR No	**BOARD OF DIRECTORS' VARIABLES**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	Scale	1	2	3	4	5
Construct	**Board size (BSIZ)**					
BS1	Smaller board enhances decision making					
BS2	Large board is more expert in the provision of resources to the MMDA					

BS3	Large board brings diversified knowledge to the board					
BS4	Smaller board enhances MMDAs` operational efficiency					
BS5	Large board enhances monitoring and control function of the board					
Construct	**Board independence (BIND)**					
BI1	Non executive board members actively play their monitoring role compared to inside directors					
BI2	Non-executive board members bring with them essential (expertise, link to the market) and serve as a link with the external environment.					
BI3	Non-executive board members provide alternative viewpoints on financial sustainability issues					
BI4	Non-executive board members think autonomously from other directors on the board					
BI5	Non-executive board members are fully independent from the board chairperson, because the chairperson will not influence their re-appointment or termination					
Construct	**Board gender diversity (BGDV)**					
BGDI	Gender diversified board (women on board) improves board independence					
BGD2	Gender diversified boards(women on board) enhances the attitudes, opinions and problem solving skills of the board					
BGD3	Gender diversified board(women on board) enhances the level of diversity in the boardroom					

BGD4	Gender diversified board(women on board) enhances the quality of brainstormed ideas					
BGD5	Gender diversified board (women on board) enhances the generation of more strategic alternatives					

SECTION E: This section has statements about internal auditors' attributes: Internal audit size, internal auditor independence and internal auditor competence. You are provided with a scale of five options. Please determine the effect of the internal auditors' attributes on the financial sustainability, by ticking **(√)** in the box that suits the statement in the space provided.

SR No	**INTERNAL AUDIT VARIABLES**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	Scale	1	2	3	4	5
Construct	**Internal audit size (IASZ)**					
IAS1	The size of internal audit enhances efficient decision making.					
IAS2	The size of internal audit helps to get access to resources.					
IAS3	The size of internal audit brings diversified knowledge.					
IAS4	The size of internal audit enhances financial discipline.					
IAS5	The size of internal audit enhances monitoring .					
Construct	**Internal audit independence (IAIND)**					
IAI1	The chief audit executive has clear authority to communicate directly with audit committee without interference.					

IAI2	The chief audit executive has regular meetings with the audit committee to ensure that they are acting in the interest of the communities.					
IAI3	The internal auditor is not exposed to any threat by management when conducting the audit.					
IAI4	The audit committee resolves any dispute between the internal auditor and board of directors.					
IAI5	Internal auditors are appointed and/or removed upon the recommendation of the audit committee.					
Construct	**Internal audit competence (IACM)**					
IAC1	Internal auditor with accounting and or auditing qualification is essential for sound understanding of matters discussed relating to financial sustainability.					
IAC2	Internal auditor with accounting and or auditing qualification is essential to monitor management.					
IAC3	Internal auditor with accounting and or auditing qualification is essential for resourceful and insightful ideas.					
IAC4	Internal auditor with accounting and or auditing qualification is essential for increased objectivity and critical thinking.					
IAC5	Internal auditor with accounting and or auditing qualification is essential to understand financial statement.					

SECTION F: This section has statements about audit committee attributes: audit committee meetings, audit committee independence and audit committee competence. You are provided with a scale of five options. Please determine the effect of the audit committee attributes on the financial sustainability, by ticking **(√)** in the box that suits the statement in the space provided.

SR No	**AUDIT COMMITTEE VARIABLES**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	Scale	1	2	3	4	5
Construct	**Audit committee meetings (ACMM)**					
ACM1	Regular audit committee meetings strengthen internal control systems.					
ACM2	Regular audit committee meetings help to oversee compliance with legal and regulatory requirements.					
ACM3	Regular audit committee meetings help to resolve conflict between the board of directors and internal auditors.					
ACM4	Regular audit committee meetings strengthen internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence).					
ACM5	Regular audit committee meetings strengthen the board of directors' attributes (board size, board independence and board gender diversity).					
Construct	**Audit committee independence (ACIND)**					
ACI1	Independent non-executive member on audit committee has no business or family relationship with the MMDA.					
ACI2	The audit committee is chaired by an independent non-executive director for mitigating financial risks of the MMDA.					
ACI3	Independent non-executive member on audit committee is not an employee of the current MMDA or another MMDA					

ACI4	Audit committee independence strengthens internal auditors attributes (internal auditor independence, internal auditor size and internal auditor competence).					
ACI5	Audit committee independence strengthens the board of directors attributes (board size, board independence and board gender diversity).					
Construct	**Audit committee competence (ACCM)**					
ACC1	An audit committee member with accounting and or auditing qualification is essential for sound understanding of matters discussed relating to financial sustainability.					
ACC2	An audit committee member with accounting and or auditing qualification is essential to monitor management.					
ACC3	An audit committee member with accounting and or auditing qualification is essential for resourceful and insightful ideas.					
ACC4	Audit committee competence strengthens internal auditors' attributes (internal auditor independence, internal auditor size and internal auditor competence).					
ACC5	Audit committee competence strengthens the board of directors' attributes (board size, board independence and board gender diversity).					

THANK YOU

ANNEXURE D: SUMMARY FINANCIAL SUSTAINABILITY WORKSHEET

Summary Financial Sustainability Worksheet

Items	**2016 USD**	**2017 USD**	**2018 USD**	**2019 USD**	**2020 USD**
Total IGF	53472159.11	52488975.98	46482943.18	51171200.79	53083856.26
Total expenses	224277140.79	210055477.25	223663555.98	225278661.15	227407535.86
Total income	193179771.14	191583281.12	223053846.05	298136294.37	380698515.82
Total assets	18944846.45	28685201.42	18148630.72	103927904.43	95086525.25
Total Debt	3131647.38	2656979.78	4536594.83	6982546.74	6454041.79

NB: One Ghana cedi (GHC1.00) was equivalent to USD 0.176 as of 21 August 2020. The study applied GHC1.00 equivalent to USD 0.176 from 2016 to 2020 as a unit of measurement.

ANNEXURE E: EDITORIAL LETTER

SUNYANI TECHNICAL UNIVERSITY
FACULTY OF BUSINESS AND MANAGEMENT STUDIES
COMMUNICATION STUDIES DEPARTMENT

Our Reference: STU/CS//23/09/001 **Your Reference**…………………………
Date: August 09, 2023

TO WHOM IT MAY CONCERN

THESIS EDITORIAL REVIEW – JOSEPH KWASI AGYEMANG

I write to confirm that the PhD thesis of Joseph Kwasi Agyemang (with student ID: 49919180) was subjected to editorial review process. He pursued his PhD Studies in the Department of Auditing, College of Accounting Science, University of South Africa. His thesis topic is entitled *The Moderating Role of the Audit Committee on the Relationship between Internal Governance and Financial Sustainability in Local Government in Ghana.*

As part of the review process, I proofread the manuscript for grammatical, spelling, punctuation, tense, and structural errors. However, the review did not affect the content of the manuscript. I also wish to state unequivocally that the review process did not establish the similarity index of his thesis.

Any assistance accorded him would be appreciated.

Thank you.

Prof Edward Owusu (PhD)
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