AN EMPIRICAL ANALYSIS FOR MEASURES OF FINANCIAL ACCOUNTABILITY IN TANZANIAN LOCAL GOVERNMENT AUTHORITIES

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Abstract

Following the crucial roles played by the Local Government Authorities in ensuring citizens' social well-being, the current study intends to identify the key measures of financial accountability as a pillar of a sound public expenditure management system. A sound public expenditure management system needs to consider key attributes of financial accountability to overcome misuse of public resources. To achieve this objective, the researcher collected primary data using structured questionnaires from selected twenty-eight local governments, comprising all types of councils, viz., city councils, municipal councils, town councils and district councils. Key respondents were council directors/heads of departments, accountants, internal auditors, planning officers, procurement officers and ward councillors. Using SPSS, the multinomial logistic regression model revealed that financial reporting, auditing, internal control mechanisms and participatory budgeting were the key measures of financial accountability. Moreover, the findings revealed that financial reporting and participatory budgeting significantly contributed positively to local governments' improvement of financial accountability. To improve local government operations, local government officials were recommended to focus on the identified measures to ensure that provision of public social services is efficient and effective. This mechanism is significant in controlling mismanagement of financial resources, corruption and other misappropriations of public funds.

Keywords: *Accountability, Financial Accountability, Local Governments, Social Services*

1.0 Introduction

The complex operations of local governments attract strong mechanisms of financial management and accountability in particular. Financial accountability has twofold roles; to control the proper use of public financial resources and ensure the provision of high-quality social services in local governments through accentuating supply and demand accountability. Financial accountability is mainly concerned with all individuals entrusted with financial resources for generating results measured in accounting terms (Muttaqin & Mulyasari, 2018). It focuses on efficient and effective use of financial resources to enable local governments to achieve their objectives of servicing the local community. Also, (Ng'eni, 2016) asserts that financial accountability can be discussed by considering internal and external forces. Internal forces are originated from general rules, regulations, and policies, which are mainly imposed to mould the behaviour of local government officials. In contrast, external forces align with the demand for accountability, resulting in demands for operational transparency and quality provision of public goods by the local community, NGOs and CBOs.

About twenty per cent of the recurrent national expenditure is allocated in local governments to ensure smooth service delivery and stimulate social, and economic development (Ng'eni & Chalam, 2016). The main rationale is that local governments are important centres for supporting public social well-being and are very close to the local community. This implies that local governments need financial solid management mechanisms to ensure smooth social service delivery. Service delivery refers to services provided to the general public or to specifically targeted groups of citizens, either fully or partially using government resources (Arinaitwe et al., 2021). This includes education, health care, community support, road construction and water and sanitation. Recently, there is no clear measure of financial accountability as a key player in financial management; this implies that financial accountability is assessed by using several variables of financial governance as key instruments of financial accountability.

Some authors have tried to assess public financial accountability as far as financial discipline and control is concerned by considering various measures which, in one way or another, contribute to financial management's success. For example, in assessing financial accountability and public expenditure, (Lane, 2008) considered various financial control instruments such as completeness and transparency, budget framework and practices, accounting records and reporting, and external audit. The idea of establishing financial accountability is to ensure the provision of public social services and the quality of social services at local governments and the public sector. The complex operations of the local government and its relevance in service delivery attract strong financial control. Therefore, the financial accountability framework should ensure that social services meet the quality required and the value of the resources used to produce that service. Also, (Mohamed & Sheikh-Ali, 2014) employed four dimensions to assess the financial accountability of Somalia's Federal government organisations. Such dimensions employed were internal control, budgeting, financial reporting, and financial audit and oversight.

Thus, one can consider no standard measures of financial accountability as generally accepted measures; however, all measures are linked with financial control and management mechanisms. Given that financial accountability is very important in the general operations of the local government on the aspect of answerability on the proper use of public financial resources, the current study tries to identify the key measures of financial accountability in local governments. Identifying the measures of financial accountability will enable local governments to focus on improving accountability mechanisms and frameworks for safeguarding public resources. Thus, this study is very important for the successful operations of the local governments and will help them to control the mismanagement of financial resources. Furthermore, given the structure of most governments in servicing their citizens through local governments, this study is equally important for developing and developed countries to improve social well-being and economic and social welfare.

2.0 Review of Literature

2.1 Financial Management and Accountability in Public Sector

The public sector and local governments, in particular, are faced with the challenges of weak accountability and mismanagement of financial resources, which lead to the inefficiency of the provision of social services (Basri & Nabiha, 2014). The provision of high-quality social services depends on the availability of financial resources and how financial discipline is imposed to ensure efficiency and effective use of financial resources. Strong financial management systems are very efficient instruments for averting, discovering and facilitating the punishment for misusing public resources and corruption (Langlois et al., 1998). This mechanism is essential because funds of the sub-national governments are managed by the key officers of respective councils (Ojo, 2003). In local officials' financial and decision power, financial management must institute a strong accountability mechanism to observe all stipulated financial rules and regulations. Thus, for the local governments to work efficiently and effectively in providing social services, there should be proper financial accountability for all available financial resources (Asuquo et al., 2014).

In the public sector, financial management is mainly concerned with efficiency and effective use of financial resources and other financial controlling related matters (Ojo, 2003). To achieve the intended objectives of providing public social services as a critical constitutional responsibility, local governments need effective financial accountability to block all loopholes that may lead to substantial leakage of financial resources and control corruption. The significance of financial accountability is aligned with ensuring the proper use of financial resources (Brinkerhoff, 2004). In public service delivery, financial accountability ensures the appropriate use of financial resources to enable local governments to provide goods, services and benefits to the citizens. The accountability process contains two key features, which are very important in the operations of local governments; answerability as one of the key features refers to the obligation of the government, its agencies and public officials to justify decisions they make and the resulting actions (Brinkerhoff, 2004). Then accountability enforces all parties entrusted with public resources to justify the enforcement agency for oversight. Also, enforcement as the second feature of accountability, suggests that public or oversight institutions have a mandate to punish all those involved in the mismanagement of resources, and all those, in one way or another, who participate in abusing public office.

Financial accountability helps to uphold the needs of the public sector and local government in particular to serve the local community under the financial rules and regulations. It enforces local government officials to be liable for spending public financial resources by observing legal frameworks and regulations and being held accountable for their financial decisions (Fatemi & Behmanesh, 2012). The mechanics of financial accountability ensure that all those entrusted with public financial resources are responsible for spending those funds properly and being held accountable (Barrett, 2004). According to (Bovens & Hill, 2005), accountability means agreeing to be responsible. Therefore, accountability has local officials more responsible for the needs of citizens by adhering to the approved budgets and other financial regulations for the prosperity of the citizens.

The mechanism of public accountability ensures that actions resulting from decisions made by public officials are subject to oversight by an independent party. This is done to guarantee that government initiatives meet their stated objectives and, in due course, benefit the body of the community, which is the objective of all government functions and responsibilities (Rabrenović, 2009). Furthermore, the efficiency and effective use of public financial resources is a cornerstone for providing high-quality social services. This implies that financial accountability is the key agent for the high-quality provision of public social services in local governments.

2.2 Measures of Financial Accountability in the Public Sector

Accountability is a core concept in the public sector financial management for assessing accounting stewardship. In financial reporting, accountability originated from the word accounting which entails recording, analysing, verifying and reporting financial transactions to the users of the financial information (Nnenna, 2012). The concept of accountability is crucial in the whole process of public financial management. This concept is rooted in the key framework of safeguarding public resources and enforcing proper utilisation of public funds. One of the key ideas of accountability is to hold public officials accountable for the public funds entrusted to them and their fiscal decisions. The mechanism of social accountability can be examined from local citizens' point of view or other stakeholders of the local government authorities (Ackerman, 2005). Social accountability improves governance and operational efficiency through better service delivery. The fruitfulness of public accountability is the responsiveness to the use of public resources and the improvement of the whole mechanisms of public financial management.

In assessing the financial accountability of the Somali Federal Government Organizations, (Mohamed & Sheikh-Ali, 2014) employed various factors from four key areas of financial accountability. The four key areas proposed by (Mohamed & Sheikh-Ali, 2014) were financial internal control mechanism, budgeting framework and practices, financial reporting and external audit and oversight. The author used these four variables to assess financial accountability and finally found an improvement in public sector financial accountability due to strengthened public financial management. Also, in determining a country's public expenditure, procurement, and financial accountability (PEFA), (Lane, 2008) employed four variables: comprehensiveness and transparency, budget framework and practices, accounting records and reporting and external scrutiny and audit. The PEFA report further pointed out that public expenditure, procurement and financial accountability are fundamental aspects of public financial management that can lead to economic development and poverty eradication.

The main instruments for assessing financial accountability public sector are government budgets, periodic data published on public finances, annual accounts and investigative and other general reports prepared by independent agencies (Premchand, 1999). Furthermore, fiscal transparency and the code of good practices on fiscal transparency (IMF), Section 166 (IMF, 2007) points that *"financial accountability of individual agencies involves evaluation of financial records and the expression of opinions on financial statements; attestation of the financial accountability of the government as a whole; and audit of financial systems and transactions, and internal control and audit functions including an evaluation of compliance with regulations and statutes."*

Likewise, (Brinkerhoff, 2004) points out that financial accountability is discharged by using auditing, budgeting and accounting (financial reporting). In addition, (World Bank, 2001) also assessed the effectiveness of public financial accountability in ten East Asian Countries. World Bank employed nine elements of a sound public financial accountability system in the assessment. These elements of financial accountability from table 1 can be grouped into four groups: budgeting framework, financial reporting issues, external auditing and procurement and internal control system.

Financial accountability is multidimensional and is measured by considering several financial control variables. Some financial accountability measures include financial reporting, internal control mechanism, external audit and assessment of other aspects of financial accountability such as budgeting and external influence from NGOs. (Schaeffer & Yilmaz, 2008) opines that the financial accountability of local government is improved by integrating approaches that encompass supply side accountability and demand side accountability. On the supply-side, financial accountability is enhanced by strong local capacity for budgeting, financial management and standard controls on intergovernmental transfers. On the demand side, financial accountability is improved by operational, participatory budgeting and monitoring budget execution transparency.

Table-1: Nine Elements of a sound Public Financial Accountability System

S/N	Element used to assess Public Financial Accountability
1	Quality and openness of the budget process
2	Appropriateness of internal financial and performance management system
3	Adequacy of public procurement regime
4	Adequacy of the public sector accounts and management information
5	Adequacy of corporate accounting, auditing and governance
6	Effectiveness of the public external audit and evaluation function
7	Adequacy of legislative scrutiny
8	Right and access of the public to information
9	Monitoring capacity of NGOs

Source: World Bank (2001, p54)

Consequently, the key noted measures of public financial accountability as provided in table-1 could be summarised as follows, budgeting framework and practices, public financial reporting, mechanism of internal financial controls, public external audit and monitoring role of NGOs. All these variables contribute to the accomplishment of public financial management and financial accountability in particular. However, an internal control mechanism is the most crucial variable of public financial management. Therefore, internal control mechanism, which includes internal auditing, is fundamental in ensuring the sustainability of public financial management. Also, (Adepeju, 2013) asserts that internal control is a vital instrument of financial accountability.

An internal control system is significant in controlling misuse of public financial resources by promoting accountability mechanisms (Muskanan, 2014). The internal control system is important not only in the private sector but also in the public sector, and it is most important in local governments due to decentralised finances. Strong internal control mechanisms help local governments control the wastage of public funds and channel the same to the provision of public services. As a key component of financial management, internal control system helps local governments to achieve their objectives of serving the citizens. Another important aspect of financial accountability is financial reporting. Financial reporting conveys information about the process of accountability in which the general public is informed about economic events that occurred in the local governments (Mohamad et al., 2012). It helps to assess the general performance and operations of the local government authorities by pointing out key areas of improvement and other areas which require more attention.

2.3 Legal framework of LGAs' Financial Management System in Tanzania

Financial management is sensitive in both the private and public sectors. However, financial management is seemed to be very significant in the operations of the public sector and local government in particular due to the nature of operations. Also, the notional idea surrounding the ownership of the public financial resources necessitates strong mechanisms of financial management compared to the private sector. Therefore, some rules and regulations control public financial resources. These regulations aim to ensure that Tanzanian Local Governments operate effectively and efficiently to achieve the intended objective of providing social services. The principal Act governing the financial operations of all local authorities in Tanzania is the Local Government Finance Act No. 9 of 1982. The Act intends "*to make provision of revenues and the management of funds and resources of local government authorities, and for other matters connected to or incidental to securing the proper collection and sound management of finances in the local government system.*" Section 40 (1) of the Local Government Finance Act of 1982 requires Local Government Authorities to keep and maintain proper books of accounts to record the receipts and expenditure of monies and the assets and liabilities of the Local Government Authority.

Other regulations and guidelines which the LGAs use as a part of financial management are the Local Authority Financial Memorandum (1997) and the Local Authority Accounting Manual (LAAM). To strengthen local government financial management systems, the above Section has also been amplified by the Orders 11 through 14 of the Local Government Financial Management (LGFM) 2009, which requires LGAs to establish and support a sound internal control system as a part of financial management within the LGA. In addition, Order 31 requires LGAs management to prepare financial statements in accordance with the laws, regulations, and directives issued by the Minister responsible for Local Governments, the LGFM, and the International Public Sector Accounting Standards (IPSASs) accrual basis of accounting. Apart from the responsibilities for preparing the financial statements, Sect.49 of the Local Government Finance Act No. 9 of 1982 (revised 2000) and Order 31 (9) of the LGFM, 2009 requires every LGA to publish the audited financial statements within their areas of jurisdiction.

In Tanzania, local government financial control and accountability involve three key parties: local government officials, the local authority accounts committee (parliamentary committee), and the supreme audit institutions of Tanzania headed by the Controller and Auditor General (CAG). Each player is key in ensuring proper financial resource use, no mismanagement, and controlling corruption. The local government officials have to enforce supply accountability. In addition, the supreme audit institutions of Tanzania are responsible for ensuring proper authorisation and use of public resources and adherence to rules and regulations. Lastly, the Local Authority Accounts Committee (LAAC) is responsible for making follow-up on issues raised by the CAG in the course of audit of local governments. The external auditor for all Tanzanian local government authorities is the Controller and Auditor General (CAG). All these parties have a significant role in ensuring local governments' efficient and effective financial management. According to the LGFC 1982, CAG is the external auditor of local governments.

On the side of local government officials, order 31(1) of LGFM, 2009 and Sect 45(4) of the Local Government Finances Act 1982 require the Accounting Officer (council director) to prepare the final accounts and submit them to the Controller and Auditor General (CAG) for auditing purposes on or before 30th September of each financial year. Also, to enhance transparency and accountability in Local Government Authorities, Sect. 49 of the Local Government Finance Act No. 9 of 1982 (revised 2000) and as amplified by Order 31 (9) of the LGFM, 2009, requires that every LGA shall, at its own offices and in such other manner as may be directed by the Regional Commissioner, publish within its area of jurisdiction key accountability instruments. Such instruments are the audited consolidated statement of financial position (balance sheet) and statement of financial performance (income and expenditure). In addition, there is an abstract of accounts and any report on the accounts made and signed by the auditor within six months after the financial year to which the accounts relate or within six months of receipt of the auditor's report.

The role of the Local Authority Accounts Committee (LAAC) on the parliamentary side as an oversight body for local government operations is also considered in relation to financial accountability. Specifically, the financial governance role of the committee to ensure effective and efficient financial management in local governments is considered. The main idea of considering the key roles of LAAC is to understand the role of other machinery that contributes to the performance of local governments by strengthening financial management and accountability in particular. It is believed that LAAC has a significant role in the proper use of public funds in local governments by providing directives for the issues noted in the CAG general audit report. The parliamentary standing order of Tanzania (2016) gives the LAAC (parliamentary committee) mandate to track and scrutinise public expenditure in the local government authorities. In addition, this committee has the power and mandate to give directives on improving internal revenue mobilisation and expenditure to ensure quality service delivery.

2.4 Review of Related Empirical Studies

Following the contemporary development in public sector financial management and local governance, (Waidi, 2012) aimed to assess the impact of financial accountability and transparency on financial reporting. The main focus of this study was to evaluate the relevance of financial accountability and transparency in the economic reforms of government. The study adopted a descriptive research method; however, data were collected from secondary sources. The study's general findings revealed a considerable association between financial accountability and transparency in financial reporting. Also, the study encourages reporting compliance with International Financial Reporting Standards (IFRS).

Also, (Mohamed & Sheikh-Ali, 2014) assessed the financial accountability of the Somali federal government organisations. The paper's central focus was to examine financial accountability's roles in ensuring public social service provision. Financial accountability is a mechanism that emphasises the proper use of public funds. The paper adopted the survey research method, enabling primary data collection using questionnaires. In this study, the key dimensions of financial accountability were internal control, budgeting, financial reporting, and financial audit and oversight. The descriptive analysis showed improved financial accountability in the Federal Governments of Somalia. Also, the paper urges improving internal controls and financial reporting systems to enhance financial accountability.

Performance auditing focuses on achieving value for money by ensuring efficiency and effectiveness in utilising public resources. In this aspect, (Odia, 2014) conducted a study on Nigeria's performance auditing and public sector accountability. The main focus of the study was to assess the roles played by Supreme Audit Institutions (SAIs) in securing public sector accountability following citizens' outcry on the proper use of public resources. The paper concluded by emphasising the notable roles played by Supreme Audit Institution through performance auditing in promoting public accountability. Performance auditing through value for money is very crucial in the whole mechanism of financial accountability to ensure efficient use of public funds, particularly in sub-national governments

One of the key aspects of the decentralisation is fiscal transparency and accountability in governance. Fiscal transparency insists on participation in the planning and budgeting process in the public sector financial management. Thus, (Kwanbo, 2010), in his paper on fiscal transparency and accountability, examined the roles played by local government audits in achieving fiscal transparency and accountability in governance. The study collected data from local governments and ministries in Kaduna state and managed to analyse data by using T-tests paired sample. The study concluded by confirming the association between local government internal audit and fiscal transparency and accountability, even though the level of relationship is not very strong. The study has emphasised the significant roles internal audit plays in enhancing financial transparency and accountability in public sector financial management.

Moreover, accountability is rooted in safeguarding public resources and properly utilising public funds. Decentralisation cannot achieve intended objectives unless strong accountability mechanisms are in place. In addressing key attributes of accountability, (Kluvers & Tippett, 2010) analysed the mechanism of accountability in sub-national governments using the exploratory study method. The study employed data collected from seventy-eight Victorian municipalities (Australia) to assess the accountability mechanism. Using factor analysis, the study revealed that councillors and local government managers are imperative elements of accountability. The authors suggest new research to focus on personal values' contribution to the operation of accountability. The operation of accountability can be enhanced or impeded by individual values.

In summary, all empirical studies reviewed signify the significance of financial accountability in the public sector, particularly in the operations of local governments. Furthermore, financial accountability assessment in the public sector corroborates that financial accountability is measured using various financial variables. This confirms that financial accountability is multidimensional, necessitating this study to identify those measures. Thus, this study intends to identify key measures and suggest ways of improving financial accountability to ensure proper public resource utilisation. Proper utilisation of public resources is a major concern at all levels of the government, including local government authorities.

3.1 Methodology

According to (Mugenda & Mugenda, 2003), as acknowledged by (Njaramba & Ngugi, 2014) and (Peter, 2013), the appropriate sample size can allow data analysis, including hypothesis testing, is ten per cent of the total population. Therefore, the study formed a sample size of twenty per cent of the total population calculated from the actual number of each local government stratum. This sample ensured meticulous data analysis and faithful representation of the population. Simple random sampling was employed to establish a sample of twenty-eight local governments from the strata established. The study sample comprised of twenty-three district councils, two town councils, two municipal councils and one city council (refer Table-2). A total of five hundred questionnaires were distributed to key respondents from local governments: accountants, internal auditors, planning officers, procurement officers, council directors, and ward councillors. From the questionnaires distributed, a total of three hundred and eighty-nine completely filled questionnaires were received and subjected to meticulous analysis.

Table-2: Sample Size established from the Target Population

Stratum/LGA	Actual Number	Ratio	Sample established
District Council	117	(117/140) * 28	23
Town Council	8	(8/140) * 28	2
Municipal Council	10	(10/140) * 28	2
City Council	5	(5/140) * 28	1
Total	140[1]		28

Also, the study employed a multinomial logistic regression model to establish the significance of the components of financial accountability and the key measures of financial accountability. The development of the multinomial logistic regression model was meant to enable analysis of categorical

[1]Total number of Local Government Authorities reported by CAG general report on local governments 2012/2013 financial year. Twenty percent of the total local governments is 28 (140*0.2)

data that do not obey conditions and regression analysis assumptions (Bayaga, 2010). This model is used when the dependent factor has more than two categorical values. The multinomial logistic regression model projects the relationship between a set of predictors and a multicategory nominal outcome. Generally, the multinomial logistic regression model assumes no effect of multicollinearity among independent variables.

3.2 Hypotheses development

Financial accountability considers the strength of controlling frameworks to ensure the proper utilisation of public funds. Mismanagement of public funds is the major concern at all levels of the government. Thus, strong financial accountability mechanisms are needed to improve supply accountability and proper management of public monies. Identifying the key attributes of the financial accountability will enable local government authorities to focus on safeguarding public resources. This study the analysis of the study was guided by the four hypotheses developed from the general mechanism of financial control frameworks.

HO1: Financial Reporting (FR) does not affect financial accountability

HO2: External Auditing (EA) has no effect on financial accountability

HO3: Participatory Budgeting (PB) has no effect on financial accountability

HO4: Internal Control System (ICS) has no effect on financial accountability

4.0 Findings of the Study

As previously discussed, the measures of financial accountability, in this part, the significance of each measure will be assessed using multinomial logistic regression. The multinomial logistic regression model is employed because the dependent variable has more than two categorical values. In this analysis, we start analysing factors affecting financial accountability (FA) by examining the multicollinearity of the independent factors. An assessment for multicollinearity is normally done when there is more than one independent variable. Then, all financial accountability measures are examined to identify how these variables are interrelated. Finally, the matrix correlation through Pearson correlation is developed to ascertain the strength of the relationship among the independent variables of financial accountability.

Table-3: Diagnostic for Multicollinearity by using Correlation matrix

	FR	EA	PB	ICS

FR	Pearson Correlation	1	.268**	.330**	.255**
	Sig. (2-tailed)		0	0	0
	N	389	389	389	389
EA	Pearson Correlation	.268**	1	.217**	.204**
	Sig. (2-tailed)	0		0	0
	N	389	389	389	389
PB	Pearson Correlation	.330**	.217**	1	.332**
	Sig. (2-tailed)	0	0		0
	N	389	389	389	389
ICS	Pearson Correlation	.255**	.204**	.332**	1
	Sig. (2-tailed)	0	0	0	
	N	389	389	389	389

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

Multicollinearity has a significant negative effect on the multinomial logistic regression. It occurs when the independent factors correlate, affecting the dependent factor's predicting capacity. Therefore, for multinomial logistic regression, independent factors must be independent to predict the dependent factors accurately. One of the methods used to make a diagnosis for multicollinearity is the correlation matrix. The correlation matrix is used to assess the correlation among independent factors. The general rule for correlation matrix is that the lower the correlation the lower the effect of multicollinearity, the higher the correlation the higher the effect of multicollinearity. This implies that independent variables need to be independent. However, when they appear to have a relationship, such association must be weak or low to reduce the negative effect on making a prediction.

Table-3 indicates the diagnostic analysis of multicollinearity for independent variables. The analysis shows that the highest Pearson correlation (r) among independent factors is 0.332 (33.2%) between internal control system (ICS) and participatory budgeting (PB), and the lowest Pearson correlation (r) is 0.204 (20.4%) between external audit (EA) and internal control system (ICS). Thus, the overall analysis indicates that the Pearson correlation amongst independent factors ranges from 0.204 (20.4%) to 0.332 (33.2%), which is not strong enough. Although all Pearson correlations are significant at 0.01 (level of significance), they do not appear strong enough to pose a problem in this analysis. Pearson Correlation analysis suggests that the correlation of 0.8 (80%) and above among independent variables has a serious negative impact on establishing the relationship between dependent and independent variables. Therefore, this analysis corroborates that independent variable have weak multicollinearity and hence cannot harm this analysis of searching statistical relationships for measures of financial accountability.

Also, in multinomial logistic regression analysis, we need to confirm whether primary data fits the model to enable an analysis of independent factors to take place. This analysis is confirmed by comparing the chi-square table's probability with the significance level (0.05). The model fit of the multinomial logistic analysis allows for testing the significance of independent factors and further assessing the impact of independent factors on dependent factors.

Table-4: Model Fitting Information

	Model Fitting Criteria	Likelihood Ratio Tests		
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept only	236.013			
Final	173.364	62.648	8	.000

The model fitting information is the prerequisite before conducting multinomial logistic regression analysis. Table-4 presents whether the independent and dependent factor data fit multinomial logistic regression analysis. The chi-square (62.648) analysis shows that the probability value is less than the level of significance (p 0.000 < 0.05). This confirms the rejection of the proposition (H0) that primary data do not fit the model and accept the proposition (H1) that primary data employed fits the model. Confirming the model fit allows the researcher to assess the significance of the independent factors in explaining the dependent factor.

Table-5: Likelihood Ratio Tests

	Model Fitting Criteria	Likelihood Ratio Tests		
Effect	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	202.422	29.057	2	.000
FR	193.866	20.502	2	.000
EA	179.516	6.152	2	.046

PB	181.112	7.747	2	.021
ICS	179.808	6.443	2	.040

The chi-square statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.

The likelihood ratio test assesses the overall association between independent and dependent variables. Table-5 above presents the significance of the independent factors in explaining the dependent factors. Analysed explanatory factors are financial reporting (FR), external auditing (EA), participatory budgeting (PB), and internal control system (ICS). The analysis shows that all variables are significant in explaining changes in financial accountability; hence, we reject the null hypothesis that all variables have zero effect. All probability values from chi-square are less than the level of significance (0.05), which leads to the acceptance of the alternative hypothesis that all variables significantly affect the changes in financial accountability. In particular, financial reporting as an independent factor significantly influences explaining the dependent factor (0.000 < 0.05). There is also a significant association between external auditing (dependent factor) and dependent factor financial accountability (0.046 < 0.05). Likewise, participatory budgeting as an independent factor significantly influences distinguishing categories of the dependent factor (0.021 < 0.05). Also, the independent factor (internal control system) has a significant impact in explaining categories of independent factors (0.040 < 0.05).

The independent factors, financial reporting, external auditing, participatory budgeting, and internal control system were all significant in distinguishing between excellent and satisfactory levels of financial accountability. This analysis corroborates that these independent factors strongly influence the success or failure of financial accountability in local governments. To enable efficient functioning of financial accountability, local government management is required to maintain the proper functioning of these independent variables. There must be a friendly financial reporting environment, strong follow-up on audit recommendations, encouraging participatory planning and budgeting, and a strong internal control mechanism. There also must be participatory planning and budgeting to ensure that fiscal decentralisation is beneficial and meets the tastes and choices of the local community. This system helps to ensure the sustainability of the local development projects and helps to secure accountability for those entrusted with public resources.

Table-6: Parameter Estimates

Financial Accountability [a]		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B) Lower Bound	Upper Bound
Excellent	Intercept	1.8	0.923	3.801	1	0.051			
	FR	-0.014	0.429	0.001	1	0.974	0.986	0.426	2.285
	EA	-0.98	0.423	5.379	1	**0.020**	0.375	0.164	0.859
	PB	-0.33	0.457	0.520	1	0.471	0.719	0.293	1.762
	ICS	-1.039	0.421	6.101	1	**0.014**	0.354	0.155	0.807
Satisfactory	Intercept	-2.461	0.59	17.404	1	**0.000**			
	FR	1.022	0.241	18.003	1	**0.000**	2.779	1.733	4.455
	EA	0.004	0.202	0.000	1	0.986	1.004	0.676	1.49
	PB	0.474	0.194	5.949	1	**0.015**	1.607	1.098	2.353
	ICS	-0.124	0.224	0.308	1	0.579	0.883	0.57	1.37

a. The reference category is: Good.

Table-5 assesses the impact of the independent variables on the excellent and satisfactory level of financial accountability as the dependent variable. The impact of these variables on the two levels of financial accountability in local governments is examined. However, the main focus is on the satisfactory financial accountability level. On the operational level, a satisfactory financial accountability mechanism is needed to ensure the proper use of public resources. A satisfactory level of financial accountability is the prerequisite for properly functioning public financial management, leading to higher financial control. This analysis confirmed significant variables by the probability value less than the significance level (0.05).

As far as Table-6 is concerned, financial reporting (p $0.000 < 0.05$) and participatory budgeting (p $0.015 < 0.05$) are significant in contributing to the success of a satisfactory level of financial accountability. This analysis enables us to reject the null hypothesis and accept the alternative hypothesis concerning the significance of these two variables. It is noted further that the improvement of financial reporting improves the satisfactory level of financial accountability about three times from the present level. Similarly, the improvement in participatory budgeting leads to the improvement, about two times, of the satisfactory level of financial accountability. Also, a significant negative intercept in this analysis implies that a lack of proper financial reporting and participatory budgeting leads to a satisfactory level of financial accountability decline by 2.461. It is confirmed that financial reporting and participatory budgeting are very significant determinants of a satisfactory level of financial accountability; however, the relevance of other factors such as internal control and external auditing is indisputable.

5.0 Conclusion and Policy Implication

The study's main objective was to identify the key financial accountability measures by considering financial governance at the LGAs. The study was conducted by adopting a multinomial logistic regression model. Using the model mentioned earlier, the study came up with four key measures of financial accountability; financial reporting, external auditing, internal control system, and participatory budgeting. Also, the study revealed that financial reporting and participatory budgeting have a significant positive contribution to the enhancement of financial accountability. To improve performance in providing public social services, local government management, and other key stakeholders must ensure strong and effective financial accountability. Effective financial accountability can be assured by focusing on the four key identified measures of financial accountability.

In particular, local governments are responsible for ensuring quality financial reporting, improving the external auditing environment, and responding to all audit recommendations. Also, responsible management is required to ensure strong and effective internal control to enforce financial discipline and encourage participatory budgeting to attract demand accountability from the local community. Financial control must force local governments to focus on the local community's priorities as identified in the budget. Thus, besides ensuring value for money in development projects, financial accountability also significantly contributes to the local governments' general operational efficiency. It enables cost and outputs maximisations, and helps local government achieve intended objectives to maintain an equitable and prosperous local community. Linking financial accountability with value for money ensures best public resources are managed and spent.

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