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Research Article

Internal Controls and Financial Reporting Accuracy in Hotels: The Role of Management Commitment and Employee Training

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ABSTRACT

This study examines the mediating role of management commitment and employee training in the relationship between internal control systems and financial reporting accuracy in the Ghanaian hotel sector. The study uses an exploratory quantitative research design and structured questionnaires to capture data from 402 employees in the hotels in the Sekondi-Takoradi area. Based on the PLS-SEM analysis, the study found a positive relationship between internal control systems and the accuracy of financial reporting, where management commitment acts as a mediator. However, employee training was found not to be a significant mediating factor in the relationship. These results show the necessity of top management's engagement in developing and sustaining effective internal control systems for enhancing financial reporting and reliability in the hospitality sector. The study presents practical implications for policy and practice, where hotel managers are encouraged to pay attention to internal controls and management's commitment to improve their employees' training to correct reporting of financial statements. Several practical implications are outlined for the hotel managers as well as the regulatory bodies, especially the provision of increased management, training, and compliance checks to enhance internal control mechanisms. This research advances the understanding of corporate governance in hotels and the context of developing countries. Future research should explore the role of digital accounting systems and AI-driven financial controls in improving financial reporting accuracy.

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Introduction

Motivated by the idea that strong internal controls result in better company performance, companies have significantly invested in improving the quality of their internal control systems for over a decade. The quality of internal controls is increasingly seen as integral to ensuring financial reporting accuracy, compelling organisations to focus on designing and implementing effective control mechanisms (Matriano & Muscat, 2022; Schrank, 2021). Ratliff (2022) indicates that the primary objectives of internal controls are to maintain dependable systems, ensure the timely preparation of correct information, secure assets, optimise resource use, and prevent and detect mistakes and fraud. The reliability of financial reporting is closely tied to the effectiveness of these internal controls, ensuring that transactions are appropriately authorised, valid, accurately recorded, complete, and timely (Cohen et al., 2020; Kesse & Ardiansyah, 2023). Moreover, fair and comprehensive disclosure of accounting information is essential for upholding the integrity of financial reports (Karasioğlu et al., 2021). Internal controls are also important for preventing and detecting errors and fraud, thereby safeguarding the integrity of financial data and organisational operations. Effective internal control systems are important for organisations to manage financial management risks, including financial misstatement, asset misappropriation, and regulatory non-compliance (Masanja, 2024). According to Mveku et al. (2021), the importance of internal controls has been magnified globally due to economic globalisation and rapid technological advancements. As businesses expand and operate across borders, they face increasing complexity in their operations and financial reporting processes. This complexity heightens the risk of inaccuracies in financial reporting, making robust internal controls more vital than ever (Masanja, 2024). Furthermore, while offering new opportunities for efficiency and innovation, technological advancements also introduce new risks, such as cyber threats and data breaches, necessitating stronger internal controls to protect sensitive financial information (Roszkowska, 2021).

In Ghana's hospitality industry, internal control systems are important for protecting assets, preventing fraud, and ensuring the accuracy of financial reporting. These controls help prevent revenue leakage and fraudulent activities, contributing to the efficient use of resources and enhancing the financial performance of hotels (Danso, 2023). Robust internal control systems guarantee adherence to legal and regulatory directives, including tax legislation, labour rules, and health and safety standards, thereby protecting the reputation and credibility of the hotel (Teye et al., 2023). Furthermore, Yoro (2024) indicates that the accuracy of financial reporting is vital for decision-making, investor confidence, and regulatory compliance. Internal control systems play a key role in ensuring the integrity of financial data through controls over revenue collection, expenditure authorisation, and accounting practices (Hamed, 2023). Therefore, by adhering to standardised procedures and conducting regular reconciliations, hotels can enhance the credibility of their financial statements and foster trust among stakeholders. Despite the recognised importance of internal control systems, many hotels in Ghana continue to grapple with financial mismanagement, fraud, and inefficiencies in their financial reporting processes (Ampofo, 2020). These problems are often linked to the inadequacy of internal control mechanisms, which are not sufficiently robust to detect and prevent fraudulent activities or ensure financial reports' accuracy (Handoyo & Bayunitri, 2021). For instance, several high-profile cases have been reported where hotels were involved in tax evasion, underreporting revenues, and fund embezzlement. The Golden Tulip Hotel in Accra was implicated in a tax evasion scandal in 2015, where it was accused of underreporting revenues, leading to significant losses for the government (Awuah-Gyawu, 2023). Similarly, the Coconut Grove Regency Hotel faced a fraud scandal in 2016, where discrepancies in financial records pointed to widespread mismanagement and misuse of funds (Reforce, 2023). These incidents show the need for effective internal control systems in the hospitality industry to prevent such occurrences and protect the integrity of financial operations.

The core issue is that internal control systems in many Ghanaian hotels are not adequately designed or implemented to address the unique challenges of the industry (Commey et al., 2023). According to Aksoy and Saglam (2020), hotels often face constraints such as limited resources, a lack of skilled personnel, and insufficient awareness of the importance of robust internal controls. These factors render hotels susceptible to financial irregularities, such as fraud and mismanagement, which can significantly impact their operations and image. Furthermore, there is a notable gap in empirical research regarding the specific impact of internal control systems on the accuracy of financial reporting within Ghana's hotel industry. While there have been studies on internal controls in other sectors and countries, the unique dynamics of the Ghanaian hospitality industry and the effects of management commitment and employee training remain underexplored (Awuah-Gyawu, 2023). Management commitment is an important factor that influences the effectiveness of internal control systems (Hoai et al., 2022). According to Hoai et al. (2022), when the hotel management is fully committed to maintaining stringent internal controls, it creates a positive environment from the top. This ensures all employees understand the need to adhere to control procedures and maintain high financial reporting standards. However, in many Ghanaian hotels, there is a disconnect between management's stated commitment to internal controls and the actual implementation and monitoring (Danso, 2023). This gap often leads to lapses in control systems, which can be exploited by employees or third parties, resulting in financial losses and damage to the hotel's reputation.

Employee training is another factor that impacts the relationship between internal controls and financial reporting accuracy (Meliana & Ansar, 2021). According to Handoyo and Bayunitri (2021), properly trained employees are more likely to understand and effectively implement internal control procedures, reducing the risk of errors, fraud, and financial misstatements. However, many hotels lack comprehensive training programs focused on internal controls and financial management (Madawaki et al., 2022; Ushakov et al., 2020). Employees may lack a comprehensive understanding of the significance of these controls or their application in daily operations, resulting in challenges within the control system. Additionally, the dynamic nature of the hospitality industry, with frequent changes in regulations, technologies, and operational practices, necessitates ongoing training to ensure that employees remain competent and capable of maintaining the integrity of internal controls (Madawaki et al., 2022; Meliana & Ansar, 2021; Ushakov et al., 2020). The influence of staff training on the efficacy of internal control systems and the accuracy of financial reporting in Ghanaian hotels remains inadequately examined in current literature. However, despite previous literature that links employee training as a variable that mediates between internal controls and financial reporting accuracy, there is evidence that this variable moderates the relationship and has an impact on the strength of the relationship as well (Oyelakin & Abdullahi, 2022). Thus, in this study, employee training is examined as a mediator, but the moderation effect is also possible. This study examines the mediating role of management commitment and staff training in the relationship between internal control systems and the accuracy of financial reporting.

Literature Review

Theoretical Review

Agency Theory

Agency Theory, postulated by Jensen and Meckling (1976), examines the relationship between principals (owners) and agents (managers) within a firm. Davis et al. (2021) posit that the agency theory shows the potential conflicts of interest that arise due to information asymmetry, where agents typically possess more information than principals. This difference may result in agents prioritising their self-interest over the aims of the principals (Raimo et al., 2021). To address these concerns, the theory advocates establishing procedures, including contracts, audits, and internal controls, to verify that the agents' activities align with the principals' objectives (Ali, 2020). In various studies, the Agency Theory has explored how firms design control systems to reduce agency costs and ensure managerial accountability (Jan et al., 2021; Solomon et al., 2021). In this study, the Agency Theory is relevant as it underpins the role of internal control systems in minimising information asymmetry and aligning the interests of hotel management with those of the owners, enhancing financial reporting accuracy. This theory was useful for developing the hypotheses about the relationship between internal control, financial reporting accuracy, and management commitment's moderating role. The theory justifies the need for robust internal controls to monitor and regulate the actions of managers, ensuring that they act in the best interests of the firm and its stakeholders.

Institutional Theory

Institutional Theory, postulated by Meyer and Rowan (1977) and further developed by Zucker (1987), examines how organisations conform to social norms, cultural expectations, and regulatory requirements to gain legitimacy and survive in their environments. The theory posits that organisations are shaped by technical efficiency and institutional pressures, including coercive, mimetic, and normative influences (Acquah et al., 2021). Coercive pressures stem from legal and regulatory requirements; mimetic pressures arise from the tendency to imitate successful organisations; normative pressures are associated with professional standards and cultural expectations (Aksom & Tymchenko, 2020; Gupta & Gupta, 2021). Institutional Theory has been extensively applied in organisational studies to understand the adoption and diffusion of formal structures, such as internal controls and governance practices, which help organisations align with external expectations and achieve legitimacy (Guerreiro et al., 2021; Soares et al., 2021). This theory is relevant in this study as it provides a framework for analysing how external pressures and institutional environments influence the design and implementation of internal control systems in Ghanaian hotels. The Institutional Theory further served as the theoretical framework in selecting and developing the research approach to examine the regulatory, mimetic, and normative pressures that affect the financial reporting processes in the hospitality industry. The study hypothesized that the adoption of internal controls is affected by institutional pressures. The theory justifies the study's focus on understanding how hotels adopt these controls to enhance financial reporting accuracy and comply with industry norms and regulatory standards, thereby maintaining their legitimacy and competitive advantage.

Empirical Review and Hypothesis Development

Internal Controls and Financial Reporting Accuracy

Internal controls are fundamental to an organisation's governance structure, designed to ensure financial information's integrity, accuracy, and reliability. These mechanisms safeguard assets, detect and prevent fraud, and ensure compliance with applicable laws and regulations (Vitolla et al., 2020). The effectiveness of internal controls directly influences the quality of financial reporting, making it essential for organisations to implement robust control systems. Alawaqleh (2021) indicate a statistically significant relationship between adequate internal controls and high levels of financial performance. This finding suggests that strong internal controls contribute to the accuracy and reliability of financial reports, which in turn enhances organisational performance. Similarly, Mwanzia (2021) emphasised that robust internal controls are important for ensuring the quality of financial reporting, particularly in the banking sector, where the accuracy of financial information is paramount for maintaining investor confidence and regulatory compliance. Ajao and Oluwadamilola (2020) further revealed that internal controls, including the control environment, risk assessment, control activities, information and communication, and monitoring, have a statistically significant positive effect on the quality of financial reporting. This shows the importance of a comprehensive internal control system in maintaining the integrity and accuracy of financial statements across different industries and regions. These studies collectively highlight the role of internal controls in ensuring the quality of financial reporting. Adequate internal controls help prevent and detect errors and fraud and ensure that financial statements accurately reflect the organisation's financial position and performance (Setyaningsih, 2020). This is important in industries such as hospitality, where financial operations can be complex and involve significant cash handling. In Ghanaian hotels, implementing robust internal controls is expected to contribute to more accurate and reliable financial reporting, essential for maintaining stakeholder trust and achieving long-term business success. Therefore, the hypothesis:

H_1: There is a positive relationship between internal controls and financial reporting accuracy in Ghanaian hotels.

Internal Controls, Management Commitment, and Financial Reporting Accuracy

Management commitment is a factor that influences the effectiveness of internal control systems and, consequently, the accuracy of financial reporting (Hardiningsih et al., 2020). The commitment of management sets the tone for the entire organisation, shaping the culture and influencing the behaviour of employees. When management is committed to maintaining strong internal controls, it fosters a culture of compliance, accountability, and transparency, which are essential for ensuring the accuracy and reliability of financial reporting (Danso, 2023; Hoai et al., 2022). Research by Abed et al. (2022) highlighted the importance of management commitment to financial reporting accuracy. The study found a positive relationship between CEO integrity and the quality of financial reporting, emphasising the role of ethical leadership in promoting accurate and reliable financial reporting. CEOs who demonstrate a strong commitment to ethical standards are likelier to foster a culture of honesty and accountability within the organisation, reducing the likelihood of financial misstatements and enhancing the overall quality of financial reporting (Estep et al., 2024; Wan et al., 2020). Similarly, a study by Florou et al. (2020) revealed that firms with proactive management engagement in financial reporting activities exhibit higher earnings quality and lower earnings management. This finding shows the role of management commitment in mitigating the incentives for financial manipulation and ensuring the accuracy and reliability of financial statements. Thus, when management is actively involved in the financial reporting process, it sends a clear message to employees that accuracy and integrity are top priorities, encouraging adherence to internal control procedures (Danso, 2023). In Ghanaian hotels, management commitment to internal controls is expected to impact financial reporting accuracy significantly (Tetteh et al., 2022). The hospitality industry has complex financial operations, including multiple revenue streams, significant cash handling, and various regulatory requirements. In such an environment, the effectiveness of internal controls is important for ensuring the accuracy and reliability of financial reports (Danso, 2023). When hotel management demonstrates a strong commitment to internal controls, it is more likely that these controls will be effectively implemented and maintained, leading to more accurate and reliable financial reporting. Moreover, management commitment is essential for creating a culture of compliance and accountability within the organisation. When employees see that management is committed to upholding internal controls and maintaining high financial reporting standards, they are more likely to follow suit (Franklin, 2024). This cultural alignment ensures that internal controls are consistently applied and any deviations are promptly addressed. Therefore, the hypothesis:

H_2: Management commitment positively mediates the relationship between internal controls and financial reporting accuracy in Ghanaian hotels.

Internal Controls, Employee Training, and Financial Reporting Accuracy

Employee training is also a component of effective internal control systems and plays a significant role in ensuring the accuracy and reliability of financial reporting. Well-trained employees are important for successfully implementing internal controls, as they are responsible for executing the control procedures and ensuring that financial transactions are recorded accurately (Kaawaase et al., 2021). Employee training programs that focus on internal controls, ethical standards, and compliance with accounting regulations are important for maintaining the integrity of financial reporting processes. Vitolla et al. (2020) revealed that firms that invest in continuous training for their accounting staff experience fewer financial restatements and errors. This finding suggests that ongoing training initiatives are important for maintaining the accuracy and reliability of financial statements, as they ensure that employees are up-to-date with the latest accounting standards and regulations.

Andersson et al. (2022) also emphasised that training programs that include ethical components contribute to a stronger ethical climate within the organisation, reducing the likelihood of financial reporting misconduct. This highlights the importance of technical training that addresses the ethical dimensions of financial reporting. In Ghanaian hotels, employee training is expected to enhance the effectiveness of internal controls and improve the quality of financial reporting (Danso, 2023). The hospitality industry requires employees to handle various financial transactions, manage multiple revenue streams, and comply with industry-specific regulations. Without adequate training, employees may lack the necessary skills and knowledge to execute these tasks effectively, leading to errors, fraud, and inaccuracies in financial reports. Therefore, by investing in comprehensive training programs, Ghanaian hotels can ensure that their employees are well-equipped to maintain accurate financial records and adhere to internal control procedures. This, in turn, will likely improve the overall quality of financial reporting, reducing the risk of financial misstatements and enhancing stakeholder trust. Therefore, the hypothesis:

H_3: Employee training positively mediates the relationship between internal controls and financial reporting accuracy in Ghanaian hotels.

Conceptual Framework

This section presents the conceptual framework of the study.

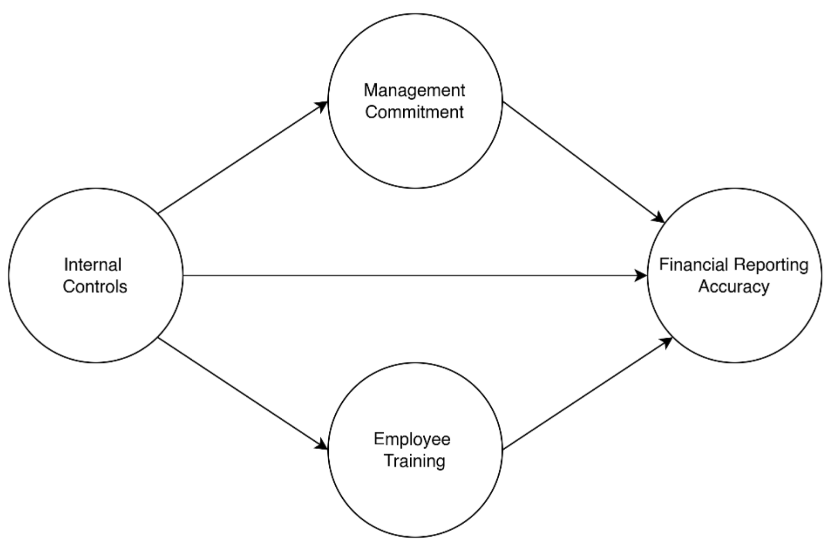

Figure 1: Conceptual Framework for the Study

Source: Author's Construct (2024)

The conceptual framework for this study illustrates the relationships between internal controls, management commitment, employee training, and financial reporting accuracy within Ghanaian hotels. The framework posits that internal controls are the primary mechanism influencing the accuracy and reliability of financial reporting. However, the effectiveness of these internal controls is further mediated by two key factors: management commitment and employee training. Management commitment is expected to strengthen the impact of internal controls by fostering a culture of accountability and ensuring the consistent application of control measures. When management is dedicated to upholding strong internal controls, it enhances the overall quality of financial reporting. Similarly, employee training is anticipated to enhance the effectiveness of internal controls by equipping staff with the necessary skills and knowledge to implement control procedures accurately and ethically. The framework suggests that management commitment and employee training play important roles in mediating the impact of internal controls on financial reporting accuracy, ultimately leading to more accurate and reliable financial statements in the hotel industry. This integrated approach shows the importance of organisational culture and staff competence in achieving high standards of financial governance.

Methodology

Research Design

The study adopts a quantitative approach centred on systematically collecting and analysing numerical data. This approach is suitable for studies that quantify relationships between variables and test hypotheses using statistical methods (Mohajan, 2020). In this study, the quantitative approach enabled the researchers to explore the relationships between internal control systems, financial reporting accuracy, management commitment, and employee training within Ghanaian hotels. Thus, using structured questionnaires, the study gathers numerical data that can be statistically analysed to identify patterns, correlations, and potential causal relationships among the variables (Purwanto, 2021). The research design for this study is the causal research design (Siedlecki, 2020). The causal design investigates the cause-and-effect relationships between the variables (Arif & MacNeil, 2022). Specifically, it aims to determine how internal control systems influence financial reporting accuracy and how management commitment and employee training may mediate this relationship. Thus, by exploring these causal links, the study seeks to identify the underlying mechanisms that drive financial reporting accuracy in the hospitality sector.

Population and Sample Size

The target population for this study includes all hotels operating in the Sekondi-Takoradi area of the Western Region of Ghana. This population includes managers, employees, and staff members across various positions and relevant hotel roles. The average number of employees in this area (3,457) serves as the basis for determining the study's scope. The sampling process involved a combination of stratified and purposive sampling techniques. Stratification was based on factors such as hotel size and location. The stratified sampling approach was used to select a sample of 40 hotels in the study area, comprising 1 to 5 stars. This approach ensured that the sample accurately reflects the diversity within the target population. Further, each hotel category proportionally contributed to the final sample size, but adjustments were made based on response rates and availability to ensure sufficient representation. After stratifying hotels, purposive sampling was also employed to select participants, ensuring that individuals from the targeted demographic (those with knowledge of the internal controls and financial reporting processes) were included. To ascertain the sample size for the study, the researcher used the Yamane (1967) method for sample size calculation. This formula is widely used when determining the sample size for large populations due to its simplicity and reliability in ensuring representativeness with a defined margin of error. The study applied it as an initial step to establish the minimum required sample size for valid statistical analysis. Moreover, despite using the stratified and purposive sampling methods, the formula provides a statistically sound benchmark for determining how many responses were needed for meaningful analysis. Other formulas like the Reverse Gamma Method and that of Krejcie and Morgan (1970) were not suitable because the former is more complex and often used in Bayesian inference-based sampling (which is beyond the scope and approach the study used) and the latter is less flexible since it provides a predetermined sample size based on a table (this makes it difficult for researchers to customize confidence levels or margin of error). The Yamane (1967) formula is

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

Where:

n = sample size

N = population under study

e = margin error

Therefore, using this formula, the sample size will be

$$n = \frac{3457}{1 + 3457(0.05)2}$$

n = 3457/1+3457(0.0025)

n = 3457/1+8.6425

n = 3457/9.6425

n = 358.51 = 359.

Therefore, the sample size for this study was 359 employees of the hotels involved. Since the formula was applied as an initial step to establish the minimum required sample size, i.e. benchmark for determining how many responses were needed for meaningful analysis, the final sample size was more than the calculated sample size. From Table 1, the last column shows that there were forty-three (43) additional data after the data was collected and screened. Thus, the use of the Yamane (1967) formula was appropriate for this study.

Table 1: Sample Distribution Table

Hotel Category (Star Rating)	Number of Hotels	Total Employees (Sample Size)	Additional After Data Collection and Screening
1-Star Hotels	8	75	24
2-Star Hotels	8	72	13
3-Star Hotels	8	73	1
4-Star Hotels	8	74	3
5-Star Hotels	8	65	2
Total	**40**	**359**	**43**

Source: Author's Construct (2024)

Addressing Potential Sampling Bias

With purposive sampling being used to select participants with knowledge of internal controls and financial reporting, there was a risk of over-representing financial experts while excluding employees with different perspectives. Thus, to solve this, the study first used the stratified sampling method to group hotels by category (1 star to 5 stars) to ensure that there is a range of different hotels being represented in the sample. Moreover, the study collected the data across various management levels, as shown in Table 4. To ensure there is a broader industry representation, the study included hotels throughout Sekondi-Takoradi rather than focusing on a single hotel. However, this study's potential for residual bias also exists due to the stratification by selecting hotels according to their category and targeting only respondents who reported having extensive knowledge of the topic. For instance, using purposive sampling might lead to the selection of participants who have a positive attitude towards their company's internal controls over the hotel or are employees involved in reporting financial information. Such biases are partially reduced and should be regarded as limitations impacting the external validity of the study.

Measurement Instruments

Data for this study were collected using a structured questionnaire, carefully designed to gather detailed responses on key variables, including internal control systems, financial reporting accuracy, management commitment, and employee training within the selected hotels. The questionnaire was structured using a Likert scale, where respondents were asked to indicate their level of agreement with various statements related to these variables. The scale ranged from 1 (Strongly Disagree) to 5 (Strongly Agree), allowing for the capture of responses that reflect the intensity of the participants' opinions. The questionnaire comprised several sections, each focused on a specific aspect of the study. For internal controls, respondents were asked to evaluate statements regarding the effectiveness of control activities, the adequacy of risk assessment processes, and the overall reliability of the internal control environment. The assertions were adapted from the study of Sarens and De Beelde (2006). Assertions related to financial reporting accuracy were adapted from the study of DeFond and Zhang (2014). They included assertions about the timeliness, completeness, and accuracy of the financial reports generated by the hotels. In the section on management commitment, the questionnaire was adapted from the study of Beusch et al. (2022). It included statements designed to assess the extent to which management supports and enforces internal controls, demonstrates ethical leadership and allocates resources to ensure financial reporting accuracy. The assertions for the employee training section were adapted from the study of Oyelakin and Abdullahi (2022) and focused on the adequacy and frequency of training programs related to internal controls and financial reporting.

Statistical Tools

This study used statistical tools to analyse the data and test the hypotheses. The respondents' background information was first reported to show the sample demographics. Descriptive statistics were used to summarise key variables, providing insights into the mean, standard deviation, skewness, and kurtosis for internal controls, financial reporting accuracy, management commitment, and employee training. This helped the researchers understand the overall distribution of the data. The relationships between the variables were examined using correlation analysis, which measured the strength and direction of associations among the key constructs. Partial Least Squares-Structural Equation Modelling (PLS-SEM) was used to test the hypotheses and analyse the structural relationships between variables. PLS-SEM allowed the assessment of the measurement model's reliability and validity using Cronbach's alpha, composite reliability, and average variance extracted (AVE). It also tested the structural model by calculating path coefficients, T-statistics, and P-values to determine the significance of relationships. The Variance Inflation Factor (VIF) was used to check for multicollinearity, ensuring no significant issues were present. Finally, mediation analysis explored whether management commitment and employee training mediated the relationship between internal controls and financial reporting accuracy.

Ethical Considerations

Ethical considerations were paramount throughout the research process to ensure participants' protection and the study's integrity. The researchers implemented strict confidentiality measures, ensuring participants' identities and information were kept secure. Respondents were not required to provide personally identifiable information, and access to the data was restricted to the researchers alone. This approach safeguarded participants' privacy and maintained the research's ethical standards. Furthermore, the researchers adhered to copyright guidelines, properly attributing all sources used in the study according to APA citation standards. The researchers maintained transparency and honesty throughout the data collection process, clearly communicating the study's purpose and objectives to participants. This ethical approach fostered trust between the researcher and participants, ensuring the data collected was accurate and reliable.

Validity and Reliability

The validity and reliability of the constructs in this study were assessed using various measures, including outer loadings, variance inflation factor (VIF), Cronbach's alpha, composite reliability, and average variance extracted (AVE). Table 2 presents the results of these tests, which comprehensively evaluate the measurement model's internal consistency and construct validity.

Table 2: Validity and Reliability

Variables	Items	Outer loadings	VIF	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Employee Training	ET1	0.739	1.508	0.775	0.819	0.849	0.537
	ET2	0.756	2.062				
	ET3	0.709	1.380				
	ET4	0.867	2.822				
	ET5	0.833	2.020				
Financial Reporting Accuracy	FRA1	0.760	2.035	0.789	0.808	0.855	0.543
	FRA2	0.743	2.189				
	FRA3	0.806	1.934				
	FRA4	0.791	1.797				
	FRA5	0.772	1.990				
Internal Control Systems	ICS1	0.772	1.556	0.799	0.835	0.858	0.552
	ICS2	0.723	1.664				
	ICS3	0.723	1.494				
	ICS4	0.790	1.942				
	ICS5	0.874	2.681				
Management Commitment	MC1	0.766	2.147	0.819	0.825	0.873	0.579
	MC2	0.734	1.750				
	MC3	0.736	2.481				
	MC4	0.815	2.632				
	MC5	0.750	1.762				

Source: Author's Construct (2024)

Employee Training was measured using five items, ET1 to ET5. The outer loadings for these items ranged from 0.709 to 0.867, all greater than the acceptable threshold of 0.7, suggesting that the items adequately represent the construct. The VIF values, ranging from 1.380 to 2.822, indicate that multicollinearity among the items is not a concern, as all values fall below the recommended cut-off of 5. The reliability of the construct was evaluated using Cronbach's alpha and composite reliability (rho_a and rho_c). The Cronbach's alpha for Employee Training was 0.775, indicating good internal consistency. Additionally, the composite reliability values (rho_a = 0.819, rho_c = 0.849) were above the threshold of 0.7, further supporting the reliability of the construct. The average variance extracted (AVE) for Employee Training was 0.537, above the 0.5 criterion, indicating that the items capture more than half of the variance in the construct. Financial Reporting Accuracy was measured with five items, and their outer loadings ranged from 0.743 to 0.806, again exceeding the 0.7 benchmark for adequate factor loadings. The VIF values for this construct ranged from 1.797 to 2.189, showing no issues with multicollinearity. The Cronbach's alpha value was 0.789, indicating good reliability, while the composite reliability values (rho_a = 0.808, rho_c = 0.855) were well within acceptable limits, confirming the internal consistency of the items. The AVE for Financial Reporting Accuracy was 0.543, meaning the construct explained more than half of the variance in the observed variables. Internal Control Systems also showed strong reliability, with outer loadings between 0.723 and 0.874. The VIF values for the items ranged from 1.494 to 2.681, suggesting low multicollinearity. Cronbach's alpha for this construct was 0.799, indicating strong reliability, while the composite reliability values (rho_a = 0.835, rho_c = 0.858) further confirmed the internal consistency. The AVE for Internal Control Systems was 0.552, indicating that the construct captured a significant proportion of variance in the indicators. Management Commitment was assessed using five items, with outer loadings ranging from 0.734 to 0.815, all above the 0.7 threshold. The VIF values ranged from 1.750 to 2.632, again showing no significant multicollinearity issues. The Cronbach's alpha value for Management Commitment was 0.819, indicating strong reliability, and the composite reliability values (rho_a = 0.825, rho_c = 0.873) further validated the consistency of the construct. The AVE was 0.579, demonstrating that the construct captured a substantial amount of the variance in the items.

Table 3: Discriminant validity-Fornell-Larcker criterion

	ET	**FRA**	**ICS**	**MC**
ET	0.733			
FRA	0.691	0.737		
ICS	0.754	0.765	0.743	
MC	0.910	0.732	0.769	0.761

Source: Author's Construct (2024)

Discriminant validity was assessed using the Fornell-Larcker criterion, as shown in Table 3. The diagonal values in the table represent the square root of the AVE for each construct, and the off-diagonal values represent the correlations between constructs. For Employee Training (ET), the square root of the AVE is 0.733, which is greater than its correlations with Financial Reporting Accuracy (0.691), Internal Control Systems (0.754), and Management Commitment (0.910). Although the correlation between Employee Training and Management Commitment (0.910) is high, the Fornell-Larcker criterion is still met as the square root of the AVE is above the corresponding correlations. For Financial Reporting Accuracy (FRA), the square root of the AVE is 0.737, which is greater than its correlations with Internal Control Systems (0.765) and Management Commitment (0.732). This suggests that Financial Reporting Accuracy has discriminant validity and is distinct from other constructs. Similarly, for Internal Control Systems (ICS), the square root of the AVE is 0.743, which is greater than its correlations with Management Commitment (0.769), indicating discriminant validity. Lastly, for Management Commitment (MC), the square root of the AVE is 0.761, and this value exceeds the correlations with the other constructs, which provides evidence of the discriminant validity of Management Commitment.

Results and Discussion

Background Information of Respondents

The sample size for the study was estimated before data collection using the Yamane (1967) method for sample size calculation, which was three hundred and fifty-nine (359). The total data collected from the respondents was four hundred and thirty-three (433). After data cleaning, the study reported and presented the data on a sample of four hundred and two (402) responses, which is more than the estimated sample size. This section of the study presents the respondents' background information.

Table 4: Demographics

		Frequency	Percentage
Gender	Male	233	58.0
	Female	169	42.0
Age	Below 20 years	38	9.5
	21 – 30 years	262	65.2
	31 – 40 years	89	22.1
	41 – 50 years	9	2.2
	51 years and above	4	1.0
Educational Level	High School	78	19.4
	First Degree	208	51.7
	Second Degree	116	28.9
Management Level	Lower Level Management	169	42.0
	Middle-Level Management	130	32.3
	Top Level Management	103	25.6
Hotel Category	1-Star	99	24.6
	2-Star	85	21.1
	3-Star	74	18.4
	4-Star	77	19.2
	5-Star	67	16.7

Source: Author's Construct (2024)

Table 4 presents the demographic characteristics of the study respondents, offering insights into their gender, age, educational level, management level, and the categories of hotels where they work. Regarding gender distribution, males comprised the majority of the respondents, 58.0% (n=233), while females accounted for 42.0% (n=169). This reflects a significant presence of male employees within the sample. The age distribution indicates that the workforce is predominantly youthful, with 65.2% (n=262) of respondents falling within the 21–30 age range. This is followed by 22.1% (n=89) in the 31–40 years category, suggesting that many employees are in the early to mid-stages of their careers. Only 9.5% (n=38) of respondents are below 20 years, while 2.2% (n=9) and 1.0% (n=4) are within the 41–50 years and 51 years and above categories, respectively.

Regarding educational attainment, a significant portion of respondents hold a first degree, representing 51.7% (n=208) of the total sample. Additionally, 28.9% (n=116) possess a second degree, highlighting a relatively high level of academic achievement among employees. Conversely, 19.4% (n=78) of respondents indicated high school as their highest level of education. The management level of respondents shows that 42.0% (n=169) occupy lower-level management roles, making this the largest group. Meanwhile, 32.3% (n=130) are in middle-level management positions, and 25.6% (n=103) are in top-level management. This distribution suggests a fairly balanced representation across the different tiers of management, with a slight emphasis on lower-level roles. Finally, the table highlights the distribution of respondents across various hotel categories. Employees from 1-star hotels form the largest group, representing 24.6% (n=99) of the sample. This is followed by 2-star (21.1%, n=85), 4-star (19.2%, n=77), 3-star (18.4%, n=74), and 5-star hotels (16.7%, n=67). This spread demonstrates diversity in the types of hotels included in the study, capturing perspectives from establishments with varying levels of service and amenities.

Descriptive Statistics

Table 5 presents the descriptive statistics for the key variables in this study, which includes Internal Control Systems (ICS), Financial Reporting Accuracy (FRA), Management Commitment (MC), and Employee Training (ET). The table provides insights into the distribution of responses for each item, including the median, mean, standard deviation, excess kurtosis, and skewness, which are essential in understanding the central tendencies and dispersion of the data.

Table 5: Descriptive

Variables	Items	Scale min	Scale max	Median	Mean	Standard deviation	Excess kurtosis	Skewness
Internal Control Systems	**ICS1**	1	5	3	3.192	1.256	-0.802	-0.464
	ICS2	1	5	4	3.418	1.186	-0.515	-0.62
	ICS3	1	5	4	3.483	1.216	-0.179	-0.772
	ICS4	1	5	4	3.483	1.189	-0.37	-0.538
	ICS5	1	5	4	3.356	1.18	-0.298	-0.718
Financial Reporting Accuracy	**FRA1**	1	5	3	3.256	1.164	-0.37	-0.51
	FRA2	1	5	4	3.351	1.121	-0.345	-0.734
	FRA3	1	5	3	3.03	1.092	-0.482	-0.358
	FRA4	1	5	4	3.644	1.207	-0.05	-0.949
	FRA5	1	5	4	3.318	1.057	-0.423	-0.512
Management Commitment	**MC1**	1	5	4	3.415	1.156	-0.334	-0.616
	MC2	1	5	4	3.774	1.185	0.46	-1.076
	MC3	1	5	4	3.485	1.318	-0.488	-0.775
	MC4	1	5	3	3.358	1.309	-1.098	-0.25
	MC5	1	5	4	3.483	1.162	-0.204	-0.641
Employee Training	**ET1**	1	5	4	3.386	1.263	-0.667	-0.562
	ET2	1	5	4	3.418	1.24	-0.5	-0.731
	ET3	1	5	4	3.612	1.156	0.21	-0.967
	ET4	1	5	4	3.515	1.189	0.103	-0.962
	ET5	1	5	4	3.448	1.213	-0.261	-0.81

Source: Author's Construct (2024)

For Internal Control Systems (ICS), the mean values for the five items range between 3.192 and 3.483, indicating a moderate to high level of agreement with the statements regarding ICS. The standard deviations, ranging from 1.180 to 1.256, suggest a moderate dispersion of responses around the mean. The negative skewness values (ranging from -0.464 to -0.772) indicate a slight skew towards higher agreement levels. Excess kurtosis values are negative for most items, indicating a distribution with fewer outliers and less extreme values than a normal distribution. For Financial Reporting Accuracy (FRA), the mean values range from 3.030 to 3.644, suggesting that respondents generally perceive the accuracy of financial reporting to be adequate. The standard deviations, which range from 1.057 to 1.207, show a relatively moderate level of response variability. The negative skewness for all items (ranging from -0.358 to -0.949) implies that responses are skewed towards higher levels of agreement. The excess kurtosis values, except for FRA4, are negative, reflecting a flatter distribution than normal. Management Commitment (MC) items have mean values between 3.358 and 3.774, indicating that respondents perceive a relatively high level of management commitment. The standard deviations for MC items range from 1.156 to 1.318, showing moderate variability. Skewness values, ranging from -0.616 to -1.076, suggest that responses are skewed towards agreement, particularly for MC2 and MC3. The excess kurtosis for MC4 is notably more negative (-1.098), suggesting a broader distribution of responses compared to the other items. Lastly, Employee Training (ET) has mean values ranging from 3.386 to 3.612, indicating a high level of agreement with the statements on employee training. The standard deviations range from 1.156 to 1.263, showing moderate dispersion. Skewness values (ranging from -0.562 to -0.967) indicate that responses tend to skew towards the higher end of the scale. In contrast, excess kurtosis values reflect slightly flatter distributions, with ET3 and ET4 showing slight positive kurtosis.

Correlation Statistics

Table 6 presents the correlation matrix for the four constructs: Employee Training (ET), Financial Reporting Accuracy (FRA), Internal Control Systems (ICS), and Management Commitment (MC). The correlation coefficients indicate significant positive relationships between all variables.

Table 6: Correlations

	ET	**FRA**	**ICS**	**MC**
ET	1.000			
FRA	0.691	1.000		
ICS	0.754	0.765	1.000	
MC	0.910	0.732	0.769	1.000

Source: Author's Construct (2024)

The correlation between Employee Training (ET) and Financial Reporting Accuracy (FRA) is 0.691, indicating a strong positive relationship. Similarly, Internal Control Systems (ICS) and Financial Reporting Accuracy (FRA) are positively correlated (r = 0.765), suggesting that stronger internal control systems are associated with higher financial reporting accuracy. The correlation between Management Commitment (MC) and Financial Reporting Accuracy (FRA) is also relatively strong (r = 0.732), implying that management commitment is important for improving financial reporting accuracy. Additionally, Internal Control Systems (ICS) show high correlations with both Employee Training (r = 0.754) and Management Commitment (r = 0.769), highlighting the interrelationship between these constructs and their potential joint influence on financial reporting accuracy.

Structural Path Significance in Bootstrapping

Table 7 presents the partial least square (PLS) path analysis results, assessing the significance of the structural relationships between the constructs using bootstrapping techniques. The findings show several key relationships.

Table 7: Results of the partial least square path analysis

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
ICS -> FRA	0.495	0.493	0.040	12.405	0.000
ET -> FRA	-0.013	-0.011	0.095	0.137	0.891
ICS -> ET	0.754	0.757	0.028	27.037	0.000
ICS -> MC	0.769	0.771	0.024	32.634	0.000
MC -> FRA	0.364	0.364	0.103	3.523	0.000
ICS -> MC -> FRA	0.279	0.281	0.080	3.482	0.001
ICS -> ET -> FRA	-0.010	-0.008	0.072	0.137	0.891

Source: Author's Construct (2024)

The path from Internal Control Systems (ICS) to Financial Reporting Accuracy (FRA) is significant, with a coefficient of 0.495 (p = 0.000) and a t-statistic of 12.405, indicating that effective internal control systems positively influence the accuracy of financial reporting. This finding is consistent with prior empirical studies, such as those by Ajao and Oluwadamilola (2020), Alawaqleh (2021) and Mwanzia (2021), which emphasise the role that internal controls play in ensuring the accuracy and reliability of financial reporting. Theoretically, this finding aligns with Agency Theory, which suggests that internal controls serve as mechanisms to reduce agency costs and information asymmetry between owners (principals) and managers (agents). As noted by Jensen and Meckling (1976) and supported by later studies (Jan et al., 2021; Raimo et al., 2021), the implementation of adequate internal controls ensures that managers act in the best interests of the owners, thus enhancing the integrity of financial reporting. Thus, the first hypothesis was supported by the results. The path from Internal Control Systems (ICS) to Employee Training (ET) is significant, with a path coefficient of 0.754 (p = 0.000) and a t-statistic of 27.037. This result suggests that internal control systems have a strong and positive impact on employee training by creating a structured framework that necessitates training for compliance and effective financial control implementation. Rather than directly driving improvements in financial reporting accuracy, training reinforces employees' ability to implement internal control procedures correctly. The path from ICS to Management Commitment (MC) is highly significant (coefficient = 0.769, p = 0.000), with a t-statistic of 32.634, suggesting that robust internal control systems foster a higher level of management commitment. Moreover, the path from Management Commitment (MC) to Financial Reporting Accuracy (FRA) is also significant, with a coefficient of 0.364 (p = 0.000) and a t-statistic of 3.523, indicating that management commitment plays a vital role in improving financial reporting accuracy.

Regarding mediation effects, the path from Internal Control Systems (ICS) through Management Commitment (MC) to Financial Reporting Accuracy (FRA) is significant, with a coefficient of 0.279 (p = 0.001) and a t-statistic of 3.482. This result implies that management commitment mediates the relationship between internal control systems and financial reporting accuracy. These results align with prior studies, such as those by Abed et al. (2022) and Florou et al. (2020), which show the importance of ethical leadership and proactive management in promoting accurate and reliable financial reporting. As Institutional Theory suggests, management's commitment to internal controls helps foster a culture of compliance, transparency, and accountability (Acquah et al., 2021). In Ghanaian hotels, management's active engagement in internal control processes sends a strong message to employees about the importance of adhering to these controls, which enhances the overall quality of financial reporting. The theory also suggests that management commitment may arise from coercive and normative pressures, such as legal requirements and industry standards, which compel organisations to adopt and maintain robust internal controls to gain legitimacy and survive in competitive environments (Guerreiro et al., 2021). Thus, the second hypothesis was supported by the results.

However, the path from Internal Control Systems (ICS) through Employee Training (ET) to Financial Reporting Accuracy (FRA) is insignificant, with a coefficient of -0.010 ($p = 0.891$), indicating no mediating effect of employee training in this relationship. This finding diverges from earlier studies, such as those by Andersson et al. (2022) and Vitolla et al. (2020), which found a significant positive relationship between employee training and financial reporting accuracy. The difference may be due to contextual factors specific to the Ghanaian hotel industry, where training programs may not be as comprehensive or aligned with the requirements of effective internal control systems. It is also possible that the training programs in these hotels do not adequately cover the necessary skills and knowledge for maintaining accurate financial records, thus limiting their impact on financial reporting accuracy. However, this finding does not entirely negate the importance of employee training. One possibility could be that employee training does not influence the reporting accuracy through internal controls but rather influences the strength of internal controls, therefore suggesting a moderating role. Thus, the third hypothesis was not supported by the results. Subsequent studies might explore how often the employee training was conducted, exactly what was taught to the employees and the quality of the training in relationship to the accuracy of the financial reports in case the internal controls are implemented. While this study focuses on Ghanaian hotels, the findings may apply to other service industries in developing economies where financial controls and leadership commitment play a crucial role in governance.

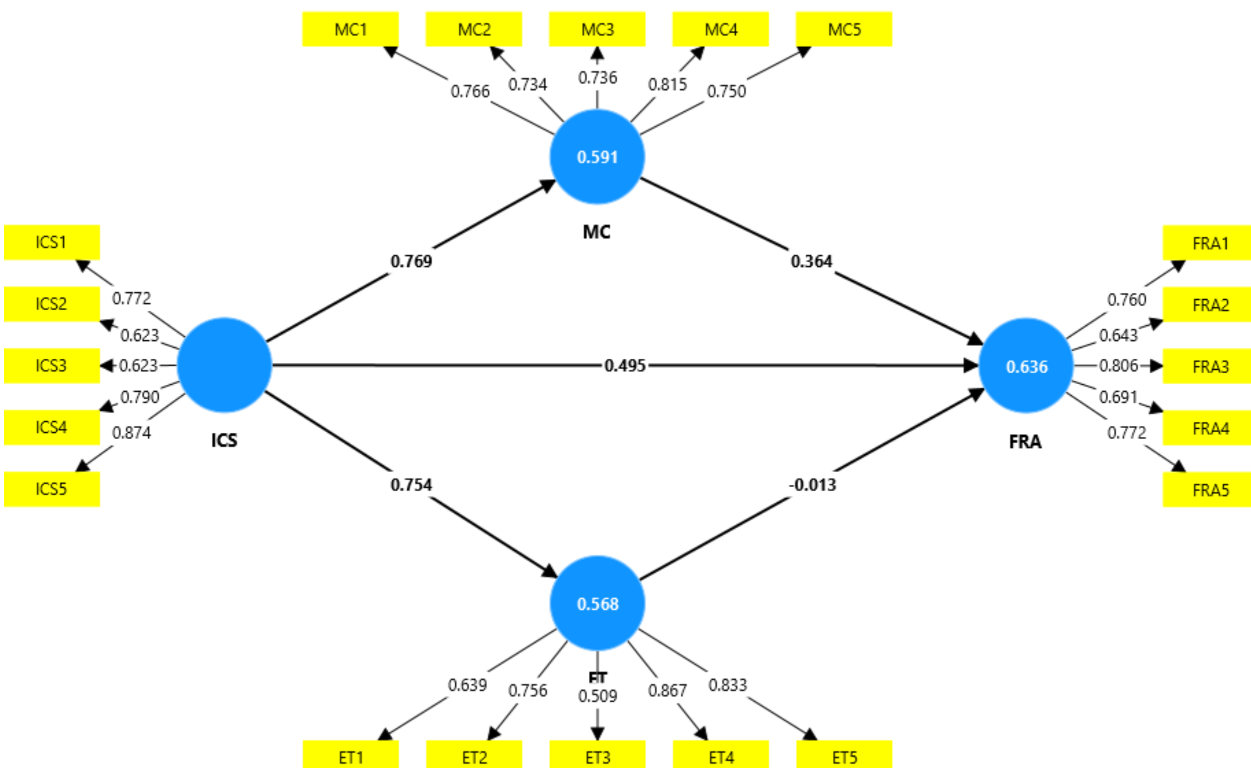

Figure 2: Results of Structural Model Assessment

Source: Author's Construct (2024)

Conclusion

This study explored the relationship between internal control systems, management commitment, employee training, and financial reporting accuracy in Ghanaian hotels. The findings revealed that internal control systems significantly enhance financial reporting accuracy, confirming robust internal controls in maintaining the integrity and reliability of financial statements. The study also demonstrated the mediating role of management commitment in this relationship, highlighting the importance of management's active involvement and ethical leadership in strengthening internal controls. The mediating role of employee training was found to be insignificant. This suggests that training is necessary but mainly supports employees in applying internal control mechanisms. It does not act as an independent driver of financial reporting accuracy. This finding challenges the assumption that training alone improves financial reporting. Instead, its effectiveness depends on how well it is structured and integrated with internal controls. The study's results align with both Agency and Institutional theories, emphasising the role of internal controls in mitigating agency problems and helping organisations conform to external institutional pressures. These findings show the need for hotel management to prioritise internal control mechanisms and demonstrate commitment to fostering a culture of transparency and accountability. To achieve this, the management of hotels should (1) conduct routine internal audits and compliance checks to monitor adherence to internal control guidelines, (2) integrate digital tools for financial oversight, and (3) establish an accountability framework where management leads by example by strictly adhering to financial policies. Accordingly, regulatory bodies and policymakers should set better guidelines and fixed-intensity educational programs on internal control for the hospitality industry. Thus, the Ghana Tourism Authority and related financial regulatory bodies should consider incorporating routine check-and-balance evaluations, especially on the internal controls of the hotels about their financial reporting systems. These frameworks would simply put standardization on compliance and ensure more clarity and accuracy within the industry. Although employee training did not emerge as a significant mediator, its role in building employee capacity remains important for effectively implementing control systems. This research contributes to the literature on financial reporting by expanding it to the hospitality sector, which remains underexplored. Previous studies concerned themselves with corporate and banking ecosystems characterized by rigid supervision. Out of the challenges mentioned in this study, the area that affects hotels most significantly is a fragmented regulatory environment. It also reveals how the internal control systems affect the company's ability to report accurate financial statements. Consequently, this study contributes to the literature on financial governance by adding insights from the Ghanaian hotel industry. Additionally, the findings refine existing theoretical frameworks by demonstrating that employee training does not mediate financial reporting accuracy but instead reinforces internal control implementation. These insights contribute to ongoing discussions on financial governance in the hospitality sector, offering practical recommendations tailored to Ghana's business environment.

Limitation and Future Direction

While this study provides valuable insights, it is not without limitations. First, the research focused solely on hotels within the Sekondi-Takoradi area in the Western Region of Ghana, which may limit the generalizability of the findings to other regions or sectors. Future research could expand the scope by including hotels from different regions in Ghana or extending the study to other sectors within the hospitality industry to offer a broader perspective on the role of internal controls in financial reporting accuracy. Another limitation lies in using self-reported data through questionnaires, which could introduce response bias as participants may have provided socially desirable answers. Nevertheless, there can still be certain sorts of sampling bias in purposive and stratified sampling, even with careful selection of the samples, which could mean the results of the study are not highly generalizable. Future studies could employ a large and random sample to minimize this type of bias or incorporate qualitative methods, such as interviews or case studies, to capture more in-depth insights into how internal controls are implemented. Based on the findings, it was also concluded that employee training did not act as a mediator in the relationship between internal controls and financial reporting accuracy. There is a need to establish in future research how training moderates the relationship between internal controls and financial reporting accuracy. Future research should also focus on the content of the training, the frequency of such training, and the quality of the given training. This will assist in establishing the extent to which distinct training methods affect financial reporting accuracy. Lastly, future research could explore the role of technology, such as automation and digital tools, in enhancing internal controls and improving financial reporting in the hospitality sector. Exploring their impact on financial reporting in hotels can provide valuable insights for managers and regulators. Also, future research could use a mixed-method approach (quantitative and qualitative) to provide triangulated insights, as this study only used the quantitative approach.

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