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Internal Audit Practices and Their Effectiveness in Local Government: A Comparative Sector Analysis using a systematic review

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Abstract:

The investigations into effectiveness of current internal audit practices within local government is mandatory given deficiencies in their value. Using PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) methodology, a systematic review of 77 peer reviewed articles, reports, and case studies published between 2015 and 2024 was conducted. The analysis focused on audit planning, risk assessment, control evaluation and reporting practices of local governments. The findings indicate that while internal audit practice's significant role in influencing organisational effectiveness, issues such as inconsistencies in compliance with audit standards, lack of sufficient resources and limited independence hinder their effectiveness. Notably, local governments facing financial distress display a weaker internal audit process, resulting in systematically sub-optimal fraud detection and weak compliance oversight. Standardisation, resource allocation and stakeholder communication are areas where gaps in current practices need to be addressed to enhance transparency. The study emphasis need to utilise technology driven solutions such as data analytics in enhancing audit efficiency, increasing legislative reforms of audit independence and capacity-building initiatives of internal auditors and contributes to the discussion on how to improve the practices of internal audit in local government in order to enhance local government's contribution to sustainable governance across the sectors. This research also contributes towards a conceptual framework to address the interface between internal audit practices and their effectiveness.

Keywords:

Internal Audit, Local Government, Effectiveness, Governance, Public Sector, Audit Practices, Risk Management, Auditor Independence.

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Introduction

Internal audit function (IAF) is a cornerstone to governance, risk management, and internal control process. Governance is defined as the system of rules, practices, and standards that members of an organisation follow in making decisions on the organisation's purpose, direction, and performance (Pertiwi, Wibowo, Widiyaningsih, Mariah, & Sukandani, 2024). It plays the guiding role for an organisation which ensures accountability and maintains transparency and ethical conduct of the organisation (Azizah, Evitasari & Kustiwi, 2023). Risk management is identifying, analysing and reducing possible threats to protect objectives of organisational goals and assets (Wahhab & Oshba, 2024). Operational efficiencies are promoted by internal control processes compliance assurance to comply with governance standards and preventing operational risks. Together, these elements empower the IAF to drive accountable, transparently, and operational regarding efficiency, particularly for local government (Younas & Veerasamy, 2024).

As primary agents of service delivery, however, local governments face unique challenges that often undermine the effectiveness their IAFs. They include limited resources, On the other hand, there has been political interference, and increasing regulatory demands (Puttick 2020). Despite the IAF's concerns pivot their roles in aiding governance and in aiding informed decision making.

Redmond (2020) underscored the need to persist in examining the relevance and impact of current audit practices in these settings. Research indicates that local government entities still depend on outdated techniques and methods, failing to adapting risk-based audit approaches and facing a significant shortage of appropriately skilled auditors (Van der Merwe and Erasmus, 2018) In addition, little is known conceptually, there is a need for systematic review that look at of the extent to which the challenges and the complexities that may have a large effect on the effectiveness of the IAF.

To address this theoretical gap, this study examines the consequence of current internal audit practices on the effectiveness of IAF through a comparative of sectoral analysis of local government. This paper aims “to explore the effectiveness in the internal audit practices achieving of the objectives of the IAF within local government” and “Research question: How do current internal audit practices impact the effectiveness of the internal audit function in local government across different sectors”. Through the lens of radical humanist paradigm. This perspective emphasises the significance of identifying critical strengths and weaknesses with nuance to further our understanding of how audit practices are shaped by sectoral differences. It also provides practical recommendations to effectively enhance the IAF’s role in governance. This paper seeks to contribute to the broader discussion about how to improve internal audit practices to enhance governance and accountability in the public sector.

This article is structured as follows: literature, theoretical framework, methodology, results and discussion, limitations, future research, recommendations, implications and conclusion

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Literature

Contributing Factors in local government

The Institute of Internal Auditors (IIA), (2024) defines effective internal audit practices as those that provide independence, objective assurance and consulting services designed to add value and improve organisation's operations. Support from top management is one critical determinant, that is critical of creating a culture of accountability and making sure internal audit functions (IAF) are resourced adequately and a higher priority within the organisation (George & Meela, 2024; Sutaryo & Anto, 2023; Kurniawan, Bukit & Erwin, 2023). Besides, the fundamental element of IAF independence, including the capability of auditors to conduct an unbiased assessment and provide a truthful view of things, improves the reliability and credibility of audit outcomes (George & Meela 2024; Ratmono & Darsono 2022).

It also depends on internal auditors' competence and professional proficiency. Continuous professional training and development are needed to provide high standards (George & Meela 2024, Sutaryo & Anto 2023, Ratmono & Darsono 2022). On the other hand, the use of IT is a crucial factor as it enables the auditors to maximise their efficiency and reliability on their audit processes to handle complex data and audit scope (George & Meela 2024, Boufounou, Eriotis, Kounadeas, Argyropoulos & Poulopoulos, 2024).

Moreover, the capability of internal auditors and maturity of the internal control system is needed as a means of accountability and discipline, to optimise the performance of local government administration (Rahmasari & Setiawan 2022). Risk-Based Internal Audit (RBIA) practices implemented by an internal audit practitioner, which are supported by proper professional development and the commitment from management, enhance the effectiveness of internal audit as it provides focus on priority areas, and they mitigate potential risks (Kurniawan et al. 2023). Furthermore, by establishing a relationship between the external and internal auditors, the audit processes can be conducted in the most effective manner since communication and sharing of insights will be improved (Ratmono and Darsono 2022). These factors collectively enable more effective internal audit practices in local government; strong internal audit practice is a critical tool for promoting transparency, accountability and enhanced governance in the local government context.

Drivers of internal audit effectiveness and impact

Many factors that truly relate to organisational performance drive the effectiveness of the IAF in local government. However, these goals are enabled by IT utilisation in specific, the most critical enabler, as IT usage makes audit processes more efficient, and reliable. Such technological integration enhances governance and accountability in local government authorities already (George & Meela, 2024). Another key driver to install the scheme is top management support, which creates the accountability culture and

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aligns the audits internally with organisational goals and priorities (George Meela 2024; Gamyuni 2018). At the same time, auditor independence is essential, because only with independent audit opinions can objectivity and an objective appraisal be ensured, an indispensable condition of credible and reliable audit outcomes (George & Meela, 2024, Sutaryo & Anto, 2023).

Auditors' proficiency and quality of performance are the critical attributes of their professional competence (proficiency and quality of audit work), required for IAF to be effective. Directly the quality of financial reporting and overall organisational performance is directly influenced by competent auditors (Sutaryo & Anto 2023; Gamayuni 2018). Moreover, the performance accountability in local governments is also facilitated by the maturity of internal control systems and the capability of internal auditors (Rahmasari & Setiawan 2022).

Together, these drivers lead to better financial performance through compliance, operational efficiency, and actionable performance insight for decision making (Budiandru 2024). Additionally, economic development in local government organisations is possible, but only if they have robust internal control mechanisms complemented with highly skilled employees and advanced technological solutions meant to combat corruption (Boufounou et al. 2024).

The impact of effective internal audits influences fiscal outcomes as well functional audit systems contribute towards higher self-income generation and collection efficiency ratio of local zoning departments (Vashdi, Uster, Vigoda-Gadot & Mizrahi, 2022). In general, apart from supporting the IAF, these drivers concurrently achieve broader organisational goals including better governance, transparency and accountability in local government settings (Sahari, Jakpar & Balia, 2023; Tackie, Marfo-Yiadom & Achina, 2016).

The effect of internal audit practices on risk management

Local government internal audit practices are a key influence in establishing risk management and governance structures through the provision of fundamental oversight and assurance functions which promote transparency, accountability and efficiency. IAFs are very important the combined assurance model where audit committee, management and external auditors reinforce each other so that oversight and control efficiencies are optimised in risk management and governance processes (IAFs are very important for the combined assurance model where Audit committee, management and external auditors enhance each other to maximize oversight and control efficiencies in Risk management and governance processes) (Budiandru 2024). By applying these practices, senior management and deploying current officials are alert and can perform their sustenance obligations effectively (Ackermann & Marx, 2016).

Internal audits in metropolitan municipalities provide a broad scope in risk management support to the senior management to discharge their responsibilities. Yet it is often underappreciated by the public in

what they can achieve (Barasa 2015). Internal audits have principally concentrated on promoting appropriate governance in public institutions with a number of studies showing a robust association between internal audit and improved governance outcomes, such as enhanced accountability, transparency and responsiveness (Barasa 2015).

Internal audits also play a significant role in corporate governance by supplying an assurance on the adequacy and effectiveness of the risk management, control and governance functions and have themselves become an essential part of effective management (Tušek & Barišić 2016). Though important, internal audits tend to fail to meet stakeholder expectations and do not appear to deliver value to risk management. As such, improved coordination and communication between IAFs and existing risk management structures (Coetzee 2016) become necessary.

Internal auditing systems are seen to be effective in improving local fiscal outcomes: self-income generation and collection efficiency ratios. Yet, the efficiency of the program might be impacted by the level of organisational openness for change and internal politics (Vashdi et al. 2022). Internal audit practices can only fully realise their potential where they are well structured, appropriately resourced and supportive of other organisational goals. Internal audits play an indispensable role in enhancing governance processes alongside risk management when conditions such as above are observed (Ngcobo & Malefane 2017; Barasa 2015).

Strategic risk-taking and innovation balancing compliance

For local government internal audit professionals, the challenge is twofold: meeting compliance needs while encouraging strategic risk taking and innovation. Advanced technologies and methodologies are increasingly being integrated into audit process for the purpose of realizing this balance. Data analytics, artificial intelligence, and blockchain technology are innovations that have brought a great impact to the transparency and accountability of the audits and aligning audits with government functions for example risk and performance management (Bacha & Al-sagheer 2024).

Using a strategic audit approach enhances the internal auditors' ability to recognize and minimize strategic risks and operational risks, to further boost the organisational resilience and performance (Politis 2018). The development of a reflexive mindset among auditors along with the shift are accompanied by a reflexive mindset among auditors that also encourages them to critically evaluate their work and ultimately support governance and risk management frameworks (Soh, Antonacopoulou, Rigg & Bento, 2022). This transformation is possible through RBIA, where auditors can direct their focus to the highest risks of the organisation and provide more than compliance value (Kurniawati 2017). Furthermore, in the study of Indonesian local governments (Sutaryo, Sahari, Jakpar & Balia, 2022), the study showed that the maturity and expertise of the IAF play an important role in the improvement of public service quality.

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Yet, internal auditors have to contend with constraints such as resource constraints or evolving role(s) and have to devise innovative strategies to sustain audit quality and effectiveness. These challenges can be overcome through approaches, by co-sourcing and talent management (Ali 2016). This tension between traditional compliance and emerging value-added responsibilities may be a source of internal auditing growth in the governments, but policymakers need to consider carefully what the future of internal auditing in government (Schillemans, Twist, van Steen, van der & Jong, de, 2018).

Success in achieving the balance between compliance and strategic risk taking in local government auditing ultimately lies in the profession's ability to respond to technological change and develop strategic audit capacity, as well as create and nurture a culture of continuous improvement and innovation. It means that these elements form part of the requirements for the internal audit and come in handy to ensure that the internal audit functions fulfil the regulatory requirements and also effectively make a contribution to organisational growth and governance (Rampai 2024).

Theoretical Framework

Exploring the contingency Theory and Public Interest Theory together enhances the understanding of internal audit effectiveness in local government. Contingency Theory emphasises that audit success depends on the organisational factors such as regulations and structure, while Public Theory stresses the role of audits in ensuring transparency and accountability. Their interconnection highlights the needs for internal audit to be adaptable and aligned with public expectations. Combining these theories assist to evaluate how contextual and structural factors shape audit performance while upholding public sector accountable

Contingency Theory

The contingency theory is appropriate theoretical lens to improve internal auditing effectiveness by stressing adaptability and matching with organisational and environmental factors (Nassou & Bennani, 2024; Garavan & O'Brien, 2024; Shala, Prbreza & Ramosaj, 2021). The theory emphasises that, there is no one best way for doing management and internal auditing, as effectiveness of these functions is contingent on many internal and external contingencies (Garavan & O'Brien 2024). From an internal auditing viewpoint, the applicability of contingency theory emphasizes the necessity of customizing the audit function regarding the needs and conditions of the organisation (i.e., size, strategy, technological environment), as is the case with other functional areas (Amhalhal et al. 2021). This adaptability is necessary in order to face risks, and to assist with the objectives of the organisation. For instance, it is proven through the public sector or sector that contingency internal controls can be used to mitigate fraud risk (Shonhadji & Maulidi 2020). Furthermore, contingency theory points out that the IAF should

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match the organisation's culture and strategic aims. This alignment enables organisational learning and fostering positive change (Roussy, Barbe & Raimbault, 2020). Additionally, this synergy can increase the organisation's capacity to assimilate and apply new knowledge – their absorptive capacity – and promote competitiveness and innovation (Almodallah et al. 2023). Further, the theory prospects a centralization or decentralization of control rights in accordance with the business environment, informs the role of the IAF in risk management and outputs (Chen & Wang 2015). For example, decentralisation may be more capable of more responsive and flexible audit processes in dynamic and uncertain environments.

Internal auditors can provide more specialised and relevant services that respond to the specific challenges and opportunities of their organisations by adopting a contingency based approach. This will increase IAF's contribution to the organisational performance and strategic importance (Badara 2017; Nugraha & Soewarno, 2024). Though as a framework for internal auditing, contingency theory is robust. It therefore helps ensure more effectiveness in governance, risk management and overall organisational performance by making sure that audit practices respond to the contexts of such organisations.

Public Theory

Drawing from psychological needs theory, Meynhardt, Brieger, Strathoff, Anderer, Bäro, Hermann, Kollat, Neumann, Bartholomes and Gomez (2017), public value theory argues that public sector organisations should create public value which matches societal needs and aspirations. Based on this theory, the important thing to remember is that service delivery, public benefits and trust need to be balanced, so that public value is optimized and we can leverage strategic, political and operational dimensions (Darma, Mastika, Karyadi & Prayitno, 2024). Post NPM paradigm that is public value theory creates accountability, responsiveness and transparency – critical components of sound governance (Dallagnol et al. 2022).

With Public Value Theory now applied in practice, it involves intersect or collaborations and participatory governance in producing public value in a complex, shared-power world (Bryson et al. 2015). Of particular relevance to internal auditing is the theory, given that internal audits play a critical role in guaranteeing transparency, accountability, and value for money (VfM) in the public sector (Karikari et al. 2022). Through leveraging public value principle in auditing, auditors can strengthen governance by identifying crucial points that produce maximum of public resources to ensure that the public services fulfil public expectations (Igibayeva 2020).

Auditor independence, management support and IT integration are the key factors which affect the effectiveness of internal audits within the framework of the public value theory. These are critical inputs for achieving strategic goals related to public value creation (Lam 2022). Additionally, internal audits aid

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sustainable procurement and Value for Money by checking the efficiency and effectiveness of utilizing public funds and anchoring public value theory principles (Karikari et al. 2022).

Consequently, public value theory represents a substantial theoretical foundation for enhancement of the effectiveness of internal audit in the public sector. This framework promotes practices that are in line with the society and enhances public sector accountability and transparency that public resources are put to use to compound value to the society.

This indicates that neglecting factors such as adaptability and alignment with organisational and environmental elements, auditors' independence, management support and the integration of technology, the efficacy of internal audits within local government persist as a significant challenge

Methodology

In the social sciences, conducting a systematic literature review contains specific steps to assure a comprehensive and unbiased summary of already studied information. The process involves stating the review's focus on the Title and Abstract, outlining objectives in the introduction, detailing study selection and data collection in the methods, presenting findings and results and interpreting outcomes with implications in the discussion. Studies utilised the PRISMA methodology include of those conducted by Tedja, Al Musadieq, Kusumawati & Yulianto, (2024); Du, Hashim & Kamarudin, (2024); as well as Pilane, Jordaan and Bahta, (2024). It started with framing a clear, focused research question which steered through the whole review process (Arvanitis 2024; Višić 2022). The methodology is then outlined in a review protocol explaining, criteria for selecting studies, databases to search, and the overall strategy to achieve transparency and reproducibility (Višić 2022). For the literature search stage, multiple databases and search engines such as Scopus, google scholar, Scispace, and open Alex were used to search using broad ranges of relevant studies (Krille 2020). A first step consists in screening the collected studies through the review of titles and abstracts, and a detailed evaluation of full texts to evaluate their relevance and quality (Krille 2020; Brignardello-Petersen et al. 2024). As such a quality assessment step is critical to decimate biases and errors. For example, tools such as the PRISMA guidelines were (habitually) used to improve transparency and methodological rigour (Arvanitis 2024; Brignardello-Petersen et al. 2024). After this process, a data extraction and synthesis phase systematically pulls together and analyses the information from the peeled studies. Quantitative data was meta-analysed in this stage (Brignardello-Petersen et al. 2024).

Publish or perish was utilised to collect data, Vosviewer which was created by VanEck and Waltman (van Eck, & Waltman, 2010). uses visual features based on mapping techniques to turn research information system file formats into clusters and diagrams, permitting the research to analyse information such as keywords and co-occurrence linkage for the literature (Abdullah ,2021). Lastly, interpretation and reporting of findings. Summarised the current state of knowledge, identified

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knowledge gaps, and suggested future research to be conducted (Arvanitis 2024; Angioi & Hiller 2023). By applying the structured methodology, the systematic review beyond the comprehension of the already existing literature; it is able to offer a reliable evidence base to the development of policies and practices (20). This enables the review to be both robust and impactful, fostering scholarly discourse in the area of social science (Gough & Richardson 2024).

Figure 1 demostrate the process taken during a systematic review is well presented and documented through identification, screening, eligibility assessment and inclusion of studies in their PRISMA diagram. Systematic reviews (Page, McKenzie, Bossuyt, Boutron, Hoffmann, Mulrow, Tetzlaff, Akl, Brennan, Chou, Glanville, Grimshaw, Hróbjartsson, Lalu, Li, Loder, Mayo-Wilson, McDonald, McGuinness, Stewart, Thomas, Tricco, Welch & Moher, 2021) require this diagram as a key element for transparency and reproducibility. The provided diagram is explained below:

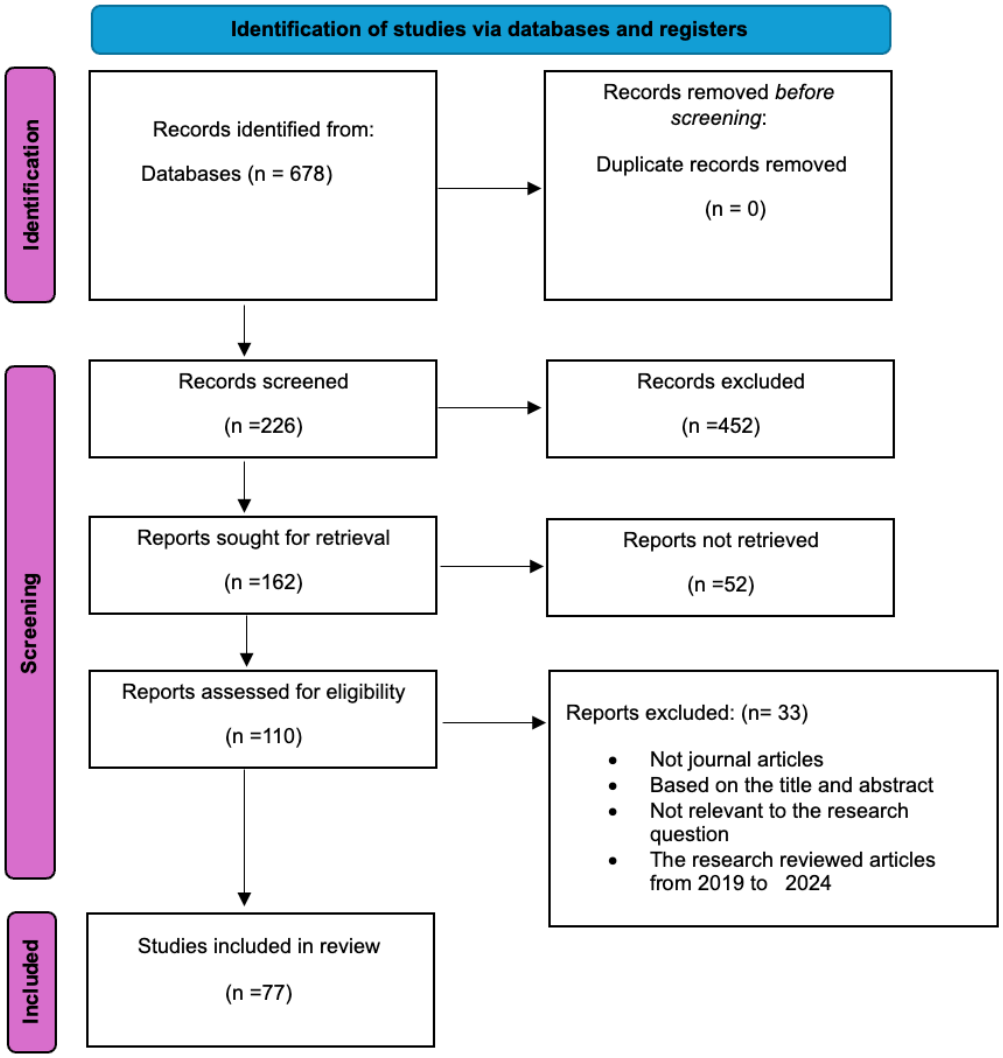

Figure 1: PRISMA analysis

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Records identified from databases (n = 678):

• Database searches identified a total of 678 records. This step shows the range of research questions that have to be examined using the search strategy.

Duplicate records removed (n = 0):

In this case, no duplicate records are found. Usually, this means taking out repeated entries that are returned when multiple database searches are performed for the same thing.

Records screened (n = 226):

Chain filtering of the other 678 records rejected 226, which were judged to be irrelevant, leaving 452 for screening. Usually, screening is done by browsing through titles and abstracts of articles to find those to which the research question is relevant.

Records excluded (n = 452):

Of the 452 records that were found in the screening process, 452 were excluded because they did not meet the inclusion criteria. These could be an irrelevance to the subject matter, or that they do not help to answer the research question.

Reports sought for retrieval (n = 162):

Of all 226 records retrieved, 121 were identified as being relevant enough for full text retrieval for further detailed analysis.

Reports not retrieved (n = 52):

Of the 162 requests attempted to retrieve, 110 were actually retrieved. Of the 52 could not be recovered because of access restrictions or for lack of complete citations.

Reports assessed for eligibility (n = 110):

Eighty of the reports retrieved were reviewed to see if they met the inclusion criteria. In this stage, full text of the studies is carefully reviewed.

• Little relevance is indicated by their titles and abstracts.

• Not answering the research question.

• Is outside of the publication period (2015–2024).

A systematic review ultimately included 77 studies. These are the evidence related to research questions and consequently pass inclusion criteria. This step reflects the breadth of the search strategy used to locate studies relevant to the research question.

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This systematic review process aims to provide a rigorous way to filter studies to only the high quality, relevant studies to include in the analysis. Each step was taken to manage and assess the studies to make the review as reliable and transparent as possible (Page, at el., 2021)

Below is Figure 2 showing the database inclusion and exclusion statistics from Publish or Perish. Data from Publish or Perish between 2015-2024 was analysed using Vosviewer. The collective statistics selected 1000 articles comprised 105996 cites, 11777.33 citations per year, 106.00 citations per paper, 2.45 authors per paper, an h-index of 153, and a g-index of 259.

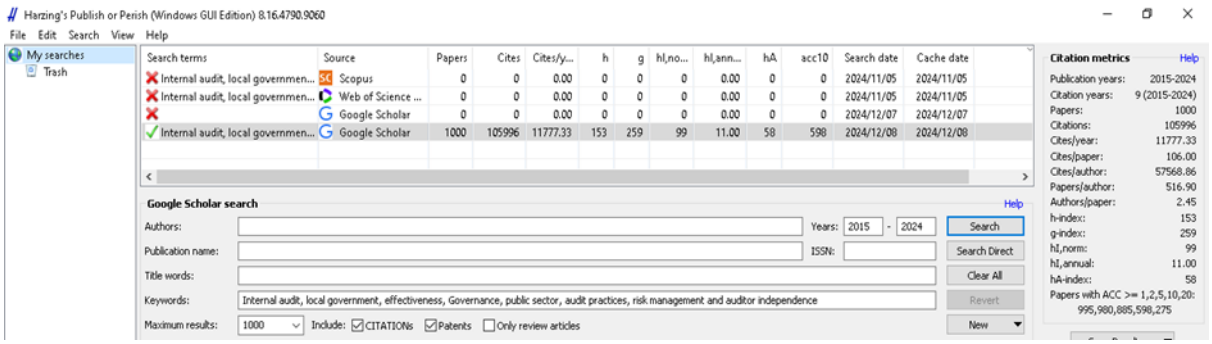

Figure 2: Collective statistics articles on IAF effectiveness in local government

Below is the VOSviewer visualization Figure 3, the following key components are be explained: The data contains 121 items, each representing unique concepts: “risk Management”, “auditing”, “corporate governance” and internal controls”. These items, derived from bibliometric data, reflect a broad range of topics within auditing, governance and risk management. The analysis shows five distinct clusters based on co-occurrence patterns. The 4,580 links between items show strong interconnections, suggesting that many concepts are often discussed together. And the total link of 20,696 indicates robust relationship between concepts, this dense network highlights how advancement in one area can influence related fields. The analysis helps identify research gaps, emerging fields and provides insight for improving governance and performance metrics. The visualisation serves as a strategic tool for identifying areas where targeted interventions can yield the greatest impact on organisational outcomes.

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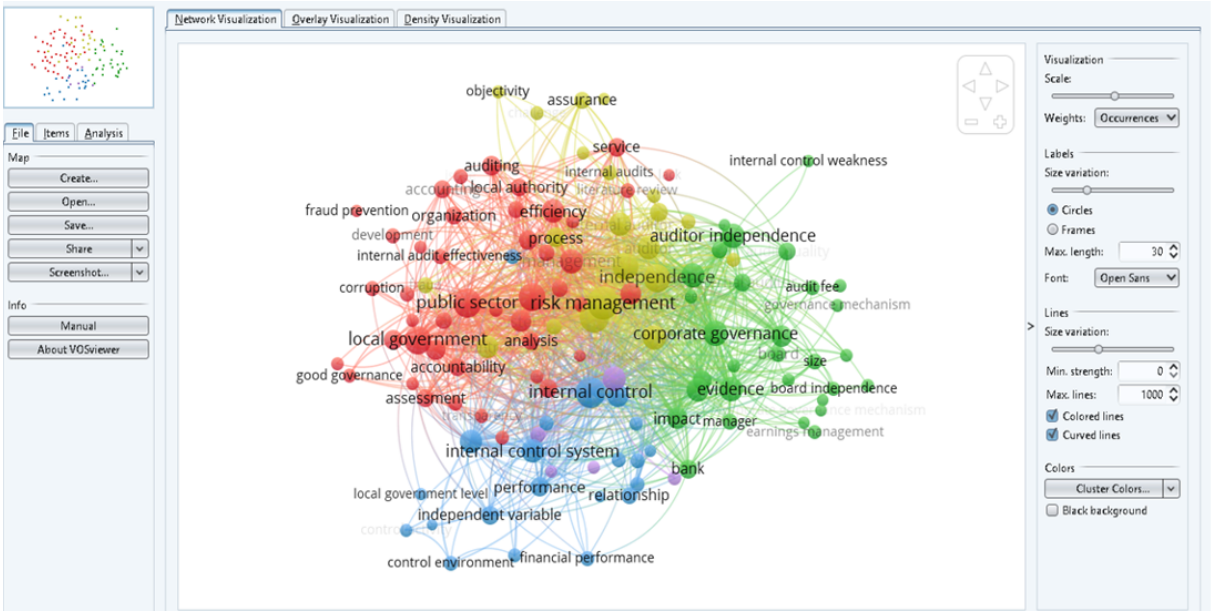

Figure 3: VOSviewer Visualisation on IAF Effectiveness in Local Government

Table: 1 represents a synthesis of academic literature in various dimensions of internal audit practices in local governments. The studies cover the effect of internal auditing on governance, performance accountability, compliance, fiscal outcomes in different jurisdictions. The research questions focus on **"How do current internal audit practices impact the effectiveness of the internal audit function in local government across different sectors?".** Senior Auditor adequacy, accountability, Public Sector Governance, Internal Audit Effectiveness, risk and compliance are analysed as key themes, through different theoretical frameworks such as Capability Theory, Audit Quality Theory and Public Sector Governance Theory. The conclusions show how internal audit plays a very important role in the enhancement of the operations of local authorities, development of accountability and improving long-term financial performance.

Full Reference (Harvard Style)	**Research question**	**Themes**	**Theories**	**Keywords**	**Findings**
Rahmasari, A. & Setiawan, D. (2022). Maturity of internal control system, the capability of internal auditors, and performance accountability in local governments. *Journal of*	How do current internal audit practices impact the effectiveness	Internal control, performance accountability, local government	Capability Theory, Governance Theory	Internal control, auditors' capability, performance accountability,	Found that the maturity of internal controls systems is positively related to performance accountability

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Public Administration, 45(2), pp. 132-147.	of the internal audit function in local government across different sectors			local governments	
Risakotta, K.A. & Akbar, R. (2021). The effect of internal and external accountability, job motivation and education on local government official's performance. *Public Administration Review*, 60(4), pp. 524-540		Accountability, job motivation, education, performance	Social Exchange Theory	Accountability, job motivation, education, performance, local government	Discovered that the capability of internal auditors is a significant factor in enhancing local government officials' performance
Mahyoro, A.K. & Kasoga, P.S. (2021). Attributes of the internal audit function and effectiveness of internal audit services: evidence from local government authorities in Tanzania. *Tanzania Journal of Public Administration*, 12(1), pp. 45-59.		Internal audit, effectiveness, local government	Audit Quality Theory	Internal audit function, effectiveness, local government authorities	Identified that the attributes of the IAF, objectivity and competence are crucial for the effectiveness of interna audit services in local government authorities
Nwoba, M. & Ede, C. (2019). Effect of internal audit techniques on performance of Ezza-North Local Government Council. *Journal of Governance & Development*, 15(2), pp. 76-85.		Internal audit techniques, local government performance	Performance Management Theory	Internal audit techniques, local government, performance	Found that the use of internal audit techniques has a positive impact on the performance of local government councils
Jones, G. & Beattie, C. (2020). Local government internal audit compliance. *International Journal of Public*		Audit compliance, governance, accountability	Compliance Theory	Audit compliance, local government, accountability	Emphasised the importance of compliance with internal audit standards in local

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Sector Accounting, 32(4), pp. 102-118.					government internal audit
Roussy, M., Barbe, O. & Raimbault, S. (2020). Internal audit: From effectiveness to organisational significance. *Journal of Business Ethics*, 152(3), pp. 813-830.		Internal audit, organisational significance, effectiveness	Organisational Theory	Internal audit, organisational effectiveness, audit significance	Highlighted the significance of internal audit effectiveness in achieving organisational goal and objectives
Authors, U. (2020). The role of internal auditing in the effective management and control of the affairs in LGAs in Nigeria (Kaltungo LGA). *Public Sector Journal*, 24(1), pp. 89-101.		Internal auditing, public sector management, governance	Governance and Control Theory	Internal auditing, management control, public sector, Nigeria	Stressed the role of internal auditing effective management and control of local government affairs.
Budiandru, B. (2024). The impact of internal audit effectiveness, risk management practices, and organisational culture on financial performance. *Journal of Financial Management*, 45(1), pp. 245-260.		Internal audit, risk management, organisational culture, financial performance	Risk Management Theory	Internal audit, risk management, organisational culture, financial performance	Found that internal audit effectiveness has a positive impact in financial performance
Poltak, H., Sudarma, M. & Purwanti, L. (2021). The determinants of the effectiveness of internal audits with management support as the moderating variable. *International Journal of Public Sector Management*, 42(3), pp. 44-58.		Effectiveness of internal audits, management support	Resource Dependence Theory	Internal audit effectiveness, management support, determinants	Identified that management support is a moderating variable in determining the effectiveness of internal audits

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Vashdi, D.R., Uster, A., Vigoda-Gadot, E. & Mizrahi, M. (2022). Is auditing worth the effort? The impact of internal auditing on local fiscal outcomes. *Journal of Public Economics*, 85(2), pp. 141-160.		Internal auditing, fiscal outcomes, local government	Public Sector Governance Theory	Internal auditing, fiscal outcomes, local government	Discovered that internal auditing has a positive impact in fiscal outcomes
Authors, U. (2020). Persuading drivers of internal audit functions effectiveness: development of conceptual model. *Management Accounting Journal*, 39(5), pp. 211-225.		Internal audit functions, effectiveness, conceptual model	Theory of Organisational Change	Internal audit functions, effectiveness, conceptual model	Developed a conceptual model to persuade drivers of IAF effectiveness
Karagiorgos, A., Stamatis, S., Plioska, P. & Koutri, O. (2024). Audit in the service of revenue increase: A tool for boards and committees of local authorities. *Public Finance Review*, 28(3), pp. 55-71.		Revenue increase, audit functions, local authorities	Agency Theory, Resource Dependency Theory	Revenue increase, audit tools, local authorities	Suggests that audit can be a tool for boards and committees of local authorities to increase revenue

Table 1: Themes, Theories, keywords used.

Discussion of Results

This literature review examined and highlighted the critical factors determining the effectiveness of internal audit services in local government authorities as revealed from the studies analysed. The level of maturity of the internal control system, the capability of internal auditors, auditee attributes, audit quality, and the organisation setting are factors comprising the audit effectiveness model. Rahmasari and Setiawan (2022), study discovered that the maturity of the internal control system, capability of internal auditors, and positive audit opinions have a significant effect on improving the accountability of local government performance in Indonesia. Yet, local own source revenues and proliferation status are negatively correlated with performance accountability, implying that these factors might undermine some aspects of effective governance and sketching the areas where targeted interventions are needed. Also,

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Risakotta and Akbar (2019) stated that performance of local government employees is positively influenced by internal accountability, job motivation and organisational commitment. The result of these findings shows that the fostering of internal accountability and commitment is important for augmenting employee performance in state institutions

Mahyoro and Kasoga (2021) in Tanzania also showed that internal audit service effectiveness in local government authorities is influenced by audit quality, organisational setting, and auditee attributes. For the study, data (510 respondents, Heads of Internal Audit Function, Internal Auditors, and Chairpersons of Audit Committees) were collected, and principal component analysis and exploratory factor analysis were used to identify those key drivers of audit effectiveness.

Some other studies have found that aside the referred techniques influence effectiveness on internal audit, such as internal audit check technique, vouching technique and confirmation technique also play a significant role on internal audit effectiveness (Nwoba & Ede 2020; Jones & Beattie 2019). It has been demonstrated that these techniques have had a positive effect on reducing fraud and increasing performance of local government councils. Importantly, these studies stress the importance of internal audit independence, audit quality, auditor competency, management support, compliance with professional audit standards, and IT integration in instilling sound public sector governance (Budiandru 2024; Roussy, Barbe & Raimbault 2020). Together these factors provide for more robust governance frameworks keeping transparency and accountability high and organisational performance high.

The findings also show that the organisational resilience cultural and strategic resilience dimensions are indirectly and significantly mediating the relationship between internal audit effectiveness and procurement performance (Poltak, Sudarma, and Purwanti 2020). The studies also confirm that local governments need to continue elevating the level of maturity of internal control systems, internal auditors' capability and quality of audit (Vashdi et al. 2022). The research also emphasizes that internal auditors should possess such skills and knowledge to enhance their effectiveness in the procurement activities' monitoring (Karagiorgos et al. 2024). The findings of the reviewed studies yield useful insights into the factors that influence internal audit effectiveness in local government authorities. All studies emphasise the relevance of a comprehensive point of view for internal audit effectiveness, which represents collection of the qualities, for example, audit quality, organisation setting, auditee characteristics, internal audit autonomy, and supervision from offices (Tsai, Chen, Chang & Lee, 2024; Appiah, Amaning, Tettevi, Owusu & Ware, 2024).

A study of the effectiveness of internal auditing in several sectors, including local government and public organisations, shows that the activity greatly influences the fiscal outcomes, governance and organisational performance. Internal and external audits positively impact improvement in fiscal outcomes of local governments, as the studies by Vashdi et al. (2022) and Karagiorgos et al. (2024)

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show, and they promote revenue generation in local authorities with strong audit functions. Secondly, internal audits also play a key role in improving public procurement performance, including governance (Appiah et al. 2024; Deyganto 2024). For instance, studies carried out in Ethiopia (Deyganto 2024) demonstrate the effect that internal audits have had on public sector performance and financial accountability.

A number of factors affect the quality and effectiveness of an audit, and these include management support, auditor competence and organisational independence. Auditee characteristics, such as audit committee performance, staff competencies and levels of transparency, are critical to the success of audits by local governments (Coetzee & Erasmus 2024). Furthermore, long and continuous audit history greatly supports financial management and fraud detection to guarding accountability and governance in local government institutions (Solichin 2024). On the other hand, local government characteristics such as the adoption of accrual-based accounting systems, have been proven to impact audit effectiveness through the improvement of financial reporting and operational transparency (Pramudiati & Putri 2024)

Conceptual framework

A conceptual framework is presented to provide a complete overview of the key factors affecting the effectiveness of internal audit practices in local government offices. The critical elements that influence this audit practice within local government such as outcomes, internal control systems, audit competency, audit competence, audit quality, and organisational setting are drawn from the various studies analysed in the review and synthesized in this framework.

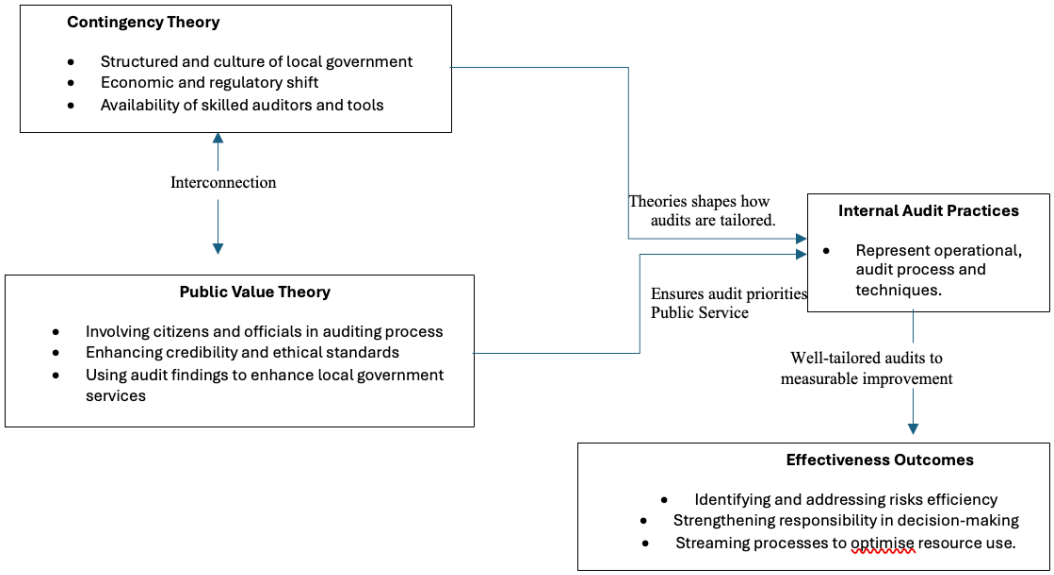

Figure 4: Relationship between theories and influence in internal audit effectiveness

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The integration of Key Factors: The framework integrates the findings of studies and establishes a structured approach to identify the key elements that affect the internal audits. Audit effectiveness is defined by the factors attributed to the audit framework (i.e., audit competency, internal control systems) either directly or indirectly. As Guidance for Analysis: The framework serves as a lens to view the analysis of internal audit practices and enables improvement to those that align with organisational objectives. It is foundation for research, providing theoretical and empirical base on which further studies could be conducted and it provides a roadmap for investigating the relationships between these variables. Practical Application: These elements are structured using this framework to boost the efficiency of local government office audits, accountability of subject matter to the auditees, and governance.

Limitations

Several limitations exist in studies on internal auditing. Many studies rely on cross-sectional data making it difficult to establish relationships and are influenced by political and resource constraints in local government (Aikins et al. 2024). Additionally, variations in audit quality across regions and industries, along with the complexity of governance system, makes it difficult to fully assess internal audit effectiveness.

Future Research

Future research could examine the long-term impact of internal auditing on organisational performance and public sector accountability. Studies on digital tools, governance structure and external factors such as political stability and economic conditional may provide insights into audit effectiveness. Additionally, evaluation of training and professional development programs could enhance audit quality and overall organisational performance.

Recommendation

Internal auditors should pursue continuous professional development in fraud detection, risk management and IT auditing to enhance their practices and effectiveness. Strengthening the Audit Committee, ensuring auditors independence from political pressure, and investing in advanced IT systems may improve audit quality and governance. Additionally, public sector organisations should enhance transparency and accountability in their auditing procedures.

Implications

Adequate internal auditing is indispensable for improving public sector governance, enhancing fiscal outcomes, and ensuring accountability. A strong audit system is instrumental in promoting transparency; it combats corruption and ensures public trust in government operation. Economic development and

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public administration are supported by robust internal controls in local government. Sound fiscal management, efficient revenue collection and resource utilisation, in turn, results in better performance of the public sector. Policymakers must incorporate the internal audit into the decision process, adjust it according to the needs and allocate the necessary resources to maximise its efficiency (Boufounou et al. 2024).

There were competing interests acknowledged

We declare that we have no financial or personal relationship(s) that may have inappropriately affected us in writing this article.

Authors' contributions

E.L. conceived the gap in the research that was then investigated, designed the survey and conducted the analysis of its findings, was responsible for the writing of the paper, reviewed and edited the article.

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Data availability

Data supporting the findings of this study are available from the corresponding author, E.L., upon reasonable request.

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