

Evaluating the Effectiveness of Internal Audit in Risk Management at Lusaka City Council

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African Journal of Commercial Studies, 2025, 6(2), 49-58

DOI Link: <https://doi.org/10.59413/ajocs/v6.i2.4>

Abstract

In recent years, there have been growing concerns about the adequacy of internal controls within local government institutions in Zambia, including the Lusaka City Council. Instances of financial irregularities, resource misallocation, and operational inefficiencies have highlighted the need for a comprehensive assessment of the internal audit function. Despite Lusaka City Council having a well-established internal audit function, they seem to be irregularities which are still appearing and these are in growing tendency, during the period of five years between 2018 to 2022 Lusaka City Council has failed to collect revenue which the council had budget for amounting K480 million. In this regard, this study evaluated the effectiveness of internal audit in risk management at Lusaka City Council using a self-administered questionnaires by assessing the Audit Committee, Segregation of Duties, Data Security and Information Technology in Internal Audit, and Risk Assessment. Analysis of Variance (ANOVA) was used to create whether there was difference between the independent variables and effectiveness of the internal audit at the Lusaka City Council. Analyzing the effectiveness of the Audit Committee, Reduced Audit Queries, and Enhanced Revenue Collection on internal audit controls at Lusaka City Council. The model showed a significant effect overall, with a p-value of .029 (Sig. = .029). This indicated that, collectively, the predictors significantly contribute to explaining the variance in internal audit controls. The F-value of 3.896 reflects the model's strength in predicting internal audit controls, while the Regression Sum of Squares (4.163) and Mean Square (2.096) indicate the proportion of variance attributed to the predictors compared to the residual variance (30.677). The regression equation $IAC = 0.763 + 0.174 RAQ + 0.214 ERCIAC$, describes the influence of Reduced Audit Queries (RAQ) and Enhanced Revenue Collection (ERC) on Internal Audit Controls (IAC). Reduced Audit Queries (B = .174, Sig. = .026) has a statistically significant positive effect, meaning that improvements in reducing audit queries are associated with stronger internal audit controls. Enhanced Revenue Collection (B = .214, Sig. = .117) shows a positive but statistically insignificant impact, suggesting it may contribute to internal audit controls but not as strongly or reliably as Reduced Audit Queries. Overall, the results imply that while both predictors positively influence internal audit controls, reducing audit queries is the most significant factor in this model. The regression model $IAC = -0.781 + 0.164 SD + 0.293 SJD$, describes the effects of Segregation of Duties (SD) and Structure and Job Descriptions (SJD) on Internal Audit Controls (IAC). Segregation of Duties (B = 0.164, Sig. = .037) has a positive and statistically significant impact, suggesting that improving segregation of duties positively influences internal audit controls. Structure and Job Descriptions (B = 0.293, Sig. = .096) also show a positive relationship with internal audit controls, although this effect is not statistically significant at the 0.05 level (Sig. = .096). Overall, the model suggests that enhancing segregation of duties has a meaningful impact on strengthening internal audit controls, while the influence of structured job descriptions is positive but less definitive in this model. The findings indicate the presence of internal control measures, including an audit committee overseeing financial reporting, internal controls, and risk management. However, several weaknesses are identified, such as inadequate internal audit reporting, inadequate revenue database system, poor operation of billing systems and slow operations of online payment systems. These weaknesses can impact financial management and revenue collection. To address these issues, the study recommends specific remedies aligned with best practices identified in the literature. These remedies include partnering with mobile phone service providers to introduce a platform which allows customers to easily access their bills and statements, invest their resources in procuring a bigger database that can store all their revenue from different revenue streams. In addition, the council should also procure Computer Assisted Audit Techniques (CAATs) tools that will broaden the audit scope and perform test that cannot be performed manually by enabling real-time monitoring and detection of irregularities which will increase the quality and reliability of audit results. Auditors should also be trained in information system and forensic audits since payments and revenue at the council are processed using information systems, and due to the nature of the risks at the council the auditors need to have forensic skills in order to detect fraud. The other recommendation is that the council should have a disaster recovery plan in place. The recommendations provided in the study aim to establish a robust internal control system at Lusaka City Council.

Keywords: Local Authorities in Zambia, Ward Development Committee (WDC), Market Advisory Committee (MAC), Institute of Internal Auditors (IIA), internal audit function (IAF)

Article Info

Volume 6, Issue 2

Publication history:

Accepted on 21 March 2025;

Published: 23 March 2025

Article DOI:

[10.59413/ajocs/v6.i2.4](https://doi.org/10.59413/ajocs/v6.i2.4)

1. Introduction

Recent financial crises have led to the enactment of significant legislation worldwide, including the UK's corporate governance code the US's Sarbanes-Oxley Act, and South Africa's Kings Report, emphasizing the importance of internal controls. Internal controls are integral to strong corporate governance, essential for mitigating financial risks and enhancing the credibility of financial statements and public image (The Sarbanes-Oxley of 2012).

Effective internal controls enable businesses to reduce costs by addressing accounting errors and fraud promptly, ensuring compliance with financial regulations and fulfilling obligations to stakeholders faithfully, Zambia has pursued decentralization since 2015, viewing it as crucial for enhancing local democracy and improving service delivery (Wunsch, 2017).

Studies have shown that ineffective internal audit systems contribute to financial mismanagement and fraud within local governments. The Lusaka City Council (LCC) has been implicated in financial irregularities, including misappropriation of funds and failure to remit statutory contributions as highlighted in the Auditor General's reports (Zambia Auditor General's Report, 2022). This underscores the need for stronger internal audit functions to enhance financial accountability and prevent corruption (Mulenga, 2022). The success of Zambia's decentralization efforts depends on robust internal controls within local authorities. However, weak internal audits at LCC have undermined its capacity to effectively manage public resources, thereby limiting its ability to deliver essential services to residents (Sakala & Banda, 2023). This raises concerns about the broader effectiveness of decentralization policies and governance structures (Litvack et al., 2019).

Internal audit functions in public sector institutions often struggle with resource constraints, lack of skilled personnel, and undue influence from management, limiting their effectiveness (Ngopa, 2013). At LCC, challenges such as inadequate salaries, poor working conditions and high staff turnover have negatively impacted audit quality and compliance with financial regulations (Zangeta & Chibomba, 2019).

LCC has faced significant procurement anomalies, including unauthorized payments, contract mismanagement, and failure to adhere to procurement procedures (Zambia Auditor General's Report, 2022). Such weaknesses in internal controls not only compromise financial transparency but also increase operational inefficiencies, ultimately affecting public trust in local governance (Chileshe, 2021).

However internal weaknesses within local governments can impede decentralization efforts and hinder goal achievement. The study aimed to assess the effectiveness of the internal controls at the Lusaka City Council in order to recommend the optimal strategy for managing effective internal control systems.

2. Literature Review

2.1. Overview of the study

The governance and administrative structure of local authorities in Zambia, including Lusaka City Council, is grounded in a comprehensive legal framework. The law governing local authorities is encapsulated in the Republican Constitution, specifically Article 109(1), and further detailed in the Local Government Act, Cap 281 of the Laws of Zambia. This Act outlines the establishment of Councils, their constitution, operational procedures, finance functions, regulatory powers, and the appointment of Local Government Administrators. The Ministry of Local Government has the authority to establish various forms of local government bodies, including City, Municipal, District, and Township Councils, as well as Management Boards. In Zambia, there are currently 4 City Councils, 14 Municipal Councils, and 54 Local Authorities (Districts).

Lusaka, the capital city of Zambia, was established as a settlement in 1913 and has since developed a complex administrative structure. The governance of Lusaka City Council is divided into a political wing, led by the Mayor, and an administrative wing, managed by the Town Clerk. The administration is further divided into eight departments, each headed by a director. These departments include Human Resource and Administration, Legal Services, Engineering Services, City Planning, Public Health, Housing and Social Services, Finance, and Valuation and Real Estate Management. As a Local Authority, Lusaka City Council operates a representative form of local government, where elected Councillors serve as community representatives within the Council. Lusaka is divided into 33 wards, each representing a smaller geographical area within the city's seven larger constituencies. In addition to the elected Councillors, the Council also includes two representatives from the local chiefs. This representative system ensures that local communities have a voice in the decision-making processes that affect their lives, thus enhancing the principle of self-governance through citizen participation.

The roles and responsibilities of Councillors and the Management team are distinct but complementary. Councillors, as a collective body, are responsible for making policy decisions on civic matters. The Management team, on the other hand, is tasked with implementing these policies for the benefit of the citizens. This separation of powers ensures that there is a clear distinction between policy formulation and execution, which is critical for effective governance.

2.2. Internal Controls in Local Government

The effectiveness of internal audit in local government has been the subject of numerous studies, each highlighting various challenges and successes. Research on internal audit often focuses on their role in mitigating risks ensuring compliance

with laws and regulations and enhancing operational efficiency.

One critical area explored in the literature is the impact of internal controls on financial management in local governments. Studies have shown that robust internal controls can significantly reduce the risk of financial mismanagement and fraud. A study by Simons and Hecker (2019) in South Africa highlighted the role of internal controls in preventing corruption and ensuring the accountability of local government officials. The study found that municipalities with strong internal controls were less likely to experience financial irregularities and were better equipped to manage public funds efficiently.

In the Zambian context research by Kunda and Kalunda (2020) examined the effectiveness of internal controls in enhancing financial accountability in local authorities. The study revealed that while internal controls are in place, their effectiveness is often undermined by inadequate implementation, lack of training, and insufficient oversight. The authors recommended strengthening internal audit functions and enhancing the capacity of local government officials to implement and monitor internal controls effectively.

Another significant focus of the literature is the role of internal controls in governance. Effective internal controls are seen as essential for good governance, particularly in local governments where there is a high degree of interaction with the public. Studies by Mwamba (2021) in Kenya and Amponsah (2018) in Ghana have emphasized the importance of internal controls in promoting transparency and accountability in local government operations. These studies suggest that internal controls are not just financial tools but are integral to the broader governance framework, helping to ensure that local governments operate in the public interest.

However, despite the recognized importance of internal controls many local governments face challenges in implementing them effectively. These challenges include limited financial resources, lack of technical expertise and political interference. For instance, a study by Chikonde and Phiri (2022) in Zambia highlighted the challenges of political influence on the internal audit functions of local authorities, which can compromise the effectiveness of internal controls.

The literature also discusses the evolving role of technology in internal audit. With the increasing reliance on digital systems in local government operations internal auditors must be proficient in computer auditing and forensic auditing. Studies have shown that the integration of technology in internal controls can enhance their effectiveness by enabling real-time monitoring and detection of irregularities. Research by Tan and Lee (2021) in Malaysia demonstrated how digital tools have improved the efficiency of internal audits in local governments, leading to better financial management and accountability.

Research in various countries, R.M. Mukwena conducted research with an initiative to strengthen the institutional capacity of local governments in Zambia during the Third Republic. Mukwena pointed out that the institution's capabilities in local governments were severely limited. Poor funding, insufficient employees, and insufficient equipment accessible to councils to enable them to offer basic services to their localities were among the top factors identified by Mukwena's study as contributing to Zambia's capacity problem. He also cited the Zambian local authorities' inadequacies as unclear aims and ineffective systems and structures (Mukwena R.M, 2021). Mukwena employed a qualitative research methodology for his study. He conducted semi-structured interviews with a sample of local government officials from the Third Republic in Zambia to gain insights into the existing institutional capacities of local governments in the country. He also reviewed reports and publications on local government in Zambia.

Mukwena further claimed that the Act of 1991 eliminated executive political controls in local government in order to streamline the Council's operations. Despite restrictions in the Act to limit political influence, he noted that the trend remained the same. Members of Parliament (MP), he claimed, had a stranglehold on council matters. He went on to say that MPs played a significant role in appointing top-ranking officials to the Councils. MPs misused cash and pushed their own political agenda at the expense of local governments and communities, according to Mukwena (ibid). Mukwena's findings brought out pertinent issues that added value to the study. He emphasized the need for greater autonomy, heavy investment in infrastructure and comprehensive building of employees' capacity to enable the councils effectively carry out their mandate. He further stressed the need for political leadership to observe the legal framework in order to rationalize operations in the councils. Mukwena's findings supported the premise on which the study was based. Mukwena's research methodology used was a qualitative study. He conducted a review of literature and interviews with stakeholders to gather data. He used a content analysis of the data to analyze his findings. He also used a comparative analysis to draw comparisons between different councils and their operations (Mukwena 2021). This dissertation aims to contribute to addressing this research gap by focusing on the to evaluating the Internal audit function at Lusaka City Council and how it manages the risks of failing to collect revenue, then to recommend the optimal strategy for managing effective internal control systems.

2.3. The theoretical and conceptual framework

Agency Theory (AT)

Agency theory highlights the contractual relationship between organization owners and top management where managers act as agents performing services on behalf of owners. However, managers may misuse decision-making authority for personal gain, necessitating the presence of audit committees and internal auditors to enhance performance and ensure adherence to procedures (Adams, 1994). Internal auditors serve as agents and monitors for various stakeholders, including the board, audit committee and senior management, but may face conflicting interests due to their employment by senior

management. To mitigate bias and maintain objectivity, internal auditors must demonstrate professional competence through education, certifications, and experience, thereby increasing confidence levels of the board and audit committee (Peurseem & Pumphrey, 2005).

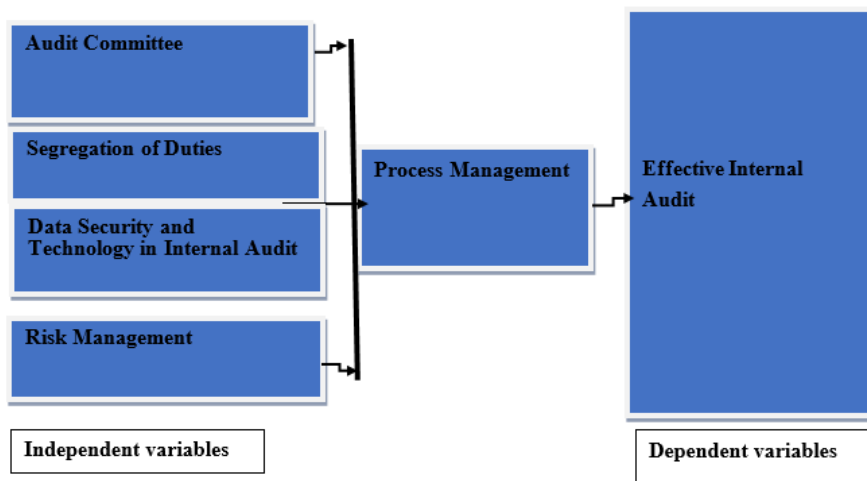
Process Management Theory (PMT)

Process management is an integral management concept to guide, organize and manage a company. It aims at a target-orientated management of time, quality and costs to achieve both strategic and operative goals. The entire process is illustrated in the “process life cycle”. The process life cycle generally includes the following phases, Strategy, Modeling, Execution, Monitoring and Controlling. This results in a flow of continuous improvement as the process life cycle repeats (Meerkamm, S., 2009). It can be seen clearly that, the process management theory is a valid theory for internal control effectiveness. Internal control should be used to support the organization in achieving its strategy and objectives by managing its risks while complying with rules, regulations, and organizational policies. The organization should therefore make internal control part of risk management and integrate it in the overall governance system.

Framework Basis for Export Performance

A conceptual framework is a tool a researcher uses to guide their inquiry, it is a set of ideas used to structure the research and it offers a roadmap for the research (Kothari 2004). Thus, it is the researcher’s own point on the problem and direction of the research. In this study the conceptual framework is described to a structure that will adequately show the influence of the independent variables on the dependent variable. It shows the link between the concepts and theories being used by the researcher (Meyers, 2001). In this dissertation the concepts being applied in the research are audit committee, segregation of duties, data security and technology in internal audit and risk management. These are further broken down to show the specific components of the concepts and how they help in creating effectiveness of internal controls. As shown in Figure below.

Table 1: Proposed Conceptual Framework: Relationship between independent and dependent variables



Therefore, based on the above literature on effectiveness of the internal audit function at the Lusaka City Council in order to recommend the optimal strategy for managing risk.

Table 1: Hypothesis

1	<i>H₀</i> : The presence of an audit committee has no significant impact on effective internal audit <i>H₁</i> : The presence of an audit committee significantly effective internal audit
2	<i>H₀</i> : Segregation of duties does not significantly effective internal audit <i>H₁</i> : Segregation of duties significantly effective internal audit
3	<i>H₀</i> : Data security and technology in internal audit do not significantly impact effective internal audit <i>H₁</i> : Data security and technology in internal audit significantly improve effective internal audit
4	<i>H₀</i> : Risk management does not significantly effective internal audit <i>H₁</i> : Risk management significantly enhances effective internal audit

3. Methodology

In this study, a survey research design research approach was employed to identify trends and relationships between variables. Both primary and secondary data collection methods were utilized and the collected data was carefully analyzed and interpreted to highlight the key research issues. The choice of using Probability Sampling & Non-Probability Sampling instead of stratified sampling in this study is due to specific research objectives and the characteristics of the population being studied. Non-Probability is the type of sampling that means that every person within the population of interest has the same chance of being selected to take part in the research. is the type of sampling that means that participants do not have the same chances of selection but the researcher is the one that selects. Here I held face-to-face interviews with the staff in the accounts, internal audit and human resource departments at Lusaka City Council. This approach offers several advantages over stratified sampling. This was a purposeful sampling technique. A sample size of 60 employees out of a total population of 4,360 employees was surveyed in-depth and comprehensive understanding of how internal controls are important to sound financial management of public resources responded to the questionnaires provided.

Reliability and Validity

Ensuring reliability and validity is crucial in research as it ensures the collection of high-quality and dependable data. These features enhance transparency and minimize the potential for researcher bias in qualitative research (Singh, 2014). To achieve this, the study employed rigorous methods and measurement techniques that precisely measured the variables relevant to addressing the research questions.

4. Data presentation and analysis

4.1. Firm Characteristics

In this study, the response rate represents the total number of questionnaires that were completed and submitted by the participants. A total of 60 questionnaires were received from the respondents representing 80% as shown in table 2.

Table 2: Participants' Response Rate

Targeted	Obtained	Response Rate
75	60	80%

Source: Own Survey Results

4.2. Descriptive Statistics

As can be seen in Table 3 below is summary Analysis of Variance (ANOVA) was used to create whether there was difference between the independent variables and effectiveness of the internal audit at the Lusaka City Council. The ANOVA table evaluates the statistical significance of the regression model in explaining variations in internal audit controls based on the independent variables: Audit Committee, Segregation of Duties, Data Security and Technology in Internal Audit and Risk Management. The Regression Sum of Squares (SS) = 4.508 represents the portion of variance explained by the model while the Residual Sum of Squares (SS) = 11.004 accounts for unexplained variability. The Mean Square for Regression (MS) = 2.254, calculated as $SS \text{ Regression} / df = 4.508 / 2$, represents the average variance explained per predictor whereas the Mean Square for Residuals (MS) = 0.182, derived as $SS \text{ Residual} / df = 11.004 / 57$, signifies the variance unexplained by the model. The F-statistic = 12.39, obtained by dividing MS Regression by MS Residual ($2.254 / 0.182$), determines whether the independent variables collectively explain a significant portion of variance in internal audit controls with a higher F-value indicating a stronger model fit. The significance level (Sig.) = 0.002, being less than 0.05, leads to the rejection of the null hypothesis confirming that the model is statistically significant.

Table 3: Descriptive Statistics for Internal Challenges

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4.508	2	2.254	12.39	.002a
Residual	11.004	57	0.182		
Total	15.512	59			

a. Predictors: (Constant), Audit Committee, Segregation of duties, Data Security and Technology in Internal Audit, Risk Management.

b. Dependent Variable: internal audit controls

Table 4 ANOVA on the Audit Committee in effectiveness of the internal audit functions at Lusaka City Council The ANOVA table evaluates the significance of the regression model in explaining variations in internal audit controls based on the independent variables: Audit Committee, Reduced Audit Queries and Enhanced Revenue Collection. The

regression sum of squares (4.163) represents the portion of variance in internal audit controls explained by these predictors while the residual sum of squares (30.677) accounts for the unexplained variation. The mean square for regression (1.388) and residual (0.548) were used to compute the F-value of 2.53. The significance value ($p = 0.066$) is greater than 0.05, indicating that the independent variables do not have a statistically significant effect on internal audit controls at the conventional 5% significance level. However, the p-value suggests a weak influence at a 10% level, implying that the variables may contribute to internal audit controls but with limited statistical confidence. The F-value = 2.53, and the p-value (Sig.) = 0.066. Since the significance level (0.066) is greater than 0.05, we fail to reject the null hypothesis indicating that the independent variables (Audit Committee, Reduced Audit Queries, and Enhanced Revenue Collection) do not have a statistically significant impact on internal audit controls at the 5% significance level. However, they might have a weak influence at a 10% level.

Table 4: Coefficients for Audit Committee in effectiveness of the internal audit functions

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4.163	3	1.388	2.53	0.066
Residual	30.677	56	0.548		
Total	34.84	59			

a. Predictors: (Constant), Audit Committee, Reduced audit queries, Enhanced revenue collection.
b. Dependent Variable: internal audit controls

4.3. Coefficients

The regression equation $IAC = 0.763 + 0.174 RAQ + 0.214 ERCIAC$, describes the influence of Reduced Audit Queries (RAQ) and Enhanced Revenue Collection (ERC) on Internal Audit Controls (IAC). The constant term (.763, Sig. = .057) is not statistically significant, indicating a weak baseline level of internal audit controls when both predictors are zero. Reduced Audit Queries (B = .174, Sig. = .026) has a statistically significant positive effect, meaning that improvements in reducing audit queries are associated with stronger internal audit controls. Enhanced Revenue Collection (B = .214, Sig. = .117) shows a positive but statistically insignificant impact, suggesting it may contribute to internal audit controls but not as strongly or reliably as Reduced Audit Queries. Overall, the results imply that while both predictors positively influence internal audit controls reducing audit queries is the most significant factor in this model.

Table 5: Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.763	.382		1.932	.057
	Reduced audit queries	.174	.073	.288	2.304	.026
	Enhanced revenue collection	.214	.135	.200	1.585	.117
a. Dependent Variable: internal audit controls						

4.4. ANOVA on the knowledge that employees at Lusaka city council have towards internal control systems

The ANOVA results in Table 4.5 assess the influence of employee knowledge towards internal control systems at Lusaka City Council, with predictors including Segregation of Duties, Effective Controls and Communication Systems, Structure and Job Descriptions and Data Security Policy on Internal Audit Controls. The model is statistically significant overall, with a p-value of .022 (Sig. = .022), indicating that these factors collectively impact internal audit controls. The F-value of 4.085 further confirms the model's effectiveness in explaining variations in internal audit controls based on employees' knowledge and attitudes toward internal controls. The Regression Sum of Squares (2.862) and Mean Square (1.426) indicate the proportion of total variance (22.408) that can be attributed to the predictors, compared to the Residual Sum of Squares (19.537). In summary employee knowledge and attitudes towards internal control practices such as effective communication structured job descriptions and data security, significantly influence internal audit controls at Lusaka City Council.

Table 6: ANOVA on the knowledge that employees at Lusaka city council have towards internal control systems

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.862	2	1.426	4.085	.022 ^a
	Residual	19.537	57	.351		
	Total	22.408	59			
a. Predictors: (Constant), Segregation of duties, Effective controls and communication systems, structure and job descriptions, data security policy						
b. Dependent Variable: internal audit controls						

4.5. Model Coefficients

The regression model $IAC = -0.781 + 0.164 SD + 0.293 SJD$, describes the effects of Segregation of Duties (SD) and Structure and Job Descriptions (SJD) on Internal Audit Controls (IAC). The constant term (-0.781, Sig. = .353) is not statistically significant, indicating that without the predictors, there is no meaningful baseline effect on internal audit controls. Segregation of Duties (B = 0.164, Sig. = .037) has a positive and statistically significant impact, suggesting that improving segregation of duties positively influences internal audit controls. Structure and Job Descriptions (B = 0.293, Sig. = .096) also show a positive relationship with internal audit controls, although this effect is not statistically significant at the 0.05 level (Sig. = .096). Overall, the model suggests that enhancing segregation of duties has a meaningful impact on strengthening internal audit controls, while the influence of structured job descriptions is positive but less definitive in this model.

4.6. Discussion

The discussion of findings in this research provides valuable insights into evaluate the Internal audit function at Lusaka City Council and how it manages the risks of failing to collect revenue, then to recommend the optimal strategy for managing effective internal control systems. The study explored three main objectives, namely To evaluate the effectiveness of the internal audit control at Lusaka City Council, To establish the knowledge that employees at Lusaka city council have towards internal audit control in risk management, To identify and evaluate the possible weakness of the internal audit controls at Lusaka City Council in risk management and to recommend the possible remedies for the current internal audit controls.

The findings related to Objective 1 The result Revenue projections totaling K329,599,529 were not achieved due to the cholera outbreak from October 2017 to May 2018, resulting in a revenue loss of K20,000,000. During the financial year 2019, the Council's revenue collection was impacted by gassing incidents across the city, hindering revenue collectors from reaching certain areas, especially peri-urban areas. Challenges with databases, particularly inconsistencies in billable revenues such as billboards, containers, booths, poles, and ground rent, further hindered revenue collection efforts during the period under review. Failure to Collect Receivables - K340, 496,946 Response by the Accounting Authority. The Accounting Authority acknowledged that receivables on the Council's books, as at 31st December 2020, amounted to K340, 496,946. These amounts remained outstanding at the time of audit due to the outbreak of Covid - 19 in March 2020, when Zambia reported the first two (2) cases. This saw a number of businesses closed following the implementation of public health measures by the Government through the Ministry of Health. These measures affected the Council's ability to collect revenue as most businesses were not operational until the last quarter of 2020, which some of the measures were lifted or relaxed, [Committee on Local Government Accounts, 2020:199].

Objective 2 To identify the types of internal controls used at Lusaka City Council. Participants agreed on Weaknesses in Internal Controls at Lusaka City Council (2018-2020), Data inconsistencies, such as unaccounted gate fees in 2020 and unretired impress, undermine the reliability of audit reports. Discrepancies between records at Road Transport and Safety Agency and Intercity Bus Terminus highlight operational inefficiencies [Committee on Local Government Accounts, 2019:151], Lack of formal working arrangements exacerbates data reconciliation issues. Insufficient systems lead to data inaccuracies, hindering effective revenue management and decision-making. Poor recording of revenue transactions may result in financial losses or potential fraud.

Poor Operation of Billing Systems (Poor ICT internal control systems), Malfunctioning billing systems lead to errors like incorrect or delayed invoices, causing revenue leakage or dissatisfaction among customers. Regular maintenance and appropriate controls are necessary to minimize errors and inconsistencies. This is in line with the research of Safari & Saleh (2020) and Fernando & Samarakoon (2020) who identified factors such as government support and legal requirements as crucial in the internationalization process.

Finally, Objective 3 To identify and evaluate the possible weakness of the internal audit controls at Lusaka City Council in risk management. The findings indicated that Inadequate internal audit reporting and data inconsistencies pose a significant risk to the reliability and integrity of audit reports and the information stored in the database. From the literature Billand (2005) argues that, internal audit plays a very critical role in the administration of corporate governance

through the identification and monitoring of financial risk to ensure financial reliability of statements produced for financial reporting. Further, Hurt (2008) observes that if internal auditors do not understand the industry, they will not decipher what risks the organisation is likely to encounter. According to Peurseem and Pumphrey (2005), internal auditors serve as agents who monitor the activities of management, the board, and the audit committee. Agency problems arise when these monitoring entities, like the board or audit committee, are ineffective, which can skew internal audits and diminish their objectivity.

5. Conclusion and Recommendations

5.1. Financial Management Practices in Public Institutions

The findings from the analysis reveal several key insights regarding the factors influencing internal audit controls at Lusaka City Council. Overall, the statistical models demonstrate that certain variables have a significant impact, while others show little to no influence on internal audit effectiveness. Risk Management and Reduced Audit Queries; The ANOVA results and model coefficients highlight the crucial role of risk management and reduced audit queries in enhancing internal audit controls. Both variables have statistically significant positive effects (p-values of 0.002), suggesting that improving these areas contributes strongly to strengthening internal audit systems. The high standardized coefficients for both variables (.391 and .394, respectively) indicate their strong influence within the model.

Segregation of Duties; Segregation of duties is also identified as a significant factor influencing internal audit controls. The regression results show a positive and statistically significant relationship (p = 0.037), indicating that enhancing the segregation of duties leads to more robust internal audit practices. This result aligns with best practices in internal auditing, where separating duties helps mitigate the risk of fraud and errors.

Audit Committee and Technology in Internal Audit; although the Audit Committee and Data Security/Technology variables showed positive relationships with internal audit controls, their effects were statistically insignificant in the models (p-values of 0.351 and 0.611, respectively). These findings suggest that while these factors may contribute to the overall internal audit framework, they are less critical compared to risk management and reduced audit queries.

Employee Knowledge and Internal Control Systems; the analysis of employee knowledge regarding internal control systems also provided insightful results. Variables such as segregation of duties, structure and job descriptions, and data security policy were found to significantly influence internal audit controls (p = 0.022). Employee understanding and adherence to internal control practices play an essential role in ensuring effective audit operations.

Enhanced Revenue Collection; While the model involving enhanced revenue collection showed a positive coefficient, the relationship was not statistically significant (p = 0.117), implying that this factor does not have a strong or reliable impact on internal audit controls at the Lusaka City Council. Weak Baseline and Insignificant Constants; in several models, the constant terms were found to be statistically insignificant (e.g., p = 0.058, 0.057), suggesting that the baseline level of internal audit controls is not substantially influenced by factors outside the predictors included in the models. The study indicates that the most critical factors influencing internal audit controls at Lusaka City Council are effective risk management, reduced audit queries and segregation of duties. While other factors such as enhanced revenue collection, audit committees and technology may play a role their effects are not as pronounced. To improve internal audit controls the Council should prioritize enhancing risk management processes, reducing audit queries and ensuring a clear segregation of duties. Fostering greater employee knowledge of internal control systems is essential for reinforcing these efforts.

Based on research findings and conclusion for this study along with insights from relevant literature, the following recommendations are proposed:

- With the poor operation of billing systems at the council that lead to errors, such as incorrect or delayed invoices, LCC should partner with mobile phone service provider to introduce a platform which allows customers to easily access their bills and statements and make payments, the current platform only allows to only make payments. This can work by dialing on the phone anytime without waiting for the bulk messages once a month by Zamtel.
- Each customer that is serviced by the council should have a unique identification number which when entered can show the customer a comprehensive statement on what is owed to the council, what has been paid so far and the balance for different services that the council has provided to a particular customer for example land rates, business levy, survey fees among others. This identification number can be entered on all payment platforms and information can be compared and reconciled with the bulk messages sent by the council at the end of the month.
- Due to Revenue database systems that was inadequate and lead to data inaccuracies, inconsistencies and even loss of important information, the Council should invest their resources to procure a bigger database that can store all their revenue streams from markets, bus stations, car parks, sale of plots among others. The database should be able to isolate each revenue stream to avoid inaccurate data. The Council can also employ Database Administrator who will ensure that only authorised users log into the system using unique customer identification number, and the database is properly maintained and secured.
- With the Internal Audit Department at LCC inadequately reporting findings, it is recommended that LCC

procures Computer Assisted Audit Techniques (CAATs) tools that will broaden the audit scope and perform test that cannot be performed manually, increase the scope and quality of sampling by verifying a large number of transactions and increase the quality and reliability of audit results. The Council should also train the internal auditors in information system and forensic audits since payments and revenue at the council are processed using information systems, and due to the nature of the risks at the council the auditors need to have forensic skills in order to detect fraud.

- The literature also discusses the evolving role of technology in internal audit. With the increasing reliance on digital systems in local government operations, internal auditors must be proficient in computer auditing and forensic auditing. Studies have shown that the integration of technology in internal controls can enhance their effectiveness by enabling real-time monitoring and detection of irregularities. For example, research by Tan and Lee (2021) in Malaysia demonstrated how digital tools have improved the efficiency of internal audits in local governments, leading to better financial management and accountability.
- The Council had no disaster recovery plan, and with the criticality of assets across the Lusaka City Council and level of risk attached to them, it is important for the council to have disaster recovery plan and back up all its important information, so that in an event of a disaster it won't take time for the council to recover and get back to normal operation. It is important for LCC to quickly get back to normal operations in case of a disaster or discontinuation of operations, so that revenue is not lost during that period.

Conflict of Interest

The authors declare that they have no conflicting interests

Funding

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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