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INTERNAL AUDITING AND FINANCIAL CONTROL IN ZAMBIA

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1. ABSTRACT

Financial controls require independent scrutiny and sustained corrective action if they are to support responsible resource management. This narrative review examines how internal auditing contributes to financial control and fraud risk management in Zambia, with practical implications for organisations in Chipata. Nine sources were purposively selected: three empirical journal articles, five professional publications and one Zambian statute. The synthesis compared control mechanisms, detection evidence, audit independence, rganizational constraints and follow-up. Published studies associate audit effectiveness with management support, audit quality, professional responsibility and training, although their settings and methods limit transfer to Zambia. Professional frameworks distinguish management ownership of controls from independent internal audit assurance. Published occupational-fraud statistics illustrate complementary detection channels, without establishing local fraud prevalence or causal effects. The review proposes risk-based audit planning, reliable transaction records, proportionate separation of duties, protected reporting arrangements and verification of corrective action. Its central conclusion is that internal audit is most useful when governing bodies protect its independence and managers implement evidence-based remedies. The review contains no primary Chipata data, is not a systematic review and does not estimate the effect of auditing on fraud. Its recommendations provide a practical basis for rganizational assessment and future local research.

2. KEYWORDS: Internal auditing; Financial controls; Fraud risk management; Accountability; Zambia; Chipata.

3. INTRODUCTION

Organisations depend on financial controls to authorise transactions, preserve records, safeguard assets and communicate dependable financial information. When these arrangements are poorly designed or inconsistently applied, errors may remain unresolved and opportunities for deliberate misuse may emerge. The Institute of Internal Auditors (IIA) describes how internal auditing offers independent assurance about whether governance, risk management and controls operate as intended, but it does not substitute for the financial responsibilities of managers and employees (IIA, 2024a).

The Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013) organises its Internal Control - Integrated Framework around the control environment, risk assessment, control activities, information and communication, and monitoring activities. These components are mutually reinforcing. For example, a payment-approval rule has limited value when supporting evidence is not retained, privileged access is uncontrolled, or irregularities are not reported to decision makers.

For Zambia's public sector, the Public Finance Management Act No. 1 of 2018 establishes responsibilities for internal audit, including evaluating risk management and controls and recommending improvements. Sections 16, 17 and 19 address internal auditors' access to information and their functions and audit-committee oversight within the public-finance system (Government of the Republic of Zambia, 2018). Private companies and non-governmental organisations may apply similar governance principles while operating under different legal and contractual obligations.

Chipata offers a practical setting in which to consider these issues because organisations may manage supplier payments, inventory, payroll, petty cash, donor resources and electronic transactions. However, the existence, frequency or severity of specific control weaknesses in Chipata cannot be inferred from professional guidance alone. The present article therefore treats the locality as an application context, not as a sampled case study.

The review addresses four questions: how internal auditing strengthens financial controls; through which mechanisms it may help prevent and detect fraud; which organisational conditions constrain its effectiveness; and which feasible actions can improve accountability. The contribution is an integrated, practice-oriented synthesis that distinguishes documented professional and comparative evidence from recommendations requiring local testing.

4. MATERIALS AND METHODS

An interpretive narrative review was completed using material available up to 4 November

2026. Nine sources were selected purposively: three empirical journal articles, five professional publications and Zambia's Public Finance Management Act No. 1 of 2018. The professional sources comprised the COSO framework, the IIA's Three Lines Model, the Global Internal Audit Standards, the public description of the IIA's fraud practice guide and the ACFE's 2026 report. Sources were located through issuing organisations, publisher pages and institutional publication records. Inclusion was based on direct relevance to financial controls, audit effectiveness, governance or fraud risk, together with identifiable authorship and publication provenance. The selection was intended to support an interpretive discussion rather than represent all available research.

For each source, the review considered its purpose, setting, type of evidence, principal contribution and limits of application. The three empirical studies concerned Ethiopia, Saudi Arabia and Greece. Interpretation of Mihret and Yismaw (2007) and Alzeban and Gwilliam (2014) was restricted to findings disclosed in institutional or publisher abstracts; the full text of Drogalas et al. (2017) was consulted. The review therefore does not offer a full methodological appraisal of every study. The public description of the IIA fraud guide was used only for its statement of scope and shared responsibility, without claiming access to the members-only guide.

The synthesis compared five themes: financial control mechanisms, fraud detection, governance and independence, operational constraints, and corrective action. Statutory provisions were treated as requirements within their stated public-sector scope, professional frameworks as normative guidance, and survey or investigated-case findings as observational evidence. No formal risk-of-bias instrument, systematic screening protocol, effect-size pooling or meta-analysis was applied.

For Figure 1, published percentages were transcribed from Figures 13 and 105 of the ACFE report, on pages 24 and 94 respectively (ACFE, 2026). These describe initial detection methods in investigated occupational-fraud cases. The regional profile belongs to the global study and is not an independent comparison sample. No tests of differences between the profiles were conducted. The chart reports selected published categories rather than a complete distribution.

No interviews, questionnaires, organisational audits or other primary field data were collected for this article. Chipata is an application context, not a sampled case study. The tables and Figure 2 are interpretive proposals developed from the reviewed principles; they are not observed organisational findings or estimates of causal relationships. The numerical source data are publicly available in the cited ACFE report.

5. RESULTS AND DISCUSSION

5.1 Internal audit within the governance and control system

Internal auditing is a source of objective assurance and advice rather than the owner of day-to-day controls. The IIA's Three Lines Model distinguishes management responsibilities for operating and supervising controls from the independent assurance role of internal audit. Governing bodies and audit committees oversee the overall arrangements and protect the internal audit function from undue interference (IIA, 2020, 2024a).

This distinction is especially important when addressing fraud risk. Internal auditors should examine whether responsibilities are properly allocated and whether controls are effective; managers must implement remedies, while designated investigators or lawful authorities examine substantiated allegations of wrongdoing. An auditor can identify an anomaly without claiming that fraud has been proven.

The IIA's public guidance on internal auditing and fraud treats fraud risk as a shared organisational responsibility (IIA, 2024b). In applying this principle, the review recommends that any investigative role for internal audit be clearly authorised, supported by relevant competence and subject to safeguards where later assurance could be affected.

5.2 Evidence from empirical studies

Empirical studies help identify conditions under which internal audit may be useful, while also showing why a professional mandate alone cannot establish effectiveness. Mihret and Yismaw (2007) examined one public higher education institution in Ethiopia and identified audit quality and management support as important influences on internal audit effectiveness. The case design provides contextual insight but cannot establish how common those relationships are across institutions or countries.

Alzeban and Gwilliam (2014) analysed responses from 203 managers and 239 internal auditors in 79 Saudi Arabian public-sector organisations. Their survey associated management support with perceived internal audit effectiveness, including the availability of competent staff, resources, independence and working relationships with external auditors. The outcome was perceived effectiveness, not a directly measured reduction in fraud. These findings support attention to organisational support, while the observational design and national context limit causal interpretation and direct transfer to Zambia.

Drogalas et al. (2017) examined 112 questionnaire responses in companies listed on the Athens Stock Exchange. Their analysis reported positive associations between fraud detection and internal audit effectiveness, auditor responsibility and training. The study supports further examination of competence and clearly assigned responsibilities, but it does not provide a Zambian effect estimate. Questionnaire-based relationships also require caution because

perceptions of audit performance and detection may be influenced by the same respondents and organisational circumstances.

Across these studies, a recurring issue is whether organisations enable auditors to perform useful work and respond to it. This convergence strengthens the rationale for examining support, competence and implementation together. It does not justify combining unlike measures into a single effect, ranking countries, or assuming that staffing increases alone will reduce fraud in Chipata. The practical proposals below therefore emphasise observable control processes that local organisations could assess.

5.3 How internal auditing strengthens financial controls

A useful internal audit begins by identifying processes where exposure to error or abuse may be significant. In expenditure management, an auditor may trace a sample of payments from budget allocation and procurement approval to receipt of goods, authorisation, banking evidence and ledger entry. The test assesses whether controls exist in practice, not merely in policy manuals.

In cash management, timely bank reconciliations, independent review and controlled access to receipts can reveal unexplained differences. For payroll, procedures may include reconciliations between approved staffing records and payment files, independent verification of employee changes and periodic access reviews. For inventory and fixed assets, comparisons between registers, physical counts and custody records are relevant tests. Audit recommendations are stronger when they identify the specific control gap, the associated risk, a responsible manager and a reasonable completion date.

The COSO framework reinforces the need to combine preventive controls, such as segregation of duties and prior authorisation, with detective controls, such as exception reports and reconciliations, as well as ongoing monitoring. Weakness in one component can reduce the value of the others (COSO, 2013). Table 1 illustrates practical tests that can be adapted across public, private and non-profit organisations.

Table 1. Illustrative financial control risks and corresponding internal audit tests.

Process	Potential vulnerability	Illustrative audit procedure
Payments	Unapproved or duplicated disbursements	Trace selected payments to approvals, invoices, receipts and bank evidence.
Procurement	Conflicts of interest or unsupported purchases	Review supplier selection, quotation records, delivery evidence and approvals.
Payroll	Unauthorised employee or salary changes	Reconcile payroll to approved staff records and test change authorisations.
Cash and bank	Unreconciled balances or missing receipts	Inspect bank reconciliations, ageing differences and independent sign-off.
Inventory and assets	Unrecorded losses or missing items	Compare asset registers with physical counts and custody records.

Source: Authors' illustrative applications of the control principles discussed in COSO (2013) and IIA (2024a). These are proposed tests, not findings from audited organisations.

5.4 Fraud prevention detection and interpretation of the evidence

Internal audit can contribute to fraud-risk management through process walkthroughs, transaction testing, review of unusual patterns and assessment of reporting mechanisms. Duplicate invoice numbers, unexpected supplier bank-account changes, missing supporting documents or unusual transactions may justify additional scrutiny; none should be treated as conclusive proof of fraud. Risk-based follow-up must respect confidentiality, organisational procedures and applicable law.

The Association of Certified Fraud Examiners' (ACFE) 2026 report describes 2,402 investigated occupational-fraud cases from 143 countries and territories. Tips accounted for 43% of initial detections globally and internal audit for 15%. In the report's Sub-Saharan African profile, which lists 397 cases, the corresponding figures were 45% and 15%. Figure 1 compares five selected detection methods (ACFE, 2026). The profiles overlap because the regional cases are part of the global study.

These proportions describe how cases in an investigated-case dataset came to attention. They do not measure the share of all fraud detected, the probability that an organisation will suffer fraud, or the percentage reduction in fraud produced by a control. Their practical implication is that audit work should be considered alongside reporting channels and routine management checks, with attention to how information is received and acted upon.

The reviewed survey evidence and detection statistics address related but different questions. A study of perceived audit effectiveness cannot be read as a measured fraud-loss outcome, while a detection-method profile cannot explain why a specific organisation prevented or failed to prevent wrongdoing. Combining them is useful for framing an assessment, but does not supply a causal estimate for Zambia.

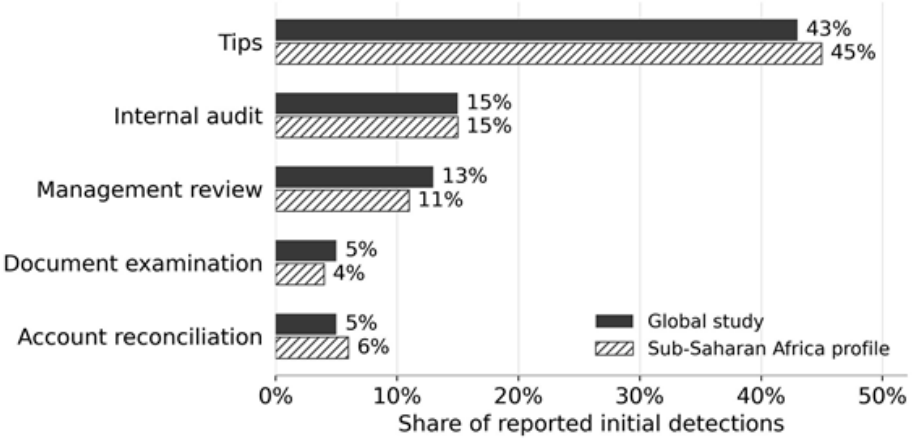


Figure 1. Selected initial detection methods in investigated occupational-fraud cases. Source: ACFE (2026), Figures 13 and 105, pp. 24 and 94. The regional profile is part of the global study. Selected categories do not total 100%; the chart contains no Chipata observations.

5.5 Governance independence and corrective action

Independence is weakened when an auditor must obtain permission from the same official whose transactions are being reviewed or when reporting lines allow audit findings to be suppressed. The Global Internal Audit Standards emphasise board authorisation, independent positioning, sufficient resources, competent engagement work and monitoring of action plans (IIA, 2024a).

An effective audit cycle includes scoping, evidence collection, objective reporting, management responses, assigned corrective measures and verification of implementation. The accountability arrangement in Figure 2 separates management action from independent assessment and oversight. It is a proposed interpretation of professional guidance rather than a tested model. Audit quality should be assessed through the significance and resolution of findings, alongside the quality and coverage of audit work (IIA, 2020, 2024a).

In Zambia's public bodies, the statutory audit mandate provides a formal basis for access and reporting. In smaller private or community organisations, independent external or shared internal-audit services may be considered when permanent staffing is not feasible, provided reporting and conflict-of-interest safeguards are maintained.

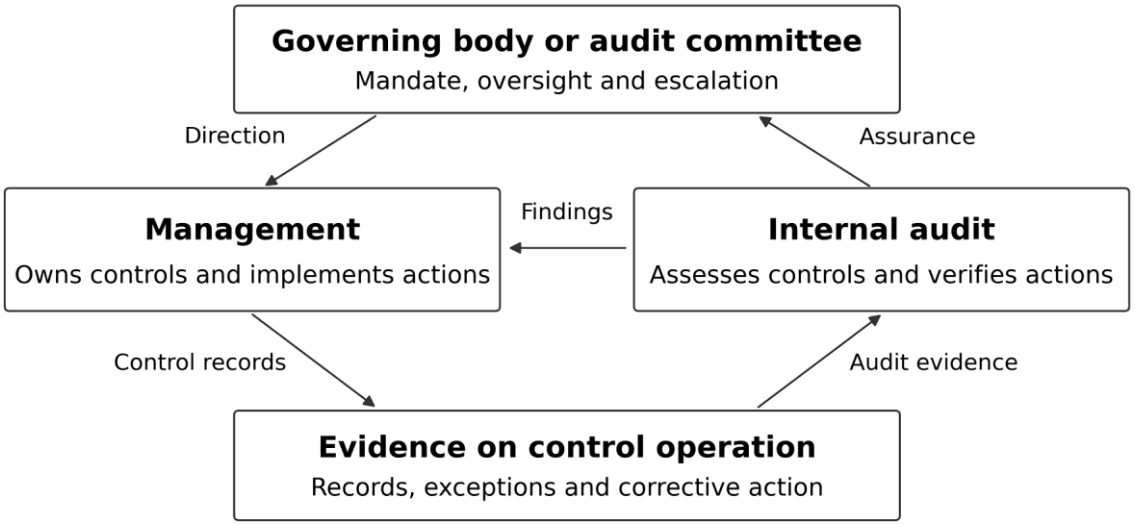


Figure 2. Proposed accountability arrangement connecting oversight, management controls and internal audit assurance. Source: Authors' synthesis informed by IIA (2020, 2024a).

Arrows indicate responsibilities and information flows; they do not represent measured causal effects. The diagram simplifies arrangements that must be adapted to each organisation's mandate.

5.6 Operational barriers and feasible responses in Chipata

Potential constraints include limited budgets for skilled personnel, incomplete transaction documentation, weak information systems, pressure from senior officers and a failure to implement recommendations. These constraints are identified as plausible risks based on the reviewed control principles; the present review does not establish how widespread they are in Chipata. Table 2 links each risk to a feasible institutional response and a proposed monitoring indicator.

Organisations with small teams may be unable to separate every role completely. In such settings, independent bank-statement checks, periodic supervisory reviews, restricted user permissions and documented approval thresholds can act as compensating controls. Accounting software can improve traceability only when records are complete, access privileges are controlled and system logs are actually reviewed.

Employees and suppliers also need confidential, accessible ways to report concerns without retaliation. A reporting channel should have a documented receiving authority, safeguards for sensitive information and escalation arrangements. The audit function may assess how the mechanism operates while avoiding responsibility for investigations that compromise its

objectivity.

Table 2. Potential implementation constraints and monitoring responses for organisations in Chipata.

Potential constraint	Practical response	Suggested indicator
Limited audit resources	Prioritise highest-risk cycles and arrange independent shared support.	Proportion of material risks covered by the audit plan.
Incomplete evidence	Standardise supporting records and retention rules.	Share of sampled transactions with complete documentation.
Management interference	Protect escalation to the governing body or audit committee.	Unresolved restrictions on audit scope or access.
Weak implementation	Maintain assigned, dated corrective-action logs.	High-risk findings verified as resolved on time.
Small teams	Use documented compensating checks and periodic review.	Frequency of independently reviewed reconciliations.

Source: Authors' proposed implementation responses informed by the reviewed literature and guidance. Indicators require local definitions and baseline measurement.

5.7 Practical recommendations and research priorities

First, governing bodies should approve a risk-based internal audit charter and plan that address material payment, procurement, payroll, inventory and information-system risks. Second, management should document standard procedures, routinely reconcile key accounts and allocate ownership for every significant corrective action. Third, audit committees should review overdue high-risk findings, protect confidential reporting and require evidence of remediation rather than acceptance of verbal assurances.

Fourth, training should connect ethical conduct to everyday financial tasks: completing purchase documentation, recognising conflicts of interest, checking changes to supplier details and raising concerns through approved channels. Fifth, audit functions should use simple performance measures such as the proportion of high-risk recommendations verified as complete within agreed deadlines, the age of unresolved exceptions and the coverage of key financial processes. Such indicators track process improvement, not proven reductions in fraud.

Future research should collect consented organisational evidence in Chipata using clearly defined samples, interviews and controlled document reviews. Potential variables include segregation-of-duties maturity, reconciliation frequency, reporting-channel accessibility, audit independence and recommendation-closure time. A study of this kind could test relationships suggested by the present synthesis without implying that descriptive

professional guidance constitutes local survey evidence.

For implementation, organisations could begin with a documented assessment of one high-risk transaction cycle and agree the evidence required to close each finding. An action register should identify the responsible manager, completion date and verification result. A reported closure rate should state its denominator and risk coverage; completing many minor actions should not conceal an unresolved material weakness. These are proposed management measures, not validated thresholds for organisational performance.

5.8 Limitations of the review

This review is limited by purposive selection, a small evidence base and the absence of systematic searching or formal study-quality assessment. It may omit relevant or conflicting evidence. Two empirical sources were interpreted at abstract level, limiting assessment of measurement, model specification and potential bias. The empirical studies also predate the latest professional standards and arise from different institutional environments. Their findings should inform questions for local assessment rather than be treated as current estimates for Zambia.

The ACFE report includes investigated, completed cases reported by fraud examiners, which cannot represent undetected fraud or all organisations. A higher share of detected cases attributed to a method does not establish that the method prevents more fraud. The review provides no evidence on the prevalence of particular control weaknesses in Chipata, the cost-effectiveness of specific interventions or their effect on financial losses. Implementation priorities are reasoned proposals whose feasibility and outcomes require local evaluation.

6. CONCLUSION

Internal auditing can strengthen financial controls by independently evaluating transaction procedures, detecting control failures, communicating risks and verifying remediation. It may also contribute to fraud-risk reduction, principally through better process assurance, escalation of warning signs and support for a wider organisational control environment. Its effectiveness depends on the quality of management controls, independent oversight, professional competence and sustained corrective action.

For organisations operating in Chipata, priority measures include clear authorisation structures, separation or compensating review of sensitive duties, timely bank reconciliation, reliable records, confidential reporting channels and active audit-committee supervision. Published international and regional fraud statistics support the value of complementary

detection channels, but they do not demonstrate the local incidence of fraud or a causal effect of internal auditing. Empirical studies are needed to establish those outcomes in Chipata.

7. ACKNOWLEDGEMENTS

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