Determinants of Internal Audit Effectiveness in Nepalese Commercial Banks: An Inferential Analysis

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Abstract

This study empirically investigates determinants of internal audit (IA) effectiveness in Nepalese commercial banks organizational setting, independence, competence, management support, and audit committee existence using inferential statistical methods to assess significant impacts and IIA standards compliance. A cross-sectional survey (n=102 IA professionals; convenience sampling via online questionnaires) yielded descriptive positives (IA effectiveness M=4.81, all variables ≥ 4.40 on 6-point Likert) and multiple regression results (R²=0.405, Adj. R²=0.374, p=0.000). Inferential analysis confirms significant positive drivers: audit committees (β=0.543, p=0.000) and independence (β=0.443, p=0.000), explaining 40.5% variance and aligning with agency theory/ISPPIA 1100 amid NRB Basel III/RBIA reforms (Cohen & Sayag, 2010; Endaya & Hanefah, 2013). Non-significant factors organizational setting (β=-0.215, p=0.097), competence (β=0.031, p=0.775), management support (β=-0.124, p=0.273) suggest standardized protocols suffice, though 59.5% unexplained variance signals external influences. Theoretical implications refine frameworks, positioning committees/independence as universal in emerging markets. Practical recommendations: Banks prioritize oversight/charters; NRB mandates RBIA benchmarks.

Keywords: internal audit effectiveness, audit committee, independence, Nepalese banks, multiple regression, ISPPIA standards

Article Info.

Introduction

Internal auditing entails an independent appraisal of an organization's operations, including reviewing accounts, verifying assets, and ensuring adherence to procedures, laws, and regulations. It supports boards and management in oversight, internal controls, capital assessments, and compliance, mitigating legal and financial risks through routine evaluations (Institute of Internal Auditors [IIA], USA, 2012; Diamond, 2002).

The IIA defines internal auditing as "an independent appraisal activity within an organization for the review of operations as a service to management." Its scope spans governance, risk management, operational efficiency, asset protection, fraud prevention, financial reporting reliability, and regulatory compliance (Wood, 2012). Historically limited to record-keeping and asset safeguards, the profession evolved post-1974 with Certified Internal Auditor exams, expanding to strategic objectives

like performance audits assessing efficiency, effectiveness, equity, and environmental impacts (Medanit, 2016; Hella & Mohamed, 2016).

Contemporary views, however, signal challenges: Lenz and Jeppesen (2022) warn that declining perceived value risks the profession's legitimacy, urging broader contributions beyond finance.

Effectiveness and Key Attributes

Internal audit effectiveness refers to the degree to which the function achieves its objectives through committed practices aligned with standards, policies, and responsibilities (Mihret & Yismaw, 2011; Cohen & Sayag, 2010). In public and private sectors, it promotes governance, accountability, transparency, risk reduction, and anti-corruption efforts (IIA, 2012; Diamond, 2002). Benefits include unbiased assessments, strengthened controls, early error detection, moral suasion on staff, and recommendations for administrative/economic improvements.

Yet, measuring effectiveness lacks consensus. Researchers debate influencing factors, assessment methods, and frameworks, often due to insufficient theoretical grounding (Endaya & Hanefah, 2013; Hella & Mohamed, 2016). This gap underscores the need for context-specific studies, such as in Nepal's commercial banks facing fraud and regulatory pressures.

Internal audit effectiveness in commercial banks faces industry-specific challenges that undermine comprehensive assurance and advisory services, exposing institutions to operational, financial, and regulatory risks. In Nepal, where commercial banks drive economic growth yet grapple with pervasive fraud and irregularities, these issues are acute. Key obstacles include inadequate organizational support, limited auditor independence, competency gaps, weak audit committees, and insufficient alignment with international standards, all impeding risk management, compliance, and efficiency.

Rational of the Study

Prior studies highlight factors influencing internal audit effectiveness, such as audit committee involvement (Riham, 2013), which bolsters internal audit positioning and task execution. Researchers like Mihret and Yismaw (2007), Cohen and Sayag (2010), Endaya and Hanefah (2013), and Shewamene (2014) emphasize attributes including competence, independence, objectivity, top management support, inter-auditor cooperation, and risk management integration. Yet, empirical work remains scarce in the Nepalese financial sector, particularly amid banks' battles with fraud.

This study addresses these gaps by examining internal audit effectiveness through five key attributes aligned with the International Standards for the Professional Practice of Internal Auditing. It investigates influences from organizational settings, audit committee existence, formal mandates, auditor competence and independence, top management support, external audit coordination, and robust risk controls in Nepalese commercial banks. This foundation highlights the critical, multifaceted role of internal audits in ensuring banking resilience and governance.

This study on internal audit effectiveness in Nepalese commercial banks addresses critical gaps in governance, risk management, and financial performance amid rising fraud and regulatory pressures. By empirically/descriptively analyzing key determinants, it offers actionable insights to enhance professionalism, independence, and value addition. Findings will guide stakeholders in strengthening internal audits, ultimately improving bank resilience and economic contributions.

Research Objective

To empirically investigate the determinants of internal audit effectiveness in Nepalese commercial banks and inferentially analyze their significant impacts using statistical methods.

Theoretical Framework

Recent Nepalese scholarship highlights internal audit's (IA) key role in banking sustainability, fraud prevention, and profitability, supporting this study's IA determinants. Kushwaha et al. (2025) identify fraud factors (governance gaps, tech deficits) and solutions like AI analytics, emphasizing IA for stability. Mishra & Kandel (2023) and Mishra et al. (2021) use CAMEL analysis to show IA boosts profitability via better assets/earnings, aligning with non-significant organizational setting (p = 0.097).

Karn et al. (2026) apply Taylor's principles for staff efficiency, relevant to competence gaps (β=0.031). Mishra & Aithal (2023) link green banking/tech to sustainability, suggesting IA for ESG risks. Celestin & Mishra (2025) promote data analytics/AI for fraud detection and decisions, supporting RBIA. Celestin et al. (2025) advocate blockchain audits for transparency, fitting Nepal's digital shift.

A theoretical framework comprises interconnected concepts, theories, and assumptions that underpin research, offering a lens to explain phenomena, guide methodology, variable selection, data analysis, and interpretation (Mihret & Yismaw, 2007). It structures knowledge by elucidating variable relationships, key influencers, and hypotheses/research questions.

For this study on internal audit (IA) effectiveness in Nepalese commercial banks, the framework draws from agency theory (mitigating principal-agent conflicts via monitoring), contingency theory (contextual factors shaping IA), and IIA standards. Synthesizing Mihret & Yismaw (2007), George et al. (2015), Hella & Mohamed (2016), and Seif (2017), it posits five independent variables influencing the dependent variable (IA effectiveness), defined as the degree to which IA achieves assurance, consulting, and value-addition objectives.

Conceptual Model

The model hypothesizes directional impacts (descriptive/inferential) from factors to IA effectiveness, tested via literature synthesis or empirical means.

Figure 1

Summary of Key Empirical Findings
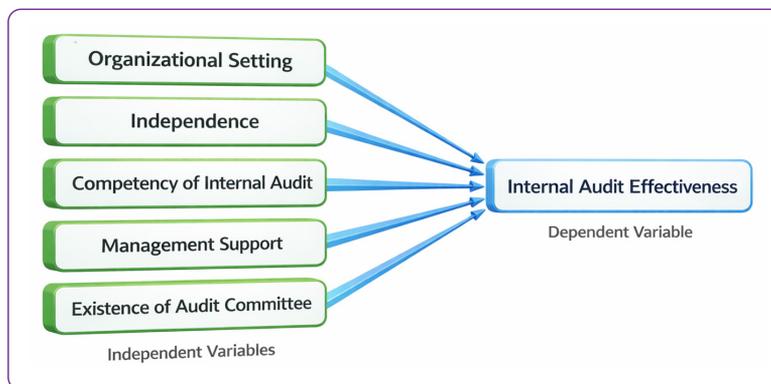
This framework guides analysis: e.g., stronger independence/competence enhances effectiveness (Hella & Mohamed, 2016), moderated by management support (Mihret & Yismaw, 2007). In Nepal's context, it addresses gaps in RBIA adoption and governance.

Methodology

Research Design

This study adopts a causal-comparative (ex post facto) research design combined with descriptive elements to examine how key

determinants of internal auditing influence internal audit effectiveness. A quantitative methodology is employed to evaluate the proposed correlations between independent variables organizational context, independence, internal auditors' proficiency, management endorsement, and the presence of an audit committee and the dependent variable, internal audit efficacy. The study targets internal audit and management staff from 20 commercial banks, with 110 respondents selected through convenience sampling. Primary data are gathered via a standardized, pilot-tested questionnaire featuring dependable measurement scales, augmented by pertinent secondary sources. We use SPSS and Excel to code and analyze the data. We use descriptive statistics to summarize the profiles of the respondents, Pearson's correlation to look at how factors are related, and multiple regression analysis to find out how big and in what direction each element affects audit effectiveness. We use t-tests and F-statistics at a 5% significance level to test hypotheses, and we use Cronbach's alpha coefficients above 0.7 to confirm reliability. We present our findings in tables, charts, and graphs, and we use R^2 and p-values to help us understand the explanatory power and statistical significance of our results.

Results and Discussion

Inferential Analysis

This section demonstrates the analysis of results and the testability of hypotheses set in the previous chapter. Inferential analysis involves the use of inferential statistics, which refers to the various statistical procedures that are used to conclude about the relationship between variables. Inferential statistics enables one to make descriptions of data and draw inferences and conclusions from the respective data. Through inferential statistics, an individual can conclude what a population may think or how it is affected by a sample data. Inferential statistics is primarily used to derive estimates about a large group (or population) and draw conclusions on the data based on hypotheses testing methods.

To evaluate the hypotheses, a simple correlation analysis was performed between the dependent and independent variables. Similarly, in order to estimate the relationship between variables, regression analysis was used. As such, a sample size of 102 was taken to examine the hypotheses used in this research.

Correlation Analysis

A Correlation measures the relationship, or association, between two variables by looking at how the variables change with respect to each other. On that note, the direction of a correlation can be either positive or negative. Correlations can range from positive (+1) to negative (-1). A zero correlation indicates that the variables in the study have no relationship. A (-1) correlation denotes a perfect negative correlation, in which one measure rises while the other falls. A correlation of (+1) indicates a perfect positive correlation, which means that both variables shift in the same direction.

Correlation analysis between variables was studied to find relationship among them. The relationship of dependent variable Internal Audit Effectiveness with the independent variables namely Organizational setting of Internal Audit, Independence of internal audit, Competency of Internal Audit staffs and Management support of Internal Audit, Existence of Audit Committee, was studied through the analysis. The findings from the correlation analysis have been very instrumental in understanding the relationship between variables. However, the correlation analysis cannot sufficiently predict the impact of variables on one another.

The relationship of dependent variable Internal Audit Effectiveness with the independent variables namely Organizational setting of Internal Audit, Independence of internal audit, Competency of Internal Audit staffs and Management support of Internal Audit, Existence of Audit Committee have been examined using Pearson's Correlation Coefficient method. On that note, the findings of the correlation analysis have been presented below.

The table above shows the correlation between dependent variable and independent variables. On the table, X_1= OS = Organizational setting of Internal Audit, X_2 = IIA= Independence of internal audit, X_3 = CIAS = Competency of Internal Audit staffs, X_4 = MS= Management support of Internal Audit, X_5 = EAC = Existence of Audit Committee, X_6 = IAE = Internal Audit Effectiveness. Here, X_6 = Internal Audit Effectiveness, which is a dependent variable.

Table 1

Correlation Analysis

Variable		OS	IIA	CIAS	MS	EAC	IAE
Organizational setting of Internal Audit (OS)	Pearson Correlation	1	.483**	.464**	.571**	.356**	.137
	Sig. (2-tailed)		.000	.000	.000	.000	.169
Independence of internal audit (IIA)	Pearson Correlation	.483**	1	.398**	.299**	.391**	.519**
	Sig. (2-tailed)	.000		.000	.002	.000	.000
Competency of Internal Audit staffs (CIAS)	Pearson Correlation	.464**	.398**	1	.640**	.483**	.252*
	Sig. (2-tailed)	.000	.000		.000	.000	.011
Management support of Internal Audit (MS)	Pearson Correlation	.571**	.299**	.640**	1	.540**	.152
	Sig. (2-tailed)	.000	.002	.000		.000	.128
Existence of Audit Committee (EAC)	Pearson Correlation	.356**	.391**	.483**	.540**	1	.479**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
Internal Audit Effectiveness (IAE)	Pearson Correlation	.137	.519**	.252*	.152	.479**	1
		.169	.000	.011	.128	.000	

From the table, the correlation coefficient between Organizational setting of Internal Audit and Internal Audit Effectiveness was 0.137. Similarly, the corresponding p-value was 0.169, which is more than the level of significance (α) = 0.05. This means that Organizational setting of Internal Audit has a positive but insignificant relationship with Internal Audit Effectiveness.

Similarly, the correlation coefficient between Independence of internal audit and Internal Audit Effectiveness was 0.519, for which the corresponding p-value was 0.000. This value is less than the level of significance (α) i.e. 0.05. Therefore, internal audit effectiveness has a positive and significant relationship with internal audit effectiveness

Likewise, the third variable is Competency of Internal Audit staffs, where the correlation coefficient between Competency of Internal Audit staffs, and Internal Audit Effectiveness was 0.252.

On that note, the corresponding p-value was 0.011, which is less than the level of significance (α) i.e. 0.05. This shows that Competency of Internal Audit staffs has a positive and significant relationship with Internal Audit Effectiveness. This can be further interpreted as an increase in Competency of Internal Audit staffs would improve the Internal Audit Effectiveness

The correlation coefficient between Management support of Internal Audit and Internal Audit Effectiveness was 0.152. The corresponding p-value was 0.128, which is more than the level of significance (α) i.e. 0.05. This means that Management support of Internal Audit has a positive but insignificant relationship with Internal Audit Effectiveness.

Lastly, the correlation coefficient between Existence of Audit Committee and Internal Audit Effectiveness was 0.479. The corresponding p-value was 0.000, which is less than the level of

significance (α) i.e. 0.05. This means that Existence of Audit Committee has a positive and significant relationship with Internal Audit Effectiveness. On that note, an increase in Existence of Audit Committee results in higher Internal Audit Effectiveness

Regression Analysis

Regression analysis refers to the set of statistical procedures for estimating relationships between a dependent variable and one or more independent variables. A regression analysis is used to determine whether the variables have a strong relationship. In addition, a regression analysis helps to predict how the variables interact in the future. Likewise, in a multiple regression study, there is one dependent variable and at least two independent variables. The analysis enables one to determine the relative strengths of the independent variables.

In this study, regression analysis was used to test the hypothesis. This section indicates the extent to which independent variables explain the variability of independent variables and dependent variable. Moreover, the regression analysis identifies the variables that are important in explaining the dependent variable variability. On that note, a linear regression analysis was conducted in order to determine the relationship between the dependent variable i.e. Internal Audit Effectiveness and the independent variables X_1 = OS= Organizational setting of Internal Audit, X_2 = IIA= Independence of internal audit, X_3 = CIAS = Competency of Internal Audit staffs, X_4 = MS = Management support of Internal Audit, X_5 = EAC = Existence of Audit Committee, X_6 = IAE = Internal Audit Effectiveness. The linear regression analysis was used, as it is a suitable statistical tool known for its consistency, interpretability, scientific acceptance, and widespread availability.

Model Summary of Regression Analysis

The Model Summary of Regression Analysis demonstrates the changes in dependent variables due to the independent variables. SPSS software was used to compute the model summary of regression analysis. The results of the findings are as follows.

Table 2

Model Summary of Factors Internal Audit Effectiveness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.636[a]	.405	.374	.61375

Note. Predictors: (Constant), Existence of Audit Committee, Competency of Internal Audit staffs, Management support of Internal Audit, Organizational setting of Internal Audit, Independence of internal audit

The table above gives the overall model summary of factors influencing Internal Audit Effectiveness. R-squared (R2) value indicates how much of the total variation in the dependent variable is explained by the independent variables. The R-square is the percentage of response variable variance described by a linear regression model. The value of R-square ranges between 0% and 100%. In general, higher the R-square, better the model fits data.

On the table above, R-square is 0.405, which indicates that 40.5% variation on Internal Audit Effectiveness is explained by Organizational setting of Internal Audit, Independence of internal audit, Competency of Internal Audit staffs, Management support of Internal Audit, Existence of Audit Committee. The remaining 59.5 percent is accounted for by other factors not present in the model. Similarly, the value of the adjusted R square is 0.374, which indicates that after adjusting degree of freedom, 37.4% of the variance in Internal Audit Effectiveness is explained by Organizational setting of Internal Audit, Independence of internal audit, Competency of Internal Audit staffs, Management support of Internal Audit, Existence of Audit Committee. Higher R value indicates that there is

a strong positive relationship between independent variables Organizational setting of Internal Audit, Independence of internal audit, Competency of Internal Audit staffs, Management support of Internal Audit, Existence of Audit Committee and dependent variable Internal Audit Effectiveness. Further, the standard error of estimate shows that the estimated regression equation deviates by 0.61375.

Analysis of Variance (ANOVA)

The analysis of variance (ANOVA) performance was tested to check whether there was a linear relationship between the variables in the regression. The analysis of variance examines the importance of the F Statistic and its corresponding meaning to determine how well the regression equation matches the results.

Table 3

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.612	5	4.922	13.068	.000a
	Residual	36.162	96	.377		
	Total	60.774	101			

Note. a) Predictors: (Constant), Existence of Audit Committee, Competency of Internal Audit staffs, Management support of Internal Audit, Organizational setting of Internal Audit, Independence of internal audit, b) Dependent Variable: Internal Audit Effectiveness

The table above shows the results for Analysis of Variance (ANOVA). ANOVA table is used to analyze whether the overall model is significant and if model can be applied to the research. The result of the table shows that p-value is less than α i.e. 0.000<0.05. Therefore, the model is significant at 5% level of significance.

Likewise, from the table above, it can be inferred that the independent variables namely Organizational setting of Internal Audit, Independence of internal audit, Competency of Internal Audit staffs, Management support of Internal Audit, Existence of Audit Committee

are good predictors of the dependent variable namely Internal Audit Effectiveness at 5% level of significance.

Regression Coefficient

As mentioned earlier, in a multiple regression study, there is one dependent variable and at least two independent variables. The analysis enables one to find out some judgments about the fact and also the relative strengths of the independent variables. The Regression coefficient is the constant 'b' in the regression equation that tells about the change in the value of dependent variable corresponding to the unit change in the independent variables.

Table 4

Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	1.661	.568		2.926	.004		
OS	-.215	.129	-.176	-1.676	.097	.564	1.773
IIA	.443	.091	.469	4.900	.000	.678	1.475
CIAS	.031	.108	.031	.286	.775	.530	1.885

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
MS	-.124	.112	-.132	-1.103	.273	.436	2.296
EAC	.543	.130	.414	4.189	.000	.635	1.575

Note. Dependent Variable: Internal Audit Effectiveness

On the table, variables X_1=OS= Organizational setting of Internal Audit, X_2=IIA= Independence of internal audit, X_3=CIAS= Competency of Internal Audit staffs, X_4=MS= Management support of Internal Audit, X_5=EAC= Existence of Audit Committee, X_6=IAE= Internal Audit Effectiveness. Here, X_6= Internal Audit Effectiveness, which is a dependent variable.

The table above shows the result of Effectiveness of Internal Audit System in Nepalese Commercial Banks. The results demonstrate the relationship between variables. Likewise, the table above shows whether the independent variables are significant with help of sig value.

In this study, the independent variables that affect Internal Audit Effectiveness were Organizational setting of Internal Audit (B1= -0.215), Independence of internal audit (B2 = 0.443), Competency of Internal Audit staffs (B3 = 0.031), Management support of Internal Audit (B4 = -0.124) and Existence of Audit Committee (B4 = 0.543). These findings implied that a unit increase in Organizational setting of Internal Audit leads to

-0.215 increase in Internal Audit Effectiveness. Similarly, a unit increase in Independence of internal audit, Competency of Internal Audit staffs, Management support of Internal Audit and Existence of Audit Committee leads to 0.443,0.031,-

0.124 and 0.543increase in Internal Audit Effectiveness. Higher beta values indicate higher dominant influence of independent variables on the dependent variable. It can be inferred that Existence of Audit Committee has the highest dominant influence with a beta of 0.543, followed by Independence of internal audit 0.443.

Significance value lower than 0.05 indicates that there is significant relationship between the independent variables and dependent variable. It can be inferred that Organizational setting of Internal Audit, Competency of Internal Audit staffs,

Management support of Internal Audit dont have a significant relationship with Internal Audit Effectiveness, as the significance values are more than 0.05 which are 0.097, 0.775 and 0.273 respectively. All other independent variables have significant values less than 0.05, which means those variables have significant relationship with Internal Audit Effectiveness

Collinearity is a phenomenon in which two or more predictor variables in a multiple regression model are highly correlated, meaning that one can be linearly predicted from the others with a substantial degree of accuracy. In the table above, the VIF of all independent variables is less than 3, so there exists no multi collinearity between independent variables.

Test of Hypothesis

This section is focused on testing hypotheses developed for the study. Hypothesis testing is a systematic procedure for deciding whether the results of a research study support a particular theory, which applies to a population. Hypothesis testing uses sample data to evaluate a hypothesis about a population.

On that note, researchers use correlation and regression analysis to calculate P-values in hypotheses testing. Each hypothesis is tested and analyzed individually and the analysis is done with a system designed for statistical analyses (SPSS). For the purpose of identifying a relationship between dependent and independent variables in this

study, four alternative hypotheses are considered. The Coefficients Table, obtained from regression analysis, is used to examine each hypothesis.

The acceptance or rejection of a hypothesis depends on the statistical test results, which falls into the acceptance or rejection region. If the level of significance is kept 5%, and the p value is greater than 0.05, the null hypothesis will be accepted. It signifies that there is no relationship or no effect, or no difference accordingly to the hypothesis formulated and the alternative hypothesis is valid. Based on correlation and multiple regression analysis, the significance values of each independent variables are presented in the table below.

Table 5

Significance Value of Independent and Dependent Variables

Model	Unstandardized Coefficients		t	sig	Collinearity Statistics	
	B	Std. Error			5%	1%
(Constant)	1.661	.568	2.926	.004		
OS	-.215	.129	-1.676	.097	Rejected	Rejected
IIA	.443	.091	4.900	.000	Accepted	Accepted
CIAS	.031	.108	.286	.775	Rejected	Rejected
MS	-.124	.112	-1.103	.273	Rejected	Rejected
EAC	.543	.130	4.189	.000	Accepted	Accepted

On the table, X_1=OS= Organizational setting of Internal Audit, X_2=IIA= Independence of internal audit, X_3=CIAS= Competency of Internal Audit staffs, X_4=MS= Management support of Internal Audit, X_5=EAC= Existence of Audit Committee, X_6=IAE= Internal Audit Effectiveness. Here, X_6= Internal Audit Effectiveness, which is a dependent variable.

Result of Hypothesis

H1: Organizational settings have positive and significant impact on the internal audit effectiveness.

In the table 4.3.5, the significance value i.e. P (.097) > 0.05, and hence the hypothesis is not accepted. Therefore, there is no significant relationship between Organizational setting of Internal Audit and Internal Audit Effectiveness.

H2: Independence has positive and significant impact on the internal audit effectiveness.

As seen in the table 4.3.5, the significance value i.e. P (.001) < 0.05, and hence the hypothesis is accepted. Hence, there is significant relationship between Independence of internal audit and Internal Audit Effectiveness.

H3: Competences of the internal auditors have positive and significant impact on the internal audit effectiveness.

From the table 4. 3.5 The significance value i.e. P (.775) > 0.05, and hence the hypothesis is rejected. Thus, there is no significant relationship between Competency of Internal Audit staffs and Internal Audit Effectiveness.

H4: Management supports have positive and significant impact on the internal audit effectiveness.

As seen in the table 4.3.5 the significance value i.e. P (.273) > 0.05. So, the hypothesis is not accepted. Therefore, there is no significant relationship between Management support of Internal Audit and Internal Audit Effectiveness.

H5: Existences of Audit committees have positive and significant impact on the internal audit effectiveness

As seen in the table 4.3.5 the significance value i.e. P (.000) < 0.05. So, the hypothesis is accepted.

Therefore, there is significant relationship between Existence of Audit Committee and Internal Audit Effectiveness.

Discussion

The research attempts to understand the Effectiveness of Internal Audit System in Nepalese Commercial Banks. Here, many researches were indicated in the literature review to support the variable impacting on Effectiveness of Internal Audit System in Nepalese Commercial Banks. Based on the literature work, as indicated by Hawa (2016) and found that organization setting do have an impact on the effectives of internal audit The internal audit function of an organization should be given a sufficiently high status in the organizational structure to enable better communication with senior management and to ensure independence of internal audit from the auditees. Similar idea was presented by (Mihret and Yismaw, 2007) who in the research indicated that organizational setting can exert influence on the level of effectiveness that internal audit could achieve. Despite this, the variable was not supported. This is contrary to the previous idea. Though the idea was not properly coherent, it might be due to limited sample size and knowledge about the abstracts in the variable.

As for the Independence of the internal auditors, previous studies such as George et al. (2015); Alzeban and Gwilliam (2014) and Zulkifli (2014) support this study's findings. Cohen and Sayag (2010) found that 'Greater organizational independence will be related to auditing effectiveness.' Meanwhile, Zulkifli (2014) supports the statement that independence and objectivity are closely related to internal audit effectiveness. This idea is in line with the previous research finding and understanding.so the research is in coherent with the previous research and finding.

The findings from this research were supported by the earlier studies such as Zulkifli (2014); George et al. (2015); Alzeban and Gwilliam (2014) the Competency of internal auditors is concern. These researchers found that internal auditors can effectively carry out their duties if there are enough internal auditors possessed the required competencies. Though previous research and finding were not in line with this research output the idea is still table able. The reason for the differentiation might be due to ignorance to the abstract in the variable and smaller sample size.

Similarly, Mu'azu (2014) did a study on the audit committee to give empirical evidence about the influence of audit committee on internal audit. Riham (2013) audit committees can be viewed as a key safeguard mechanism for internal auditors in managing their professional objectivity. Ariga and Gathogo (2016); Seif (2017) support this study's findings, concluded that there was a significant statistical relationship between audit committee and effectiveness of the internal audit.

Again, management support to internal auditors has no statistically significant relationship between and internal audit effectiveness. Zulkifli (2014) and Cohen and Sayag (2010) found that management support is most crucial to the operation and success of internal audit. George et al. (2015) and Alzeban and Gwilliam (2014) also argued that there is positive association between management support and internal audit effectiveness different findings with this study. Medanit (2016); Hawa (2016) found that organization setting do have an impact on the effectives of internal audit similar findings with this study. Mihret and Yismaw (2007) organizational setting does not have a strong impact on audit effectiveness different findings with this study.

In short nut, the study uncovered the presence of positive relationships between all the five independent variables used in this study and the dependent variable;. Furthermore, it is revealed that independence to internal auditor and existence of audit committee highly affects internal audit effectiveness.

Conclusion

His inferential analysis confirms IA effectiveness in Nepalese commercial banks is significantly driven by audit committee existence (strongest $\beta=0.543$) and independence ($\beta=0.443$),

aligning with agency theory and ISPPIA Standards 1100/oversight (Cohen & Sayag, 2010; Endaya & Hanefah, 2013). These factors explain 40.5% of variance amid NRB's Basel III reforms, validating board-level safeguards against Nepal's fraud risks.

Unexpected non-significance of organizational setting (β=-0.215), competence (β=0.031), and management support (β=-0.124) suggests: (1) standardized guidelines override structural variations; (2) existing qualifications suffice under rigid protocols; (3) over-involvement risks bias despite positive descriptives (M=4.47). Model significance (p=0.000) affirms collective predictive power, though 59.5% unexplained variance indicates external factors (e.g., culture, regulation).

Theoretical and Practical Implications

Theoretical: Refines frameworks (Mihret & Yismaw, 2007; Hella & Mohamed, 2016) independence/committees as universal drivers; others context-dependent in emerging markets.

Practical:

- **Banks:** Prioritize audit committees (β=0.543) for oversight; ensure direct board reporting (99% agreement).
- **NRB:** Mandate committee independence benchmarks in RBIA guidelines.
- **Managerial:** Balance support without interference; invest in committee efficacy over staffing expansions.

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