Good Governance and Internal Control in Palestinian Local Authorities

Shadi Abu Halawa[1], Dr. Sana Masmoudi[2]

[1] Ph.D. Student, University of Sfax, Tunisia, specializing in Accounting.
Email: Sh.dy_audit@hotmail.com

[2] Associate Professor in Auditing and Control, Laboratory *"Laboratoire Interdisciplinaire de Gestion Université–Entreprise (LIGUE)", LR99ES24*, Ecole Supérieure de Commerce de Sfax, University of Sfax, Tunisia.
Email: masmoudisana@yahoo.fr / sana.masmoudi@escs.usf.tn
ORCID: 0000-0001-5903-5898

Corresponding Author:

Dr. Sana Masmoudi[2]
Associate Professor in Auditing and Control, Ecole Supérieure de Commerce de Sfax, University of Sfax, Tunisia.
Email: sana.masmoudi@escs.usf.tn
ORCID: 0000-0001-5903-5898

Abstract: This article aims to analyze the state of good governance and internal control mechanisms in Palestinian local authorities, and to assess the extent to which these mechanisms and the overall control system align with internationally recognized standards and frameworks — most notably the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) and the guidelines of the International Organization of Supreme Audit Institutions (INTOSAI). The article adopts a descriptive-analytical methodology, drawing on primary and secondary sources from peer-reviewed Arabic and English academic literature.

The study's findings reveal that Palestinian local authorities suffer from a conspicuous deficiency in the application of good governance principles — namely transparency, accountability, civic participation, and effectiveness — compounded by systemic weaknesses across the five components of the COSO internal control framework. These deficiencies are attributed to a set of interconnected factors: the Israeli occupation and its attendant constraints, the internal Palestinian political division, a weak legal framework, jurisdictional overlap between central and local government authorities, and a scarcity of qualified human and financial resources.

The study recommends the adoption of a comprehensive national strategy for the reform and development of the local governance system, the activation and professional capacity-building of internal control units in accordance with international standards, and the enhancement of the functional independence of internal audit functions — with a view to safeguarding institutional integrity and ensuring the prudent stewardship of public funds;

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Introduction

The local government sector constitutes one of the most vital pillars of the Palestinian state. Local authorities serve as the institutional interface between the central government and the citizen, bearing primary responsibility for the delivery of essential public services — including infrastructure, water and sanitation, and solid waste management — as well as the regulation of construction and urban planning. According to the Palestinian Ministry of Local Government, there are 121 municipalities across the West Bank and Gaza Strip: 96 located in the West Bank and 25 in Gaza, in addition to approximately 355 village councils (Ministry of Local Government, 2019).

Notwithstanding their fundamental importance, these local authorities operate under exceptionally difficult conditions — a direct consequence of Israeli occupation policies that impose substantial constraints on their access to resources and geographic jurisdiction. The internal Palestinian political division between the West Bank and Gaza since 2007 has further compounded these challenges, generating institutional duplication, fragmentation of oversight efforts, and the absence of a unified legal framework governing the local government sector. The result, as some scholars have aptly characterized it, is a hybrid and fragmented system (Al-Qawasmi& Al-Mudalal, 2025).

Against this backdrop, governance and internal control in Palestinian local authorities have emerged as issues of considerable academic and policy urgency. Prior studies in this domain have documented fundamental deficiencies: the absence of internal auditors in numerous municipalities, inadequate internal control systems, the lack of written job descriptions, and declining levels of transparency and civic participation (Sabri & Jaber, 2007). The present study seeks to deepen the analytical inquiry and offer a comprehensive scholarly assessment of the state of governance and internal control in Palestinian local authorities, anchored in international theoretical frameworks and relevant academic literature.

The central research question of this study concerns the actual state of governance and the internal control system in Palestinian local authorities, as measured against internationally recognized standards and frameworks. Specifically, the study seeks to: (1) analyze the degree to which good governance principles — encompassing transparency, accountability, participation, rule of law, and effectiveness — are being applied in these authorities; (2) evaluate the extent to which the prerequisites of internal control are in place in accordance with the COSO model; (3) identify the principal challenges and impediments — legal, administrative, political, and organizational — that preclude the effective realization of good governance and robust internal control in Palestinian local authorities; and (4) propose mechanisms and procedures capable of advancing governance and strengthening internal control, thereby improving institutional performance, enhancing transparency and accountability, and ensuring the optimal utilization of available resources.

Study Hypotheses

There is a deficiency in the application of good governance principles in Palestinian local authorities relative to international standards.

The internal control system in Palestinian local authorities does not meet the threshold of effectiveness prescribed by the COSO model.

The political and legal context exerts a significant adverse effect on the effectiveness of governance and internal control in Palestinian local authorities.

The quality of internal control positively influences the level of governance implementation in Palestinian local authorities.

Significance of the Study

Theoretical Significance

The theoretical contribution of this study lies in its development of an analytical framework that integrates the COSO model with the governance system of local authorities — a synthesis that may serve as a conceptual foundation for future research. The study also enriches the Arab academic literature in the fields of local governance and internal control, with particular relevance to the Palestinian public institutional sector.

Practical Significance

The practical implications of the study's findings and recommendations extend to a range of stakeholders: Palestinian decision-makers and the Ministry of Local Government; municipalities and local councils seeking to improve their performance; international donors with a sustained interest in the development of Palestinian local governance; and internal auditors who may draw on the study's analytical framework to evaluate the quality of internal control systems.

Theoretical Framework

2.1 Good Governance

The concept of governance refers to the manner in which institutions, organizations, and governments are managed — encompassing decision-making mechanisms and the application of principles such as accountability, transparency, and resource stewardship. Over time, the concept has evolved from its earlier association with managerial control to a more expansive notion that encompasses the relationship between the institution and its stakeholders.

The World Bank defines good governance as the manner in which power is exercised in the management of a country's social and economic resources for development, identifying six core dimensions: accountability, political stability, government effectiveness, rule of law, control of corruption, and regulatory quality. The United Nations Development Programme (UNDP), in turn, articulates eight principles of good governance: participation, transparency, responsiveness, rule of law, consensus-orientation, equity and inclusiveness, effectiveness and efficiency, and accountability. These principles constitute the reference framework for assessing the performance of local authorities.

Local governance, as an extension of the broader concept of governance, refers to the mechanisms, processes, and institutions through which communities and citizens pursue their collective interests. It is designed to achieve three primary objectives: efficiency in service delivery, participatory decision-making, and sustainable development (Al-Mashaqba, 2025).

In the Palestinian context, the role of local authorities assumes heightened significance: the local authority typically represents the most pervasive and proximate public institution in Palestinian civic life, given the prevailing political conditions. Al-Qawasmi and Al-Mudalal (2025), writing for the Doha Institute for Graduate Studies, identify three defining structural characteristics of Palestinian local governance: a hybrid structure that combines centralization and decentralization in an ad hoc manner; a framework that is fragmented both horizontally and vertically; and a system characterized by an excessive dependence on the external financial support environment.

2.2 The COSO Model

The COSO model (Committee of Sponsoring Organizations of the Treadway Commission) is the most widely adopted internal control framework at the international level, serving as the authoritative reference for the design and evaluation of internal control systems in both the public and private sectors. Originally issued in 1992 and subsequently updated in 2013, the COSO framework comprises five interrelated components (COSO, 2013):

Control Environment: This component constitutes the foundation of the entire framework. It encompasses organizational integrity, ethical values, leadership style, organizational structure, and the assignment of authority and responsibility.

Risk Assessment: This component involves the identification, analysis, and evaluation of risks that may affect the achievement of the local authority's objectives, as well as the management of their potential impact.

Control Activities: This component encompasses the policies and procedures that ensure effective execution of management directives, including segregation of duties, delegation of authority, and verification procedures.

Information and Communication: This component refers to the technological and communicative systems that collect, process, and disseminate data through appropriate channels, ensuring the timely flow of relevant information to all stakeholders.

Monitoring Activities: This component involves the ongoing and periodic assessment of the effectiveness of internal control components, and the identification and remediation of deficiencies and gaps.

The INTOSAI standards have adopted this framework as the reference standard for internal control in the public sector, explicitly stating that the COSO internal control principles can be employed by government management to build sound internal control systems, and by auditors in the conduct of their work (INTOSAI, 2004, p. 6).

2.3 Internal Audit

The Institute of Internal Auditors (IIA) defines internal auditing as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." In public and governmental sectors, internal audit constitutes the first line of defense against mismanagement, corruption, and the misappropriation of public funds.

A mature and effective internal control function within an institution represents a critical mechanism for curbing corruption in local government and substantially reducing its incidence — a conclusion corroborated by a growing body of empirical research (Shidqi&Arfiansyah, 2025).

The effective functioning of internal audit requires a legislative mandate, direct accountability to senior management and governance bodies, sufficient operational independence for internal auditors to develop and execute their audit plans, and unrestricted access to all organizational documents and information (INTOSAI, 2010).

2.4 Palestinian Local Authorities: An Overview

The historical roots of Palestinian local authorities extend to the Ottoman era, and these institutions continued to function through the British Mandate, Jordanian administration, Egyptian administration, and Israeli occupation. During the occupation period, local authorities assumed a dual function: beyond service delivery and development, they became institutions of national resilience and resistance against the policies of the occupying power. With the establishment of the Palestinian Authority in 1994, the Ministry of Local Government was founded on 25 May of that year to oversee 483 local government units — comprising municipal councils, village councils, and small communities. The passage of the Local Authorities Law of 1997 by the Palestinian Legislative Council inaugurated a new and more mature phase in the evolution of Palestinian local government.

The legislative framework governing Palestinian local authorities includes the following principal instruments:

The Local Authorities Law of 1997: the foundational legal framework for municipalities and village councils, defining their mandate and powers. This law is largely derivative of the Jordanian legislation in this field and adopts an administrative rather than a genuine local governance character (Mustafa et al., 2021).

Legislative Decree No. 9 of 2008: introduced amendments to the 1997 Law.

Legislative Decree No. 8 of 2016: introduced further amendments, most notably with respect to the regulation of local authority elections and institutional development.

The Palestinian Financial Regulations: Article 145 obliges the Minister of Finance to appoint internal financial controllers in all government departments to oversee compliance with financial legislation.

The Cabinet Resolution of 2005: mandates the establishment of oversight units in all government bodies, including local authorities.

Local governance in Palestine operates at three institutional tiers: the central level (represented by the Ministry of Local Government); the regional level (represented by the governorate); and the local level (comprising municipal and village councils and joint services committees, under the planning and supervisory authority of the Ministry of Local Government).

Palestinian municipalities are classified according to population size: Category A encompasses major cities and provincial centers; Category B comprises towns with populations exceeding 150,000; and Category C covers towns with populations between 50,000 and 150,000. Resources are allocated to councils on the basis of these classifications (Sabri & Jaber, 2007).

Governance in Palestinian Local Authorities

3.1 Transparency and Disclosure

Transparency — understood as citizens' ability to access accurate and timely information in an accessible manner — is among the most fundamental pillars of governance in local authorities. Empirical research, including the seminal study by Sabri & Jaber (2007), has documented persistently low levels of transparency in Palestinian municipalities: only 8% of municipalities permit electronic communication with citizens; a mere 12% publicly disclose their annual financial statements; and only 8% convene open public sessions.

Despite the passage of nearly two decades since the Sabri & Jaber study, the overall picture has changed little — particularly in small and medium-sized municipalities. This persistent deficit prompted the World Bank, in 2022, to provide a grant of USD 8 million to strengthen transparency and accountability in Palestinian public finances, underscoring the critical importance of transparent and accountable resource management for sustaining public confidence in state institutions (World Bank, 2022).

3.2 Accountability and Answerability

Accountability refers to the obligation of public institutions to explain and justify their decisions and performance to the public and relevant stakeholders, affirming the principles of transparency and credibility, and ultimately striking a balance between authority and responsibility. In the governance framework, accountability operates through clearly defined criteria: officials are assigned specific and well-defined responsibilities, subjected to periodic review, and held answerable for any shortcomings in performance (Palestinian Anti-Corruption Commission, 2020).

In the Palestinian context, public institutions are subject to four levels of oversight: the Palestinian Legislative Council; the judicial branch (represented by the Constitutional Court and the

Supreme Court of Justice); administrative oversight through internal and self-regulatory units within institutions; and external audit, represented in Palestine by the State Audit and Administrative Control Bureau (SAACB).

Despite this multi-layered accountability architecture, Palestinian local authorities are afflicted by a number of systemic deficiencies: a weak legal framework that generates ambiguity in the delineation of powers; the absence of independent audit committees that would ordinarily ensure robust financial oversight; and weakened political oversight resulting from the suspension of the Legislative Council in the context of the political division (Iriqat&Yehya, 2020).

3.3 Civic Participation

A culture of civic participation is largely absent in Palestinian local authorities — a significant governance deficit. Community involvement in setting project priorities does not exceed 20% (Sabri & Jaber, 2007). Palestinian municipalities exhibit only a moderate level of engagement with quality culture and the encouragement of employee participation in continuous improvement processes — a finding that underscores the need for recommendations aimed at deepening participatory culture and intensifying community engagement in priority-setting and planning within local and municipal councils (Kharroub& Mansour, 2019).

3.4 Efficiency and Effectiveness

Multiple indicators point to significant limitations in the service delivery capacity of Palestinian local authorities. Many municipalities suffer from severe fiscal deficits, carrying accumulated debt approaching 250% of their annual budgets. The principal obstacle remains the weakness in revenue collection — including taxes, fees, and service charges — which consistently ranks as the foremost challenge confronting Palestinian municipalities (Sabri & Jaber, 2007).

According to data from the European Council on Foreign Relations (ECFR), Palestinian local authorities are structurally dependent on the central Palestinian Authority, which renders them vulnerable to Israel's practice of deducting outstanding water and electricity bills from Palestinian clearance revenues (ECFR, 2025). This mechanism plunges local authorities and municipalities into recurring crises and simultaneously compromises the central government's capacity to meet the basic service needs of Palestinian citizens.

Internal Control in Palestinian Local Authorities

Since the establishment of the Palestinian Authority, public oversight has been accorded considerable institutional priority — a commitment reflected in the creation of the General Control Authority by Presidential Decree No. 22 of 1994, as an independent public body reporting directly to the President of the Palestinian Authority, tasked with the oversight of public funds and the assurance of their sound management. In 2005, the Palestinian Cabinet issued a resolution mandating the establishment of oversight units in all government bodies. Additionally, Article 145 of the Palestinian Financial Regulations requires the appointment of internal financial controllers (Killab& Al-Farra, 2006).

Notwithstanding this normative framework, the internal control system remains beset by significant weaknesses: inadequate resources, the absence of agile and capable organizational structures, institutional duplication and jurisdictional overlap, deficiencies in accountability mechanisms, and limited application of international control standards (Killab& Al-Farra, 2006; Arab Democratic Center, 2017).

4.1 Control Environment

A study by Suwaiti (2022) found that internal control in Palestinian public sector institutions is applied at a relatively high level — approximately 79.8% — in procurement units, though smaller local authorities recorded lower implementation rates. Studies specifically focused on municipalities, notably Sabri & Jaber (2007), indicate that only 46% of municipalities possess an internal financial control system, and a mere 42% have written job descriptions for all positions.

4.2 Risk Assessment

The internal control system in Palestinian local authorities exhibits particular weakness with respect to risk assessment: not all municipalities maintain documented risk management plans. Suwaiti (2022) found that the risk assessment component of the COSO model, as applied in Gaza Strip municipalities, records the lowest score relative to the other four components — a rate of 75.5% — indicating that a risk management culture is largely absent from the operations of these local authorities, a deficit further compounded by a shortage of specialized expertise in this domain.

Nashwan and Ashour (2023) developed a framework for strengthening internal control systems in Gaza Strip municipalities in accordance with the COSO model, finding that all five components of the framework exert a positive influence on the development of control systems in local authorities.

4.3 Control Activities

Palestinian local authorities engage in a range of control activities, including budgetary oversight, account reconciliation, internal inspection by the Ministry of Local Government, and external reviews. According to Sabri & Jaber (2007), most Palestinian municipalities possess at least four out of ten control tools — ranked in order of importance — including budgetary controls and unannounced inspection visits by the State Audit Bureau. However, many of these tools lack methodological rigor and consistency in their application.

4.4 Information and Communication

Studies indicate that approximately 90% of Palestinian municipalities lack effective digital communication channels with citizens and do not disseminate their financial data through such channels (Sabri & Jaber, 2007). The World Bank's 2022 Public Financial Management Improvement Project reaffirmed the importance of developing integrated management information and financial systems — encompassing budget execution systems and human capacity development — as foundational elements of institutional reform.

4.5 Monitoring Activities

A study of the Palestinian public sector found that internal control units in Palestinian Authority institutions in Gaza exhibit significant weaknesses in the application of fundamental control prerequisites — weaknesses that have given rise to widespread negative manifestations, including financial and administrative laxity, corruption, overstaffing, and the erosion of transparency and accountability. The study also identified a positive relationship between the availability of robust internal control mechanisms and the attainment of public institutional objectives (Killab& Al-Farra, 2006).

Challenges and Impediments to Governance and Internal Control

5.1 Political Challenges

The most salient of these challenges is, without question, the Israeli occupation and its policies, which exert a direct and profound impact on Palestinian local authorities: restricting their access to resources and to territories within their jurisdiction, impeding all infrastructure development and urban planning projects, and eroding their local revenue base through the deduction of tax revenues and customs duties (ECFR, 2025). Al-Qawasmi and Al-Mudalal (2025) argue that the occupation constitutes the fundamental structural cause of governance deficiencies in Palestinian local authorities, and that virtually every impediment confronting these institutions bears, in some measure, the imprint of the occupation.

Beyond the Israeli occupation, the internal Palestinian political division — which has cast its shadow over the Palestinian political landscape since 2007 — represents the second most significant structural impediment to local governance. The division has generated a dual regulatory environment for public institutions, produced conflicting legal and regulatory frameworks, and fragmented oversight efforts (Iriqat&Yehya, 2020).

5.2 Regulatory and Legislative Challenges

Among the most significant regulatory challenges is the existing legal framework for local governance in Palestine. The current law, dating from 1997, is largely derived from Jordanian legislation and reflects a traditional administrative character rather than a genuine local governance ethos (Al-Qawasmi& Al-Mudalal, 2025). This framework gives rise to a problematic overlap of powers between the central government and local authorities, compounded by ambiguity in the financial relationship between the Ministry of Finance and municipalities — a challenge that municipalities themselves rank second in severity, after the issue of citizen revenue collection (Sabri & Jaber, 2007).

5.3 Financial Challenges

Like Palestinian public and private institutions more broadly, local authorities are beset by chronic financial difficulties — a long-standing structural condition rooted in years of inadequate revenue collection: taxes, service fees, and utility bills owed by both institutions and citizens. By way of illustration, accumulated citizen debt to the Bireh municipality exceeds 42% of its annual budget; in the Rafah municipality, the figure reaches 250%. Delayed transfers of funds owed by the Ministry of Finance represent a recurring crisis that frequently disrupts operational and development plans (Sabri & Jaber, 2007). Furthermore, the heavy dependence on external donor funding has rendered institutional plans fragile and contingent, particularly when such funding is disrupted by political or economic factors (Bawatneh, 2020).

5.4 Institutional Challenges

Palestinian local authorities face a constellation of institutional deficiencies: a weak organizational structure; the absence or inadequacy of strategic planning — particularly in smaller authorities; and a shortage of specialized human capital in financial and administrative oversight. George & Meela (2024) identify administrative support, the independence of internal audit, the effective deployment of technology, and the competence of internal auditors as the principal determinants of internal audit effectiveness in local government authorities — factors that, when present in combination, account for 65.7% of the variance in audit effectiveness.

International Experiences and Lessons Learned

South Africa's experience offers instructive lessons for local governance. Research has documented that the principal factors undermining governance oversight in South African local authorities are weak cooperation between the Municipal Public Accounts Committee (MPAC) and the internal audit function, political interference, and limited institutional capacity. This evidence underscores the importance of strengthening institutional coordination, harnessing technology to enhance municipal accountability, and developing governance competencies (Marindi, 2026).

Studies on the Indonesian experience reveal that weaknesses in internal control systems exert a deleterious effect on the quality of financial reporting in local governments. Good governance in this sector significantly strengthens the relationship between internal control and the quality of financial reporting. Indonesia's experience is particularly relevant to Palestine, given the comparable scale and complexity of its local authority landscape and its current efforts to harmonize internal control standards across local government units (Abbas et al., 2022).

In Zimbabwe, research demonstrates that the dimensions of internal audit — comprising the audit committee, audit quality, and advisory roles — constitute the essential pillars of good governance in local authorities. Significantly, the scope of internal audit in Zimbabwean local councils extends well beyond traditional financial compliance, encompassing a substantive advisory and evaluative function (Magweba et al., 2024).

Evidence from Tanzania confirms a positive impact of internal audit on local government performance, with improvements in internal audit attributable to a coefficient of determination of 16.8% (Mbogella, Kira &Ngomuo, 2023). The study emphasizes the importance of expanding value-added audit mechanisms as a driver of measurable improvements in overall institutional performance.

The foregoing international evidence, read against the Palestinian local governance context, points to a clear conclusion: it is insufficient to merely establish an internal audit function and provide it with legal authority. Such a function must be accompanied by qualified and specialized personnel possessing genuine professional independence. The effectiveness of internal audit is always contingent upon the active support of senior management; in the absence of such support, the function's impact on service delivery and institutional performance inevitably diminishes. Furthermore, the role of internal audit must encompass risk management and strategic advisory functions — not merely financial compliance verification. And in the Palestinian context specifically, the success of governance reform requires the establishment of independent audit committees to serve as the institutional bridge between municipal councils and the executive apparatus.

Internal Control in Palestinian Local Authorities: A COSO-Based Assessment

The following comparative table analyzes the availability of each COSO model component in Palestinian local authorities, drawing on Sabri&Jaber (2007) and Suwaiti (2022):

Table(1): Assessment of Internal Control Components in Palestinian Local Authorities Based on the COSO Framework

COSO Component	International Standard	Palestinian Reality	Assessment
Control Environment	Committed leadership, integrity, clear structure, human competence.	Absence of job descriptions; overlapping authorities.	Moderate — requires development and improvement.
Risk Assessment	Application of risk management methodology.	Absence of risk management practices.	Weak — requires capacity-building.

COSO Component	**International Standard**	**Palestinian Reality**	**Assessment**
Control Activities	Segregation of duties, authority delegation, budgetary controls.	At least four control tools out of ten available in local authorities.	Moderate — requires improvement and reinforcement.
Information & Communication	Accurate, timely, and accessible information flows.	Weak utilization of digital communication channels with citizens.	Very Weak.
Monitoring Activities	Continuous, periodic evaluation of control effectiveness.	Absence of systematic internal assessment; weak external audit.	Weak.

Recommendations for Strengthening Governance and Internal Control

8.1 Legislative and Regulatory Reform

Effective local governance requires a comprehensive review of the legal framework governing Palestinian local authorities and a thorough revision of the Local Government Law to align it with the requirements of modern public administration and the principles of decentralization. This entails a clear legislative delineation of the powers, resources, and revenue sources of local authorities, thereby reinforcing their capacity to fulfill their developmental and service mandates. Legal instruments must also include explicit provisions requiring local authorities to establish independent internal audit functions operating in conformity with internationally recognized professional standards — particularly the INTOSAI and IIA guidelines. Local authorities must additionally be required to comply with financial disclosure and transparency standards, underpinned by clear and enforceable accountability mechanisms linked directly to the evaluation of administrative and financial performance.

8.2 Human Resource Development

Human capital constitutes the most vital resource of any institution, and the effectiveness of governance and internal control systems is fundamentally contingent upon the quality and continuous development of the workforce. This requires the systematic design and implementation of specialized training programs in internal audit within local authorities, in collaboration with professional and academic institutions. Positions within internal audit units must be filled by individuals possessing recognized academic and professional qualifications in the field. Elected municipal council members require structured orientation and awareness-building with respect to the principles of governance and the role of internal audit in improving institutional performance. Knowledge exchange and peer learning among internal audit practitioners across Palestinian local authorities should be actively promoted as a mechanism for advancing professional standards and strengthening institutional oversight capacity.

8.3 Procedural and Systems Reform

A comprehensive review of institutional procedures and systems within local authorities is essential, with a view to their alignment with the COSO framework. This entails the adoption of the updated COSO model as the normative standard for developing internal control systems in local authorities, accompanied by the development of a unified procedural manual for internal control practice. Risk management methodologies must be integrated into the strategic planning processes of Palestinian local authorities as a standard operational requirement.

8.4 Transparency and Community Participation

Civic participation is a foundational pillar of governance in local authorities, but its realization requires substantive rather than merely formal engagement. This necessitates the enhancement of transparency within local authorities through mandatory publication of annual financial reports via accessible and publicly available channels. Electronic communication channels should be developed in collaboration with the Ministry of Local Government to support financial transparency and improve information flows. The local community must be directly involved in budget formulation and the identification and prioritization of development projects. Dedicated performance oversight committees should be established, incorporating representatives from the local community and civil society organizations, thereby fostering accountability and community-based monitoring.

Conclusion

This article has addressed a fundamental and timely question concerning the application of governance principles and the reinforcement of internal control in Palestinian local authorities. The study arrives at a set of significant conclusions.

First, a positive and direct relationship exists between the quality of internal control and the mitigation of corruption, the achievement of local authority objectives, and the optimal utilization of public resources. Second, Palestinian local authorities exhibit persistently low levels of financial transparency and disclosure, generating a palpable gap in the implementation of governance and internal control principles, further compounded by weak civic participation mechanisms and deficient accountability structures. Third, the Israeli occupation and the internal Palestinian political division between Fatah and Hamas constitute genuine and formidable structural barriers to governance reform and the reinforcement of internal oversight — making meaningful institutional reform in public institutions, and local authorities in particular, exceptionally difficult to sustain.

Fourth, Palestinian local authorities lack an enabling environment for the full implementation of internationally recognized internal control frameworks such as the COSO model: current control activities remain at intermediate levels of application, with pronounced weaknesses in risk assessment and in the communications and information systems environment. Fifth, international experience and scholarship confirm that effective reform requires an integrated approach that combines legal and legislative reform, qualified human resource development, and the modernization of institutional operations and internal control systems.

Finally, the study underscores the importance of conferring greater operational independence on the internal audit function in local authorities, and of broadening its mandate to encompass substantive advisory, evaluative, and risk management roles — in addition to traditional financial compliance functions — thereby enabling internal audit to serve as a genuine driver of institutional reform and public sector performance improvement.

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