

## **The Reliance on Internal Auditors and Internal Controls by External Auditors in Sri Lanka**

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### **Abstract**

This study aims to identify extent to which external auditors rely on internal auditors and internal controls in Sri Lanka through the analysis of primary data collected. The data collection was performed by a well-structured questionnaire developed based on previous literatures on the area of the topic. The population of the study comprise of external auditors from numerous audit firms located across Sri Lanka. The model used for the study is estimated and hypotheses testing using regression analysis with Statistical Package for Social Sciences (SPSS) statistical software was used to analyze the data collected.

Previous literature recognized that technical competence and work performed are the two most important criteria that external auditors consider in their reliance on internal auditors (Haron, et al., 2004). According to Suwaidan and Qasim (2010), external auditors in Jordan recognize that objectivity, competence and work performance of internal auditors are key factors affecting their reliance decisions.

Results regenerated from the study provides an understanding of the role of internal auditors and internal controls on the work performed by external auditors. This will further enable to gain a comprehensive understanding of the relationship between external auditors and internal auditors in the modern business environment.

**Keywords:** Audit, External auditors, Internal auditors, Internal controls, Sri Lanka.