

The Relationship between Internal and External Audit of Sri Lanka

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Abstract

At present, the internal and external auditing profession has grown predominantly in digitally driven, complex, and highly uncertain business environment. The internal and external audits are interrelated, served different benefits, functions, and objectives. Accordingly, the purpose of the study is to examine the relationship between internal and external audit with the emphasis of cooperation between internal audit and external audit and the reliance of external auditors on the internal audit function. Related prior studies have found mixed empirical evidence about the factors affecting the reliance on the internal audit function by the external auditors. There is dearth of empirical research in this area in terms of level of cooperation between internal audit and external audit and the reliance decision of the external auditors on the internal auditor's work in local context. Data is gathered from external auditors who have audited the clients' financial statements through the structured questionnaire. It is employed descriptive statistics and regression analysis. The findings of the study are important to internal & external auditors, business management, governing bodies and academics in enhancing the audit quality, effectiveness, and level of the reliance of the external auditors on internal auditors work.

Keywords: Effectiveness, External auditing, Internal auditing, Reliance.