

Factors Affecting Internal Audit Effectiveness: Empirical Evidence from Sri Lanka

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Abstract

The research explores factors affecting internal audit effectiveness: empirical evidence from Sri Lanka and the nexus between internal audit effectiveness among listed companies in Sri Lanka, shedding light on the empirical evidence surrounding factors influencing the effectiveness of internal audits within the Sri Lankan context. The sample comprises 354 internal auditors, utilizing primary data from internal auditors in Sri Lankan organizations. By sharing a questionnaire, this research inspects the relationships between various independent variables, including independence of internal audit, competence of internal auditor, management support for internal audit, and internal audit quality. This research delves into the intricacies of factors affecting the effectiveness of internal audits within Sri Lankan organizations listed on the Colombo Stock Exchange. The research's significance contextualizes it within Sri Lanka's developing economy and the global corporate landscape. Comprehensively reviews existing literature, laying the foundation for understanding the key variables examined in the subsequent chapters. The research methodology employs regression analysis to scrutinize variables such as the independence of internal auditors, competency, management support, and the quality of internal audit processes. The empirical evidence presented in Chapter 4 reveals significant findings, with the independence and competency of internal auditors emerging as crucial determinants of audit effectiveness. Management support and the quality of internal audit processes also play pivotal roles. Chapter 5 concludes the dissertation by discussing policy implications, emphasizing the potential impact on organizational practices and the broader economic climate in Sri Lanka. The chapter also suggests avenues for future research, including the influence of new technologies, cultural considerations, regulatory changes, ethical dimensions, and the role of internal audit in crisis management. In summary, this research contributes valuable insights to enhance the effectiveness of internal audits, providing a roadmap for organizational enhancement and adaptation in the dynamic business landscape of Sri Lanka.

Keywords: Effectiveness, Internal Audit, Internal Audit, Independence, Competency