

Effect of Internal Audit for the Financial Performance of Listed Companies in Sri Lanka

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Abstract

Internal audit has emerged as a crucial discipline to ensure that listed companies attained its ultimate objectives. Well-established framework governing and auditing services are a must for a listed company, so internal audit unit plays a key role in this instance. The term of financial performance can be considered as most important factor of listed companies. To ensure that organization improves its financial performance year by year organization needs to excel its activities in progressive way. Being the case, this study aimed to investigate the effects of internal audit for the financial performance of listed companies in Sri Lanka. The study was carried out at materials sector companies in Colombo Stock Exchange. The study specifically examined the effect of internal audit independence, professional competence, and internal control system on listed companies and therefore these are considered as the independent variables of the study. The dependent variable is financial performance was measured through a questionnaire. Accordingly, the sample of this research was twenty-three material sector companies. The study employed a descriptive survey research design to gather information from 102 respondents through a self-administered questionnaire. A participant for this research was Chief Internal auditors, Internal Auditors, Finance Managers, Chief Accountant and Managers. According to results the regression analysis results revealed that internal control system has a positive and significant effect on financial performance at 1% level of significance and internal audit independence and professional competence do not significantly influence on financial performance at 1% level of significance. Based on the findings of this study, organizations are recommended to give more attention processors carry out in internal auditing department and revised the end goals of the internal auditing in an organization, and identify whether it needs any modifications.

Keywords: Internal audit independence, internal control system, professional competence, financial performance, internal audit, listed companies in Sri Lanka