

Causes for Internal Audit Outsourcing in Sri Lanka, Evidence from Listed Companies in Colombo Stock Exchange

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Internal audit outsourcing is an undeniably imperative issue for the accounting profession and there is an ongoing debate on internal audit outsourcing in the literature. Yet, there is an increasing trend in outsourcing the internal audit function in Sri Lankan companies. Hence this explanatory study investigates the causes which influence the decision of internal audit outsourcing in Sri Lanka using survey data of 40 companies listed in the Colombo Stock Exchange, who have outsourced some or all of their internal audit functions. The technical competence, cost saving, corporate strategy and firm size were considered as the measures of the independent variable, the causes for Internal Audit outsourcing while the dependent variable is Internal Audit outsourcing. Correlation coefficient analysis and regression analysis techniques were used to analyze the data using SPSS version 16. The results revealed that the technical competence, corporate strategy and firm size are significant and have a positive relationship with the outsourcing decision while the cost saving is an insignificant and negatively affected cause in Internal Audit outsourcing decision. Further, this study revealed that Internal Audit outsourcing is exceedingly connected with the technical competence of the external service provider. These results imply that internal audit outsourcing is a developing business opportunity for professional business organizations. Hence the researcher suggests the professional firms to improve the technical competence in order to get more businesses.

Keywords: Causes, Internal Audit Outsourcing, Technical competence