



**INTERNAL AUDIT FUNCTIONS ON EXTERNAL AUDITOR'S
RELIANCE IN HOTEL SECTOR IN SRI LANKA**

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ABSTRACT

The purpose of this research is to identify the impact of the strength of internal audit functions on external auditor's reliance and relationship between strength and external auditor's reliance in hotel sector in Sri Lanka. Additionally, research identifies the existing of internal audit functions in hotel sector in Sri Lanka. Researcher developed a model for the study and it was tested by selecting twenty five hotels in hotel sector in Sri Lanka. The data were collected primary, primary data gathered from external auditors of the hotels by using questionnaires. Objectivity, competence and work performance was taking into the account to measure the strength of internal audit functions. The work performance is the most significant factor affected to external auditor's reliance. The relationship between strength of internal audit function and external auditor's reliance is strong positive relationship and moderate level of strength is present in the hotels in Sri Lanka.

Key word; Internal audit functions, Objectivity; Competence' Work Performance, External auditor's reliance.