

PERFORMANCE AUDITING PRACTICE IN THE SRI LANKAN PUBLIC SECTOR A SYSTEMATIC EVALUATION TO ADDRESS PUBLIC ACCOUNTABILITY

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This study investigates how performance auditing practices have developed in Sri Lanka's public sector and their effect on accountability. It analyzed the relationship between the National Audit Office and Parliament in conducting performance audits, focusing on district and divisional secretariat organizations, and assessed their contribution to an accountable public sector.

Performance auditing in Sri Lanka, though still limited, is crucial for promoting accountability and transparency. This research outlines the shift from compliance-based to performance-oriented auditing, influenced by New Public Management, and shows that improved auditing is essential to government accountability. A key issue is the limited use of performance auditing compared to financial auditing, leaving gaps in addressing efficiency and effectiveness. The research identifies the need for systematic performance audits to better utilize public resources and enhance governance.

The study aims to assess the prevalence of performance auditing practices in Sri Lanka's public sector, examine auditors' and stakeholders' perspectives, and determine the role of performance audits in strengthening public accountability. Additionally, the research seeks to refine performance auditing methodologies applicable to developing countries. The literature review identifies foundational theories relevant to evaluating performance auditing in the public sector, such as institutional theory and public accountability frameworks. Studies from developed countries demonstrate that auditing has expanded beyond financial oversight to include assessments of operational efficiency and effectiveness. However, research on performance auditing in developing countries like Sri Lanka remains limited, as these practices are still emerging.

The conceptual model developed in this study connects performance auditing practices to public accountability, emphasizing the three elements of economy, efficiency, and effectiveness (the 3Es). It also examines how auditors' perceptions and the implementation of performance audits affect both financial and managerial accountability within public sector organizations.

The study found that while public sector employees broadly agree that performance auditing practices positively impact public accountability, challenges remain. Specifically, there are persistent gaps in understanding and in the practical implementation of such audits at various management levels, underscoring the need for enhanced training and clearer guidelines.

The findings highlight several key challenges faced by the National Audit Office of Sri Lanka in implementing performance audits. Among these is ongoing uncertainty about the audits' purpose and scope, with some auditors still focusing on financial compliance rather than performance outcomes. The research indicates that ambiguous audit processes and a lack of specialized training for auditors contribute to inefficiencies in performance audits.

The study concludes by recommending clearer performance-auditing guidelines, enhanced auditor training, and greater focus on the 3Es. It also calls for strengthening the relationship between the National Audit Office and Parliament to ensure the effective adoption of audit recommendations. Improved clarity and impact of performance audits are seen as vital for fostering greater accountability and transparency in Sri Lanka. Lessons from other nations offer insights for similar governance challenges



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