PPP in Audit
a Sri Lankan perspective

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Sri Lanka Audit Reforms

Constitutional Amendment (2015)

- **Expands Auditor-General's mandate**
  - Adds +200 government-owned Companies incorporated under the Companies Act
- **Establishes an Audit Service Commission**
  - Will set personnel rules for the staff of the National Audit Office
  - Will prepare annual estimates of the National Audit Office

National audit bill (2016)

- **Establishes a National Audit Office**
  - Currently the Auditor-General and his staff belong to a government department
  - Audited by a qualified independent auditor appointed by Audit Service Commission

Increased Audit Mandate

Benefits

- **Accountability**
  - Auditor-General reports to Parliament
  - Audit reports scrutinized by Committee on Public Enterprises
- **Transparency**
  - Audit reports published on website after tabling in Parliament

Practical difficulties in implementing

- Lack of human resources
- Lack of technical expertise in specialized areas such as banks, insurance companies, telecoms, etc
- Tight time reporting deadlines
- High audit risk

The solution: PPP in Audit

How?

- **Auditor-General appoints private auditors**
  - "Qualified auditors" registered with and graded by the Auditor-General
  - Financial and technical proposals sought for large audits
  - Audit fee decided by committee
  - Maximum appointment: 5 years
- **Auditor-General reports to Parliament**
  - Quality review

Open questions

- PPP model works well for financial audits, but to do performance and environmental audits, private auditors need to comply with ISSAIs
- How to use private auditors to build the capacity of the National Audit Office?
- How to ensure value for money – private audit fees can be much higher than fees charged by the National Audit Office