

**CORPORATE GOVERNANCE
AND THE CHANGING FUNCTION OF AUDITING
IN THE CORPORATE LEGAL ENVIRONMENT
OF SRI LANKA: ACHIEVING FUTURE RESILIENCE**

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ABSTRACT

This paper explores the complex relationship between the evolving function of auditing and corporate governance mechanisms in the legal environment of Sri Lanka. It emphasizes the significance of corporate governance in ensuring adherence to ethical standards, transparency, and accountability. The study also analyses the impact of the regulatory environment on corporate governance in Sri Lanka, particularly the country's efforts to align its standards with global benchmarks. Furthermore, the paper examines the impact of auditing on investor confidence and financial reporting integrity. The audit committee plays a leading role in maintaining financial accountability and transparency which is crucial to good corporate governance. Hence, measures to maintain its independence and strengthen its integrity are extremely vital. This paper aims to analyze the responsiveness of Sri Lanka's legal framework governing corporate entities, focusing on recent reforms and their potential impact on audit practices and corporate governance. It also examines the structure of audit committees, auditors' roles, and ways to enhance committee efficiency and ethical standards through qualitative analysis. The paper highlights the mutually beneficial relationship between auditing and corporate governance in ensuring the long-term viability of corporate entities. It emphasizes the need for a flexible legal framework that supports proactive auditing and governance practices in response to evolving business conditions. By effectively managing these interrelated components, Sri Lankan corporate entities can navigate periods of uncertainty, establish stakeholder confidence, and ensure continued prosperity in a dynamic business landscape.

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