



أثر طريقة التدقيق المبني على مخاطر الاعمال في تحسين جودة التدقيق الداخلي: دراسة تطبيقية على الشركات المساهمة العامة المدرجة في

بورصة فلسطين

د. سهيل نعيم أبو ميالة

smayalah@qou.edu

كلية العلوم الادارية والاقتصادية/ جامعة القدس المفتوحة/ فلسطين

الكلمات المفتاحية:

التدقيق القائم على مخاطر الأعمال،
جودة التدقيق الداخلي. الأهلية،
الأهلية، جودة إدارة العمل،

الملخص

هدفت هذه الدراسة إلى التعرف على أثر تطبيق منهج التدقيق القائم على مخاطر الأعمال على تحسين جودة التدقيق الداخلي في الشركات المساهمة العامة المدرجة في بورصة فلسطين، ولتحقيق أهداف الدراسة تم استخدام المنهج الوصفي الارتباطي، وقد تكونت عينة الدراسة من 186 مدتها حسابات مزاول للمهنة. وتم تحليل بيانات الدراسة من خلال الاستعانة ببعض الأساليب الإحصائية، حيث توصلت الدراسة إلى وجود أثر لمنهج التدقيق القائم على مخاطر الأعمال بأبعادها مخاطر الفئة الخارجية ومخاطر العمليات ومخاطر المعلومات على جودة التدقيق الداخلي. وأوصت الدراسة بضرورة العمل على رفع مستوى التنسيق بين قسمي إدارة المخاطر والتدقيق الداخلي، والاهتمام بتنمية قدرات ومهارات المدققين الداخليين. والعمل على تعزيز استقلالية مدقق الحسابات الداخلي، ليتمكن من تنفيذ مهامه بكفاءة وفعالية.

The impact of a business risk-based audit approach on improving the quality of internal audit "An Practical study on public shareholding companies listed on the stock of Palestine Exchange in Palestine"

Dr. Suhail Naem Abu Mayalah

smayalah@qou.edu

Department of Accounting, Faculty of Administrative and Economic Sciences, Al- Quds Open University- Palestine

Abstract

This study aimed to identify impact of a business risk-based audit approach on improving the quality of internal audit in public shareholding companies listed on the Palestine Stock Exchange. The data of the study was analyzed through the use of some statistical methods. The study concluded that there is an impact of the audit approach based on business risks in its dimensions, external category risks, operational risks and information risks on the quality of internal audit.

The study recommended working on raising the level of coordination between the departments of risk management and internal auditing, paying attention to developing the capabilities and skills of internal auditors and enhancing the independence of the internal auditor, so that s/he can perform the tasks efficiently and effectively.

Keywords

*Audit based on business risk.
Quality of internal audit.
Eligibility.
Objectivity.
Quality of work management*

importance which has been increased. More after the emergence of the new approach of the risk-based internal audit RBIA, which aims to focus on the risks that may prevent the achievement of the objectives of the organization, to evaluate the approved methods of controlling and managing them, and to control them, with the aim of

Introduction

In response to the continuous changes in the business environment and modern requirements, the profession of internal audit has been developed as an independent and objective activity concerned with adding tangible value and improving operational processes in organizations and its

(external environment risks, process risks, information risks) on the quality of internal auditing (objectivity) in public shareholding companies listed on the stock of Exchange in Palestine?

3. Is there a role for the audit approach based on business risks with all its dimensions (external environment risks, process risks, information risks) on the quality of internal auditing (quality of work performance) in public shareholding companies listed on the Palestine Exchange?

Objectives of the study:

This study aims to achieve the following objectives:

1. Understanding the reality of applying auditing based on business risks in its various dimensions in public shareholding companies listed on the Palestine Exchange.
2. finding out the impact of the auditing approach based on business risks on improving the quality of internal auditing in public shareholding companies listed on the Palestine Exchange.

Significance of Study:

The importance of the study lies in the fact that it attempts to shed light on the impact of the business risk-based audit approach on improving the quality of internal auditing. The internal audit function aims to assist the management by providing it with data and information on the various activities of the company, in which risks are expected, while providing advice to the management in the form of periodic reports and following up on these reports and what is contained in them. Accordingly, the importance of the study has twofold:

Scientific Significance: The importance of this study comes from the importance of knowing the impact of the business risk-based audit approach on improving the quality of internal auditing. So, this study is a new addition to the library of studies and literature related to this topic.

Practical Significance: The results of the study are expected to provide decision makers, researchers, and those interested in informational and analytical studies with important information about the impact of applying the impact of the auditing approach based on business risks on improving the quality of internal auditing in companies listed on the Palestine Stock Exchange.

developing an audit plan in order to evaluate internal control systems, and focusing on the risks that take the most importance, the internal audit activity helps the management in achieving the objectives of the organization by following the structured and rigorous audit stages based on the risks (Sudarmono, & Tobing, (2022).

Therefore, experiencing the internal audit profession since the end of the last century witnessed great developments, especially, in the United States of America, after the Institute of Internal Auditors issued the new standard for internal auditing, which included expanding the tasks entrusted to it by adding assessment tasks and improving the effectiveness of risk management through applying modern concepts of internal control in accordance with the COSO framework for risk management, so that the objectives are linked to internal control in accordance with risk management with the objectives of the economic unit to include strategic objectives, and operational and adherence to instructions and laws, in addition to identifying and measuring the risks surrounding each of them and the management's procedures to reduce these risks, activating the continuous improvement of those goals. And then identifying opportunities and taking advantage of them and preparing to face the risks surrounding them (Abu Saleeme et al ., (2019).

Risk based internal auditing is an area evolving rapidly and significantly. It is more difficult to manage it and implement it than the traditional methodologies. Monitoring progress against an annual plan is a great challenge given that risk-based audit plans are constantly changing. Despite the challenges, the advantages of implementing risk based internal auditing are significantly greater. Hence, this study is to shed light on the impact of the business risk-based audit approach on the quality of internal auditing (Al-Qudah ,2018).

Statement of Problem:

The problem of study is set to address the following questions:

1. Is there a role for the audit approach based on business risks with all its dimensions (external environment risks, process risks, and information risks) on the quality of internal auditing (eligibility) in public shareholding companies listed on the stock of Exchange in Palestine?
2. Is there a role for the audit approach based on business risks with its multi dimensions

approach based on business risks and the quality of internal auditing

Internal Audit

There are different definitions of internal auditing. According to The Institute of Internal Auditors Research Foundation (2020), "In today's business environment, the internal audit function has become a key support function for management, audit committees, boards of directors, external auditors, and other key stakeholders. When properly designed and implemented, the internal audit function can play a key role in promoting and supporting effective organizational governance." While (Souilah & Zahraoui, 2021) define internal audit is an independent and objective activity aims to provide assurance services, recommendations, and add value to the institution. And it works to achieve the objectives of the institution by following an organized method in evaluating and improving the effectiveness of risk management, control, and governance".

Internal auditing can be defined by ASQ (American Society for Quality) as : "It is performed within an organization to measure its strengths and weaknesses against its own procedures or methods and against external standards adopted by (voluntary) and imposed on (mandatory) the organization. A first-party audit is an internal audit conducted by auditors who are employed the organization being audited but who have no vested interest in the audit results of the area being audited" (Bubilek, 2017, p. 14).

Through the above, it is clear that all the definitions of internal auditing are convergent and this is due to the nature of the work of internal audit, as it is an objective, advisory and independent evaluation activity, which is practiced within the organization to serve the management through auditing financial and administrative operations, and providing it with assurances about the efficiency of operations its effectiveness and extent of reliance on financial reports and compliance with applicable laws and regulations. It also evaluates and improves the effectiveness of internal control.

The data and information provided to it proposes appropriate improvements to the systems placed within the institution. It also works on measuring and evaluating the effectiveness of the applied control systems and procedures and their compliance with management directives.

It will provide assistance to officials, stakeholders and decision makers in these companies to identify the impact of applying the impact of the audit approach based on business risks on improving the quality of internal auditing. and thus, help them to take appropriate measures in order to implement this approach.

Study Hypotheses

In order to achieve the objectives of the study in understanding the impact of the auditing approach based on business risks on improving the quality of internal auditing, the study hypotheses are formulated as follows:

H01: The following main hypothesis: There is no statistically significant impact at the level of significance ($\alpha \leq 0.05$) of the audit approach based on business risks with its combined dimensions (external environment risks, operations risks, information risks) on the quality of internal auditing in public shareholding companies listed on the stock exchange Palestine.

The following sub-hypotheses are derived from this main hypothesis:

H01.1: There is no statistically significant impact at the level of significance ($\alpha \leq 0.05$) for the audit approach based on business risks with its combined dimensions (external environment risks, operations risks, and information risks) on the quality of internal auditing (eligibility) in Palestinian companies listed in Palestine Stock Exchange.

H01.2: There is no statistically significant impact at the level of significance ($\alpha \leq 0.05$) for the audit approach based on business risks with its combined dimensions (external environment risks, operations risks, and information risks) on the quality of internal auditing (objectivity) in Palestinian companies listed in Palestine Stock Exchange.

H03.3: There is no statistically significant impact at the level of significance ($\alpha \leq 0.05$) of the audit approach based on business risks with its combined dimensions (external environment risks, operations risks, and information risks) on the quality of internal auditing (the quality of work performance) in Palestinian companies listed on the Palestine Stock Exchange.

Theoretical framework and previous studies

Theoretical framework

The theoretical framework of the study includes identifying the concept of internal audit, the audit

management framework. RBIA allowing internal audit to provide assurance to the board that risk management processes are managing risks effectively in relation to the risk appetite.

Risk Based Internal auditing basically involves execution of an audit plan developed with inputs from strategic analysis and risk assessment. Risk Based Internal Auditing is a kind of auditing approach based on determining and evaluating, companies risk characteristics, through strategic analysis and risk assessment and designing the auditing process in line with risk matrix or risk map (Ayvaz &Pehlivanli, 2010).

According to IIA (2014), by following risk based internal audit, internal audit should be able to conclude that:

1. Management has identified, assessed and responded to risk above and below the risk appetite.
2. The responses to risks are effective but not excessive in managing inherent risks within the risk appetite.
3. Where residual risks are not in line with risk appetite, action is being taken to remedy.
4. Risk management processes, include the effectiveness, responses and completion of actions being monitored by management to ensure that they continue to operate effectively.
5. Risks, responses and actions are being properly classified and reported.

RBIA allows internal audit to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite. There is a shift from the traditional assurance role of the internal audit to risk assurance. Risk based internal audit provides assurance that risks are being managed to within the organization's risk appetite (Griffiths, 2006).

Therefore, RBIA has the potential to make the internal audit function more focus, effective and efficient in its operations and resource usage, thereby creating value for the organization.

Internal Audit Quality

Moshaigeh-Al &Zureigat (2014) consider that the audit manager should develop and maintain quality assurance and improvement programs

Internal auditing plays an important role in risk management. Internal auditing is an independent function established by management to examine and evaluate the organization risk management processes, control systems and corporate governance process to provide recommendations necessary for achieving the company's objectives (Roy,2008).

In maximizing the internal audit function, the audit planning approach is an essential part of the initial process of an internal audit work cycle. One of which is the risk-based internal audit approach with risk based internal audit linking internal audit with the risk management framework within the company (Agustinus &Tobing ,2022).

Business Risk

The American Institute of Internal Auditors defined risk as a concept used to measure uncertainties in operations that affect the organization ability to achieve its goals and the impact can be negative. It is called: risk / threat, and if it is positive, it is called opportunities (Arens &Beasley,2008).

Nazmi (2009) refers to the division of business risks into:

- External risks
- Operational risks, and
- Information risk

It should also be noted that business risks may directly or indirectly affect the financial statements, so the auditor, whether internal or external, must focus on the factors, events and circumstances that may prevent the company from achieving its goals, indicating whether there are sufficient indicators to discover those risks (Abudllatif &Al-khadash,2010).

Risk Based Internal Audit

Especially- after a series of financial scandals of many large companies in the world (Enron, MCI WorldCom, Arthur Andersen, and AIG), auditors and professional associations have acknowledged that adjustments are needed in the audit. Audit firms are more proactive in identifying risks, especially critical risks. They also develop audit methods, programs and approaches based on business risks. The initiation of the RBA from auditing practices has inspired many studies to conduct theoretical research (Thi Tam et al, 2022).

Chartered Institute of Internal Auditors (IIA) (2014) defines Risk Based Internal Auditing (RBIA) as a methodology that links internal auditing to an organization's overall risk

quality of internal auditing in Jordanian commercial banks. Jordanian commercial banks in order to implement audit based on business risks, as well as encouraging the employees of the internal audit department in commercial banks to obtain professional certificates to improve the quality of their performance.

As for a study by **Ayagre (2014)**, it verified the adoption of risk-based internal auditing in Ghana, and the factors that affect the adoption or non-accreditation of risk-based internal auditing among Ghanaian companies. The study found that the risk-based approach to internal auditing is widely used among 100 companies in Ghana, especially, among financial, telecom and manufacturing companies. The study also found that there is a high participation of internal audit in risk management in planning annual audits.

This research was conducted with the aim of identifying the internal auditor's understanding of Risk Based Internal Audit (RBIA), identifying the application of risk assessment and risk matrix in the Government of North Sumatra Province. Produce driving and inhibiting factors for the application of risk based internal audit in the Government of North Sumatra Province. This research was conducted using quantitative approaches. The research population is internal auditors in the local government, while the informants in this study are people who understand the problems of implementing Risk Based Internal Audit. The variables that are thought to affect the successful implementation of risk based internal audit are the role of the internal auditor function, top management commitment, training, policy framework,

and communication processes. The results showed that top management commitment, training, policy framework had a significant effect on the success of risk management implementation, while the role of the internal audit function and the communication process had no significant effect on the application of risk based internal audit. The results showed that the application of risk based internal audit has a significant effect on the quality of internal audit. This research was conducted with the aim of identifying the internal auditor's understanding of Risk Based Internal Audit (RBIA), identifying the application of risk assessment and risk matrix in the Government of North Sumatra Province. Produce driving and inhibiting factors for the

which cover all aspects of the internal audit activity. According to Moshageh-Al & Zureigat (2014), the audit manager should develop and maintain quality assurance and improvement programs that cover all aspects of the internal audit activity.

Quality has been defined as the extent of conformity with requirements as organizations seek to monitor performance and activities and the daily work to reach the highest degree of quality, by reducing errors and detecting deviations in a way that leads to meeting the needs of management with regard to the quality of the internal audit, which is based on the good performance of the internal control system. The quality of the internal audit takes place after the implementation of accounting operations; Whereas, detecting errors and fraud, and adjusting accounting data is the basic work of the internal auditor; That is, verifying the integrity of records and data and maintaining the assets the organization, and as an inevitable result of the technological development that affected the internal audit function, was considered as an activity to evaluate and assist the administration in its judgment on how to implement the various activities (Al-Rawi, Noor & Al-Nuaimi, 2012).

The Institute of Internal Auditors (IIA) (2009) has defined internal audit quality assurance bulletins four important components to maintain the quality of internal auditing in companies: 1) Compliance with a charter the ethics of the internal audit profession. 2) Implementation of internal audit activities in accordance with auditing standards internal. 3) Working to continuously follow up the professional development of the internal auditors. (4) Working on pursue continuous improvement in internal audit practices and methods (Zureikat, 2011).

Previous Studies:

In this part- some of the previous and relevant studies to the topic of the study will be reviewed.

Al-Qudah study (2018) aimed to investigate the impact of the business risk-based audit approach on the quality of internal auditing in Jordanian banks. To achieve the objectives of the study, the researcher relied on the descriptive analytical method, and the study was applied to (13) Jordanian commercial banks. The results of the study concluded that there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) of the business risk-based audit approach on the

the Government of North Sumatra Province. Produce

driving and inhibiting factors for the application of risk based internal audit in the Government of North Sumatra Province. This research was conducted using quantitative approaches. The research population is internal auditors in the local government, while the informants in this study are people who understand the problems of implementing Risk Based Internal Audit. The variables that are thought to affect the successful implementation of risk based internal audit are the role of the internal auditor function, top management commitment, training, policy framework, and communication processes. The results showed that top management commitment, training, policy framework had a significant effect on the success of risk management implementation, while the role of the internal audit function and the communication

process had no significant effect on the application of risk based internal audit. The results showed that the application of risk based internal audit has a significant effect on the quality of internal audit. The aim of Nasution **et al. (2020)** study was identifying the internal auditor's understanding of Risk Based Internal Audit (RBIA), identifying the application of risk assessment and risk matrix in the government of North Sumatra Province. This research was conducted using quantitative approaches. The research population is internal auditors in the local government, The results showed that top management commitment, training, policy framework had a significant effect on the success of risk management implementation, while the role of the internal audit function and the communication process had no significant on the application of risk based internal audit. The results showed that the application of risk based internal audit has a significant effect on the quality of internal audit.

The purpose of **Zewaan et al. (2011)** research paper was to examine the impact of internal auditors' involvement in enterprise risk management, and also investigates the use of enterprise risk management and the role of internal audit in enterprise risk management in Australian private and public sector entities. the study used an experimental design. The study results indicated high involvement in enterprise risk management impacting the perceptions of internal auditors'

application of risk based internal audit in the Government of North Sumatra Province. This research was conducted using quantitative approaches. The research population is internal auditors in the local government, while the informants in this study are people who understand the problems of implementing Risk Based Internal Audit. The variables that are thought to

affect the successful implementation of risk based internal audit are the role of the internal auditor function, top management commitment, training, policy framework, and communication processes. The results showed that top management commitment, training, policy framework had a significant effect on the success of risk management implementation, while the role of the internal audit function and the communication process had no significant effect on the application of risk based internal audit. The results showed that the application of risk based internal audit has a significant effect on the quality of internal audit. This research was conducted with the aim of identifying the internal auditor's understanding of Risk Based Internal Audit (RBIA), identifying the application of risk assessment and risk matrix in the Government of North Sumatra Province. Produce driving and inhibiting factors for the application of risk based internal audit in the Government of North Sumatra Province. This research was conducted using quantitative approaches. The research population is internal auditors in the local government, while the informants in this study are people who understand the problems of implementing Risk Based Internal Audit. The variables that are thought to affect the successful implementation of risk based internal audit are the role of the internal auditor function, top management commitment, training, policy framework, and communication processes. The results showed that top management commitment, training, policy framework had a significant effect on the success of risk management implementation, while the role of the internal audit function and the communication process had no significant effect on the application of risk based internal audit. The results showed that the application of risk based internal audit has a significant effect on the quality of internal audit. This research was conducted with the aim of identifying the internal auditor's understanding of Risk Based Internal Audit (RBIA), identifying the application of risk assessment and risk matrix in

was carried out by document analysis and interviews with structured questions, this study concluded that using the risk based internal audit plan method yielded several advantages, including more measurable auditable areas aligned with company objectives, number of man-days efficiency, and budget efficiency.

It dealt with previous studies related to the application of the auditing approach based on business risks and its impact on the performance and quality of internal and external audits for a particular sector. Also, this study is characterized by the selected sample, which is Employees in the financial department of companies listed on the Palestine Stock Exchange.

Study procedures:

The procedures and method of the current study are as follows:

Study Approach:

The researcher followed the analytical descriptive approach to identify the impact of the audit method based on business risks in improving the quality of internal auditing, as this approach studies an existing phenomenon, event, or issue that can be obtained from the given information that answers the study's questions without the researcher's intervention.

Sampling Population, Instrumentation and Procedure:

The sample consisted of 186 auditors in Palestine - The sample is a stratified random sample as shown in Table(1).

willingness to report a breakdown in risk procedures to the audit committee. The study also found that the majority of organizations have recently adopted ERM.

The purpose of **Kirogoet (2014)** was to establish the effect of risk assessment on financial performance in insurance firms in Nakuru town. Descriptive survey was employed. The targeted population comprised was 52 management employees in 27 insurance firms in Nakuru town. The study concluded that risk-based auditing through risk assessment positively affected the financial performance of insurance companies in Nakuru town. Risk assessment enables the insurance companies to detect risks on time and concentrate on high-risk areas leading to increased transparency and accountability and enhanced financial performance of insurance companies.

Abu Saleem et al. (2019) study aimed to explore of the effect of internal audit quality measured by its dimensions of (internal auditor independence, internal audit department efficiency, internal audit work scope and professional care for internal audit staff) on Enterprise Risk Management (ERM) accordance to COSO Framework in the sample of 63 Jordanian industrial companies listed on the ASE, The study found that there is statistically significant effect on internal audit quality (IAQ) with its dimensions on Enterprise Risk Management (ERM) accordance to COSO Framework.

Hasina and Muhammad (2021) study aimed to identify the impact of the quality of internal auditing in limiting creative accounting practices in light of international internal auditing standards from the point of view of practitioners of the profession of auditing and accounting in Algeria, and to achieve the objectives of the study, a questionnaire was designed based on similar previous literature. The study found that there is a positive and significant statistical impact of the quality of auditing in reducing creative accounting practices, and the quality of internal auditing in the absence of internal auditing standards affects massively compared to the application of internal auditing standards from the point of view of the vocabulary of the sample

Sudarmono and Tobing (2022) analyzed the design of a risk-based audit plan in the internal audit division (a case study of PT. XY). This research used a qualitative method with a descriptive design. The data collection technique

Table (1): Distribution of Sample According to Study Independent Variables

Variable	Class	Frequency	Percentage %
Gender	Female	104	55.9
	Male	82	44.1
Experience	less than 5 years	44	23.7
	From 5-10 years	48	25.8
	From 11-15 years	42	22.6
	more than 15 years	52	28.0
Qualifications	diploma	18	9.7
	BA	88	47.3
	Master's	60	32.3
	PhD	20	10.8
Specialization	accounting	96	51.6
	Business Administration	36	19.4
	Financial management	52	28.0
	Economies	2	1.1
Certificates	CPA	4	2.2
	JCPA	20	10.8
	AICPA	24	12.9
	CMA	4	2.2
	CIA	6	3.2
	Without	128	68.8
Total		186	100.0

Instrumentation

To achieve the objectives of the study, the researcher used a 42-item questionnaire for auditors' sample based on previous literature and the researcher's own experience in the field of accounting. The questionnaire consisted of two sections; the first focused on demographic data of the respondents such as gender, age, experience, qualification, specialization and certificate. The second consisted of 42 items about **audit approach based on business risks on the quality of internal auditing**.

The scores of responses to each item were calculated according to a five-point Likert scale for the first three domains' responses in which strongly agree =5 points, agree =4 points, undecided = 3, disagree = 2 points and strongly disagree = 1 point. An interview consisted of two questions.

Validity of the Questionnaire

To ensure the validity of the questionnaire, it was rated by a jury of experts in the field of accounting at Palestinian Universities. The respondents' comments and the jury's suggestions were taken into consideration to modify and improve the questionnaire's content and wordings by omitting, adding or rephrasing items bringing the number of items remained 42 items.

Reliability of the Questionnaire

The reliability of the questionnaire was calculated through Cornbach Alpha formula which was for the total degree of business risks (0.975) and (0.946) for quality of internal auditing which were good and acceptable for the purpose of the study.

Statistical Procedures

The data collected were analyzed using (SPSS) in order to provide answers to the hypotheses and questions of the study, the researcher used the following:

Means, frequencies, standard deviations, and percentages in order to estimate the relative percentage of every domain, linear and multiple regression, Cronbach Alpha to test the consistency of the items in the questionnaire and Normal distribution test.

Data Analysis

Accordingly, the researcher used the following scale to represent the estimation level of sample responses. In order to limit the length of the cells of the five-point Likert scale (minimum and maximum limits, range has been calculated (5-1=4), divided on the correct length of the cell (4/5=0.80) and added to the lowest value of the scale (1) in order to reach the highest limit of this cell. Cell limits became as in Table (2):

Table (2): Scale for representing the estimation level of sample responses.

Mean	Percentage %	Estimation Level
4.20 and more	84.0 % and more	<i>Very High</i>
3.40-4.19	68.0 – 83.8 %	<i>High</i>
2.60-3.39	52.0 – 67.8 %	<i>Moderate</i>
1.80- 2.59	36.0 – 51.8 %	<i>Low</i>
Less than 1.8	35.9% and less	<i>Very Low</i>

Results

This study aimed at identifying audit approach based on business risks on the quality of internal auditing. By distribution 42 – item questionnaire of six domains (external

internal auditing was (4.30 which suggest very high level of estimation.

According to the researcher, the audit technique's high degree of estimation is due to the fact that it evaluates and enhances the effectiveness of the firm's risk management, which contributes to its value creation. The highly high appraisal of the caliber of internal auditing was also credited with playing a vital role for this strategy in risk management.

Results of the study Questions.

Results of first study Question namely:

Is there a role for the audit approach based on business risks with all its dimensions (external environment risks, process risks, information risks) on the quality of internal auditing (eligibility) in public shareholding companies listed on the Palestine Exchange?

To answer this question, Multiple regression was used as shown in following.

environment risks, process risks and information risks) as independent variables and (eligibility, objectivity and quality of work performance) as dependent variable (186) auditors. To accomplish the aims of the study, the researcher analyzed the data of the questionnaire in the accordance with the study hypotheses and the results were as follows:

Table (3) Normal distribution of the study data

Domain	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Std. Error
external environment risks	3.9409	0.56967	-.010-	0.178
process risks	4.2323	0.34022	0.566	0.180
information risks	3.7652	0.69586	-0.986-	0.178
audit approach based on business risks	3.9767	0.35448	0.296	0.180
eligibility	4.3656	0.44682	-0.860-	0.178
objectivity	4.2873	0.46947	-0.754-	0.178
quality of work performance	4.2535	0.34716	0.495	0.178
the quality of internal auditing	4.3021	0.27545	0.333	0.178

Table 2 shows that the skewness of all domains and total degrees is less than (1.00) which means that the data is normally distributed.

Table (3): Means, Standard Deviations and estimated levels of audit approach based on business risks and the quality of internal auditing.

No.	Variable	Mean	S.D	estimated level
1	external environment risks	3.9409	0.56967	High
2	process risks	4.2323	0.34022	Very High
3	information risks	3.7652	0.69586	High
	audit approach based on business risks (Total)	3.9767	0.35448	High
4	eligibility	4.3656	0.44682	Very High
5	objectivity	4.2873	0.46947	Very High
6	quality of work performance	4.2535	0.34716	Very High
	the quality of internal auditing (Total)	4.3021	0.27545	Very High

Table (3) shows that the total degree audit approach based on business risks was (3.86) which suggest High level of estimation and the quality of

table.Table (4): **Multiple regression test determining role for the audit approach based on business risks on the quality of internal auditing (eligibility).**

Model	Un-standardized Coefficients		Standardized Coefficients	T	F	df	Sig.*	R2	R
	B	Std. Error	Beta						
(Constant)	3.394	.465		7.302	2.146	3	0.000*	0.035	0.178
<i>external environment risks</i>	0.095	.062	.121	1.518		178	0.131		
<i>process risks</i>	0.141	.105	.106	1.337		181	0.183		
<i>information risks</i>	0.001	.048	.002	.030			0.976		

The researcher due the weak role for the audit approach based on business risks with all its dimensions (external environment risks, process risks, information risks) on the quality of internal auditing (eligibility) in public shareholding companies listed on the Palestine Exchange to the weakness in company management and comprehending the eligibility which has direct contribution in quality of internal auditing, This results contradicted with Al-Qudah (2018) because of the difference in the study community.

Results of the second study Question namely:

Is there a role for the audit approach based on business risks with its combined dimensions (external environment risks, process risks, information risks) on the quality of internal auditing (objectivity) in public shareholding companies listed on the Palestine Stock Exchange?

To answer this question, Multiple regression was used as shown in following table.

Table (4): **Multiple regression test determining role for the audit approach based on business risks on the quality of internal auditing (objectivity)**

Model	Un-standardized Coefficients		Standardized Coefficients	t	F	df	Sig.*	R2	R
	B	Std. Error	Beta						
(Constant)	2.876	0.428		6.716	20.028	3	0.000*	0.252	0.502
<i>external environment risks</i>	0.151	0.058	0.184	2.628		178	0.009*		
<i>process risks</i>	-0.076	0.097	-0.055	-0.783		181	0.435		
<i>information risks</i>	0.304	0.044	0.452	6.916			0.000*		

Table (4) shows that calculated (F) is (2.146), the significant value (0.009,0.435 and 0.000) and

The mean difference is significant at the 0.05 level

high evaluation of the quality of internal auditing. The internal auditors maintain the company management with assurances about the effectiveness of managing those risks. While the operational risks have not yet achieved a direct impact within the group on the quality of the internal audit (objectivity), the reason for this is that the role of the internal auditor is limited to providing recommendations and advice on those risks.

Results of the third study Question namely:

Is there a role for the audit approach based on business risks with all its dimensions (external environment risks, process risks, information risks) on the quality of internal auditing (quality of work performance) in public shareholding companies listed on the Palestine Exchange

To answer this question, Multiple regression was used as shown in following table.

Table (5): Multiple regression test determining role for the audit approach based on business risks on the quality of internal auditing (quality of work performance).

Model	Un-standardized Coefficients		Standardized Coefficients	t	F	df	Sig.*	R2	R	
	B	Std. Error	Beta							
(Constant)	1.485	0.291	0.312	5.105	35.255	3	0.000*	0.373	0.611	
<i>external environment risks</i>	0.191	0.039		4.878			178			0.000*
<i>process risks</i>	0.362	0.066		5.509			181			0.000*
<i>information risks</i>	0.129	0.030		4.325						0.000*

shareholding companies listed on the Palestine Exchange . R2 is (0.373) and correlation coefficient is (0.611) which means strong interpretation power between the independent variable (audit approach (external environment risks, process risks, information risks)) and dependent one (*quality of work performance*). The items of audit approach (external environment risks, process risks and information risks)) interpret (37.3%) of the (*quality of work*

degrees of freedom are (3 and 178) which means that there is statistical effect of the audit approach based on business risks with all its dimensions (external environment risks, and information risks) on the quality of internal auditing (*objectivity*) in public shareholding companies listed on the Palestine Exchange. R2 is (0.252) and correlation coefficient is (0.502) which means strong interpretation power between the independent variable (audit approach (external environment risks, and information risks)) and dependent one (*objectivity*). The items of audit approach (external environment risks, and information risks)) interpret (25.2%) of the (*objectivity*). The equation is: $Y = 2.876 + (151 + 304) x$.

Due to the fact that this approach assesses and improves the effectiveness of risk management at the firm, which helps to create value to it, the researcher cites the high degree of estimation in the audit approach based on business risks. In addition, a significant role for this approach in risk management has been attributed to the extremely

The mean difference is significant at the 0.05 level

Table (5) shows that calculated (F) is (35.255) , the significant value (0.000,0.000 and 0.000) and degrees of freedom are (3 and 178) which means that there is statistical effect of the audit approach based on business risks with all its dimensions (external environment risks, process risks, information risks) on the quality of internal auditing (*quality of work performance*) in public

The internal auditors provide the management of the organization with guarantees regarding the efficacy of addressing certain risks. Although the operational risks have not yet directly affected the group's internal audit's quality (objectivity), this is because the internal auditor's function is restricted to offering recommendations and guidance on those risks.

dimensions (external environment risks, operations risks, information risks) on the quality of internal auditing in public shareholding companies listed on the stock exchange Palestine.

To test this hypothesis, Multiple regression was used as shown in following table.

Table (6): Multiple regression test determining role for the audit approach based on business risks on the quality of internal auditing.

Model	Un-standardized Coefficients		Standardized Coefficients	t	F	df	Sig.*	R2	R
	B	Std. Error	Beta						
(Constant)	0.507	0.312	-0.009	1.624	50.829	3	0.106	0.461	0.679
<i>external environment risks</i>	-0.007	0.044		-0.162		178	0.872		
<i>process risks</i>	0.276	0.042	0.368	6.637		181	0.000*		
<i>information risks</i>	0.544	0.057	0.538	9.555			0.000*		

performance). The items of audit approach (operations risks and information risks) interpret (46.1%) of the (quality of work performance). The equation is: $Y = 0.507 + (-0.007 + 0.276 + 0.544) x$. The researcher attributes the internal audit's ability to conduct its assessments objectively, providing unbiased and informed management and boarding processes risk management, and internal control, to the audit approach based on business risks and its combined dimensions (operations risks and information risks), which have a significant impact on the quality of internal auditing in public shareholding companies listed on the stock exchange in Palestine.

Results of the second study Hypothesis namely: There is no statistically significant impact at the level of significance ($\alpha \leq 0.05$) for the audit

performance). The equation is: $Y = 1.485 + (0.191 + 0.362 + 0.129) x$.

The researcher attributes the significant impact on the quality of internal auditing (quality of work performance) in public shareholding companies listed on the Palestine Exchange to the audit approach based on business risks with all of its dimensions (external environment risks, process risks, and information risks).

Results of the study Hypotheses.

Results of the first study Hypothesis namely:

There is no statistically significant effect at the level of significance ($\alpha \leq 0.05$) of the audit approach based on business risks with its combined

The mean difference is significant at the 0.05 level

Table (6) shows that calculated (F) is (50.829), the significant values are (0.872, 0.000 and 0.000) and degrees of freedom are (3 and 178) which means that there is statistically significant effect at the level of significance ($\alpha \leq 0.05$) of the audit approach based on business risks with its combined dimensions (operations risks and information risks) on the quality of internal auditing in public shareholding companies listed on the stock exchange Palestine. R2 is (0.461) and correlation coefficient is (0.679) which means strong interpretation power between the independent variable business risks with its combined dimensions (operations risks and information risks) and dependent one (quality of work

To test this hypothesis, Multiple regression was used as shown in following table.

approach based on business risks with its combined dimensions (external environment risks, operations risks, information risks) on the quality of internal auditing (eligibility) in Palestinian companies listed in Palestine Stock Exchange.

Table (8): Multiple regression test determining role for the audit approach based on business risks on of internal auditing (eligibility).

Model	Un-standardized Coefficients		Standardized Coefficients	t	F	df	Sig.*	R2	R
	B	Std. Error	Beta						
(Constant)	3.394	0.465		7.302	2.146	3	0.000*	0.035	0.178
<i>external environment risks</i>	0.095	0.062	0.121	1.518		178	0.131		
<i>process risks</i>	0.141	0.105	0.106	1.337		181	0.183		
<i>information risks</i>	0.001	0.048	0.002	0.030			0.976		

operations risks, and information risks) has a weak impact on the quality of internal auditing (eligibility) in Palestinian companies listed in the Palestine Stock Exchange, while it has not yet achieved the risks of the ex-post environment. The researcher due this to direct contribution of influencing the quality of internal auditing in public shareholding companies listed on the Palestine Exchange, while it has not yet achieved the risks of the ex-post environment impacting the group's internal audit quality in some way. The outcome is consistent with Erlina et al (2020)

Results of the third study Hypothesis namely:

There is no statistically significant effect at the level of significance ($\alpha \leq 0.05$) for the audit approach based on business risks with its combined dimensions (external environment risks, operations risks, information risks) on the quality of internal auditing (objectivity) in Palestinian companies listed in Palestine Stock Exchange.

To test this hypothesis, Multiple regression was used as shown in following table.

The mean difference is significant at the 0.05 level

Table (7) shows that calculated (F) is (2.146), the significant values are (0.131, 0.183 and 0.976) and degrees of freedom are (3 and 178) which means that there is no statistically significant effect at the level of significance ($\alpha \leq 0.05$) for the audit approach based on business risks with its combined dimensions (external environment risks, operations risks, information risks) on the quality of internal auditing (eligibility) in Palestinian companies listed in Palestine Stock Exchange. R2 is (0.035) and correlation coefficient is (0.178) which means weak interpretation power between the independent variable business risks with its combined dimensions (operations risks and information risks) and dependent one (eligibility). The items of audit approach (external environment risks, operations risks, information risks) interpret (3.5%) of the (eligibility). The equation is: $Y = 3.394 + 0.095 + 0.141 + 0.001 x$.

The audit approach based on business risks with its combined dimensions (external environment risks,

Table (8): Multiple regression test determining role for the audit approach based on business risks on of internal auditing (objectivity).

Model	Un-standardized Coefficients		Standardized Coefficients	t	F	df	Sig.*	R2	R
	B	Std. Error	Beta						
(Constant)	2.876	0.428		6.716	20.028	3	0.000*	0.252	0.502
<i>external environment risks</i>	0.151	0.058	0.184	2.628		178	0.009*		
<i>process risks</i>	-0.076	0.097	-0.055	-0.783		181	0.435		
<i>information risks</i>	0.304	0.044	0.452	6.916			0.000*		

*

risks, and information risks), had a significant impact on the objectivity of internal auditing in Palestinian companies listed on the Palestine Stock Exchange, and the researcher attributes this impact to its direct contribution to the quality of internal audit. The Internal Audit Department does not create an annual audit plan for different institutions based on risks and their classification, despite the fact that operational hazards have not yet directly affected the group's internal audit quality (objectivity).

Results of the fourth study Hypothesis namely:

There is no statistically significant effect at the level of significance ($\alpha \leq 0.05$) of the audit approach based on business risks with its combined dimensions (external environment risks, operations risks, information risks) on the quality of internal auditing (the quality of work performance) in Palestinian companies listed on the Palestine Stock Exchange.

To test this hypothesis, Multiple regression was used as shown in following table.

The mean difference is significant at the 0.05 level

Table (8) shows that calculated (F) is (20.028), the significant values are (0.009, 0.435 and 0.000) and degrees of freedom are (3 and 178) which means that there is statistically significant effect at the level of significance ($\alpha \leq 0.05$) for the audit approach based on business risks with its combined dimensions (external risks and information risks) on the quality of internal auditing (**objectivity**) in Palestinian companies listed in Palestine Stock Exchange. R2 is (0.25.2) and correlation coefficient is (0.502) which means strong interpretation power between the independent variable business risks with its combined dimensions (external risks and information risks) and dependent one (**objectivity**). The items of audit approach (external risks and information risks) interpret (25.2%) of the (**objectivity**). The equation is: $Y = 2.876 + (0.151 - 0.076 + 0.304) x$.

The audit approach based on business risks, with its combined dimensions (external environment

Table (9): Multiple regression test determining role for the audit approach based on business risks on of internal auditing (the quality of work performance).

Model	Un-standardized Coefficients		Standardized Coefficients	t	F	df	Sig.*	R2	R
	B	Std. Error	Beta						
(Constant)	1.485	0.291		5.105	35.255	3	0.000*	0.373	0.611
<i>external environment risks</i>	0.191	0.039	0.312	4.878		178	0.000*		
<i>process risks</i>	0.362	0.066	0.352	5.509		181	0.000*		
<i>information risks</i>	0.129	0.030	0.259	4.325			0.000*		

within the group on the quality of internal audit, which suggests that the internal auditor.

Recommendations

Based on the previous results, the researcher suggests the following recommendations:

1. The need for raising the level of coordination between the departments of risk management and internal audit.
2. The need for the internal audit department to have internal audit procedures that take into account the risks that the company may be exposed to.
3. Paying attention to developing the capabilities and skills of internal auditors.
4. Strengthening the independence of the internal auditor to verify the efficient and effective implementation of his duties.
5. Increasing the powers of the internal auditor to include all the company's activities without any obstacles.
6. increasing interest in the audit function and work to activate its role because of its positive impact in supporting risk management;

Limitations of the Study

The study has the following limitations:

- Objective limits: the impact of applying the impact of a business risk-based audit

*** The mean difference is significant at the 0.05 level**

Table (9) shows that calculated (F) is (35.255), the significant values are (0.000, 0.000 and 0.000) and degrees of freedom are (3 and 178) which means that there is statistically significant effect at the level of significance ($\alpha \leq 0.05$) for the audit approach based on business risks with its combined dimensions (external risks, operations risks and information risks) on the quality of internal auditing (the quality of work performance) in Palestinian companies listed in Palestine Stock Exchange. R2 is (373) and correlation coefficient is (0.611) which means strong interpretation power between the independent variable business risks with its combined dimensions (external risks, operations risks and information risks) and dependent one (quality of work performance). The items of audit approach ((external risks, operations risks and information risks)) interpret (34.3%) of the ((external risks, operations risks and information risks). The equation is: $Y = 1.485 + (0.191 - 0.362 + 0.129) x$.

The researcher attributes the significant impact of the audit approach based on business risks, with its multi dimensions (external environment risks, operations risks, and information risks) on the quality of internal auditing in Palestinian companies listed on the Stock of Exchange in Palestine to the contributions to the direct impact

- Spatial limits: Palestinian companies listed on the Palestine Stock Exchange.
- Time limits: This study is limited to 2022.

- Ayvaz, E., &Pehlivanli, D. (2010). Enterprise Risk Management Based Internal Auditing and Turkey Practice. Serbian Journal of Management, 5, (1), 1-20.
- Bakhush, H, & Bougalaa ,M. (2021).The Role of Internal Audit Quality in Reducing Creative Accounting Practices in Light of International Auditing Standards. Journal of Business and Finance Economy, 5, (3), 252 - 269.
- Bubilek, O. (2017). Importance of Internal Audit and Internal Control in an Organization-case study. International business Degree Thesis, Bachelor of Business Administration.
- Griffiths, D. (2006, March 15). Risk Based Internal Auditing. Retrieved July 4, 2013, from Risk Based Internal Auditing:<http://www.internalaudit.biz/files/implementation/Implementing%20RBIA%20v1.1.pdf>
- Institute of Internal Auditors. (2020) Guidance note on Risk Base Internal Audit, Lake Mary, Fla., USA.
- Institute of Internal Auditors. (2014). Chartered Institute of Internal Auditors – Risk based internal auditing.
- Kirogo, F., Ngahu, S., &Wagoki, J. (2014). Effect of Risk-Based Audit on Financial Performance: A Survey of Insurance Companies in Nakuru Town, Kenya. Journal of Business and Management, 16, (10), 84–91.
- Nasution,E., Yahya, I, & Atmanegara, A (2020). The role of risk based internal audit in improving audit quality. International Journal of Management, 11, (12), 299- 310.
- Nazmi,. A. (2009): Business Risk-Based Audit: Modernity and Evolution, Arab Society Library for Publishing and Distribution, Amman, Jordan.
- Roy, A.K (2008). Risk Based Internal Audit-Need for Such Approach in Banking Sector for

approach on improving the quality of internal audit.

- Human limits: a random sample of employees in the financial department.

References:

- Abdullatif, M., & Al- Khadash, H. (2010).Putting audit approaches in context: The case of business risk audits in Jordan. International Journal of Auditing, 14, (1), 1-24.
- Abu Saleem,K., Zraqat,O.,& OkourmS.(2019). The Effect of Internal Audit Quality (IAQ) on Enterprise Risk Management (ERM) in Accordance to COSO Framework. European Journal of Scientific Research, 152, (2), 177-188.
- Agustinus ,S.,& Tobing,N (2022). Designing Risk-Based Internal Audit Plan in the InternalAuditor Division (A Case Study in PT. XY). Budapest International Research and Critics Institute-Journal, 5, (1), 1528-1542.
- Al-Qudah, L. (2018). The Impact of the Business Risk-Based Audit Approach on the Quality of Internal Audit, An Applied Study on Jordanian Commercial Banks, Journal of the College of Commerce for Scientific Research, 55 (2). 1 - 39.
- Al-Rawi, S., Nour, N., and Al-Nuami, M. (2012). Measuring the extent of commitment of the quality and excellence award-winning private hospitals in the governorate of Amman to the curriculum Six Sigma, and its impact on internal audit quality control. The Jordanian Journal of Business Administration, 4, (8),603-623.
- Arens, A.A., Elder, R.J. &Beasley, M.S. (2008). Auditing andAssurance Services: an Integrated Approach, 12th edition.Englewood Cliffs, NJ: Prentice Hall.
- Ayagre, P. (2014). The adoption of risk based internal auditing in developing countries: the case of Ghanaian companies. European Journals of Accounting Auditing and Finance Research,2,(7),52-64.

- Empirical Study. International Business Research, 7, (7), 72-82.
- Zureigat, Q. (2011). The Impact of the Corporate Governance Guide issued by the Central Bank of Jordan on Improving the Quality of Internal Auditing in Jordanian Banks. The Jordanian Journal of Business Administration, 7,(2), 209-227.
 - Zwaan, L., Stewart, J., & Subramaniam ,N. (2011): Internal audit involvement in enterprise risk management. , Managerial Auditing Journal, 26, (7), 586-604.
 - Souilah ,O & Zahraoui, A (2021). The Impact of Internal Audit Functions on the Quality of Financial Statements. Al Bashaer Economic Journal. 1. 7 (1), 1095-1110.
 - Sudarmono,S., & Tobing, A (2022). Designing Risk-Based Internal Audit Plan in the Internal Auditor Division (A Case Study in PT. XY) Budapest International Research and Critics Institute), 5, (1) , 1528-1542.
 - Zureigat, Q., & Al-Moshaigeh, A. (2014). Measuring the Performance of Internal Audit Function in Saudi Listed Companies: An