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A Proposed Framework for Value-Based Internal Audit and its Impact on The Added Value and The Expectation Gap of Internal Audit: (A Field Study in Egypt)

Abstract

This research aims to develop a proposed framework to develop the performance of the internal audit activity in Egyptian business enterprises using the value-based internal audit approach. The research also aims to study the impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders. In addition to that studying the impact of applying the proposed framework on the expectation gap of internal audit in the Egyptian business environment.

To achieve these goals, the research relied on using the positive paradigm through using the deductive approach to analyze previous studies related to the research topic and derive the research hypotheses, in addition to using the inductive approach to test the validity of the research hypotheses in the real practice in the Egyptian business environment, through a field study conducted on a sample that includes three categories: the academics category represented by professors of accounting and auditing in the faculties of commerce in Egyptian universities, in addition to members of audit committees, and internal auditors of some companies listed on the Egyptian Stock Exchange. The Statistical tests were used that commensurate with the nature of the data collected.

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And based on the results of statistically test hypotheses, the first hypothesis was accepted, which states that there is a need to apply the proposed framework of value-based internal audit in performing the internal audit activity in Egyptian enterprises, and the second hypothesis was accepted which states that there are some basic requirements to apply the proposed framework of value-based internal audit .The results also reached to accept the third hypothesis which states that applying the proposed framework of value-based internal audit increases the added value of the internal audit activity for business enterprises and their stakeholders, in addition to accepting the fourth hypothesis that states that applying the proposed framework of value-based internal audit contributes to narrowing and remedying the expectation gap of internal audit in the Egyptian business environment.

Keywords: Value-Based Internal Audit - Value added of Internal Audit - Expectation Gap of Internal Audit.

ملخص البحث

يهدف البحث إلى وضع إطار مقترح لتطوير أداء نشاط المراجعة الداخلية في منشآت الأعمال المصرية باستخدام مدخل المراجعة الداخلية على أساس القيمة، كما يهدف البحث إلى دراسة أثر تطبيق الإطار المقترح للمراجعة الداخلية على أساس القيمة على القيمة المضافة لنشاط المراجعة الداخلية بالنسبة لمنشآت الأعمال المصرية ولأصحاب المصالح بها، بالإضافة إلى دراسة أثر تطبيق هذا الإطار على فجوة توقعات المراجعة الداخلية في بيئة الأعمال المصرية.

ولتحقيق هذه الأهداف، اعتمد البحث على استخدام المدخل الإيجابي من خلال استخدام المنهج الاستنباطي لتحليل الدراسات السابقة المرتبطة بموضوع البحث واشتقاق فروض البحث، بالإضافة إلى استخدام المنهج الاستقرائي لاختبار صحة فروض البحث في الواقع العملي في بيئة الأعمال المصرية، وذلك عن طريق دراسة ميدانية أجريت على عينة تشمل ثلاث فئات هي: فئة الأكاديميين ممثلة في أساتذة المحاسبة والمراجعة بكليات التجارة بالجامعات المصرية، بالإضافة إلى أعضاء لجان المراجعة، والمراجعين الداخليين ببعض الشركات المساهمة المقيدة في البورصة المصرية. وقد تم استخدام الاختبارات الإحصائية التي تتناسب مع طبيعة البيانات التي تم جمعها.

وبناءً على نتائج اختبار فروض البحث إحصائياً تم قبول الفرض الأول الذي ينص على أنه يوجد حاجة لتطبيق مدخل المراجعة الداخلية على أساس القيمة في أداء نشاط المراجعة الداخلية بمنشآت الأعمال المصرية، كما تم قبول الفرض الثاني الذي ينص على أنه يلزم توافر بعض المتطلبات الأساسية لتطبيق مدخل المراجعة الداخلية على أساس القيمة. كما توصلت نتائج اختبار الفروض إلى قبول الفرض الثالث الذي ينص على أن تطبيق مدخل المراجعة الداخلية على أساس القيمة يؤدي إلى زيادة القيمة المضافة لنشاط المراجعة الداخلية بالنسبة لمنشآت الأعمال ولأصحاب المصالح بها، بالإضافة إلى قبول الفرض الرابع الذي ينص على أن تطبيق مدخل المراجعة الداخلية على أساس القيمة يؤدي إلى المساهمة في تضييق وعلاج فجوة التوقعات في المراجعة الداخلية في بيئة الأعمال المصرية.

الكلمات المفتاحية: المراجعة الداخلية على أساس القيمة - القيمة المضافة للمراجعة الداخلية - فجوة التوقعات في المراجعة الداخلية.

1. Introduction

In light of varied risks to enterprises, which led to many of them collapse and bankruptcy, and the resulting issuance of many economic laws and legislation in the field of governance and control, the most important of which is the American SOX Act in 2002, in addition to the global financial crisis in 2008 and the resulting economic, social and legislative changes in the majority of the world , All this has led to the need to reconsider the role of internal audit, it is no longer just a financial control tool focused only on detecting fraud and protect the assets of the enterprise, but its role developed to add value to the enterprise and its stakeholders , as an activity designed to serve all internal and external stakeholders .

The demand for internal audit services stems mainly from management, especially with changes in the business environment, increased management responsibilities, and the need to adhere to the principles of corporate governance and the activation of risk management systems, which increased the burden on management and led to increased demand on internal audit services. The growing demand for internal audit services is also due to companies seeking to comply with legal and legislative requirements such as listing and write-off rules, and governance executive rules that require companies to hold advanced internal audit activity which perform specific tasks .

Also, the joint stock companies listed on the Egyptian Stock Exchange are obliged to evaluate the structure of their internal control, design, implement and activate advanced risk management systems, in addition to adhering to the principles and rules of corporate governance issued by the General Authority for Financial Supervision in Egypt, all functions that fall within the scope of the new tasks of modern internal audit activity, which makes it necessary for these companies to develop the role and responsibilities of the internal audit activity (Khalil, 2012).

Internal audit like any other function is often under-offered, therefore there is a need to develop its performance continuously to meet the needs of

its users, but the results of most recent field studies during the last ten years, the most important of which is the set of studies conducted by the Institute of Internal Auditors (IIA) in 2010 in more than 107 countries worldwide, has found a large and expanding expectation gap in the internal audit . The current role of internal audit and the services it provides is no longer sufficient to satisfy the needs of stakeholders, although enterprises spend large amounts annually on their internal audit activities, which require developing the objectives and strategy of internal audit and expand the scope of its services , with the need to shift from focusing on risks only to focus also on creating value for stakeholders, by providing assurance and consulting services to support the value creation indicators in business enterprises, which entails increasing the added value of internal audit, in addition to effectively addressing and narrowing the expectation gap of internal audit by developing the performance of internal audit activity, and increasing the diversity of the services it provides.

2. Research Problem

The internal audit is considered one of the most important supervisory tools and one of the main parties responsible for the governance, several studies including (Ebaid,2011; IIA,2012b; Sarens et al., 2012; Hassan, 2013; Abdullah, 2013; Abdul Halim, 2013) has found that the radical change that has taken place in a contemporary business environment caused In increasing the responsibilities of internal audit activity and developing its role within enterprises, which has shifted from a supervisory function that is responsible for assuring the accuracy of financial information and compliance with laws and regulations as well as compliance with policies and procedures established by management, and detecting fraud practices, to a strategic partner for the management to add value to the company and help it achieve its objectives, by evaluating and improving the company's control, governance and risk management processes.

In addition, The global financial crisis and the fall of a large number of global companies have also led to re-evaluate the effectiveness of the internal audit,

so recent years have seen a growing interest in internal auditing development and utilization as value-adding activity. This interest has been represented in increasing the support of senior management for internal audit activity and providing its needs for financial and human resources that enable it to perform its assurance and consulting roles, and the most important factors that led to the increased importance of internal audit activity are (IIA,2009a,b ; PWC, 2007; PWC, 2009b; PWC, 2010a):

- Expanding the needs of management and the users of internal audit services.
- Globalization and the expansion of multinational companies.
- Increasing mandatory legal requirements and increasing interest in activating the principles and rules of corporate governance.
- Increasing the importance of the role of internal audit in the field of risk management.
- The development of information technology and communication.

It is important to point that these new trends have highlighted that internal audit should have a different objective and scope (Al-Saqqqa, 2009; Al-Najjar, 2013), the new objective of internal audit is to help management to carry out its responsibilities efficiently, and to provide recommendations to improve performance continuously, with the aim of providing more diversified services to the management, guiding them to the most efficient methods of operation, and how to use resources as best as possible, so that the internal audit helps to accomplish the objectives of the enterprise through a structured input to evaluate and improve the effectiveness of control, governance and risk management, which requires the need to pay attention to raising the level of qualifications and experience of the internal audit team .

Also, (Al-Ibiary, 2018) added that the lack of internal audit role in the face of the financial crises, and in light of the strategic orientation of enterprises to focus on the entrance to value creation, it is necessary to re-evaluate the internal audit activity from the perspective of the value chain, in light of the fundamental change in the internal audit in its concept and objectives, which

necessitates the need to re-engineer the internal audit process. The study added that the development of the concept and objectives of internal audit included many aspects, the most important of which: the shift in the objective of internal audit from a narrow perspective, which is the service of the management to a broader perspective, which is to serve the enterprise and add value to its stakeholders, and the expansion of the role of internal audit to include the evaluation of the strategy of the enterprise and its operations, comprehensive evaluation of risks, quality, governance, environmental and social performance, in addition to the shift from the use of risk-based internal audit approach to the use of value-based internal audit approach based on the value achieved to stakeholders.

This shift is based on the realization of the importance of the internal audit as a value-adding activity, and the need to develop it through the adoption and application of appropriate approach to ensure the effectiveness of performance from a value chain perspective, and the new vision of internal audit is based on a forward looking perspective that ensures that the validity of operations is examined before they are implemented, by comparing actual activities with standard models, making contemporary internal audit a predictive audit, focusing on evaluating future events before they occur, in addition to Being a historical and detective audit, which representing a shift in the nature and scope of internal audit activity and increasing the importance of its assurance and consulting services. In order for internal audits to be able to provide value-adding services that meet the needs and expectations of stakeholders and capital markets in general, their focus must also be directed towards providing assurance and consulting services about value creation indicators in business enterprises, while adopting a comprehensive view of the enterprise's performance in all areas and not just financial performance.

So this study aims to develop a proposed framework for developing the performance of internal audit activity in Egyptian enterprises using the value-based internal audit approach , in addition, this research aimed to examine the impact of the application of the proposed framework on the value added of

internal audit activities and the expectation gap of internal audit in the Egyptian business environment thus, The importance of this research stems from its attempt to propose a framework for value-based internal audit in order to improve the performance of internal audit activities and increase their added value for Egyptian enterprises and their stakeholders, and to contribute to the treatment and narrowing of the expectation gap of internal audit in the Egyptian business environment .

The structure of the research is that in a first step summarizing the literature review. In a second step a theoretical framework of the proposed framework of value based internal audit. And in the third step research methodology and the field study.

3. Literature Review

Several studies (Sharma,1999; Flesher & Jeffery,2000; Al-Kashif, 2000; Bagshaw,2002; Campbell et al., 2006; Pforsich et al., 2006; Al-Abadi, 2007; Friedman et al., 2013) have discussed The role of internal audit in the modern business environment, and the opportunities available for internal auditors to add value to the enterprise and to stakeholders by expanding the scope of internal audit services. These studies agreed that the role of internal audit has changed, especially after the issuance of the US Law of SOX in 2002, and its role became to add value to the enterprise and to stakeholders, as these studies made clear that recent trends in internal audit include:

- 1- The evolution of the traditional role of internal audit from internal control evaluation and detection of fraud to the comprehensive role in risk management and governance , and the provision of recommendations to improve key performance indicators (KPIs), reduce costs and improve the competitive position of the enterprise.
- 2- The emergence of new opportunities for internal audit in the field of strategic audit, quality audit, and implementation of operations reengineering in order to provide the needs of management and other stakeholder, which requires the availability of new skills for internal

auditors such as using modern technology and data analysis methods, in addition to skills related to communication and sharing information.

- 3- The need to review the objectives and strategy of internal audit activity so that its focus is directed to the priorities most important to the enterprise, by balancing the cost of the activity with the value achieved to stakeholders, in order to achieve the efficiency of the exploitation of the resources available for internal audit activity.

Also, PriceWaterhouse Coopers (PWC) has prepared and published several studies on the challenges facing internal audit, especially in light of the economic, environmental and legal changes, The first study (PWC, 2009a) found that it is time to re-evaluate the internal audit activity so that its focus is directed to The most important priorities for the enterprise, by balancing the cost, risks and the value achieved to stakeholders, to achieve the efficiency of the exploitation of resources available for internal audit activity, in addition to increasing the effectiveness of internal audit activity and achieving its basic goal of adding value to the enterprise, by providing various assurance and consulting services that help the enterprise to achieve its objectives and improve its operations. The other study (PWC, 2009b) also aimed to submit proposals to expand the scope of internal audit and its focus, to help internal audit activity add greater value to the enterprise by adopting a more comprehensive perspective on the risks faced by the entity, and focusing on some important areas such as sustainability issues.

In 2010, the same office published two more studies, the first study (PWC,2010a) aimed to explore the most important areas and issues that should be focused and attentioned by internal audit in the coming years, and the other study (PWC,2010b) aimed to develop a proposed scenario for developing the performance of internal audit activity and increase the value it adds to the enterprise and its stakeholders. the two studies have concluded that internal audit should expand the provision of assurance and consulting services in several areas, including the strategic performance, financial and operational performance, governance and risk management, environmental

and social performance of the entity, with the need for internal audit plans to focus on the causes of value creation in the enterprise for all stakeholder groups and not just management or shareholders. (Dixon & Singer,2010) also emphasized the need to link internal audit to the value creation processes of the enterprise, by linking the objectives of internal audit to the objectives and strategy of the enterprise, in order to help the enterprise achieve its objectives by balancing the risk and cost and value achieved to stakeholders.

Also, the study of (Shen, 2010) examined how internal audit activity can add greater value to the enterprise and stakeholders. The study found that the global financial crisis has led to a decrease in the value achieved to shareholders in many global companies, and although the responsibility lies with the boards of managers of these companies as a result of their failure in risk management processes, the internal auditors of those companies did not evaluate the risks on the basis of the value achieved to shareholders, but focused only on significant risks from the management point of view. Therefore, the study emphasized the need for internal auditors to plan the audit process on the basis of the value achieved to shareholders and other stakeholders, and establish a value-based internal audit plan instead of a risk-based plan, and should also re-assess the entire audit universe based on the impact of risks on the realized value of shareholders and different stakeholder groups.

And the study of (Deloitte, 2011) also found that the role and scope of internal audit should be expanded to include the provision of assurance and consulting services in some important areas which considered the basic value creation drivers in the enterprise, and directly and substantially affect the ability of the enterprise to create and maintain value in the long term, in addition to its recognized role in the field of internal control, governance and risk management. So, professional organizations should raise awareness among internal auditors about their new responsibilities and opportunities to increase the added value of internal audit activity.

On the other hand, several studies including (ACCA, 2010; Al-Ibiari, 2013; Jiang et al., 2018; KPMG, 2018) have been linked Between the quality of internal audit services and the value it add to stakeholders, the higher the quality of internal audit services will increase the value it add to stakeholders, as these studies have confirmed that the expansion of the scope of internal audit to include more types of information, especially non-financial information, will increase the added value of internal audit, in addition to the need to revolutionize the way the auditors think and perform (a radical change in Methods of planning and implementing the audit process) in order to keep up with the rapid changes and developments in the business environment, and the continuous increase in the needs and expectations of stakeholders, which began to focus on the information related to value creation drivers on which stakeholders rely in evaluating the ability of enterprises to create value, and thus their ability to survive and continue in the long term . Finally, the study of (Deloitte, 2019) found That internal audit should not audit historical information only, but should also provide assurance and consulting services regarding the expectations of the future performance of the entity.

Briefly, Previous studies have concluded that changes in business environment provide new opportunities for internal audit to increase the added value of the enterprise and stakeholders by providing A variety of assurance and consulting services that meet various aspects of the performance of the enterprise such as strategic, environmental and social performance, which considered the main value creation drivers in the enterprise, in addition to the current role of internal audit in the areas of governance, risk management and internal control in order to improve the operations of the enterprise and help it to achieve its objectives. So, internal audit should communicate continuously with all parties benefiting from its services such as the board of directors, the audit committee and executive management to provide their needs.

In addition to that the researchers can deduce that value – based internal audit is a methodology where internal auditors can perform forward-looking internal audit services to offer insights and actively seek innovation to improve an organization, that is done from the perspective of the audit client so that value based internal audit has strategic foundations, stakeholder relations, seeking to continuous improvement and integrated approach as showed in figure (1) :

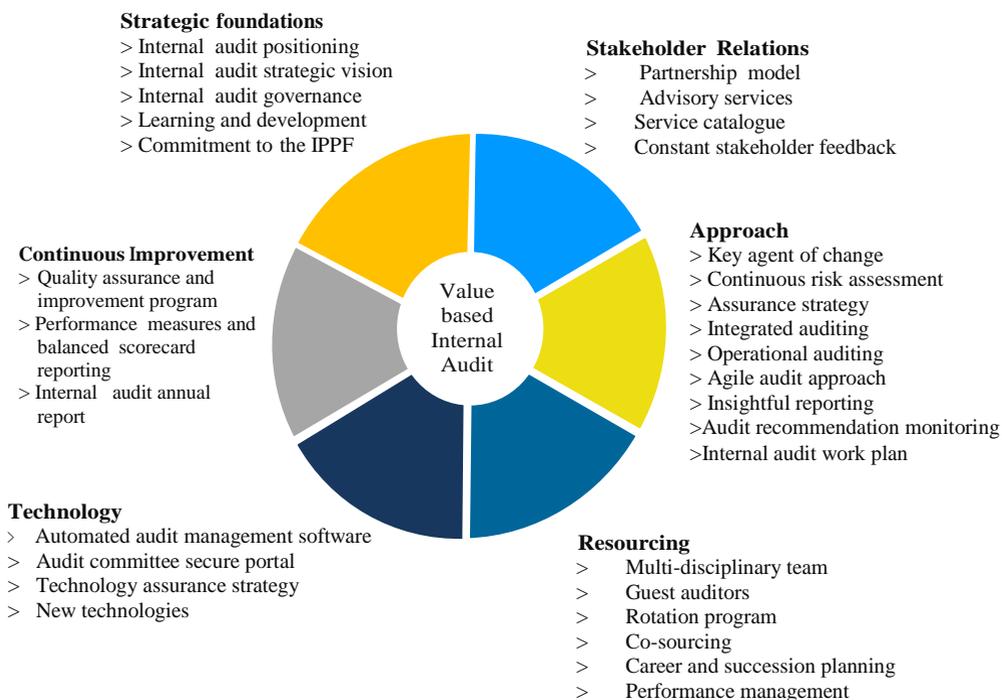


Figure (1): value based internal audit

(Source: IIA, 2016)

4. Theoretical Framework

4.1 The Development of Internal Audit and Its Role in Adding Value to Enterprises and to Stakeholders

The internal audit has seen many developments and increased interest at the academic and professional levels since the founding of the Institute of Internal Auditors (IIA) in the United States in 1941, which took on the task

of developing the internal audit and issuing its own standards, guidelines and ethical charter, then the internal audit has gone through a journey of developments in several key stages (Ramamoorti, 2003; Hass et al. 2006; IIA, 2012a; Azharudin, 2016):

First: The Financial Audit Stage: This stage represents the traditional concept of internal audit, whose role is limited to auditing financial operations, protecting the assets of the enterprise, examining and evaluating the internal control system, and therefore the responsibilities of internal audit during this phase were very limited, this narrow view of the scope of internal audit has led to a focus on the financial aspects of operations, resulting to a limited role in the field of internal control and compliance examination (Holt, 2012).

Second: The Processes Audit Stage: The Institute of Internal Auditors defined the internal audit in the list of responsibilities issued in 1957 as "an independent evaluation function established within the enterprise to examine and evaluate its various activities, with the aim of serving the enterprise and helping it to meet its responsibilities, by providing management with analyses, evaluations and recommendations related to the examination of activities as well as providing effective internal control at a reasonable cost", This phase focused on the role of internal audit in evaluating the various activities of the firm, not just the focus of financial audit.

Third: The Adding Value Stage: This stage began in 1999, when the Institute of Internal Auditors (IIA) defined the modern internal audit as "an independent, objective, assurance and consulting activity, designed to add value to the enterprise and improve its operations to help it achieve its objectives, and this is done through a disciplined approach to evaluate and improve the effectiveness of governance, Risk management and internal control processes in the entity".

Also, the (IIA) has defined the objectives and purpose of the internal audit, in addition to determining its roles, authorities and responsibilities through the issuance of a set of professional standards that determine the characteristics of internal auditors and control their professional performance (IIA, 2009c; IIA, 2016). The Institute of Internal Auditors has explained that the concept of internal audit has evolved from being an evaluative function of the company's activities to being an activity that provides two types of services (Parkinson, 2009; Cashel & George, 2010):

(1)**Assurance Services:** It is intended to collect and objectively evaluate sufficient and appropriate evidence to provide independent assurance about the efficiency and effectiveness of internal control, governance and risk management of the enterprise, examples on these services include: financial audit, operational audit, compliance audit, and audit of information systems. Internal auditors determine the nature and scope of these services and then communicate the evaluation results in the form of opinion or conclusions to the management to increase confidence and reliability of information.

(2)**Consulting Services:** It is intended to provide professional advice to management in certain situations upon its request, in order to add value to the enterprise by improving the processes of control, governance and risk management. The nature and scope of consulting services are determined in agreement with the management. Examples on these services include: training programs, providing recommendations to improve operational processes and remedying weaknesses and deficiencies in the performance of the entity.

Based on the above discussion, it is clear the development of the modern concept of internal audit and increasing its role and scope, thus increasing the value it adds to the enterprise and stakeholders by providing assurance and consulting services in the areas of internal control, risk management and corporate governance, which helps the company to achieve its objectives, and achieves the requirements of sections 302, 304 of the SOX Act of 2002. It

should be noted that the modern definition of internal audit offers new dimensions including (Al-Najjar, 2013; Masood, 2013):

- 1- The modern scope of internal audit include the provision of assurance and consulting services, therefore the modern orientation of the internal audit confirms that it is directed to the service of management and stakeholders.
- 2-The modern definition of internal audit also states that internal audit is aimed to help the enterprise achieve its objectives, by improving internal control, governance and risk management processes of the entity.
- 3- The modern definition of internal audit is also described it as an activity designed with the aim of adding value and improving the processes of the enterprise on an ongoing basis, so the internal audit must be considered a strategic partner in the management of the enterprise, and its added value must include all stages of internal audit activity, as follows:

First: Planning phase: where the needs of stakeholders should be focused when preparing the internal audit plan, with the importance of linking the annual internal audit plan with the strategic objectives of the enterprise, as this will lead to better achieving the objectives of the enterprise and add greater value to the enterprise and stakeholders.

Second: Implementation phase: where internal audit resources should be used efficiently to meet the needs of stakeholders, and choose appropriate procedures and tests without wasting resources.

Third: Reporting phase: where the internal audit report should focus on providing the needs of users, and have the quality factors of the report, with the presentation of observations and recommendations according to their importance and priority need to be decided by management.

4.2 The Proposed Framework of Value-Based Internal Audit.

The internal audit was focused mainly on providing the needs of the board of directors, and then developed its performance to take into account the needs of other internal parties such as the audit committee and executive

management, and with the orientation of value adding and focus on the needs of clients, the attention of the internal audit has expanded to include the needs of all stakeholders, including third parties such as shareholders, customers, suppliers, government organizations, regulatory bodies and capital markets, and internal audit can add values to the enterprise and stakeholders as follows (Masood, 2013):

- 1- Add Value to The Board of Directors:** by emphasizing the extent of commitment to implement the strategies and policies specified by the Board of Managers, and providing facts supported by the analysis and recommendations necessary for continuous improvement.
- 2- Add Value to The Audit Committee:** by providing the necessary assurances to verify the effectiveness of the internal control structure and the accuracy and reliability of the information provided by the management of the entity, the credibility of the information used in the preparation of financial reports and the extent of compliance with the regulations and laws governing the activities of the enterprise, and the efficient use of available resources and the protection of the assets of the enterprise.
- 3- Add Value to Executives:** by identifying areas of loss and inefficiency and making recommendations on appropriate treatment, advising the executive management on areas of rationalization of spending and savings, means of increasing efficiency in the exploitation of resources, and increasing efficiency in achieving the goals.
- 4- Add Value to Shareholders:** The internal audit contributes to the emphasis on the integrity and accuracy of financial and non-financial information on which investors rely mainly in making investment decisions and allocating capital.
- 5- Adding Value to Capital Markets:** Where the internal audit reports on the problems of control systems that affect the return on investment and achieve effective control, in addition to predicting risks and estimating the

rate of frequency and degree of impact, improving risk management at a reasonable cost, and focusing in the activities of examination and evaluation on the submission of recommendations related to addressing weaknesses and shortcomings.

6-Add Value to Customers and the Community as a Whole: by emphasizing the quality of products and services provided to customers and the availability of safety standards in their use, in addition to detecting and combating fraud practices.

The proposed framework of value-based internal audit can be showed as follows in figure (2):

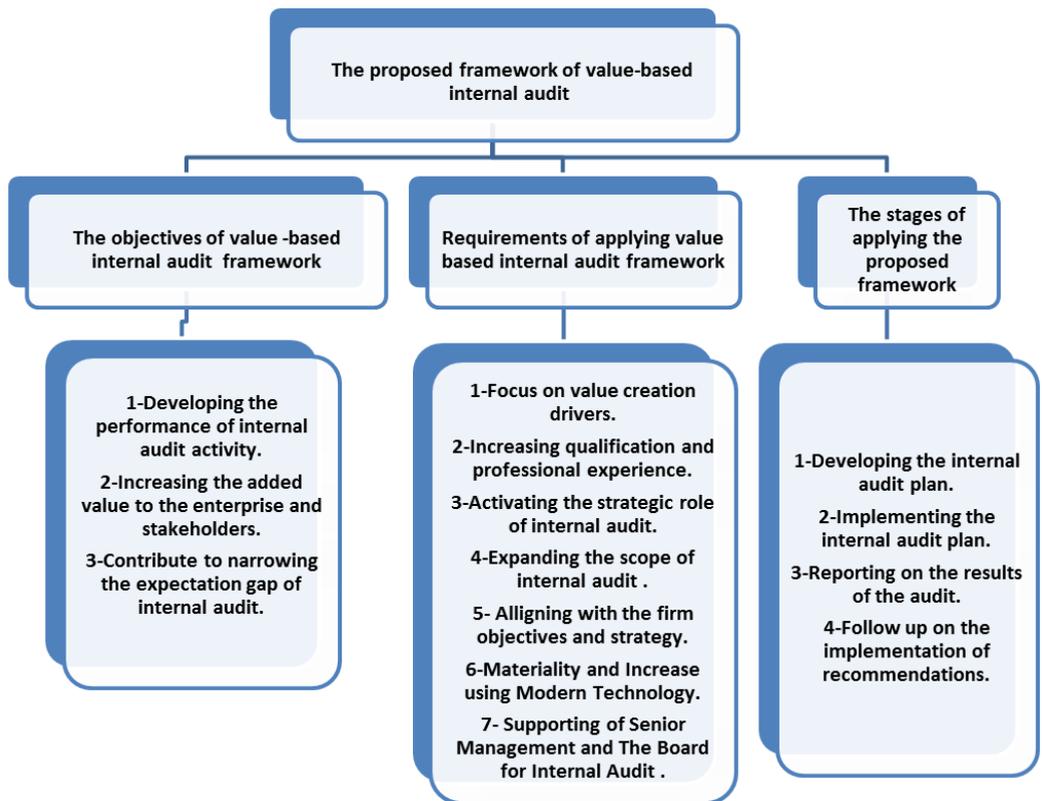


Figure (2): The proposed framework of value-based internal audit

(Source: The Researchers)

4.2.1 The Objectives of the Proposed Framework of Value-Based Internal Audit

One of the most basic requirements for the success of modern businesses is to link the cost and value achieved and try to increase the value achieved against the expenditure of a particular cost, and this always requires studying the relationship between the value and the cost of achieving this value, and this concept can be applied to the internal audit activity to increase the value achieved against the cost of this activity and make the best use of the resources allocated to the internal audit activity in creating value for stakeholders, by applying the proposed framework of value-based internal audit , which aims to develop the performance of internal audit activities (planning – implementation – reporting) in a way that increases the added value to stakeholders and users of the internal audit reports, by focusing on providing assurance and consulting services about the causes of creating core value in business enterprises. In general, the proposed framework of value-based internal audit seeks to achieve the following objectives:

- 1-Developing the performance of internal audit activity in Egyptian enterprises.
- 2-Increasing the added value of internal audit activity for enterprises and their stakeholders.
- 3- Contribute to narrowing the expectation gap of internal audit in the Egyptian business environment.

So, the proposed framework of value-based internal audit aims to improve the performance of internal audit activity and increase the value it adds to business enterprises and their stakeholders. This is done by expanding the scope of internal audit sought to maximize the needs and expectations of stakeholders, thereby reducing the expectation gap in the internal audit. This requires a re-assessment of internal audit activity from a comprehensive perspective of analysis of its component functions, with a view to supporting value-adding functions and tasks and excluding or minimizing non-value-

adding functions and tasks, and this approach is based on the development and improvement of all stages of the internal audit process which include: planning, implementation, report, and follow-up the implementation of observations and recommendations with management.

And with the trend of annual corporate reports to focus on disclosure of value creation indicators, the internal audit should also focus on providing assurance and consulting services on key value creation indicators in businesses, whether financial indicators such as equity gain, future cash flows, rate of return on investment, or non-financial indicators such as the company's market share, customer satisfaction, innovations, the proportion of new products, investment in research and development, employee satisfaction, the turnover rate of labor and others.

4.2.2 The Basic Requirements for Applying the Proposed Framework of Value- Based Internal Audit

The success of applying the proposed framework of value-based internal audit, and the achievement of its objectives, depends on some basic requirements:

1-Focusing on the Value Creation Drivers in Business Enterprises

Internal audit activity should focus on providing assurance and consulting services regarding factors that fundamentally affect management and stakeholders decisions, which are the main reasons for creating long-term value. Several studies including (IIA, 2009b; E&Y, 2012; IIARF, 2011e) confirmed that the direction of internal audit to focus on providing assurance and consulting services regarding the causes and indicators of value creation will maximize the added value of internal audit activity for the enterprise and stakeholders, and optimize the resources available for internal audit activity.

2-Increasing the Qualifications and Professional Experience of the Internal Audit Team

The manager of internal audit activity and his team must have appropriate qualifications and practical experience to provide required assurance and

consulting services to meet the needs of stakeholders, regarding the various aspects of the performance of the enterprise, and the manager of internal audit must select the internal audit team according to certain criteria, such as (IIA, 2012b):

- (a) The competence of internal auditors, especially in the field of non-financial information audit, with the need for the internal audit team to include a variety of skills, with the assistance of external specialists when needed.
- (b) The availability of certain characteristics in the internal audit team such as: Deep knowledge of the nature of the activity and operations of the enterprise and the characteristics of the industrial sector to which it belongs, the ability to think analytically and critically, predictability and long-term planning, effective communication skills and positive behavior and leadership of change in the enterprise.
- (c) The need to hold training sessions on an ongoing basis for the members of the internal audit team, with an introduction to the nature of the assurance and consulting roles of the internal audit on the value creation drivers in the enterprise.

3-Activating the Strategic Role of Internal Audit

The role of internal audit includes the need to emphasize that the management of the enterprise applies the appropriate strategies that lead to the achievement of the objectives of the enterprise, the most important of which is value creation for the stakeholders in the long term (PWC,2003). On the other hand, the manager of internal audit must set the objectives and strategy of the internal audit activity in accordance with the objectives and strategy of the enterprise to emphasize the achievement of these objectives. This is done by identifying the mission and vision of the internal audit in accordance with the mission and vision of the enterprise and then translating this vision into a set of objectives and strategies to achieve these objectives, and the vision of internal audit should concentrate on adding value to the enterprise through the performance of its assurance and consulting role to help the management improving operations and achieving the objectives of the enterprise.

The internal audit strategy should include a long-term time span (three to five years), and should include the expectations and needs of stakeholders, as well as the regulatory and legal requirements required by international standards for internal audit activity in order to increase organizational compatibility and improve the internal audit relationship with the rest of the entity's other activities .

4- Aligning the Objectives and Strategy of the Internal Audit with the Objectives and Strategy of the Enterprise

The internal audit activity should be planned in the light of the enterprise's strategy, and the emphasis should be on identifying the underlying value creation drivers in the enterprise, with internal audit plans focusing on risks that can have a substantial impact on the value achieved by stakeholders. The internal audit needs to take four steps to achieve the level of the strategic alignment and strategy and help the company achieve its objectives (E&Y, 2010; IIA, 2012c; Khalil, 2012):

Step1: Take advantage of the company's organizational strategy, where the manager of internal audit should develop the strategy for internal audit activity in line with the plans and strategies of the enterprise to increase organizational compatibility and improve the association and interaction of internal audit with other activities of the enterprise.

Step2: Develop an internal audit strategy that is well aligned with the strategy of the enterprise, and this is done in the light of communication with the main stakeholder groups of the enterprise (e.g. the board of directors, shareholders and employees) and to determine their needs and expectations of the internal audit activity in the long term.

Step3: Employing important elements and resources available to achieve objectives, by preparing plans and programs of audit, setting priorities and distributing tasks and responsibilities to the internal audit team in order to achieve the objectives of internal audit activity efficiently and effectively, and the audit plan should be updated periodically and in accordance with important events.

Step4: Manage internal audit activity such as businesses, by increasing the focus on continuous assessment of the underlying risks and causes of value creation in the enterprise, in addition to designing indicators to measure the performance of internal audit activity to ensure that it achieves its objectives, and assess its ability to provide the needs and expectations of stakeholders and contribute to the addition of value to the enterprise.

5-Expanding the Scope of Internal Audit and Continuous Communication with Stakeholders

The focus of internal audit has previously been on assessing the structure of internal control and compliance with legal requirements, but at present the boards and audit committees are looking for more internal audit activity, so they should expand their work and increase diversity in their roles, the services they provide to cover additional types of risk, as well as cover new areas of performance, such as strategic performance, environmental and social performance, governance, and information on the future performance of accompany.

Senior management also needs to rely on internal audit activity to obtain specialized advice on certain matters, a strategic vision for the future of the company in general, as well as ideas and recommendations to solve current problems, and proposals to improve the company's performance continuously. If the internal audit can provide this, it will be able to lead the internal change in the enterprise and bring it to the desired position and help it achieve its objectives. The internal audit should also identify the categories of the main stakeholders of the enterprise and the beneficiaries of internal audit services, and identify their needs and expectations and attention to meet them, because the survival and continuity of the enterprise is linked to the provision of those needs, which is considered the most important axis of value added to the internal audit activity.

6- Applying the Principle of Materiality and Increasing Reliance on Modern Technology in Planning and Implementing Audit Tasks

The principle of materiality must be applied throughout all stages of internal audit activity, where the internal audit plan must be prepared based on the priorities of the management and the needs of the main stakeholders of the enterprise, and the focus during the implementation phase and the reporting phase should be on the main value creation drivers of the enterprise, thus contributing to the optimal use of the resources available for internal audit activity. Several studies (IIARF, 2011c, d; Chambers, 2014; KPMG, 2018) have also recommended increasing the reliance on information technology and the use of modern methods of auditing and data analytics, which contributes to better conclusions, and achieves many advantages, the most important of which are:

- Increase the speed and efficiency of the audit process – expanding the scope of internal audit and increasing coverage
- Easy to identify data models and trends and relationships among them, and increase the ability to monitor and monitor risks.
- Reducing the time, effort and number of auditors needed to implement the audit programs.
- Increase the productivity of the internal audit team and increase the quality of the services it provides.
- Saving the time and effort of the internal audit team, and guiding it to find solutions and recommendations to treat weaknesses and shortcomings in the performance of the entity.
- Help the internal audit team focus more on the core activities of the entity's value creation process.

7- Supporting of Senior Management and the Board for Internal Audit Activity

Based on the management's awareness of the importance of the role of internal audit in recent times, the management must increase attention to the internal audit activity, and provide the necessary and appropriate resources

necessary to perform its tasks, where the senior management of must provide the financial, human and technological resources and capabilities necessary to perform internal audit tasks in order to maximize the added value to the enterprise and stakeholders, as the lack of available resources is considered a constraint on the scope of work of internal audit and hinders it from achieving its objectives. The refore, the management should provide the necessary support for internal audit activity by:

- (a) Providing sufficient number of qualified internal auditors in light of the size and nature of the tasks required from internal audit activity, with the possibility of using experts from different disciplines when needed, both within and outside the entity.
- (b) Providing the modern technological equipment and software needed to develop the performance of the internal audit team and save time and effort and help them perform their work efficiently and effectively.

4.2.3 The Stages of Applying the Proposed Framework of Value-Based Internal Audit

The objectives of the proposed framework will be achieved by applying the four basic phases of internal audit activity:

Phase 1:Developing the Internal Audit Plan

Internal audit planning is intended to determine the necessary audit procedures to achieve the audit objectives, and these objectives are translated into the plan and audit program that determines what to do, how and when it will be performed (IIA, 2016) .Then, the manager of the internal audit activity is responsible for planning the audit work to achieve the specific objectives of the internal audit activity, and to identify and prioritize the attention of the internal audit activity, in accordance with the objectives of the enterprise, and it is necessary that the planning process be of a dynamic nature, with the need to take into account the information obtained from discussions with senior management, the board of managers and the audit committee, based on this information, the internal audit Manager should audit and modify the audit plan when needed to meet the change and

continuous development of the conditions of the entity and the needs of the stakeholders. The planning phase of the internal audit includes the following steps:

- 1- Identify the objectives and scope of the internal audit activity.
- 2- Setting the priorities of the audit plan, by communicating with the stakeholders and the main users of internal audit services.
- 3- Preparing the annual plan for internal audit based on the needs of management and stakeholders.
- 4- Dividing the annual internal audit plan into monthly and quarterly plans, divide each plan into a set of work programs, and set the necessary timetable for the implementation of each.
- 5- Assessing the resources necessary to implement the audit plan and provide the needs of stakeholders.
- 6- After the completion of the annual audit plan , the internal audit manager must present it to the audit committee and the board of directors for approval before implementing it, including the substantial adjustments to the plan during its implementation period.

Phase 2: Implementing the Internal Audit Plan

At this stage the internal audit plan is implemented, and this phase includes many procedures which aim to collect and evaluate the sufficient and appropriate evidence, and that represent the basis on which the conclusions and observations of the internal audit are based. The internal audit standard No.2300 – performance of audit assignments – stipulates that internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the objectives of the link. Also, the internal audit Standard No.2310 – the collection of information – indicates that internal auditors must gather sufficient, appropriate, useful and reliable information to achieve the objectives of the link. The most important methods of gathering information and evidence include: inquiries, notes, documentary examination, computation, endorsements, and analytical procedures.

There are also some other procedures that can be done by internal auditors to verify non-financial information, such as interviewing those responsible for preparing this information, especially those responsible for the environmental and social performance of the company, and ensuring that there is consistency between the financial information in the company's financial statements and the non-financial information. This is considered one of the most important themes of the added value of internal audit, and its impact is positively reflected on the efficiency of the recommendations made by internal auditors within the reports directed to the executive departments of the enterprise, as well as its effect in reducing the cost of internal audit by eliminating tasks that do not add value, reducing the time, effort and fees of external auditors, and adopting the entrance of comprehensive quality in the implementation of internal audit activities. Once, the information and evidence is adequately and appropriately collected, internal auditors should build their conclusions on appropriate analysis and evaluation of the information, with the need to document this information to consolidate the conclusions reached.

Phase 3: Reporting on the Audit Results

After the completion of the audit procedures, the manager of internal audit activity must prepare a report containing the most important observations and findings reached, in addition to the conclusion or overall opinion. The internal audit manager must report to the senior management and the board of directors periodically (at least once a year), and the number and content of the internal audit reports is determined by the agreement between the internal audit manager and the board of directors, taking into account the degree of importance of the observations that are decided upon. As for consulting services, the form and content of the report varies based on the nature and scope of the agreed service and the needs of the users of the report.

The internal audit standard No. 2400 (report on the results) and standard No. 2420 (characteristics of the quality of the report) contain some of the considerations and characteristics of the quality of the internal audit reports, such as (IIA, 2016):

- 1- The report should clarify the objectives and scope of the internal audit, as well as a description of the activities audited, the time period covered, and whether there are any limitations to the scope of the audit.
- 2- The report is submitted (in written form) to the board of directors and the audit committee, with a summary of the most important observations to those responsible for decision-making of the executive departments that have been audited to take the necessary corrective actions.
- 3- The report should clarify the audit procedures that have been used, in addition to identifying the sources of access to information and the obstacles that have been challenged, if any, and should support the opinions and conclusions of the internal audit with sufficient, appropriate and reliable information which can be relied upon .
- 4- Internal audit reports should reflect briefly and accurately the observations and conclusions that the internal audit team wishes to convey to the users of the report, and at the same time the internal audit report should include all important information and observations that can affect the evaluation and decisions of management and stakeholders, with the need to balance by highlighting the positive aspects of performance and ways to strengthen it, in addition to the negative aspects, shortcomings and weaknesses and causes, while making appropriate recommendations for its treatment in clear and specific procedures.
- 5- Taking into account the expectations and needs of the board of directors, the audit committee and other stakeholder groups, as well as the comments and conclusions in the report should be mentioned according to their concerns for management and stakeholders, with the need to report on observations as soon as possible, allowing the management to take decisions and corrective actions in appropriate time, especially when it relates to important issues and internal deviations.

Phase 4: Follow-Up on the Implementation of Observations and Recommendations Contained in the Internal Audit Report

In accordance with internal audit standard No.2500, the internal audit manager must establish a system to follow up on the results and the extent to which the recommendations that have been approved to the management are implemented, and to assess the satisfaction of the audit clients with the results of the audit process.

4.3 The Implications of Applying the Proposed Framework of Value-based Internal Audit

The implications of applying the proposed framework of value-based internal audit can be divided in two sides, the first side is the implications of applying the proposed framework of value-based internal audit on the value added of internal audit activity, the second side is the implications of applying the proposed framework of value-based internal audit on the expectation gap of internal audit, which can be showed in figure (3) as follows:

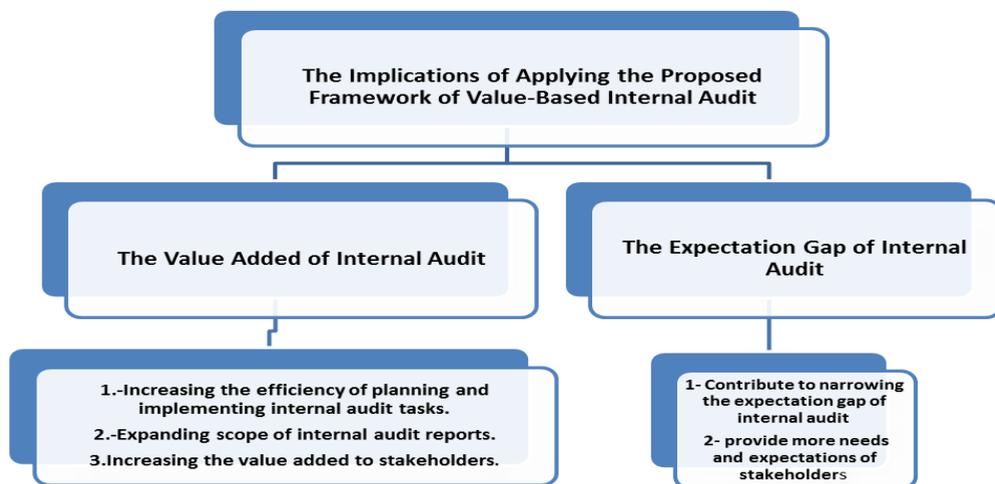


Figure (3): Implications of Applying the Proposed Framework of Value Based Internal Audit

(source: The Researchers)

4.3.1 The Implications of Applying the Proposed Framework of Value-based Internal Audit on the Value Added of Internal Audit Activity.

In 2011, the Institute of Internal Auditors Research Foundation (IIARF) conducted a global study , involving 13,500 internal auditors in 107 countries, on the nature and scope of assurance and consulting services provided by internal audit activity, aimed to assess the current state of internal audit around the world and identify the best professional practices applied globally to the internal audit activity, with a view to improving the efficiency and effectiveness of internal audit activities. The majority of the participants in the study (IIARF,2011a) confirmed on the importance of expanding the consulting role of internal audit to advise management and help it improve the efficiency of operations, increase profits, prepare for growth and achieve the objectives of the enterprise. The results concluded that internal audit is able to increase the added value of the enterprise and stakeholders by providing a range of assurance and consulting services that contribute to identifying the opportunities for continuous improvement and increasing the efficiency of operations, activating the necessary regulatory environment, and helping the company overcome the risks that hinder the enterprise from achieving its objectives.

The results of the study also found that there is a growing trend towards the use of modern technology methods and tools to reduce the costs of performing internal audit activities and exclude activities that do not add value to the enterprise, and the results of the study also emphasized the need for measures of value added to the performance of internal auditors, such as the degree of satisfaction of the management and staff from the efforts of internal auditors, the expected profits or losses that can be avoided as a result of the implementation of internal audit recommendations, and the reduced risk ratios facing the entity as a result of internal audit activities. The study provided some recommendations for internal audit managers to develop the

performance of internal audit activity, and increase the added value of it, the most important of which are:

- Increased focus on improving governance and risk management processes.
- The need to develop a strategic vision of the internal audit activity in accordance with the vision and strategy of the enterprise.
- Focus on identifying key stakeholders, prioritizing their needs, and working to provide them.
- Providing assurance and consulting services regarding important performance indicators and causes of value creation from the point of view of stakeholders.
- Optimize the resources available for internal audit activity, and follow-up and report on the added value of internal audit activity.
- Employing modern technology and increasing its use in the implementation of internal audit work.
- Closer relationships and continuous communication with the audit committee.
- The need to adhere to the international professional framework for the practice of internal audit.
- Select skilled and competent members of the audit team, and encourage the internal audit team to increase knowledge, through continuous vocational training and access to professional organizations.

On the other hand, the Institute of Internal Auditors (IIARF, 2011b) conducted another study to determine the demand side for internal audit services, and the needs and expectations of stakeholders from the internal audit for future development. Executives, external auditors, regulators, customers and suppliers were surveyed on the additional roles, responsibilities and tasks that the internal audit activity should perform, and the study has reached important and useful results for internal audit managers to help them design internal audit plans and programs, to provide the needs and expectations of stakeholders and increase the added value of internal audit activity, the most important of which are:

- Internal audit activity should be flexible enough to keep pace with rapid developments in the business environment, the continuous development of stakeholder needs, new laws and legislation.
- The need to select the internal audit team from the elements that are competent, and have extensive knowledge and experience.
- Continuous training of internal auditors to acquire the required professional expertise and skills.
- The department should provide adequate support and material and human resources for internal audit activity.
- The need for good and continuous communication with stakeholders, and regular discussions with the board of directors and the audit committee to constantly update the internal audit plan.

The expectations of stakeholders of internal audit are often underestimated due to their lack of knowledge of the recent developments in the internal audit profession and the reality of their possibilities and capabilities, therefore the internal audit activity must spread awareness among stakeholders about the added value they offer, and innovation in the provision of different types of services and continuous promotion. The study of (IIA,2012a) also showed that internal audit should contribute to motivating employees to perform better by encouraging them to follow procedures and rules and apply best practices at the industry level, which reflects positively on improving the performance of companies. To measure the results achieved from the quality of the recommendations included in the internal audit reports, and to identify concrete and quantifiable savings, such as for improving internal control methods, the results of which can be measured from the cost of opportunity (cost of avoiding losses) to the current state of control methods, because failure to prove this will negatively affect stakeholders' perception of the added value of internal audit activity.

The extensive experience of the internal audit team and deep knowledge of the company's nature, competitiveness and surrounding environment not only benefits them in performing internal audit functions efficiently and

effectively, but they can benefit from these experiences in training employees and helping management develop and improve the performance and operations of the entity. By applying the proposed framework of value-based internal audit, the added value of the internal audit activity can be increased for the enterprise and stakeholders by providing a variety of assurance and consulting services that relate to some aspects of the performance of the enterprise that are the reasons for creating the core value, in addition to its current role in the areas of governance, risk management and internal control, with the aim of improving the operations of the enterprise and helping it achieve its objectives.

It is expected that the applying of the proposed framework of value-based internal audit will improve the performance of internal audit activity in Egyptian enterprises through:

(1) Increasing the efficiency of planning and implementing internal audit tasks and better allocation of the available resources, and that can be measured by (E&Y,2012):

- Completion rate for the required audit tasks with the internal audit plan.
- The time taken between the end of the audit work and the issuance of internal cycle time audit reports.
- The number of important results and observations reached from the audit work.
- The number of actual hours of work of the auditors compared to the number of hours planned.
- The percentage of auditors with professional certificates, which is considered an indicator of the competence and experience of the internal audit team.
- The number of hours of training of internal auditors per year.

(2) Expanding the scope of internal audit reports, to cover new areas and aspects of the organization's performance such as strategic, environmental and social performance, and future performance

expectations, and the internal audit's ability to achieve its primary objective of adding value to the enterprise and helping it achieve its objectives, and that can be measured by (E&Y, 2012)

- Acceptance of management and implementation of the observations and recommendations in the internal audit reports.
- The degree of dependence of external references on internal audit work and reports.
- Issuing internal audit reports in a timely manner.
- The number of repeated observations from previous audits, for which corrective action has not been taken.

It is also expected that applying the proposed framework of value-based internal audit will increase the added value of the internal audit activity for business enterprises and their stakeholders, through its contribution to improving the control, governance and risk management processes, and this improvement can be measured using a set of performance measures, such as (IIARF,2011a):

- The number of assurances made regarding the management of important risks and the effectiveness of internal control procedures.
- Cost savings and improvements in operational processes achieved as a result of the implementation of internal audit audit notes and recommendations
- The number of recommendations made by the internal audit activity on the continuous improvement of the entity's operations, and the number of recommendations that have already been implemented.

4.3.2 The Implications of Applying the Proposed Framework of Value-Based Internal Audit on the Expectation Gap of Internal Audit.

Many studies addressed the concept of the expectation gap in the external audit before paying attention to the same gap in the internal audit, and one of the most important studies that addressed the expectation gap of external audit was (Porter,1993) which defined this gap as "the gap between the expectations

of the society from auditors, and the actual performance of auditors", and divided this gap into two main parts:

- (1) **Reasonableness Gap**: It represents the gap or difference between users' and society expectations regarding the responsibilities and duties of auditors, and what auditors can reasonably accomplish.
- (2) **Performance Gap**: It represents the gap or difference between the reasonable responsibilities and duties that auditors can perform, and what the auditors actually perform in practice, and the performance gap can be also divided into two parts (Radhi, 2010):
 - (a) The gap resulting from the lack or deficiency of standards: it represents the gap between the functions that auditors can reasonably perform, and the current functions of auditors as determined by professional laws, legislation and standards.
 - (b) The gap resulting from shortcomings in performance: it represents the gap between the current functions of the auditors as defined by professional laws, legislation and standards, and what the auditors are actually performing in practice.

Some studies including (Shehata, 2013; Al-sayed, 2015) have found that the concept of the expectation gap in external audit and its causes and components can be applied to the internal audit, the study of (Shehata, 2013) defined the expectation gap of internal audit as "the difference between the expectations of stakeholders from the internal audit outputs and roles, and the outputs and roles that internal audit already offers" meaning that this gap represents "the excess demand of management for internal audit functions and roles compared to the supply or available from them." The study also emphasized that the management needs should be focused primarily, as it is the main user of internal audit services, and the study divided the expectation gap in the internal audit along the lines of (Porter, 1993) into a **reasonableness gap**, which is the difference between the tasks expected of the internal auditors by stakeholders and society as a whole, and the tasks that can be performed by the internal auditors reasonably, and the **performance**

gap, which is the difference between the reasonable tasks of internal auditors in accordance with the professional performance standards of internal audit, and the actual performance of internal auditors in practice.

Several studies have addressed the causes of the expectation gap in the internal audit, the study of (Sarens & De Beelde,2006) indicated that senior management expects from the internal audit to perform a range of important roles, including: helping management to improve internal control, governance and risk management processes, emphasizing commitment to the values, ethics and culture of the entity, communicating and coordinating with external auditors to expand the scope of the audit and prevent the repetition of tasks as much as possible, and providing suggestions and recommendations for the continuous improvement of the entity. The study found that the internal audit has not yet achieved sufficient maturity, and is still unable to provide the needs and expectations of the users, especially senior management, due to the lack of the necessary financial and human resources, and the availability of the required level of expertise.

Also, the study of (Guner, 2008) addressed the development of the role of internal audit in light of the increase and diversity of the needs and expectations of internal audit services from the different categories of stakeholders in the enterprise, and how to narrow the expectation gap in the internal audit. The study has proposed a model to narrow the expectation gap in the internal audit, and increase the value it offers to the enterprise and stakeholders, this model consists of six steps or stages:

- 1- Identifying categories or groups of stakeholders in the enterprise.
- 2- Identifying the needs and expectations of each category.
- 3- Identifying the gap between actual and expected performance.
- 4- Rearranging the needs of stakeholders according to their priority.
- 5- Respond to the needs of stakeholders and provide them as much as possible, in light of the resources available for internal audit activity.

6- Follow-up continuous communication with stakeholders to determine their needs and expectations.

The studies of (E&Y, 2010; PWC, 2010) agreed upon that the expectation gap in internal audit is due to main reasons: lack of resources available for internal audit activity, lack of professional competence and lack of appropriate qualifications and skills required by internal auditors, making internal audit unable to provide the needs and expectations of management and stakeholders, and consequently reducing the added value of internal audit activity from the point of view of stakeholders. Therefore, the necessary resources must be provided for the internal audit activity to perform its assurance and consulting role, with the need to develop the skills of internal auditors, especially with regard to risk management methods, a good understanding of the enterprise strategy, effective communication skills, and skills to use advanced technology.

And the study of (Samra, 2011) has tried to determine the ability of internal audit activities in Egyptian industrial companies to carry out the tasks required of them according to the standards regarding to risk management , and to provide a proposed framework to raise the level of internal audit performance in Egyptian companies. The study found a significant expectation gap in the internal audit in the Egyptian business environment, especially regarding to its role in detecting and preventing fraud .The study indicated a lack of commitment of internal audit responsibilities, thus increasing the area of the expectation gap of internal audit. The study attributed the reasons for this gap to four main reasons: insufficient qualification for internal auditors, lack of a working charter for internal audit, in addition to the lack of financial, administrative and moral support and the facilities required for internal audit activity, and finally the insufficient independence of internal audit activity in those companies.

The study of (Shehata, 2013) also aimed to analyze and measure the expectation gap of internal audit in the companies listed on the Egyptian stock exchange. The study suggests a set of practical mechanisms at the academic,

professional, legislative and regulatory level to narrow the expectation gap in internal audit. And the study of (Al-sayed., 2015) aimed to determine the extent of the expectation gap of internal audit internationally and locally in general, and in relation to the internal audit of the company's sustainability in particular. The study found that there is a gap in the internal audit responsibilities regarding to internal control, governance and risk management related to the sustainability of the company, and it is expected that this gap will increase as the areas of the company's activities and operations vary.

Also, the study of (Al-Ibiari, 2018) aimed to explore the real practice of internal audit in Egyptian business companies, and the need to re-engineer the internal audit process, to apply the concept and objectives of the modern internal audit. The results indicate that the internal audit in Egyptian companies adopt the traditional perspective, and need to fundamental improvement to achieve their objectives and perform their modern roles. The study of (KPMG,2019) added that stakeholders expect that internal audit should focus on several new areas in the future, such as: auditing of automated processes and applications of artificial intelligence, digital risks and means of security and protection of information, emphasizing the drivers creating value in Business enterprises, crisis management and business sustainability plans, risk management associated with relationships with third parties such as customers and suppliers, big data and data analysis methods, IT governance, cash flow management and optimization of available resources, human resources management . The study indicated that the focus of internal audit on these areas will increase the added value of internal audit activity and improve the performance of business enterprises, and provide the needs and expectations of stakeholders, thereby contributing to narrowing the expectation gap of internal audit.

It is expected that applying the proposed framework of value-based internal audit will contribute to narrowing and treatment of the expectation gap of internal audit in the Egyptian business environment, by continuously

working to provide the needs and expectations of stakeholders of internal audit services as much as possible, and that can be measured by (IIARF, 2011b; E&Y,2012):

- The results of the survey of the board of directors, the audit committee, senior management and audit clients on their satisfaction about the performance of the internal audit activity and the results of the audit process.
- The volume of the management's request for assurance and consulting services provided by the internal audit activity.
- Number of internal audit reports issued annually.
- The percentage of coverage of mandatory requirements and the needs of the users of internal audit services.
- Number of complaints from internal auditors.

5. Research Methodology and field study

The research relied on using the positive approach through the use of the deductive method to analyze previous studies related to the research subject and derivation of research hypotheses, in addition to the use of the inductive method to test the validity of research hypotheses in practice in the Egyptian business environment, through a field study conducted to provide a practical evidence from the Egyptian business environment on the acceptance of internal auditors and users of internal audit services of the proposed framework of value-based internal audit , The field study also aimed to provide a practical evidence on the positive impact of applying the proposed framework of value-based internal audit on the performance of internal audit activity and the increase of its added value, and on contributing to narrowing the expectation gap in the internal audit in the Egyptian business environment.

5.1 Sample Description and Data Collection

The sample of the study included three categories: academics represented in the professors of auditing in the faculties of commerce in Egyptian

universities, in addition to the members of audit committees, and internal auditors of some of the companies listed on the Egyptian stock exchange which operating in different economic sectors. The data was collected through a questionnaire designed and distributed to 150 individuals with 50 questionnaires for each category. The number of responses was 117, 11 of them was excluded due to incomplete answers (3 responses of academics, 4 of the audit committees members and 4 of internal auditors), the following tables shows the number of valid responses that have been used in statistical analysis for each category, and the qualifications and practical experience of the sample:

Table (1): The Number of Valid Responses for Each Category

Category					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Academic	38	35.8	35.8	35.8
	audit committee	35	33.0	33.0	68.9
	internal auditor	33	31.1	31.1	100.0
	Total	106	100.0	100.0	

Table (2): The Qualifications of the Sample

Certification					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Bachelor	8	7.5	7.5	7.5
	diploma	14	13.2	13.2	20.8
	Master	38	35.8	35.8	56.6
	Phd	46	43.4	43.4	100.0
	Total	106	100.0	100.0	

Table (3): The Practical Experience of the Sample

Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
	less than 5 years	21	19.8	19.8	19.8
	5-10 years	21	19.8	19.8	39.6
	10-20 years	33	31.1	31.1	70.8
	more than 20 years	31	29.2	29.2	100.0
	Total	106	100.0	100.0	

Also, the responses were subjected to reliability analysis through calculating The Cronbach's Alpha coefficient to test the honesty and internal consistency of the study questions and variables, as this test reflects the reliability of the sample responses to the questionnaire, the validity of the data for statistical analysis, and the extent to which the results obtained from the sample can be generalized to the study community (Al-Baladawi, 2007). As shown in the table no. (4), the Alpha Cronbach's coefficient was 0.914, and the value of the coefficient is higher than the statistically accepted 60%, reflecting a high degree of consistency and credibility in the data, and indicating that the data collected can be relied upon to complete the post-statistical examinations and hypotheses tests.

Table (4): Result of Reliability Analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
.914	33

5.2 Research Hypotheses: The study tested a set of hypotheses, as follows:

First Hypothesis: There is a need to apply the proposed framework of value-based internal audit when performing internal audit activity in Egyptian business enterprises.

Second Hypothesis: There are some basic requirements should be available to apply the proposed framework of value-based internal audit in Egyptian business enterprises.

Third Hypothesis: Applying the proposed framework of value-based internal audit increases the added value of the internal audit activity for Egyptian business enterprises and their stakeholders.

Fourth Hypothesis: Applying the proposed framework of value-based internal audit contributes to narrowing and treatment of the expectation gap of internal audit in the Egyptian business environment.

5.3 Results of Research Hypotheses Test

The research hypotheses were tested through data analysis using the Statistical Package for Social Science (SPSS) to perform the necessary statistical analyses and tests at a level of confidence equal 5%. The researchers used statistical tests that are appropriate to the nature of the data collected, and the following is the results of the research hypotheses tests:

5.3.1 Results of The First Hypothesis Test

The first hypothesis examines the need for applying the proposed framework of value-based internal audit when performing internal audit activity in Egyptian business enterprises, and the importance of providing assurance and consulting services regarding the value creation indicators by internal auditors in Egyptian business enterprises, this hypothesis has been formulated for statistical testing in the form of null and alternative hypothesis as follows:

Null Hypothesis (H₀): There are no statistically significant differences between the answers of the sample categories about the importance of

applying the proposed framework of value-based internal audit when performing internal audit activity in Egyptian business enterprises.

Alternative Hypothesis (H1): There are statistically significant differences between the answers of the sample categories about the importance of applying the proposed framework of value-based internal audit when performing internal audit activity in Egyptian business enterprises.

This hypothesis was tested by analyzing the answers of the sample's categories to the following questions in the questionnaire:

Question 1: It measures the importance of applying the proposed framework of value-based internal audit when performing internal audit activity in Egyptian business enterprises, represented by variable X_1 .

Question 2: It measures the importance of providing internal auditors to assurance and consulting services regarding value creation indicators in business enterprises, represented by variables from X_{2-1} to X_{2-15} .

Question 3: It aims to determine if there are other value creation indicators for which internal auditors must provide assurance and consulting services, unlike the factors mentioned in the second question, represented by variable X_3 .

The Five Leckert scale was used in question 1 and 2, and the following weights have been allocated to the response of the sample members: (5)very important, (4)important, (3)neutral, (2) not important , (1) not important at all . The descriptive statistics of the respondents to the first three questions were calculated and analyzed using the One Sample T-test , and the results revealed that almost all variables have a mean greater than the default mean of the Leckert scale which is equal to (3), and the results in table no. (5) show the approval of the sample categories on the importance of applying the proposed framework of value-based internal audit in performing the internal audit activity, and the importance of providing internal auditors to assurance and consulting services regarding the value creation indicators in Egyptian business enterprises, which is likely to accept the alternative hypothesis .

Table (5): The Results of One Sample T-Test and One-Way ANOVA Test for the First Hypothesis.

VAR.	Variable Description	Mean	One Sample T-test		One-Way ANOVA	
			t	Sig.	F	Sig.
X ₁	The importance of applying the proposed framework of value-based internal audit when performing the internal audit activity in Egyptian business enterprises.	4.481	30.376	0.000	8.941	0.000
X ₂₋₁	Assurance and consulting services regarding strategic performance and resource allocation.	4.311	29.020	0.000	4.053	0.020
X ₂₋₂	Assurance and consulting services regarding key performance indicators.	4.339	21.866	0.000	8.316	0.000
X ₂₋₃	Assurance and consulting services regarding future performance plans.	4.255	16.038	0.000	1.362	0.261
X ₂₋₄	Assurance and consulting services regarding governance	4.491	25.347	0.000	4.340	0.015
X ₂₋₅	Assurance and consulting services regarding managing risks and opportunities.	4.434	18.340	0.000	6.140	0.003
X ₂₋₆	Assurance and consulting services regarding environmental performance	4.198	16.478	0.000	3.051	0.052
X ₂₋₇	Assurance and consulting services regarding social performance	4.199	19.779	0.000	4.513	0.013

X ₂₋₈	Assurance and consulting services regarding Innovations and technology used.	4.198	21.415	0.000	0.134	0.874
X ₂₋₉	Assurance and consulting services regarding Future cash flows and projected growth rates	4.179	14.309	0.000	6.278	0.003
X ₂₋₁₀	Assurance and consulting services regarding products and services provided for customers	4.236	19.859	0.000	3.436	0.036
X ₂₋₁₁	Assurance and consulting services regarding the nature of markets and competition	4.094	14.539	0.000	7.550	0.001
X ₂₋₁₂	Assurance and consulting services regarding reputation and brand	4.095	13.326	0.000	0.579	0.562
X ₂₋₁₃	Assurance and consulting services regarding the organizational structure and the relationship with the main stakeholders	3.915	10.778	0.000	2.411	0.095
X ₂₋₁₄	Assurance and consulting services regarding market share and relationship with customers	3.887	10.687	0.000	5.456	0.006
X ₂₋₁₅	Assurance and consulting services regarding financial performance	4.491	22.131	0.000	4.437	0.014
X ₃	assurance and consulting services regarding other value creation indicators.	0.339	-57.563	0.000	5.618	0.005

To test the validity of the first hypothesis, the One-Way ANOVA test was used to test the statistically significant differences between the answers of the three categories of the study sample on the first three questions in the questionnaire, and the results in the table no.(5) showed that there were

statistically significant differences between the sample categories responses about the importance of applying the proposed framework of value-based internal audit in performing the internal audit activity, and the importance of providing internal auditors to assurance and consulting services regarding the value creation indicators in Egyptian business enterprises, where the calculated P-value were less than 0.05 for the majority of variables (except variables X_{2-3} , X_{2-6} , X_{2-8} , X_{2-12} , X_{2-13}).

Based on the previous results, the null hypothesis was rejected and the alternative hypothesis was accepted, which states that there is a need to apply the proposed framework of value-based internal audit when performing internal audit activity in Egyptian business enterprises.

5.3.2 Results of the Second Hypothesis Test

The second hypothesis examines the importance of the availability of some basic requirements for applying the proposed framework of value-based internal audit in Egyptian business enterprises; this hypothesis has been formulated for statistical testing in the form of null and alternative hypothesis as follows:

Null Hypothesis (H₀): There are no statistically significant differences between the answers of the sample categories about the importance of the availability of some basic requirements for applying the proposed framework of value-based internal audit in Egyptian business enterprises.

Alternative Hypothesis (H₁): There are statistically significant differences between the answers of the sample categories about the importance of the availability of some basic requirements for applying the proposed framework of value-based internal audit in Egyptian business enterprises.

This hypothesis was tested by analyzing the answers of the sample's categories on the fourth question in the questionnaire, which measures the importance of the availability of some basic requirements for applying the proposed framework of value-based internal audit in Egyptian business

enterprises, represented by variables from X_{4-1} to X_{4-7} . The Five Leckert scale was used in this question, and the following weights have been allocated to the response of the sample members: (5)very important, (4)important, (3)neutral, (2) not important , (1) not important at all .

The descriptive statistics of the respondents to the fourth question were calculated and analyzed using the One Sample T-test , and the results revealed that all variables have a mean greater than the default mean of the Leckert scale which is equal to (3), and the results in table no. (6) show the approval of the sample categories on the importance of the availability of some basic requirements for applying the proposed framework of value-based internal audit in Egyptian business enterprises, which is likely to accept the alternative hypothesis.

Table (6): The Results of One Sample T-Test and One-Way ANOVA Test for the Second Hypothesis

VAR	Variable Description	Mean	One Sample T-test		One-Way ANOVA	
			t	Sig.	F	Sig.
X_{4-1}	Focusing on the value creation drivers in business enterprises.	4.368	23.838	0.000	6.774	0.002
X_{4-2}	Increasing the qualifications and professional experience of the internal audit team.	4.462	27.123	0.000	2.042	0.135
X_{4-3}	Activating the strategic role of internal audit.	4.519	25.837	0.000	18.366	0.000
X_{4-4}	Alligning the objectives and strategy of the internal audit activity with the objectives and strategy of the enterprise	4.434	21.386	0.000	6.178	0.003
X_{4-5}	Expanding the scope of	4.264	19.969	0.000	7.805	0.001

VAR	Variable Description	Mean	One Sample T-test		One-Way ANOVA	
			t	Sig.	F	Sig.
	internal audit and continuous communication with stakeholders.					
X ₄₋₆	Applying the principle of materiality and increasing reliance on modern technology in planning and implementing audit tasks.	4.321	19.123	0.000	6.494	0.002
X ₄₋₇	Supporting senior management and the board of managers for internal audit activity.	4.462	21.741	0.000	14.692	0.000

To test the validity of the second hypothesis, the One-Way ANOVA test was used to test the statistically significant differences between the answers of the three categories of the sample on the fourth question in the questionnaire, and the results in the table no.(6) showed that there were statistically significant differences between the sample categories responses about the importance of the availability of some basic requirements for applying the proposed framework of value-based internal audit in Egyptian business enterprises, where the calculated P-value were less than 0.05 for all variables (except variable X₂₋₄).

Based on the previous results, the null hypothesis was rejected and the alternative hypothesis was accepted, which states that There are some basic requirements should be available to apply the proposed framework of value-based internal audit in Egyptian business enterprises.

5.3.3 Results of the Third Hypothesis Test

The third hypothesis examines the impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders, this hypothesis has been formulated for statistical testing in the form of null and alternative hypothesis as follows :

Null Hypothesis (H0): There are no statistically significant differences between the answers of the sample categories about the positive impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders.

Alternative Hypothesis (H1): There are statistically significant differences between the answers of the sample categories about the positive impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders.

This hypothesis was tested by analyzing the answers of the sample's categories about the variables from X_{5-1} to X_{5-6} of the fifth question in the questionnaire, these variables examine the impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders .The Five Leckert scale was used in this question, and the following weights have been allocated to the response of the sample members: (5)strongly agree, (4)agree, (3)neutral , (2)disagree , (1)absolutely disagree . The descriptive statistics of the respondents were calculated and analyzed using the One Sample T-test , and the results revealed that the variables from X_{5-1} to X_{5-6} have a mean greater than the default mean of the Leckert scale which is equal to (3), and the results in table no. (7) Show the approval of the sample categories on the positive impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders, which is likely to accept the alternative hypothesis.

Table (7): The Results of One Sample T-Test and One-Way ANOVA Test for The Third Hypothesis

VAR	Variable Description	Mean	One Sample T-test		One-Way ANOVA	
			t	Sig.	F	Sig.
X ₅₋₁	Applying the proposed framework of value-based internal audit leads to developing the performance of the internal audit activity in Egyptian business enterprises	4.519	28.124	0.000	10.407	0.000
X ₅₋₂	Applying the proposed framework of value-based internal audit increases the efficiency of allocating the available resources to the internal audit activity and making them better used	4.575	32.662	0.000	1.924	0.151
X ₅₋₃	Applying the proposed framework of value-based internal audit increases the effectiveness of the internal audit reports	4.406	24.198	0.000	24.322	0.000
X ₅₋₄	Applying the proposed framework of value-based internal audit leads to achieving the best use of the resources allocated to the internal audit activity in creating value for the stakeholders.	4.547	31.850	0.000	10.023	0.000
X ₅₋₅	Applying the proposed framework of value-based internal audit improves the control, governance and risk management processes of business enterprises	4.434	24.529	0.000	2.878	0.061
X ₅₋₆	Applying the proposed framework of value-based internal audit increases the added value of the internal audit activity for business enterprises and their stakeholders	4.264	19.969	0.000	9.360	0.000

To test the validity of the third hypothesis, the One-Way ANOVA test was used to test the statistically significant differences between the answers of the three categories of the sample about the variables from X_{5-1} to X_{5-6} , and the results in the table no.(7) showed that there were statistically significant differences between the sample categories responses about the positive impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders, where the calculated P-value were less than 0.05 for all these variables (except variable X_{5-2} , X_{5-5}).

Based on the previous results, the null hypothesis was rejected and the alternative hypothesis was accepted, which states that applying the proposed framework of value-based internal audit increases the added value of the internal audit activity for Egyptian business enterprises and their stakeholders.

5.3.4 Results of The Fourth Hypothesis Test

The fourth hypothesis examines the impact of applying the proposed framework of value-based internal audit on the expectation gap of internal audit in the Egyptian business environment, this hypothesis has been formulated for statistical testing in the form of null and alternative hypothesis as follows:

Null Hypothesis (H0): There are no statistically significant differences between the answers of the sample categories about the impact of applying the proposed framework of value-based internal audit on the expectation gap of internal audit in the Egyptian business environment.

Alternative Hypothesis (H1): There are statistically significant differences between the answers of the sample categories about the impact of applying the proposed framework of value-based internal audit on the expectation gap of internal audit in the Egyptian business environment.

This hypothesis was tested by analyzing the answers of the sample's categories about the variables X_{5-7} , X_{5-8} , X_{5-9} of the fifth question in the questionnaire,

these variables examine the impact of applying the proposed framework of value-based internal audit on the expectation gap of internal audit in the Egyptian business environment .The Five Leckert scale was used in this question, and the following weights have been allocated to the response of the sample members: (5)strongly agree, (4)agree, (3)neutral , (2)disagree , (1)absolutely disagree .

The descriptive statistics of the respondents were calculated and analyzed using the One Sample T-test, and the results revealed that these variables have a mean greater than the default mean of the Leckert scale which is equal to (3), and the results in table no. (8) show the approval of the sample categories on the impact of applying the proposed framework of value-based internal audit on the expectation gap of internal audit in the Egyptian business environment, which is likely to accept the alternative hypothesis .

Table (8): The Results of One Sample T-Test and One-Way ANOVA Test for the Fourth Hypothesis

VAR	Variable Description	Mean	One Sample T-test		One-Way ANOVA	
			t	Sig.	F	Sig.
X ₅₋₇	Applying the proposed framework of value-based internal audit provides more of stakeholder needs from internal audit services.	4.264	19.969	0.000	9.978	0.000
X ₅₋₈	Applying the proposed framework of value-based internal audit increase in the supply side of internal audit services in contrast to the increasing demand from stakeholders for internal audit services.	4.207	18.497	0.000	2.500	0.087
X ₅₋₉	Applying the proposed framework of value-based internal audit Contribute to narrowing the expectations gap in the internal audit in the Egyptian business environment.	4.434	24.529	0.000	4.543	0.013

To test the validity of the fourth hypothesis, the One-Way ANOVA test was used to test the statistically significant differences between the answers of the three categories of the sample about the variables X_{5-7} , X_{5-8} , X_{5-9} , and the results in the table no.(8) showed that there were statistically significant differences between the sample categories responses about the impact of applying the proposed framework of value-based internal audit on the expectation gap of internal audit in the Egyptian business environment, where the calculated P-value were less than 0.05 for these variables (except variable X_{5-8}).

Based on the previous results, the null hypothesis was rejected and the alternative hypothesis was accepted, which states that Applying the proposed framework of value-based internal audit contributes to narrowing and treatment of the expectation gap of internal audit in the Egyptian business environment.

6. Research Limitations

The research was limited to studying the development of the internal audit activity and increasing the added value from it as an internal activity (in-house), and did not address other sources for internal audit services such as outsourcing or co-sourcing. Also, the field study was limited to three categories: academics and audit committees members as common users of internal audit reports, and internal auditors of the companies surveyed as responsible for providing assurance and consulting services, and preparing internal audit reports.

7. Conclusion

The internal audit has witnessed a great development in recent years, and the role it performs within the entity have expanded. This role is no longer limited to reviewing financial operations, but rather it has become providing various assurance and consulting services with the aim of adding value to the enterprise and its stakeholders, by evaluating the effectiveness of the entity's

internal control structure, and improving governance and risk management processes in the enterprise.

The value-based internal audit approach provides new opportunities for internal audit to increase the added value for the enterprise and its stakeholders, and contribute to narrowing the expectations gap in the internal audit, by providing a variety of assurance and consulting services regarding the value creation drivers in business enterprises such as : strategic, environmental and social performance. In addition to internal audit current role in the areas of governance, risk management and internal control, all with the aim of improving the organization's operations and helping it achieve its goals, which contributes to increasing the supply of internal audit services to meet the increasing demand for these services, and trying to meet the needs and expectations of stakeholders and narrowing the expectations gap in internal audit as much as possible

This research aimed to build a proposed framework to develop the performance of the internal audit activity in Egyptian business enterprises using the value-based internal audit approach. The research also aimed to study the impact of applying the proposed framework of value-based internal audit on the added value of internal audit activity for Egyptian business enterprises and their stakeholders. In addition to studying the impact of applying the proposed framework on the expectation gap of internal audit in the Egyptian business environment.

To achieve these goals, the research relied on using the positive paradigm through using the deductive approach to analyze previous studies related to the research topic and derive the research hypotheses, in addition to using the inductive approach to test the validity of the research hypotheses in the real practice in the Egyptian business environment, through a field study conducted on a sample that includes Three categories: the academics category represented by professors of accounting and auditing in the faculties of commerce in Egyptian universities, in addition to members of audit

committees, and internal auditors of some companies listed on the Egyptian Stock Exchange, and operating in different economic sectors.

And based on the results of testing hypotheses statistically, the first hypothesis was accepted, which states that there is a need to apply the proposed framework of value-based internal audit in performing the internal audit activity in Egyptian business enterprises, and the second hypothesis was accepted which states that there are some basic requirements to apply the proposed framework of value-based internal audit. The results also reached to accept the third hypothesis which states that applying the proposed framework of value-based internal audit increases the added value of the internal audit activity for business enterprises and their stakeholders, in addition to accepting the fourth hypothesis that states that applying the proposed framework of value-based internal audit contributes to narrowing and treatments of the expectation gap of internal audit in the Egyptian business environment.

In light of the research problem, objectives and limitations, and the results achieved in both theoretical and field sides, the researchers recommend the following:

- 1- The board of directors and the audit committee should support organizational independence of the internal audit activity and provide the sufficient financial and human resources, and other requirements for applying the proposed framework of value-based internal audit to improve the performance of internal audit in Egyptian business enterprises.
- 2- It is necessary to expand the scope of the internal audit activity and develop the services it provides to include a variety of assurance and consulting services, which expected to increase the demand for it significantly from management and stakeholders during the next few years.
- 3- Holding training courses for internal auditors to increase their professional experience to improve the quality of internal audit services, to add more value for the enterprise and provide the needs of stakeholders.

- 4-The accounting departments in Egyptian universities should focus on developing accounting and auditing curricula, and to pay more attention to qualifying the internal auditors and develop their awareness of the roles and responsibilities of modern internal auditing.
- 5-Working on publishing internal audit reports along with the external auditor's report to help external stakeholders, especially investors and lenders, better evaluate the performance of business enterprises, which contributes to improving investment and financing decisions.
- 6-It is necessary to establish an Egyptian institute for internal auditors, whose task is to supervise the development of internal auditing, issue local standards for internal auditing commensurate with the conditions of the Egyptian environment, and train and qualify internal auditors to follow the continuous development of the concept and responsibilities of internal audit.

The researchers also believe in the importance of conducting more future research on some topics related to the research topic, the most important of which are:

- 1-Studying the impact of enterprises' characteristics (type of activity, size, ownership structure) on their decision towards implementing the value-based internal audit approach.
- 2-The impact of the source of obtaining internal audit services on the direction of business enterprises to apply the value-based internal audit approach.
- 3-The impact of applying the value-based internal audit approach to the external auditor's decision to depend on the internal audit work.
- 4-Analyzing the impact of applying the value-based internal audit approach on the effectiveness of governance mechanisms in Egyptian business enterprises.
- 5-Studying the possibility of applying the value-based internal audit approach in governmental and non-profit organizations.

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Dear Respondent,

After greeting and appreciation...

The two researches are conducting a field study entitle (**A Proposed Framework for Value-Based Internal Audit and its Impact on The Added Value and The Expectation Gap of Internal Audit: (A Field Study in Egypt).**)

Prepared By

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This research aims to develop a proposed framework for value-based internal audit and explore the impact of applying it on the added value and the expectation gap of internal audit in the Egyptian business environment. To link the theoretical aspect of this study with aspects of practice, a questionnaire has been prepared that includes a set of questions that reflects the variables be measured through the research.

The two researchers hope to cooperate with you in answering the questions contained in the questionnaire accurately as possible. The researchers confirm that your opinion addes a great scientific value to the research and if you wish to know the results, the results will reach you for knowing the benefits of the research.

Researchers

Key Concepts

The research aims to develop a proposed framework for developing the performance of internal audit activity in Egyptian enterprises using value-based internal audit approach. In addition, this research aims to examine the impact of applying the proposed framework for value based-internal audit in order to improve the performance of internal audit activities and increase their added value for Egyptian enterprises and their stakeholders and to contribute to the treatment and narrowing of the expectation gap of internal audit.

*** Value-based internal audit approach**

It is a proposed approach to develop the performance of internal audit activity in its various stages (planning – implementation – reporting), increase the value added of it in exchange for the cost of this activity, and make the most of the resources allocated to the internal audit activity in creating value for stakeholders and users of the internal audit services, by focusing on providing assurance and consulting services on the causes of creating the core value in the enterprise.

*** Expectation gap of internal audit**

It is the difference between the expectations of stakeholders regarding internal audit functions and roles from one hand and the internal audit functions and roles provided to them on the other hand. It represents the excess demand of management and stakeholders for internal audit functions and roles compared to the supply or availability of them. In general, the gap can be divided into two parts:

- (a) **Reasonableness gap:** the difference between the tasks reasonably expected from internal auditors and their current tasks as presented in the professional standards.
- (b) **Performance gap:** The difference between the current functions of internal auditors according to professional standards and their actual performance in practice.

Personal Data

Name (Optional):

Qualification:

- Bachelor - Master
- Diploma - Doctorate

Experience:

- Less than 5 years - 11-20 years
- 5-10 years - More than 20 years

(1) From your point of view, it is important or necessary to apply the internal audit on a value basis when performing internal audit activity in Egyptian businesses?

- a. Very important
- b. Important
- c. I don't know
- d. Not important
- e. Not important at all

(2) Here are some of the factors that are considered to be the value creation indicators in business enterprises, please explain how important to internal audit to provide Assurance and consulting services for each factor from your point of view:

Value Creation Indicators Inbusiness Enterprises	Very Important	Important	I don't know	Not Important	Not Important at all
<ul style="list-style-type: none"> • Assurance and consulting services regarding strategic performance and resource allocation. • Assurance and consulting services regarding key performance indicators. 					

Value Creation Indicators Inbusiness Enterprises	Very Important	Important	I don't know	Not Important	Not Important at all
<ul style="list-style-type: none"> • Assurance and consulting services regarding future performance plans. • Assurance and consulting services regarding governance. • Assurance and consulting services regarding managing risks and opportunities. • Assurance and consulting services regarding regarding environmental performance. • Assurance and consulting services regarding the social performance. • Assurance and consulting services regarding innovations and technology used. • Assurance and consulting services regarding future cash flows and projected growth rates. • Assurance and consulting services regarding products and services provided for customers. • Assurance and consulting services regarding the nature of markets and 					

Value Creation Indicators Inbusiness Enterprises	Very Important	Important	I don't know	Not Important	Not Important at all
<p>competition.</p> <ul style="list-style-type: none"> • Assurance and consulting services regarding reputation and brand. • Assurance and consulting services regarding the organizational structure and the relationship with the main stakeholders. • Assurance and consulting services regarding market share and relationship with customers. • Assurance and consulting services regarding financial performance. <p>Assurance and consulting services regarding other value creation indicators.</p>					

(3) **Are there other types of value creation factors or causes in the enterprise that you believe should provide Assurance and consulting services through internal audit reports?**

() **Yes** () **No**

If yes, **please mention these factors:**

.....

.....

.....

(4) **Here are the basic requirements for applying the value –based internal audit approach, please explains how these requirements are important from your point of view:**

The basic requirements for applying the value based Internal audit Approach	Very Important	Important	I don't know	Not Important	Not Important at all
<ul style="list-style-type: none"> • Focusing on the value creation drivers in business enterprises. • Increasing the qualification and professional experience of the internal audit. • Activating the strategic role of internal audit. • Alligning the objectives and strategy of the internal audit activity with the objectives and strategy of the enterprise. • Expanding the scope of internal audit and continuous communication with stakeholders. • Applying the principle 					

The basic requirements for applying the value based Internal audit Approach	Very Important	Important	I don't know	Not Important	Not Important at all
<p>of materiality and increasing reliance on modern technology in planning and implementing audit tasks.</p> <ul style="list-style-type: none"> Supporting Senior Management and the board of managers for internal audit activity. 					

(5) Please specify the extent to which you agree with the following statements from your point of view:

Statements	Strongly agree	Agree	I don't know	I don't agree.	I don't agree at all.
1- Applying the proposed framework of value-based internal audit leads to developing the performance of the internal audit activity in Egyptian businesses enterprises.					
2- Applying the proposed framework of value-based internal audit increases the efficiency of allocating the available resources to the internal audit activity and make it better used.					
3-Applying the proposed framework of value-based internal audit increases the effectiveness of the internal audit reports.					

Statements	Strongly agree	Agree	I don't know	I don't agree.	I don't agree at all.
4- Applying the proposed framework of value-based internal audit leads to achieving the best use of the resources allocated to the internal audit activity in creating value for the stakeholders.					
5- Applying the proposed framework of value-based internal audit improves the control, governance and risk management processes of business enterprises.					
6- Applying the proposed framework of value-based internal audit increases the added value of the internal audit activity for business enterprises and their stakeholders.					
7- Applying the proposed framework of value-based internal audit provides greater stakeholder needs for internal audit services.					
8- Applying the proposed framework of value-based internal audit increases the supply side of internal audit services in exchange for the growing demand from stakeholders for internal audit services.					

Statements	Strongly agree	Agree	I don't know	I don't agree.	I don't agree at all.
9- Applying the proposed framework of value-based internal audit contributes to narrowing the expectation gap in the internal audit in the Egyptian business environment.					

Thank you for cooperation with us