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The Integrated Threat Theory (ITT) and Internal Auditors' Independence in the Saudi Listed Companies

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Abstract:

This study aims to investigate the effect of prejudice on the attitude of the auditee toward the internal auditors' independence in Saudi Corporations. This study adopted the definitions of prejudice put forward by Allport (1954) and Stephan & Stephan (1996) as negative attitudes or evaluations held towards a particular group because of certain characteristics that the group possesses. The Integrated Threat Theory (ITT) developed by Stephan et al. (1996) postulates that prejudice is a conflict that negatively influences out-group attitudes. Using a sample of 210 participants from the Saudi Corporations, three models were developed, and the results indicate that auditee staff will develop prejudice when they become wary about internal auditors and their reports, a result that supports the literature in this regard. In addition, the results indicate that when the managers become anxious due to threats, they also become worried about the auditor's independence. Besides, the management will feel real threat from the internal auditor.

Keywords: Internal Auditing, Prejudice, Integrated Threat Theory, Auditor Independence, Conflict, Auditing Behavioural.

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1. Introduction:

the International Standards for the Professional Practice of Internal Auditing (ISPPIA) enhance professionalism within internal auditors to operate unhindered which stands on the cultural outlooks and traditions attitudes toward internal auditors (Alzeban, 2015). Evidence of resistance to the establishment of internal audits is observed in the Saudi listed companies (Alzeban & Sawan, 2013) This research finds it's important to investigate this behavioral phenomenon in listed companies and test for negative affect on the attuited toward internal auditors' independence.

Peursem (2005) argues that the internal auditor's role is far more complex than might be currently conceived. Morgan (1980) considers the problems facing the internal auditor as behavioral in nature, while Dittenhofer, et al., (2011), define a behavioral study as the study of human behavior leading towards understanding human thought and action and they conclude that behavioral dimensions of internal auditing have received little attention in the auditing literature (Dittenhofer et al., 2011). This study aims to contribute in terms of discussing the attitude towards internal auditors in the context of behavioral phenomena using a behavioral methodology.

The Oxford dictionary defines prejudice as a preconceived opinion that is not based on reason or experience (Oxforddictionaries.com, 2013). Allport (1954) and Fiedorowicz (2010) acknowledge prejudice as negative attitudes toward a particular group because of certain characteristics (i.e. race, age, sexual orientation, etc.). Stephan et al. (1996) have proposed the Integrated Threat Theory (ITT) of prejudice which postulates that competition or value conflict can both influence out-group attitudes simultaneously. They posit there are four types of threats that may lead to negative attitudes: realistic threats, symbolic threats, intergroup anxiety, and negative stereotypes. A realistic threat refers to the actual threat and includes perceptions of competition, conflicting goals, and threats to the physical and economic well-being of the in-group.

Stephan et al. (1996) argue that it is the perception of a real threat that can cause prejudice regardless of whether that threat exists or not. The symbolic threat refers to the perceived differences in values, beliefs, and

attitudes. The threats arise because the individual believes that his/her value system is more just and moral than that of an out-group. Intergroup anxiety refers to the feeling of being personally threatened when anticipating or experiencing contact with a member of an out-group. Negative *stereotypes* are considered a threat because they refer to the expectations concerning the behavior of a typical member of an out-group (Stephan & Stephan, 1996, 2000). A new version of the ITT model was developed by Stephan et al. (1999) to predict attitudes towards out-groups and will be referred to as the SYB-ITT model hereafter.

The internal audit literature observed conflict in the relationship between internal auditors and line management (Blakeney, Holland, & Matteson, 1976; Dittenhofer, 1988; Rickard, 1995; and Allen, 1996). This study finds its important as to contribute to the internal audit literature in terms of studying this behavioral phenomenon whereas internal auditors attempt to act as an internal consultant and take on the role of adviser, and the line management holds an opposing view and considers auditors as an organizational policeman and watchdog deriving from the stewardship function (Dittenhofer et al., 2011). This phenomenon can be empirically observed if line management poses one or more of the threats suggested by Stephan et al. (1996).

The rest of this paper will discuss integrated threats theory and it's adoption in internal auditing. Research hypothesis, methodology, and Results will be discussed thereafter, and conclusions based on the empirical results will be presented**.**

2. Conceptual framework:

The conflict was noted in the internal audit business atmosphere. The main source of this conflict stems from the advisory function of the audit, as this role might be seen as a "service to the organization" meaning that auditors shall work to achieve the organization's objectives by deploying various advisory functions. Morgan (1980) sees this role might be viewed with varying degrees of acceptance. Elliott, Dawson, & Edwards, (2007) argue there are many concerns people have about the way audits are conducted, and, accordingly, several reasons will create tensions and conflicts between

internal auditors and auditees that cannot be eliminated through traditional "human relations'' approaches to organizational problems.

This phenomenon was noted early by Blakeney et al. (1976), and Dittenhofer (1988), Elliott, Dawson, & Edwards, (2007), Ahmad & Taylor, (2009), and Kidron, and more recently by Ofek, & Cohen, (2016). The auditors had been seen by managers as a source of negative criticism rather than one of constructive criticism or support, thus resistance is built up to reject the audit. Dittenhofer (1988) argues that internal auditing results in an intensely personal relationship between the auditors and the auditee that is normally adversarial, and this is a traditional condition and seems to be usual when one is being evaluated and subject to critical analysis. The auditee becomes non-cooperative by failing to provide auditors with needed information or for staff to be unavailable. The overall result is that an audit seems to cause extreme fear and apprehension. The auditors, on the other hand, tend to react in several dysfunctional ways. For example, they might exert the power of their position as auditors to cause fear and anxiety.

Rickard (1995) found that the atmosphere is tense during the traditional interview between the internal auditors and line management. Managers worry about how their position in the organization will be affected by the internal auditors' reports. Disagreements between internal auditors and management may arise during negotiation over the audit recommendations or its words and the managers compete by attacking the credibility of the internal audit function, reports, and staff (Allen, 1996). The financial costs of this conflict can be enormous. It also affects morale, job switching, and reduce the effectiveness of the internal audit function (Allen, 1996). Johnson, Tom & Pullis (1998) documented that many auditees resent the auditors' intrusion into their business and can make it difficult for the audit team to complete their review. Johnson et al. (1998) suggested two types of conflict in the internal audit field: task-oriented conflict and emotional conflict. The task-oriented conflict lies within the particular task the group is trying to accomplish. Emotional conflict is linked to personal aspects. Task-oriented conflict is easy to solve, whereas emotional conflict is very difficult because of the personal values linked with it, and any resolution needs a psychological review.

The overall point of view is summarized by Morgan (1980) that fears of unfavorable performance evaluation or general fears of changes result in conflicts between auditors and auditees. This sort of threat creates a conflict in the internal audit work and needs to be analyzed and interpreted in psychological terms. In this regard, Stephan et al. (1996) define prejudice as a result of competition or value conflict. As depicted in Figure 1 below, Stephan et al. (1996) have proposed the Integrated Threat Theory (ITT) to analyze prejudice as negative attitudes. ITT postulates that prejudice is affected directly by four types of threats: a realistic threat, a symbolic threat, intergroup anxiety, and negative stereotypes. A realistic threat refers to the actual threat; a symbolic threat refers to the perceived differences in values, beliefs, and attitudes; intergroup anxiety refers to the feeling of being personally threatened, and negative stereotypes are considered a threat because they refer to the expectations concerning the behavior of a typical member of an out-group. As presented in figure (1), the perception of line management is that auditors threaten their organizational positions and resource allocations when the auditor's report is sent to the senior management or considered by the audit committee (Rickard, 1995). This perception could be considered as actual threats and according to ITT this type of threat is considered as a realistic one.

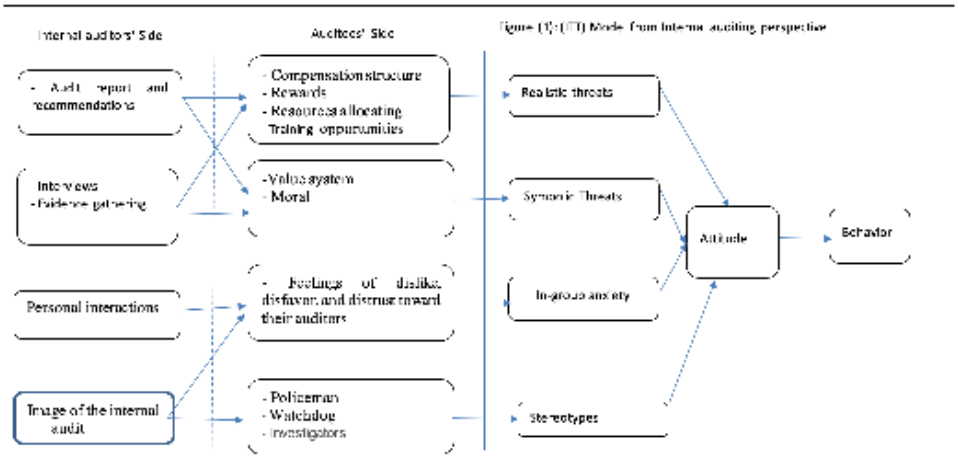
In figure (1), the symbolic threat arises because the executive staff believes that their value system is subject to be threatened during internal auditor's interviews, and the symbolic threats appear when line management fears that audit reports and evaluation affect their credibility in the organization. Symbolic threats exist when line managers believe that their value system is more just and moral than that of internal auditors as ITT suggests. In addition, the managers see the auditor as a person who tries to exert pressure towards change that supports his supervisory function and the auditee fears being directed in such manner (Churchill & Cooper, 1965).

In line with ITT, realistic threats are the result of competition over the resources available. As presented in figure (1), a realistic threat includes perceptions of competition, conflicting goals, and threats to the physical and economic well-being of the in-group (Stephan et al., 2000). The major

source of impact on feelings and emotion in the internal audit business environment is the varying experience, education, and environment of both auditees and auditors groups; if these differences are not carefully considered then it would be a part of aggravation conflict (Dittenhofer, 1997). A number of studies refer to the effectiveness of the internal audit in developing countries being hampered by several factors, including the lack of budget and management support for internal audit activities (Alzeban & Gwilliam, 2014; Alzeban & Sawan, 2013; Onumah & Krah, 2015).

Intergroup anxiety is a result of interactions between people. It refers to feelings of uneasiness and discomfort when engaging with members of other groups because of uncertainty. These feelings make interactions with out-groups seem threatening; anxiety in people often leads to exhibitions of prejudice (Riek, Mania, & Gaertn, 2006). Internal auditing does not involve mere assurance activity through evidence gathering, it involves personal events. The relationship between the internal auditor and the auditee is, at best, difficult (Blakeney et al., 1976). The reason for this difficulty may be related to individuals who are antagonistic to the concept of the audit. Internal auditing research found that many auditees harbor feelings of dislike and distrust towards the auditors (Caron & Haddock, 1988; Dittenhofer et al., 2011).

People tend to handle a new situation by making a generalized assumption based on past experience. One way to generalized people is to stereotype them (Cascarino & Esch, 2007). Negative stereotypes are not usually conceptualized as threats. However, stereotypes serve as a basis for expectations that often lead to prejudice (Gonza´lez et al., 2008). As presented in figure (1), the image of internal auditing creates a stereotype when others see internal auditors as policemen, watchdog, or investigators. Schyf (2000) reports that 81.5% of respondents in South Africa see that the poor image of the internal auditing function in the public sector had a detrimental effect on the establishment of the function. Abushawish (2008) argues that the perception of internal auditors by many of their auditees in the United Kingdom (UK) is not as good as they claim.



3. Methodology:

3-1 The Research hypotheses

This study anticipates that conflict with the internal auditors in the Saudi listed companies will lead to negative attitudes towards internal auditors, and creates a negative attitude toward auditors' independence, in turn. Utilizing the prejudice factors mentioned in the SYB-ITT model (1999), it is expected that symbolic and realistic threats increase in the Saudi listed companies when the management fears that the audit reports might affect their credibility in the organization. Accordingly, the null hypotheses are as follows:

H01: There is no significant relationship between symbolic threats and prejudice towards internal auditors in Saudi listed companies.

H02: There is no significant relationship between realistic threats and prejudice towards internal auditors in Saudi listed companies.

The relationship between senior management and internal auditors is likely to provide an important signal about the role and value of the internal audit throughout the organization (Alzeban et al., 2014). According to Blakeney et al. (1976), the relationship between these two groups is

difficult as auditees exhibit feelings of dislike and distrust towards the auditors (Caron et al., 1988; Dittenhofer et al., 2011). It is expected that prejudice increases as the auditees' anxiety increases. Accordingly, the null hypothesis is as follows:

H03: There is no significant relationship between auditees' anxiety and prejudice towards internal auditors in Saudi listed companies.

Cascarino et al. (2007) state that the use of a stereotype is one method people usually use to overcome a new situation as a basis for expectations. However, negative stereotype often leads to prejudice (Gonza´lez et al., 2008). Evidence from different business environments asserts that internal auditors have a poor image (Alzeban et al. 2014; Alzeban et al. 2013; Schyf, 2000; and Abushawish 2008). It is expected that increases in negative stereotypes about internal auditors will lead to increases in prejudice. The null hypothesis is as follows:

H04: There is no significant relationship between stereotype and prejudice towards internal auditors in Saudi listed companies.

The existence of the phenomenon of prejudice in internal auditing business could raise a question about its effect on the independence of the auditor. IAS (1100) of the International Professional Practices Framework (IPPF) states: "internal audit activity must be independent" (IIA, 2013) and defines independence as the freedom from conditions that threaten the ability of the internal auditor to carry out internal audit responsibility in an unbiased manner. Challenges of independence become higher when reports and audits are carried out while internal auditors are also involved with management and system activities (Peursem, 2005). If auditees suffer from prejudice towards internal auditors then it might affect their attitudes towards cooperating with the auditors as they perceive the auditors as a threat; such unhelpful behavior could prevent the auditor from working in an unbiased, effective and independent manner. It may be important to test the relationship between auditors' independence and prejudice.

H05: There is no significant relationship between prejudice towards internal auditors and their independence in Saudi listed companies.

3-2 Measures

Using the nominal measurement method, the survey is used in this research and constructed based on Stephan et al. (1999), and amended following the review of internal auditing literature, e.g. Rickard (1995) and Johnson et al. (1998). Each measure is discussed separately as follows:

1. *Attitudes towards internal auditors*. Stephan et al. (1996) argue that prejudice reflects the negative effects associated with out-groups. Using this definition of prejudice, and following Stephan et al. (1999), this study measures attitudes by evaluative reactions like dislike, approval, hatred, and disdain. Participants were asked to indicate the degree to which they felt 12 different evaluative and emotional reactions towards internal auditors on a 10-point scale ranging from 0 (none at all [e.g. hatred]) to 9 (extreme [e.g. hatred]). The auditees in the Saudi listed companies responded by indicating their attitudes towards internal auditors.

2. *Realistic threats*. Rickard (1995) found that managers worry about how their position in the organization will be affected by the internal auditors' reports. This is one kind of realistic threat that the auditee feels emanate from internal auditors. Realistic threats can be measured in terms of eight items, including such threats as the internal auditors' costs; delay in achieving department's goals due to auditors' objections; audit department's easy access to training opportunities and resources (placing them in an advantageous position over department being audited); and internal auditors increasing the desire of staff in other departments to resign. The response format consisted of a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3. *Symbolic threats*. Dittenhofer (1988) argues that internal auditing results in an intensely personal relationship between the auditors and the auditee, whereas a symbolic threat refers to the perceived differences in values, beliefs, and attitudes leading to an intensely personal relationship between two groups. To capture the threats in the internal audit, a measure consisting of seven items was

developed. The items were rated on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Items include trust threatened; embarrassment due to the audit results and report; suspicion against the auditee department as a result of audit team visits; internal auditors skeptical about the auditee competence and proficiency; and, image destroyed in front of higher management and board of directors.

4. *Intergroup anxiety.* Following Stephan et al. (1999), the measure of intergroup anxiety consisted of 10 items that asked participants how they would feel when interacting with internal auditors. The anxiety-related feelings were anxious, confident, irritated, comfortable, impatient, frustrated, happy, stressed, worried, and friendly. Participants' responses for these items were rated on a 7-point scale ranging from 1 (not at all) to 7 (extremely).

5. *Negative stereotype.* Participants were asked about their perceptions towards internal auditors by asking them to indicate the percentage of internal auditors that possessed any of 10 traits including the following: dishonest, ignorant, arrogant, ambitious, undisciplined, aggressive, hardworking, isolated, skeptical, and intelligent.

6. *Auditor's independence.* The attitudes of the auditee towards the independence of the auditor were measured by asking participants to describe the necessity for internal auditors' independence. Participants indicated the degree to which they evaluative internal auditors' independence on a 10-point scale ranging from 0 (none at all [i.e the direct link between the internal auditor and higher officer is not necessary]) to 9 (extreme [the direct link between the internal auditor and higher officer is very necessary]).

3-4 Sample

For the purpose of this study, a cross-sectional method in the data collection process was utilized. The population is consisting of all managers in the high and medium level of all listed companies in the Saudi stock market 2018. Unfortunately, there is no index for the total number of employments in the Saudi listed companies, therefore, all participants were randomly selected from the staff of 174 listed companies based on their emails available in the company's web site or business cards collected by the researcher. More than 300 emails were sent to participants employed in different departments other than the internal auditing departments. Using a questionnaire sent by email as a data collecting method during 2018, the final sample totaled 210 participants.

Table 1 below presents the statistical description of the sample; I classified participants based on the related departments as financial/non-financial. A total of 168 (80%) of the participants work in non-financial departments; 42 (20%) in a financial one. I believe that this classification is important due to the close relationship between those who work in a financial department and internal auditors. In the Saudi listed companies, the regulation of internal auditing required financial experience in those employed in the internal audit departments. Thus, I expect that those employees in the financial department will have positive attitudes towards the internal auditor, while those in the other departments will have negative attitudes. In terms of experience, the mean is 8.5 years with a standard deviation of 8.3 years. The greater experience could create a barrier against accepting the internal auditors' opinions and reports, and negative attitudes at the end. I expected such negative attitudes due to the recent application of internal auditing in the Saudi listed companies based on literature (Alzeban et al. 2013; Alzeban et al. 2014)

Table 1: Sample statistical description, N=210

	(%) N	Mean
Non-financial Department	(80%) 168	NA
Financial Department	(20%) 42	Na
Experience	NA	8.52

3-4 Factorial Analysis

Factors were used to expurgate all the variables using Principal Component Analysis as the extraction method and the varimax rotation method, with Kaiser Normalization. The analysis requires the elimination of those items that did not load strongly on any factor: these were four items in the prejudice measure, three items in symbolic threats, three items of stereotyping, and two items of independence opinion. As a result of these analyses, the final prejudice measure contained eight items, the realistic threat measure contained eight items, symbolic threat measure contained four items, the final intergroup anxiety measure contained 10 items, the final negative stereotype measure contained five items, and the final attitude towards independence measure contained eight items. The Cronbach's alphas for these scales are listed in Table 2 below.

Table (2)

Factor	Cronbach's Alpha	Cumulative Var
Prejudice	0.9832	0.69
Realistic threats	0.9828	0.90
Symbolic threats	0.9525	0.93
intergroup-anxiety	0.9823	0.95
Stereotyping	0.9036	0.97
The root mean square of the residuals (RMSR) is 0.01 with the empirical chi-square 30.54 with prob < 1		

As displayed in the table (2), the Chi-Square value insignificant which indicates a good model fit (Qureshi & Kang, 2015). Other fit parameters, root mean square error of approximation (RMSEA), is 0.01 which is below the cut-off level of 0.10, which provides another indicator of acceptable model fit.

4. Results

4-1 Statistical Results

Table 3 below describes the statistical results of the variables. The mean of prejudice indicates that attitudes towards the internal auditors are very moderate (mean is 1.33 with standard deviation equal to 1.69). However, there are indications of feelings of threats in terms of realistic or symbolic threats, whereas there is no indication of intergroup anxiety. The negative stereotype is moderate also, with a mean equaling 27%, indicating that 27% of internal auditors have such bad images. Nevertheless, the participants' attitudes towards the independence of internal auditors are skewed to support auditors' independence; however, with a mean 5.86 and standard deviation of 2.7, this evidence is challenging.

Table (3): Statistical description, N=210

	Minimum	Maximum	Mean	Std. Deviation
Prejudice	.00	9.00	1.33	1.69
Realistic Threats	1.00	4.00	3.22	0.86
Symbolic Threats	1.00	5.00	3.32	.099
intergroup-anxiety	.00	5.00	1.76	0.79
Negative Serotype	.00	100.00	27.41	24.24
Attitude toward Independence	.00	9.00	5.86	2.73

For more discussion, Table 4 presents the variables in terms of comparing the means between those who work in financial departments and others, and in terms of years of experience also. Regarding the means differences between financial departments and others, in terms of all variables, I notice there are significant differences in three variables, symbolic threats, negative stereotypes, and attitude towards independence. Those staff with experience of more than or equal eight years feel that the internal auditors pose symbolic threats and hold both negative stereotype and positive attitudes towards internal audit independence more that those staff with experience of fewer than eight years, whereas staff of fewer than eight years' experience have negative stereotypes. These results might be explained by staff with experience equal to or more than eight years understanding the role of internal auditors in the organizations; this is reflected in their worries about auditors' reports and their effects on their jobs and departments. However, such experienced staff is not affected by negative stereotype, but they support internal audit independence. Staff with less experience might be affected by negative stereotypes.

Table (4): Compare means between participants in terms of their departments

	department	N	Mean	Std. Deviation	t-test	significant
Prejudice	Financial	42	1.2188	2.10369	-.094	.925
	Non-Financial	168	1.2437	1.25892		
Realistic Threats	Financial	42	2.3719	.45383	-.293	.770
	Non-Financial	168	2.4111	.73516		
Symbolic Threats	Financial	42	3.2891	.97055	-.068	.946
	Non-Financial	168	3.3021	1.02089		

intergroup-anxiety	Financial	42	1.9781	1.27019	1.343	.181
	Non-Financial	168	1.7517	.81774		
Negative Serotype	Financial	42	31.3555	25.79358	889	.375
	Non-Financial	168	27.1534	24.78214		
Attitude toward Independence	Financial	42	6.8281	1.93194	2.383	.018
	Non-Financial	168	5.6000	2.81367		

I utilize correlations to check the strength and direction of the relationship between every two variables. Table 5 below presents the relationships between all the variables.

Table (5): Pearson Correlation

	Prejudice	Realistic Threats	Symbolic Threats	intergroup-anxiety	Negative Serotype	Attitude toward Independence
Prejudice	1	.141*	-.113	.518**	.133*	.085
		.027	.078	.000	.037	.184
Realistic Threats		1	.015	.100	-.049	.119
			.820	.116	.441	.062
Symbolic Threats			1	-.280**	-.493**	.499**
				.000	.000	.000
intergroup-anxiety				1	.288**	-.189**
					.000	.003
Negative Serotype					1	-.351**
						.000

Attitude toward Independence						1
*. Pearson Correlation is significant at the 0.05 level (2-tailed).						
**. Pearson Correlation is significant at the 0.01 level (2-tailed).						

It is noticed that at $p<0.05$ of a significant level, there is a positive relationship between prejudice and three variables of the integrated theory of threats (ITT) (realistic threats, intergroup anxiety, negative stereotype). This result supports the integrated theory of threats (ITT) in the internal audit business environment in Saudi Arabia. Nonetheless, there is no significant relationship between symbolic threats and prejudice. Besides, there is additionally a positive relationship between attitude towards independence and three variables of an integrated theory of threats (symbolic threats, intergroup anxiety, and negative stereotype). This indicated that staff of internal audits in Saudi Arabia who are comfortable with internal auditors will be less prejudiced and accept their independence.

4-2 Regression Analysis

To test research hypotheses, this study utilizes a regression analysis method as described by Stephan et al. (1999) with which, prejudice is regressed over four variables (realistic threats, symbolic threats, intergroup anxiety, and negative stereotype). Using the Microfit.5 statistical program, Table 7 below illustrates the model fit summary(1). R square is about

(1) The regression diagnostics were examined to tests whether it satisfies the Gauss-Markov conditions of normality of residuals, of homoscedasticity. Two hypotheses are considered as follows; H0: Homoscedasticity or $\sigma i2 = \sigma 2$, H1: Heteroscedasticity or $\sigma i2 \neq \sigma 2$. The normality test is considered as follows: H0: Normality, H1: Non-normality (Baltagi, 1998: 100). Multicollinearity problem occurs when the explanatory variables are very highly correlated with each other, so one variable can be a function of the others (Dougherty, 1992: 157). The most popular measures include calculating the coefficient of correlation r between each independent variable. The multicollinearity is a serious problem when the correlation coefficient between the values of two variables is greater than 0.80 or 0.90 (Judge et al, 1988: 868). Variance inflation factor (VIF) is another technique defined as $(1\ 2\ i - R\ )$ for the βi coefficient where 2i R is the squared multiple correlation coefficient of the regression of Xi

31 presents, indicating that this model explains 31% of the variance in prejudice, and only one variable (intergroup anxiety) is significant at .05 level. Nonetheless, the correlation matrix presented in Table 5 above indicates that three variables have a relationship with prejudice. According to this model (a), the research hypothesis (H1, H2, and H4) that assume the relationship between prejudice and symbolic threats, realistic threats and stereotyping are rejected, which means that the management in Saudi listed companies do not fear of that the audit reports might affect their credibility in the organization. However, the model gives strong evidence to support (H3) about the existence of the anxiety and the relationship between the two groups is difficult as management in Saudi listed companies exhibit feelings of dislike and distrust towards the auditors. This result indicates the need for more investigation to understand the relationship between management and internal auditors in the Saudi business environment,

Table (6): Summary of the regression model (a) following Stephan et al. (1999)

	t	Sig.
(Constant)	-2.105	.036
Realistic Threats	1.189	.236
Symbolic Threats	-.861	.390
intergroup-anxiety	9.222	.000
Negative Serotype	.501	.617
R Square = .312, F-test = 21.737*** Prejudice is dependent variable Heteroscedasticity F = 1.1673[.280] Normality CHSQ(2)= 4.4565[.008]		

on the other regressors in the regression equation (Mendenhall and Sincich, 1989: 236). Examination of the regression diagnostics for three models shows no evidence of significant multicollinearity, exhibits normality and accepts the homoscedasticity hypothesis.

Following Curs¸eu, Stoop, & Schalk, (2007), I utilized path analysis for more analysis of the causality in the model. To do that I developed model (b) with intergroup anxiety as a dependent variable; Table 8 below illustrates the model fit summary. All variables are significant at p .10, and R square equal to 12% and the ANOVA test is significant at p >.05. Figure 2 (Path of model B (intergroup anxiety as mediator) depicts the path of the model (b) (intergroup anxiety as mediator). This result support Alzeban, (2015) that internal auditing in Saudi Arabia faces a problem of high uncertainty avoidance developed by managers to reduce the threat which ambiguous situations bring to them.

Table (7): Summary of regression of model (b) with which intergroup-anxiety is the dependent variable

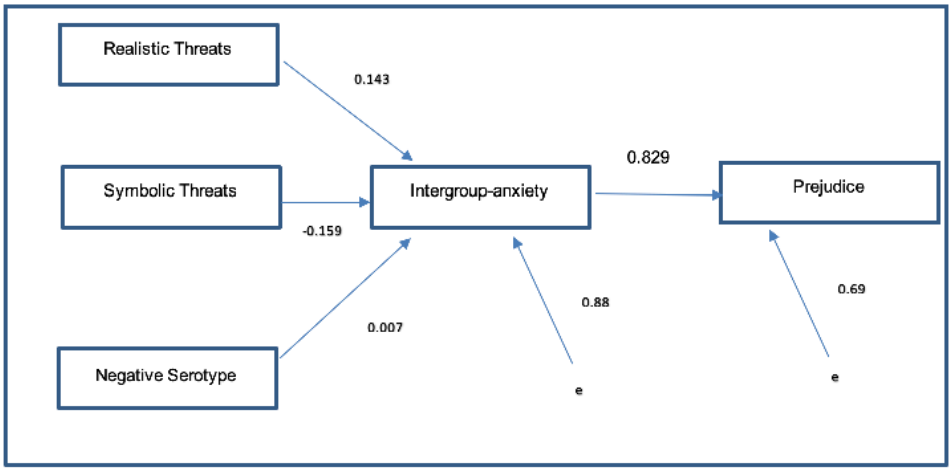
Model (B)	T	Sig.
(Constant)	5.644	.000
Realistic Threats	1.873	.062
Symbolic Threats	-2.617	.009
Negative Serotype	2.943	.004
R-square = 0.12 F-test = 20.569*** Intergroup-anxiety is dependent variable Heteroscedasticity F = 0.88721 [.348] Normality Chi-square = 5.9710[.003]		

A model (c) was developed to find out the relationship between prejudice and the internal auditors' independence. Prejudice was considered as the dependent variable along with the other four variables. Table 7 depicted the model fit summary. R square is about 31%, and all models are significant at p>.05. Four variables are significant at p>.05, (prejudice, symbolic threats, intergroup anxieties, and stereotype). Realistic threats are significant at p>.10; path analysis also considered in Figure 3 (Path of model C (intergroup anxiety as a mediator with internal auditor independence). This supports the findings of Abdolmohammadi (2010) and Alzeban, (2015) who found uncertainty avoidance to be negatively associated with internal auditing professionalism and inversely associated with both the use and the compliance of auditing standards.

Table (8): Summary of regression model (c) (auditor's Independence is dependent variable)

	T	.Sig
(Constant)	2.073	039.
Prejudice	3.447	001.
Realistic Threats	1.698	091.
Symbolic Threats	6.659	000.
Intergroup-anxiety	-2.405	017.
Negative Serotype	-1.993	047.
R Square = 0.311		
F test = 21.651 (0.000) Auditor's Independence is dependent variable Heteroscedasticity F =1.8776 [.173] Normality of residuals Chi-square = 5.9524 [.000]		

Figure (2): Path of model B (intergroup anxiety as mediator).



5. The Discussion:

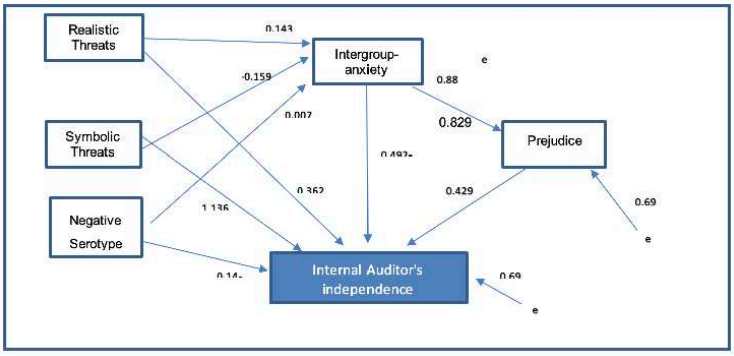
Three models were utilized to investigate the effect of the behavior of Saudi companies' employees towards internal auditors in the Saudi environment. Following Stephan et al. (1999) the first model regressed prejudice against four variables of threats (realistic threats, symbolic threats, intergroup anxiety, and stereotype). The first model (a) results in the rejection of H1, H2, and H4, whereas H3 is accepted with intergroup anxiety is positively significant. This indicates that auditee staff will develop prejudice when they become wary of internal auditors and their reports. This result supports the conclusions of Rickard (1995) that managers worry about how their position in the organization will be affected by the internal auditors' reports (Dittenhofer, 1988), this is reflected during the traditional interview between the internal auditors and line management, in which the atmosphere is tense. Accordingly, resistance is built up to reject the arguments put forward by the audit when one is being evaluated and subject to critical analysis.

Model (b) suggests that three variables (realistic threats, symbolic threats, and stereotype) have a causal relationship with intergroup anxiety. This means that there is no direct effect on behavior, but these variables affect staff anxiety. Accordingly, negative behavior towards internal auditors is built up only when the auditee staff becomes anxious, and they become anxious with increased threats.

Model (c) investigates the collective effect on auditor's independence; all variables are significant. This supports the integrated threats theory; however, different signs of relationship direction need to be discussed. Only intergroup anxiety and stereotype have a negative relationship with independence; this indicates that auditee staff in the Saudi listed companies are aware of independence and its effect on their work. When they become anxious due to threats, they become worried about independence, i.e. they see internal auditors not as completely independent. This is also noticed with stereotypes, as where auditee staff holds attitudes of negative stereotypes, they also see the auditor as not independent. As we noticed above, this result has been supported by the T-test of the mean difference above (see Table (4); auditee staff with low experience have such negative stereotypes, and

they see auditors as not independent. Realistic threats and symbolic threats have positive relationships with the auditors' independence; this indicates that auditee staff prefers independent auditors when they feel threatened.

Figure (3): Path of model C (intergroup anxiety as a mediator with internal auditor independence).



6. Conclusion:

Internal auditors are perceived to pose a number of realistic and symbolic threats, including the perception of line management that their organizational position and their credibility will be lost when the auditors' reports are sent to the senior management or considered by the audit committee (Rickard, 1995). In this study, statistical results indicate that attitudes towards internal auditors vary; nonetheless, there are indications of auditees feeling threatened in terms of realistic or symbolic threats. Auditee staff in financial departments feel less threatened, and less staff in financial departments hold negative stereotypes; this is reflected in their positive attitudes towards internal auditors and their independence. Those staff with experience of more than or equal to eight years perceive the internal audit holds symbolic threats; however, they are more positive towards independence being necessary for internal auditors than those staff with experience of fewer than eight years. Negative stereotypes appear with the staff of fewer than eight years' experience. This result might be explained by the staff with experience of equal to or more eight years understanding the role of internal auditors in the organizations; this is reflected in their worries about auditors' reports and their effects on their jobs and departments. However, they are not affected by negative serotypes but support internal audit independence.

Staff with less experience might be affected by negative serotypes. This result supports the arguments of Pastor (2007) that the most common stereotype about auditors is that they are a tool of senior management; such a view relates to the common feeling towards the internal audit function across countries. Most staff in different institutes have a low understanding of what an audit is and who auditors are.

Three models are utilized to find out the relationships between variables; the first model was the complete model described by Stephan et al. (1999) with which prejudice is regressed over four variables (realistic threats, symbolic threats, intergroup anxiety, and negative stereotype). This model explains 31% of the variance in prejudice, and only one variable (intergroup anxiety) is significant at a .05 level. Model (b) utilizes intergroup anxiety as a dependent variable, whereas realistic threats, symbolic threats, and negative stereotypes are independent variables. All variables are significant. This result indicates intergroup anxiety served as mediator variables between prejudice and other independent variables. Model (c) was developed to find out the relationship between prejudice and internal auditors. All variable is significant; this indicates that all threats affect auditor independence.

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نظرية التهديد المتكاملة (ITT) واستقلالية المدققين الداخليين في الشركات السعودية المدرجة

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ملخص البحث:

تهدف هذه الدراسة إلى التحقق من أثر التحيز على موقف الخاضعين للرقابة من استقلالية المدققين الداخليين في الشركات السعودية. اعتمدت هذه الدراسة تعريفات التحيز التي طرحها Allport (1954) و Stephan & Stephan ، 1996) باعتبارها مواقف أو تقييمات سلبية تجاه مجموعة معينة بسبب بعض الخصائص التي تمتلكها المجموعة. نظرية التهديد المتكاملة (ITT) التي طورها ستيفان وآخرون. (1996) يفترض أن التحيز هو صراع يؤثر سلبًا على مواقف المجموعة الخارجية. باستخدام عينة من 210 مشاركين من الشركات السعودية، تم تطوير ثلاثة نماذج، وتشير النتائج إلى أن الموظفين الخاضعين للتدقيق سيصابون بتحيز عندما يصبحون حذرين بشأن المدققين الداخليين وتقاريرهم، وهذه النتيجة تدعم الأدبيات في هذا الصدد. بالإضافة إلى ذلك ، تشير النتائج إلى أنه عندما يصبح المديرون قلقين بسبب التهديدات، فإنهم يصبحون قلقين أيضًا بشأن استقلالية المدقق وتشعر الإدارة بالتهديد الواقعي من المدقق الداخلي.

الكلمات الدالة: التدقيق الداخلي، التحيز، نظرية التهديد المتكاملة، استقلالية المدقق، الصراع، التدقيق السلوكي.

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