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THE EFFECT OF POWER DISTANCE ON CONTROL RISK ASSESSMENT AND AUDIT SAMPLE SIZE: A CROSS-CULTURAL STUDY OF SAUDI AND UK AUDITORS

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Abstract

This study examines how power distance, a cultural dimension indicating the acceptability of hierarchical authority, affects auditors' control risk assessments and related audit sample decisions. A scenario-based survey utilizing Hofstede's framework was administered to 475 professional auditors from Saudi Arabia and the United Kingdom. Participants assessed a standardized audit case, evaluated internal controls, and established a suitable sample size. The findings indicated that Saudi auditors, indicative of a high-power distance culture, assessed lower control risk and opted for smaller sample sizes, implying more confidence in client-supplied controls. Conversely, the assessments of British auditors were more uniform and less swayed by cultural norms. Although Saudi auditors modified their testing in accordance with control risk assessments, this trend was not evident among British auditors as a whole. Among younger UK auditors (aged 25–30), those who perceived weaker controls opted for bigger samples, indicating early-career compliance with standards. Path analysis shown that control risk assessment strongly mediated the relationship between power distance and sample size decisions in the Saudi sample, but not in the UK sample. These findings highlight the indirect influence of cultural hierarchy on audit judgments and advocate for the incorporation of cultural awareness into international audit training and practice.

Keywords: Power Distance, Control Risk Assessment, Audit Sample Size, Cross-Cultural Auditing, Professional Judgment, Saudi and British Auditors.

1. Introduction

High-quality audits are crucial for protecting the integrity of financial reporting, identifying and mitigating fraud, and preserving stakeholder confidence in corporate governance frameworks (Ding, 2023; Yousefi Nejad et al., 2024). In today's intricate and globally integrated business environment, auditors encounter heightened pressure to maintain consistent audit quality across various organizational and cultural contexts (Eltweri et al., 2021). Although technical proficiency, regulatory structures, and organizational audit methodologies are acknowledged as essential determinants of audit quality, there is a growing academic focus on the influence of non-technical factors, especially cultural values on auditors' professional judgments and decision-making processes (Cowperthwaite, 2010; Naslmosavi et al., 2014; Nolder & Riley, 2014; Wu, 2019; Acar, 2023; Silva et al., 2024).

One cultural dimension that may profoundly influence auditors' professional conduct is power distance, a notion developed by Hofstede (1980) that describes the degree to which individuals in a culture tolerate and anticipate unequal power distributions. In cultures with high power distance, individuals are more inclined to submit to authority and refrain from challenging hierarchical structures. Conversely, low power distance cultures promote autonomy, open communication, and the interrogation of authority figures (Hofstede & Minkov, 2010). Cultural tendencies can subtly yet significantly affect auditors' interactions with management (Dunakhir et al., 2023), their evaluation of internal control reliability (Hooghiemstra et al., 2015), and their assessment of the necessary level of audit evidence to substantiate professional judgments (Nolder & Riley, 2014).

This study seeks to investigate the impact of cultural differences, especially the power

distance dimension, on auditors' professional judgments regarding control risk assessment and audit sample size determination. Furthermore, it examines whether control risk assessment serves as a mediating variable between power distance and sample size determinations. In other words, the study examines the influence of auditors' cultural perceptions of authority on their trust in a client's internal control system and how that trust subsequently determines the extent of audit work they deem necessary. Specifically, the study aims to address the following question: "Does power distance affect how auditors assess control risk, and does that influence their decision on sample size?"

To address this question, this study examines auditors from two culturally distinct countries: Saudi Arabia and the United Kingdom. Hofstede and Minkov (2010) indicate that Saudi Arabia possesses a power distance score of 95, signifying a professional culture in which hierarchy is respected, and authority is rarely challenged. Conversely, the UK attains a score of 35, indicative of a culture that fosters independence and advocates for the questioning of authority.

Auditors from both countries were provided with an identical scenario-based audit case and instructed to evaluate control risk and determine a suitable audit sample size. Their responses were examined to identify patterns and statistically significant relationships among cultural orientation, control risk assessments, and audit sampling procedures.

This research specifically examines the measurable cultural value of power distance and its influence on two essential audit judgments, in contrast to previous studies that investigated the broader role of culture in auditing. The study employs a systematic experimental methodology with experienced auditors to elucidate the translation of cultural values into technical decisions during audit planning. The findings offer valuable insights for international standard-setters and multinational corporations seeking to enhance uniform audit methods across diverse cultural contexts.

2. Review of Literature and Development of Research Hypotheses

2.1 Power Distance and Its Impact on Auditing

Power distance is a fundamental dimension in Hofstede (1980) cultural dimensions theory, which describes the degree to which individuals in a community accept and anticipate unequal distributions of power. In cultures with high power distance, authority is centralized, hierarchies are inflexible, and subordinates typically hesitate to confront superiors (Hofstede & Minkov, 2010). Conversely, low power distance cultures prioritize equality, promote dialogue, and foster a greater ease in challenging authority and engaging in decision-making (Hofstede, 2001).

This cultural dimension is especially pertinent to auditing, a profession that necessitates practitioners to apply professional skepticism, assess management assertions, and interrogate internal control systems when necessary. Auditors must uphold independence, ask critical questions, and investigate weaknesses, even if this requires challenging senior client officials (IAASB, 2008). However, in high power distance cultures, auditors may experience social pressure to yield to authority or evade confrontation, potentially undermining their objectivity and the thoroughness of their audit processes (Al-Asmakh et al., 2024).

For instance, auditors coming from high power distance cultures, such as Saudi Arabia, function in situations where hierarchical structures are highly regarded and hardly challenged (Alzeban, 2015; Al-Asmakh et al., 2024), as previously noted. Conversely, auditors from low power distance cultures, such as the United Kingdom, tend to undertake audit responsibilities with greater independence and confidence in confronting client management (Hung, 2023).

Therefore, cultural tendencies may influence auditors' interactions with clients, affect their belief in management-supplied information, and determine the extent and focus of their audit examinations.

Therefore, comprehending power distance is essential for analyzing the impact of cultural values on auditors' professional judgment. This cultural dimension may influence auditors' evaluations of internal controls and their technical decisions, such as assessing control risk, which will be addressed in the subsequent section.

2.2 Power Distance and Its Impact on Control Risk Assessment:

Power distance significantly influences auditors' interpretation and assessment of internal control systems. In high power distance cultures, such as Saudi Arabia, auditors frequently operate in settings that prioritize respect for hierarchy, deference to authority, and the avoidance of confrontation. This cultural attitude may result in an increased dependence on client-supplied control systems, thereby undermining the application of professional skepticism. Numerous research points out this pattern; for example, Al-Shammari et al. (2008) and Al-Asmakh et al. (2024) revealed that auditors in high power distance cultures are inclined to embrace more formal, conservative approaches, emphasizing recorded procedures rather than investigative analysis. Hung (2023) and Haniffa and Cooke (2002) observed that in certain cultures, auditors may be socially or professionally deterred from challenging management assertions, perceiving such behaviors as culturally inappropriate or disrespectful. These attitudes, embedded in hierarchical organizational norms, may lead auditors to underestimate control risk, presuming that adherence to authority and recorded processes signifies adequate reliability.

Conversely, auditors in low power distance cultures, like the United Kingdom, are culturally motivated to question authority, prioritize equality, and exercise independent judgment. Bouqayes (2016), Saiewitz and Wang (2020), and Sonjaya (2024) indicate that in these cultures, auditors are more inclined to scrutinize management assertions, conduct analytical procedures, and depend on external validation instead of accepting client clarification uncritically. This leads to increased sensitivity to weaknesses in internal control systems and more cautious control risk evaluations. Nehme et al. (2022) and Hung (2023) argue that auditors operating in low power distance cultures perceive professional skepticism as a standard component of audit practice, prompting them to examine documentation rigorously and investigate for problems, even when explicit red flags are absent.

These disparities in audit behavior are shaped not only by culture, but also by legal and institutional frameworks. For instance, Alqarni (2022) and Al-Absy et al. (2024) emphasize that although Saudi auditors may initially exhibit considerable trust in administrative authority, they may modify their testing intensity in response to compliance constraints or apparent risks. This adaptation frequently occurs reactively instead of being a normative behavior. Conversely, UK auditors are more likely to engage in audit planning with a critical perspective from the beginning, shaped by cultural norms and the regulatory audit framework governing their practice.

Comprehending the impact of power distance on control risk assessment is essential in the contemporary global audit landscape, characterized by cross-cultural interactions and international teams. Nolder and Riley (2014) and Eltweri et al. (2021) emphasize that harmonizing audit techniques across cultures necessitates an understanding of the profound influence of embedded social norms on auditor judgment. Understanding that cultural context influences risk perception is crucial for enhancing consistency and audit quality in international

endeavors. Consequently, the study anticipates that power distance will affect auditors' evaluation of control risk. In light of these insights, the subsequent hypotheses are proposed:

H1: Power Distance significantly influences control risk assessment among Saudi auditors.
H2: Power Distance significantly influences control risk assessment among British auditors.

2.3 Control Risk Assessment and Its Impact on Audit Sample Size Selection:

Control risk assessment is a fundamental phase in audit planning and directly affects the extent and rigor of substantive testing methods (Boritz & Timoshenko, 2024). The International Auditing standard ISA 315 defines control risk as: "Risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's system of internal control" (IAASB, 2022). This evaluation determines the degree of reliance an auditor can place on internal controls and the volume of additional audit evidence necessary through methods like extended sample testing. When control risk is evaluated as high, auditors must mitigate this by augmenting the scope of substantive testing, which includes employing bigger audit sample sizes, to ensure that overall audit risk remains within acceptable levels (Barr-Pulliam et al., 2024).

Comprehensive research supports the direct relationship between control risk assessment and audit sample size. Elder et al. (2013) reviewed research on audit sampling, concluding that auditors have been trained to link the quantity and nature of audit evidence with the level of risk. When internal controls are deemed inadequate, auditors broaden their testing scope to mitigate detection risk. Tarkh et al. (2024) similarly revealed that auditors who recognize elevated control risk opt for larger, more extensive samples, reflecting a prudent and risk-sensitive audit methodology. Kamil (2021) noted that more robust perceived internal control settings correlated with reduced sample sizes and diminished audit expenses, suggesting that control risk assessment directly affects the extent of audit effort. Moreover, Koceska and Dimitrova (2018) highlighted the necessity of modifying sampling strategies according to risk perception to achieve a balance between audit efficiency and evidence sufficiency, whereas Gomaa et al. (2005) demonstrated that heightened control risk, or perceived litigation risk, compels auditors to reduce reliance on client controls and augment substantive testing efforts.

While these studies collectively affirm the theoretical and practical relationship between control risk and audit sample size, the majority concentrate either on procedural guidance (Elder et al., 2013; Kamil, 2021) or statistical modeling (Elder et al., 2013; Koceska & Dimitrova, 2018; Kamil, 2021; Tarkh et al., 2024), frequently neglecting the potential impact of auditors' cultural and behavioral contexts on these determinations. Even in research with a behavioral emphasis, such as Gomaa et al. (2005), cultural influences were not specifically examined. This indicates a gap in the literature, as risk-based evaluations, such as control risk assessments, are not conducted in isolation, they are influenced by auditors' values, expectations, and cognitive frameworks, which are, in turn, affected by national culture.

This study builds upon previous research by empirically examining the relationship in two different cultural contexts: Saudi Arabia and the United Kingdom. This research aims to enhance the understanding of audit planning by examining how auditors' estimates of control risk influence their sampling decisions. In light of these insights, the subsequent hypotheses are suggested:

H3: Auditors' control risk assessment significantly influences audit sample size selection among Saudi auditors.
H4: Auditors' control risk assessment significantly influences audit sample size selection among British auditors**.**

2.4 Control Risk as a Mediator Between Power Distance & Sample Size:

Control risk assessment is crucial in planning an audit as it directly dictates the extent of substantive testing necessary as previously stated. Control risk, nevertheless a technical assessment, is not developed in isolation. Auditors' assessments are impacted by cognitive frameworks established by their cultural context (Sim, 2009). In this context, power distance, a cultural dimension indicating how individuals perceive and react to authority, significantly influences auditors' evaluations of internal control reliability.

In high power distance cultures such as Saudi Arabia, auditors may be inclined to yield to authority and refrain from contesting management claims (Khasawneh et al., 2023; Wageeh & Ahmed, 2024). This may enhance trust in internal control systems, thereby leading to a reduced control risk assessment and smaller audit sample sizes (Samiolo et al., 2024). Conversely, auditors in low power distance cultures, like the United Kingdom, tend to treat management representations with suspicion and uphold a more independent position (Endrawes et al., 2023). This may lead to an elevated evaluation of control risk and, hence, increased audit sample sizes.

This study defines control risk assessment as a mediating factor by which power distance affects decisions regarding audit sample size. Auditors' cultural orientation does not directly dictate their workload; instead, it influences their assessment of internal controls, which then informs the extent of their testing requirements. The path under examination is:

Power Distance → Control Risk Assessment → Audit Sample Size

This mediation model is evaluated independently in two cultural contexts—Saudi Arabia and the United Kingdom, to determine if the pattern persists across high and low power distance settings. This study isolates control risk assessment as a mediating component, offering a more refined comprehension of the translation of cultural values into technical audit conclusions.

While previous studies have recognized the significance of culture in influencing auditor conduct, there is a deficiency of empirical research examining particular mediation paths that connect cultural dimensions to tangible audit methods. The function of control risk as a mediator between power distance and sample size selection remains largely unexamined. Considering the global scope of auditing and the growing necessity for culturally adaptable audit planning, comprehending this indirect pathway is essential. In accordance with this conceptual framework, the subsequent hypotheses are proposed:

H5: Control risk assessment significantly mediates the relationship between power distance and audit sample size among Saudi auditors.
H6: Control risk assessment significantly mediates the relationship between power distance and audit sample size among British auditors.

3. Conceptual Framework and Research Model

The following diagram represents the mediation model utilized in this study, where control risk assessment functions as a cognitive mediator linking power distance—a cultural dimension—to sample size selection in audit planning. This model illustrates the precise order of events experienced by participants in the survey: auditors received details regarding a fictional client, evaluated the dependability of its internal controls, and subsequently established a suitable sample size. Consequently, in this context, the selection of sample size was directly guided by the auditor's evaluation of control risk, in accordance with the audit standards established in ISA 330, which mandate auditors to modify the nature, timing, and extent of substantive procedures based on the assessed level of control risk (IAASB, 2021). This path model defines the standard progression of audit judgment throughout the assessment of internal control systems, which are regarded as a legitimate factor in audit planning decisions.

Nonetheless, this mediated pathway is not consistently evident in practice, especially in high-power distance contexts or when auditing small or owner-managed organizations. In certain situations, auditors may completely disregard reliance on internal controls, particularly when those controls are deemed inefficient or inadequately documented. Based on IAASB (2022) ISA 315 acknowledges that smaller businesses may not possess formal control systems, leading auditors to depend more on direct substantive procedures. In high power distance cultures, where respect for authority may diminish skepticism, auditors may determine sample size decisions based on cultural inclinations rather than through a rigorous evaluation of control risk. This corresponds with Sim (2009), who discovered that cultural dimension like power distance can influence audit judgment irrespective of formal internal control assessment. Consequently, although the mediated model aligns with the study's design and audit criteria under normal conditions, different direct pathways may arise based on cultural and organizational influences.

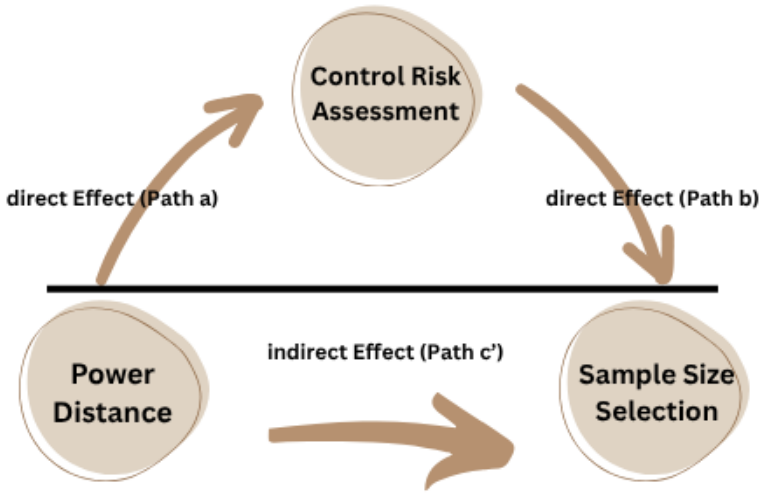

Figure 1: Path diagram of a single mediator model.

Prior research has shown that cultural beliefs affect professionals' perceptions of authority, risk, and responsibility (Huber, 2001; De Martinis et al., 2011; Huber, 2012; Getie Mihret, 2014;

Adnan et al., 2018; Bik & Hooghiemstra, 2018; Schmidt et al., 2020). In cultures with large power distance, auditors may be inclined to trust management assertions and depend significantly on internal controls, influenced by social norms that discourage questioning authority (Bik & Hooghiemstra, 2017; Wageeh & Ahmed, 2024). Conversely, auditors from low power distance contexts typically exhibit greater ease in applying professional skepticism and scrutinizing internal control systems (Nolder & Riley, 2014; Bik & Hooghiemstra, 2018; Endrawes et al., 2023). These cultural tendencies can impact auditors' evaluation of control risk, subsequently affecting their perception of the appropriate extent of substantive testing.

This study examines the suggested model in two culturally disparate contexts, Saudi Arabia and the United Kingdom to investigate whether the link among power distance, control risk assessment, and audit sample size functions similarly across varied cultural settings. The fundamental concept of the framework posits that cultural norms, such as power distance, do not directly dictate audit procedures; instead, they affect auditors' assessment of the reliability of internal controls. This decision, referred to as control risk assessment, thereafter, dictates the extent of substantive testing deemed essential by the auditor, typically manifested in the size of the chosen audit sample. In this approach, control risk assessment acts as a mediator, functioning as the mechanism via which cultural orientation (e.g., power distance) impacts audit planning decisions. Confirmation of mediation indicates that cultural values influence sample behavior indirectly by altering auditors' perceptions and evaluations of control risk. This study seeks to ascertain if the mediation pathway remains consistent or varies across cultural contexts by analyzing this model among Saudi and British auditors.

In summary, this study examines indirect as well as direct paths from power distance to audit sample behavior. The cross-cultural mediation model elucidates the influence of national culture on audit quality via its effect on professional judgment. Based on this conceptual framework and previous research the subsequent hypotheses are suggested:

H1: Power Distance significantly influences control risk assessment among Saudi auditors.
H2: Power Distance significantly influences control risk assessment among British auditors.
H3: Auditors' control risk assessment significantly influences audit sample size selection among Saudi auditors.
H4: Auditors' control risk assessment significantly influences audit sample size selection among British auditors.
H5: Control risk assessment significantly mediates the relationship between power distance and audit sample size among Saudi auditors.
H6: Control risk assessment significantly mediates the relationship between power distance and audit sample size among British auditors.

Following the establishment of the conceptual framework and the development of the study hypotheses, the subsequent section establishes the methodology utilized to empirically evaluate these hypotheses within the two cultural settings.

4. Methodology

4.1 Research Design

This study adopted a quantitative, cross-sectional research approach to investigate the influence of power distance, a fundamental aspect of Hofstede (1980) cultural framework, on two

critical audit judgments: control risk assessment and audit sample size determination. The study examines if control risk mediates the relationship between power distance and judgments regarding sample size. A structured survey was employed, grounded on Basodan (1994), Huber (2001) and Sim (2009) research, to collect primary data from practicing auditors in Saudi Arabia and United Kingdom, representing high and low power distance cultures, respectively.

A pilot study was performed with 10 Saudi and 10 British auditors to evaluate the clarity and reliability of the instrument. No significant alterations were required, validating that the survey was suitable for comprehensive implementation.

4.2 Sample and Data Collection:

The study encompassed 475 auditors, consisting of 239 Saudi auditors and 236 British auditors. The sample size was calculated utilizing Cochran's technique to guarantee statistical sufficiency, employing a 95% confidence level and a 7% margin of error. Participants were chosen by purposive sampling, focusing on auditors with varying years of experience, firm sizes, and professional certificates to provide a broad and representative sample. Data was gathered anonymously through a self-administered online survey.

4.3 Study instrument:

The study instrument consisted of three primary sections:

- **Section 1: Audit Scenario Task:** Participants were provided with a realistic audit scenario and instructed to:

    1. Express their degree of reliance on internal controls using a 9-point Likert scale (1 = no reliance, 9 = complete reliance), reflecting their control risk evaluation
    2. Choose a suitable audit sample size from options ranging from 10% to 100% of the transaction population.

- **Section 2: Cultural Dimension – Power Distance:** Power distance was assessed by four statements derived from recognized tools in previous research (Hofstede, 1980; Sim, 2009) . Participants evaluated their agreement with statements indicative of hierarchical orientation, respect to authority, and receptiveness to challenge, on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree).

- **Section 3: Demographic Information:** Data was gathered on gender, age, years of experience, firm size, position, educational background, and certification status.

4.4 Variables

This research includes three main variables. The independent variable is power distance, assessed via participants' replies to culturally relevant items in Section 2 of the questionnaire, in accordance with Hofstede's (1980) framework. Control risk assessment functions as both a dependent variable, reflecting auditors' assessments of reliance on internal controls within a structured audit context, and as a mediating variable that connects power distance to decisions on audit sample size. The other dependent variable is the audit sample size chosen by the auditor for substantive testing in the scenario-based task. This approach facilitates the analysis of both direct

and mediated interactions among the primary variables of the study.

4.5 Data Analysis Techniques

The data analysis included a combination of descriptive, inferential, and structural modeling. Descriptive statistics of demographic information were utilized. Non-parametric tests (Mann–Whitney U and Kruskal–Wallis) were employed to investigate group disparities across demographic categories. Due to the ordinal characteristics of the control risk variable, ordinal logistic regression was employed to evaluate the impact of power distance. Spearman's rank-order correlation analyzed the monotonic relationship between control risk assessment and audit sample size. Moreover, path analysis was performed to evaluate the mediating function of control risk assessment in the association between power distance and sample size selection among Saudi and British auditors. Building on the research design and procedures described, the next chapter presents the empirical results derived from testing the study's hypotheses.

5. Results

This section states the findings of the statistical analysis performed to investigate the relationship between power distance (PD), control risk assessment, and audit sample size selection among auditors in Saudi Arabia and the United Kingdom. The analysis is organized to address the demographic characteristics of the participants, the regression analyses for each culture sample to study the effect of PD on control risk assessment, and the correlation analysis to determine whether control risk assessment has an influence on sample size selection and the path analysis assessing the direct and indirect impacts of PD on sample size selection through control risk for both cultures. All data are analyzed via the lens of Hofstede (1980) cultural dimensions theory and existing literature. Table 1 summarizes the key demographic characteristics of the Saudi and British auditor samples, representing firm affiliation, experience, professional certification, and geographic background, which may affect cultural orientation and audit decision-making.

Table 1: Summary of Demographic Characteristics of Saudi and British Auditors

Variable	Category / Group	Saudi Auditors (%)	British Auditors (%)
Big4 Employment	yes	81(33.9)	157(66.5)
	no	158(66.1)	79(33.5)
Firm Size	Small (Less than 50 auditors)	86(36)	14(5.9)
	Medium (50-249 auditors)	74(31)	58(24.6)
	Large (250+ auditors)	79(33.1)	164(69.5)
Audit Experience	less than 3 years	27(11.3)	15(6.4)
	3-10 years	63(26.4)	44(18.6)
	11-15 years.	61(25.5)	89(37.7)
	16-20 years	51(21.3)	59(25)
	more than 20 years	37(15.5)	29(12.3)

Professional Certification	Yes	123(51.5)	166(70.3)
	NO	116(48.5)	70(29.7)
Continent of Experience	North America South America	1(0.4) -	1(0.4) -
	Europe	3(1.3)	225(95.3)
	Asia	220(92.1)	-
	Mix	16(6.2)	10(4.2)

Table 1 summarizes the demographic profiles of Saudi and British auditors, emphasizing notable disparities that inform their professional judgments. British auditors shown a greater association with Big Four firms (66.5%) and larger audit firms (69.5% in organizations employing 250 or more auditors), while Saudi auditors exhibited a more varied distribution across firm sizes, with 36% affiliated with small firms. This indicates varying institutional frameworks that may affect audit processes. Regarding experience, both samples exhibited professional maturity; however, British auditors predominantly fell within the 11–15 years range (37.7%), whereas Saudi auditors demonstrated a more uniform distribution, with a marginally greater percentage (15.5%) possessing over 20 years of experience. Certification rates were significantly elevated among British auditors (70.3% compared to 51.5%), possibly indicating disparities in access to or prioritization of professional qualifications. Furthermore, international experience was predominantly confined, with the majority of British auditors having operated in Europe (95.3%) and Saudi auditors in Asia (92.1%). The demographic differences highlight the cultural and professional factors that shape their control risk evaluations and sample size determinations.

5.2 The Effect of Power Distance on Control Risk Assessment:

Ordinal logistic regression was performed to investigate the impact of power distance on auditors' control risk evaluation. This method proved suitable for modeling the relationship between cultural orientation and dependence on internal controls, given the ordinal structure of the control risk variable. The findings are summarized in table 2:

Table 2: Ordinal Logistic Regression Results: Effect of Power Distance on Control Risk Assessment.

Culture	**Predictor**	**Dependent Variable**	**Coefficient (β)**	**Std. Error**	**p-value**	**Exp(β)**
Saudi Auditors	Power Distance (PD)	Control Risk Assessment	–0.891	0.163	<0.001	0.41
British Auditors	Power Distance (PD)	Control Risk Assessment	–0.055	0.387	0.887	0.71

Among Saudi auditors, power distance showed a statistically significant negative impact on control risk assessment ($\beta = –0.891$, $p < .001$), suggesting that increased power distance associated with lower perceived control risk. This result supports the previous discussion in the above section (2.2). The discussion states that in high power distance cultures, such as Saudi Arabia, auditors

may be socially or professionally deterred from challenging management assertions, perceiving such behaviors as culturally inappropriate or disrespectful. These attitudes, embedded in hierarchical organizational norms, may lead auditors to underestimate control risk. However, this shouldn't be interpreted as a lack of professional skepticism. Rather, it embodies a culturally appropriate kind of audit judgment influenced by elevated power distance norms, wherein challenging authoritative persons may be regarded as disrespectful (Hofstede & Minkov, 2010). In this setting, auditors may depend more on established internal control systems and firm-level regulations instead of directly confronting management, particularly when long-term client relationships or organizational harmony are prioritized (Nolder & Riley, 2014; Perkins et al., 2022). Furthermore, ISA 200 (IAASB, 2008) emphasizes the necessity of exercising professional judgment within the auditor's environment, acknowledging that effective skepticism may manifest in various ways. Consequently, the decisions taken by Saudi auditors may indicate not an absence of diligence, but a culturally educated and professionally sound approach to fulfilling audit objectives. Therefore, the first hypothesis (H1) is accepted which states that: Power Distance significantly influences control risk assessment among Saudi auditors. However, as shown in table 2 for British auditors, the influence of power distance on control risk assessment was not statistically significant ($\beta = -0.055$, $p = 0.887$). These findings indicate that cultural hierarchy significantly influences risk assessments in high power distance contexts more than in low power distance circumstances. As previously discussed in section (2.2), in low power distance cultures, such as U.K., auditors are more inclined to scrutinize management assertions, conduct analytical procedures, and depend on external validation instead of accepting client clarification uncritically. This leads to increased sensitivity to weaknesses in internal control systems and more cautious control risk evaluations. Therefore, the second hypothesis (H2) is rejected which states that: Power Distance significantly influences control risk assessment among British auditors.

5.3 The Relationship between Control Risk Assessment and Audit Sample Selection

A Spearman's rank-order correlation was performed to examine the relationship between auditors' reliance on internal control and their selection of audit sample size. This non-parametric method was used since both variables are ordinal: reliance in internal control is measured on a 9-point reliance scale, and sample size is represented by percentage categories. Spearman's approach facilitates the assessment of monotonic correlations without the presumption of normality, rendering it suitable for the data structure (Ali Abd Al-Hameed, 2022).

Table 3: Spearman's Rank Correlation Between the Main Variables.

Auditor Group	Variable Pair	Strength of Relationship	Direction	Spearman's ρ	Interpretation
Saudi	Control Risk ~ Sample Size	Moderate	Negative	-0.360**	As reliance on internal control increases, sample size tends to decrease significantly.
British	Control Risk ~ Sample Size	Weak	Negative	-0.109	The inverse relationship is minimal and statistically insignificant.

***Correlation is significant at α (0.01).*

In the Saudi sample, the association between control risk assessment and audit sample size was statistically significant and consistent with theoretical assumptions, affirming that auditors increase sample size in response to elevated control risk. This conclusion aligns with international auditing standards (e.g., ISA 315, ISA 530), which mandate the modification of substantive procedures according to evaluated risk levels. Therefore, the third hypothesis (H3) is accepted which states that: auditors' control risk assessment significantly influences audit sample size selection among Saudi auditors. Conversely, the British sample exhibited a modest although non-statistically significant negative connection between reliance on internal control and audit sample size ($\rho = -0.109$, $p > 0.05$). This finding contradicts both theoretical expectations and international auditing standards (e.g., ISA 315, ISA 530), which assert that elevated control risk should result in augmented substantive testing. Therefore, the fourth hypothesis (H4) is rejected which states that: auditors' control risk assessment significantly influences audit sample size selection among British auditors. This result does not imply that British auditors neglect control-risk-based planning; instead, it highlights the effect of contextual factors—such as auditor experience, firm norms, or reliance on professional discretion—that might reduce the direct influence of control risk on procedural decisions. This highlights that cultural values, however impactful, are mediated by institutional and demographic considerations in practical audit settings.

In light of the unexpected insignificance, a focused subgroup analysis was performed to investigate if the correlation between control risk and sample size differs among various auditor demographics. This comprehensive analysis was based on the concept that audit conduct varies between cultural groups, with factors such as experience, training, or organizational context potentially influencing auditors' application of professional standards. Among all demographic subgroups tested, only one group demonstrated a statistically significant correlation: **British auditors aged 25–30.** This finding is presented in Table 4 below.

Table 4: Spearman's Rank Correlation Between Control Risk Assessment and Sample Size

Age Group	N	Spearman's ρ	p-value	Significance
25–30 years	33	-0.332	0.034	Significant at $\alpha = 0.05$

Spearman's Rank Correlation was utilized to examine the relationship between control risk assessment and audit sample size among British auditors aged 25 to 30, due to the ordinal characteristics of the data and the lack of normal distribution. The study demonstrated a statistically significant negative association ($\rho = -0.332$, $p = 0.034$), suggesting that auditors in this group adhered to the anticipated audit rationale: as perceived control risk increased, the size of audit samples also increased. Auditors in this age category are usually responsible for the field work where they conduct audit planning decisions.

Despite appearing contradictory, the observation that younger auditors demonstrated a greater correlation between control risk assessment and audit sample size selection is likely attributable to their professional training and position within the audit hierarchy. Consequently, they exhibit a more stringent compliance with formal regulations, influenced by restricted independence and increased accountability to oversight frameworks (Saunders et al., 2023). Conversely, experienced auditors may leverage implicit knowledge, client history, or organizational standards, which can provide increased flexibility—or perhaps overconfidence—into planning decisions (Bhattacharjee & Moreno, 2002; Popova, 2012). The transition from rigid compliance with auditing standards to

more heuristic and analytical reasoning is well-documented in the literature on judgment and decision-making, especially as auditors accumulate experience and evolve from normative strategies to more adaptable, experience-driven methods (Nelson, 1990). Consequently, the heightened response to control risk among younger auditors should be regarded not as an exception but as an indication of generational disparities in training, job expectations, and the internalization of standardized audit methodologies.

5.4 Mediation Effect of Control Risk:

A path analysis was performed to investigate if Control Risk mediates the relationship between Power Distance and Audit Sample Size among Saudi and British auditors. The model assessed both direct and indirect effects utilizing bootstrapped confidence intervals to ascertain statistical significance. The results are displayed in the following table:

Table 5: Path Analysis Results for Power Distance and Its Effects on Control Risk and Audit Sample Size by Cultural Group

Cultural Group	β (Beta)	SE	95% Confidence Interval	p-value	Interpretation
Saudi Auditors	4.210	0.090	—	<0.001	Strong and significant mediation via control risk
British Auditors	—	—	—	—	Path analysis not performed: condition of significant predictor–mediator link not met

The path analysis results indicated a distinct variation in the impact of Power Distance on audit judgment between Saudi and British auditors. The results indicated a substantial mediating influence of control risk assessment on the association between power distance and sample size in the Saudi sample. The indirect impact ($\beta = 4.21$, $p < 0.001$) was robust and statistically significant, demonstrating that increased power distance among Saudi auditors correlates with heightened dependence on internal controls, subsequently leading to the selection of smaller audit samples. This corresponds with Hofstede (1980) and Hofstede and Minkov (2010) cultural framework, which defines high power distance societies as prioritizing hierarchy, respect for authority, and centralized decision-making. Cultural trends may diminish auditors' propensity to challenge management's internal control frameworks, consequently affecting their control risk assessments and audit procedures judgments (Nolder & Riley, 2014; Alqarni, 2022). Therefore, the fifth hypothesis (H5) is accepted which states that: Control risk assessment significantly mediates the relationship between power distance and audit sample size among Saudi auditors.

The British sample failed to satisfy the requirements for path analysis, as the ordinal regression indicated there was no significant relationship between power distance and control risk assessment ($\beta = -0.055$, $p = 0.887$). This conclusion aligns with the UK's designation as a low power distance culture, wherein auditors are anticipated to demonstrate professional independence and use skepticism irrespective of hierarchical signals (Nehme et al., 2022; Hung, 2023). The absence of significant indirect effect highlights that in egalitarian cultures, hierarchical cultural values are less probable to influence technical audit judgments. Therefore, the sixth hypothesis (H6) is rejected which states that: Control risk assessment significantly mediates the relationship

between power distance and audit sample size among British auditors.

The divergent outcomes underscore the cultural dependency of audit judgment, indicating that power distance significantly influences reliance on internal controls, and thus sample size selection, in high power distance settings, but not in low power distance situations. This underscores the necessity for culturally responsive auditing standards and training that compensate for the influence of cultural values on fundamental audit processes.

6. Discussion

This study investigated the impact of the cultural dimension of power distance on auditors' control risk evaluations and, in turn, how these evaluations influence the determination of audit sample size in Saudi and British contexts. Ordinal regression findings indicated that Saudi auditors, functioning within a high-power distance culture, generally assigned lower control risk, implying increased trust in client internal controls. This corresponds with Hofstede (1980) cultural theory, which posits that individuals in hierarchical cultures frequently demonstrate respect to authority and formal structures (Hofstede & Minkov, 2010; Allan, 2024). Previous studies indicate that cultural deference may diminish auditors' skepticism and critical examination of internal control assertions (Gull et al., 2024; Wageeh & Ahmed, 2024). Correlation and path analyses further validated the relationship between control risk assessment and audit sample size, particularly within the Saudi sample. Spearman's rank correlation revealed a moderate and statistically significant negative association, suggesting that as reliance on internal control increased, auditors decreased their audit sample size, aligning with audit standards and risk-based planning models (Roustom et al., 2025). Moreover, control risk assessment substantially mediated the association between power distance and audit sample size within the Saudi context, corroborating the theoretical model that posits cultural values affect technical audit decisions via cognitive evaluation of control risk.

Regarding the British sample, ordinal regression analysis indicated no statistically significant relationship between power distance and control risk assessment, implying that auditors' cultural orientation did not significantly influence their judgment of internal controls. Subsequently, Spearman's rank correlation was employed to examine the association between control risk assessment and audit sample size. The investigation indicated a weak and statistically insignificant relationship, implying that British auditors did not significantly alter their sample sizes based on their evaluations of control risk. This conclusion may appear inconsistent with auditing standards like ISA 315 and ISA 530, which mandate adaptations to audit procedures based on evaluated risk; nonetheless, it likely indicates the impact of professional experience, company culture, and reliance on judgment rather than strict procedural compliance. As auditors accumulate experience, they frequently shift from rigid rule-based applications to more judgment-based decision-making, influenced by heuristics, organizational practices, and contextual understanding (Bhattacharjee & Moreno, 2002). This trend may prompt experienced auditors to prioritize client history or internal benchmarks above formal risk indicators. The misalignment between control risk and sample size does not indicate negligence; instead, it highlights how professional independence, and institutional factors can influence the implementation of standards in reality. The path analysis verified the lack of a mediating impact, since both the predictor (power distance) and mediator (control risk assessment) were non-significant. To elucidate these unexpected results, a series of exploratory subgroup analyses were performed utilizing Spearman's rank correlation across demographic groups. The findings indicated a statistically significant negative association

between control risk and sample size among auditors aged 25–30. These results imply that auditors who are responsible of field work where they conduct audit planning decisions, are more compliant with audit standards—exhibited greater alignment with risk-based planning.

These findings align with and expand on the earlier research conducted by Huber (2001) and Sim (2009), both of whom investigated the influence of cultural values on auditors' professional assessments. Huber (2001) executed an experimental investigation wherein American auditors were exposed to two audit scenarios, each designed to represent either a high or low power distance culture. Participants were instructed to operate as if they were immersed in those cultural environments, despite sharing the same national background. The research indicated that individuals envisioning themselves in high power distance environments were more inclined to depend on managerial representations and internal controls. This underscored the possible impact of cultural framing; nevertheless, the design was solely based on hypothetical modification within a singular cultural sample, thereby constraining ecological validity and real-world applicability.

In contrast, Sim (2009) employed genuine auditors from Australia and Taiwan to investigate the impact of national culture on internal control evaluations. Sim concentrated on the cultural aspect of individualism vs. collectivism, discovering that Taiwanese (collectivist) auditors have shown greater belief modification in reaction to management signals. Nevertheless, the study did not examine power distance, nor did it analyze the influence of cultural aspects on procedural decisions such as audit sample size selection.

Conversely to both, the current study experimentally examines the power distance dimension utilizing a professional sample of auditors from two culturally distinct countries: Saudi Arabia and the United Kingdom. This research extends perception studies by utilizing a path analysis model that connects cultural orientation to a specific procedural outcome—audit sample size—via the mediating function of control risk assessment. This method improves external validity by employing actual auditors within their indigenous cultural contexts and provides a more comprehensive cognitive-behavioral framework for understanding the internalization and expression of cultural norms in auditing practices.

The findings indicate that power distance substantially influences audit planning decisions by affecting control risk assessment, a cognitive evaluation that connects cultural values to procedural decisions like sample size. In the Saudi environment, characterized by a high-power distance, auditors demonstrated lower control risk assessments and opted for smaller audit samples, indicating that hierarchical cultural beliefs can result in increased dependence on internal controls. This mediation mechanism underscores that audit decisions are not only technical but are influenced by culturally ingrained views regarding authority and trust. Conversely, the British sample, indicative of a low power distance culture, had no significant relationship between power distance and control risk assessment, nor a significant correlation between control risk and sample size. This indicates that in settings characterized by robust institutional norms and standardized training, cultural influence may be reduced leading audit decisions to be predominantly directed by professional standards rather than social hierarchy. Consequently, the influence of culture on technical audit behavior seems to be more pronounced in environments were submitting to authority is culturally upheld.

These findings offer significant consequences for international auditing practices. Global audit firms must acknowledge that cultural context affects not just the ethical and interpersonal dimensions of auditing but additionally technical considerations, including control risk assessment and sample size determination. Training programs must be culturally relevant, fostering

professional skepticism in high power distance contexts and enhancing standards-based judgment in low power distance circumstances. Regulators and standard-setters should also consider the differing internalization of international auditing standards across diverse cultural contexts. Although the standards are generally consistent, their implementation may be enhanced by regional assistance or culturally informed interpretation. Ultimately, firms conducting cross-border audits should invest in cultural competence training to uphold procedural integrity while accommodating the norms and expectations inherent in varied audit contexts.

7. Conclusion

This study contributes to the cross-cultural auditing literature in three significant aspects. This study experimentally investigates the impact of power distance on auditors' control risk assessments, providing empirical evidence of the influence of cultural values on risk perception in professional judgment. Secondly, it examines the impact of auditors' control risk assessments on their determination of audit sample size, a critical decision integral to audit quality and efficiency. Third, and most significantly, it elucidates the mediation role of control risk assessment in the correlation between power distance and audit sample size, a cognitive mechanism that has been largely overlooked in previous research. This study compares auditors from the culturally diverse contexts of Saudi Arabia and the United Kingdom, elucidating how cultural orientation influences audit decision-making via direct and indirect paths.

The research indicated that among Saudi auditors, an elevated power distance was significantly correlated with lower control risk assessments. These assessments were substantially associated with the selection of smaller audit sample sizes, supporting the proposed mediation model. This suggests that in high-power distance environments, auditors are inclined to place greater trust in internal controls and diminish substantive examination, possibly mirroring cultural norms that emphasize respect for authority and institutional hierarchy. Path analysis demonstrated that control risk assessment significantly mediated the association between power distance and audit sample size within the Saudi sample.

On the contrary, the ordinal regression among British auditors revealed no significant relationship between power distance and control risk assessment. Therefore, the mediation model was not validated within this cultural framework. This indicates that in low-power distance contexts, like the UK, audit decisions are likely to be influenced more by professional standards, systematic training, and institutional audit norms than by hierarchical cultural values. A residual direct effect of power distance on sample size was detected in both cultural contexts, suggesting that cultural values might affect audit decisions independently of risk perception. In the Saudi sample, this direct effect was statistically significant, highlighting the complex impact of cultural orientation on audit conduct.

A more thorough statistical analysis was performed to examine the British sample, where the general association between control risk and sample size was weak and negligible. Subgroup analysis employing Spearman's rank correlation indicated that among auditors aged 25–30, the association between control risk and sample size was statistically significant. This indicates that auditors who are responsible for field work adhere more rigorously to risk-based audit planning models.

These findings emphasize that control risk assessment is both culturally dependent and professionally significant. Power distance influences auditors' willingness to question internal controls, although it is the cognitive assessment of risk that ultimately dictates the extent of audit

procedures. This concept has practical significance for international audit practice, especially in cross-border engagements where cultural norms may quietly yet significantly influence audit planning decisions. To guarantee audit quality and uniformity across countries, international firms and regulators must integrate cultural knowledge into auditor training, standard interpretation, and procedural execution. Recognizing the influence of culture on professional judgment is crucial for developing strong, context-aware global audit frameworks.

8. Limitations, Implications, and Recommendations

8.1 Limitations

This research is constrained by multiple limitations. The study concentrated exclusively on the cultural dimension of power distance, excluding other pertinent dimensions from Hofstede's framework, perhaps constraining the generalizability of the results. The comparison between Saudi and British auditors presents a cultural distinction; however, the limited sample size and regional focus restrict its broader relevance. The utilization of self-reported, scenario-based questionnaires presents possible answer biases, including social desirability. Consequently, owing to the cross-sectional design, significant findings derived from the path analysis must be regarded with caution. Nonetheless, the study employs a meticulously controlled design and delivers a concentrated, theory-driven contribution to comprehending the impact of cultural values on technical audit judgments, establishing a robust basis for future cross-cultural audit research.

8.2 Theoretical and Practical Implications

To the best of our knowledge, this study is one of the few that empirically investigates how cultural values—specifically power distance—influence audit planning decisions via the mediating role of control risk assessment. This offers a novel theoretical contribution by demonstrating that culture influences audit outcomes not only directly but also through the internal cognitive assessments auditors conduct regarding the reliability of internal controls. This work positions control risk assessment as a critical cognitive filter between cultural background and substantive audit procedures, thereby enhancing current models of auditor judgment and decision-making. It theoretically reconceptualizes cultural influence as a dynamic, indirect process that informs auditors' risk interpretation and evidence sufficiency assessment.

The findings offer significant consequences for worldwide auditing practices and regulations. In high power distance contexts like Saudi Arabia, auditors may inadvertently underestimate control risk due to inherent deference to authority, leading to reduced sample sizes and potentially inadequate audit evidence. In contrast, auditors in low power distance environments, such as the UK, may demonstrate increased skepticism, however their perspectives may still differ based on demographic variables such as age and training. These results highlight the necessity for culturally responsive audit training programs, especially in global corporations where uniformity in audit quality is crucial. Regulators and standard setters, including those implementing ISA 315, should integrate cultural adaptability into risk assessment and audit planning guidelines to prevent cultural biases from undermining audit integrity. This study empirically demonstrates how cultural orientation influences fundamental technical decisions via control risk perception, providing practical insights for enhancing audit judgment quality in a progressively international profession.

8.3 Recommendations for Future Research

Building on the current study's findings, Future research should investigate further cultural

dimensions from Hofstede's framework, employing similarly structured mediation models to evaluate their influence on audit planning decisions. Examining the influence of additional cultural dimensions on risk perception and procedural judgments may enhance the theoretical comprehension of cross-cultural auditing behavior. Furthermore, employing experimental or longitudinal designs may facilitate the establishment of causation and allow for the observation of the evolution of auditors' judgments over time or in reaction to shifting regulatory or organizational contexts. Furthermore, broadening the research to encompass a wider range of countries, audit firm sizes, and professional contexts would enhance external validity and reflect varied audit environments. Finally, including qualitative methods—such as comprehensive interviews or ethnographic case studies—may yield deeper understanding of how auditors navigate cultural expectations and professional norms in practice, especially in complex or high-risk audit scenarios.

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