An analysis of submissions on proposed regulations for audit and assurance in New Zealand

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ABSTRACT

After numerous collapses of finance companies in New Zealand, and widespread losses by investors, self-regulation of the auditing profession was no longer considered adequate, or acceptable internationally. The Government sought to restore public perceptions of audit quality and investor confidence in the financial markets with proposals to change existing accounting standards and audit and assurance requirements. The proposals included a review engagement for some entities, and imposing the force of law on auditing standards. We analyse the public submissions on the auditing and assurance aspects of these proposals. Many respondents objected to the proposal requiring small public sector and not-for-profit entities to obtain review engagements, and to giving auditing standards the force of law.

Keywords: Auditing; Regulation; Review Engagements; Financial Report Preparers

JEL codes: M40, M42, M48

Biography and acknowledgements

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1. INTRODUCTION

New Zealand has recently undergone reforms to the requirements for auditing, assurance, and accounting that were described as a comprehensive review of the financial reporting landscape. The changes were partly driven by the recent collapse of a number of finance companies in New Zealand, followed by criticisms by the Registrar of Companies that audit failure may have contributed to the size of investor losses (Harris 2009). These criticisms provided the impetus for proposals by the Government to change the regulations concerning auditors and provision of assurance. In addition, change was needed because the current system of self-regulation was perceived to be no longer internationally acceptable (Power, 2009). The Ministry of Economic Development (MED) and the Accounting Standards Review Board (ASRB) both issued discussion documents on proposed changes. The MED discussion document, The Statutory Framework for Financial Reporting (MED Document) (MED, 2009), covers law and policy issues; while the ASRB discussion document, Proposed Application of Accounting and Assurance Standards under the Proposed New Statutory Framework for Financial Reporting (ASRB Document) (ASRB, 2009), sets out the specific reporting requirements and obligations. Both documents provide question prompts for public submissions on the auditing, assurance and accounting issues discussed.

Examining the arguments put forward in submission letters has been widely used in accounting and auditing research, as it provides a means of understanding the role of accounting and auditing in society, and the views of those affected by them. A large number of studies have analysed submissions on proposed changes to accounting and auditing
regulations or similar documents (e.g. Sutton, 1984; Tutticci et al., 1994; Weetman et al., 1996; Jupe, 2000; Ryan et al., 2000; Weetman, 2001; Hill et al., 2002; Kwok and Sharp, 2005; Masocha and Weetman, 2005; Cortese and Irvine, 2010; Stenka and Taylor, 2010). Analysis of submissions allows researchers to examine the views put forward by participants with differing interests, and to analyse associations between views submitted and membership of affected groups who have different interests.

This paper seeks to complement these previous studies by examining the public submissions made on the proposed reforms in the MED and the ASRB Documents to establish the views about auditing and assurance held by those respondents. There was considerable public interest in the proposals, and submissions were made by a wide variety of interested members of the community. The auditing and assurance proposals included giving assurance standards the force of law; making it an offence to mislead an auditor; and making it an offence for auditors to report misleading matters in an audit report. They also included a three-tier set of assurance requirements, including review engagements for some entities; and the adoption of “pure” International Standards on Auditing (ISA).

Most respondents who made submissions on the audit and assurance questions were representatives of organisations that prepare financial statements. The second largest group was professional accountants, predominantly accountants representing accounting firms that conduct audits and provide other assurance services. (Included in this group were auditors, individual accountants, accounting firms, and professional accounting bodies). Two financial report users made general submissions on the MED Document, but no financial report users made submissions on any of the auditing and assurance proposals. Consistent with the findings of prior literature on lobbying behaviour for income-decreasing standard changes, very few large public entities in the preparers group made submissions. The preparers group
comprised mainly smaller entities that the proposed changes in auditing and assurance requirements would significantly impact economically, due to the proposed increase in assurance requirements and associated costs.

The overall views provided in submissions supported the proposed changes by a narrow majority, with the exception of the proposal (raised by the MED but not recommended by it) that assurance standards should have the force of law. There were also strongly expressed views that not-for-profit entities should not be required to appoint a registered auditor to conduct a review engagement, as this would be a more demanding requirement than their current audits which in some cases are carried out by unqualified volunteer auditors. The results provide evidence that the profile of respondents who made submissions follow the findings of prior literature in being consistent with self-interested behaviour. Prior literature also predicts that professional accountants will make longer submissions than other groups, and this was also the case.

**Research Issue**

The aim of this paper is to contribute to understanding the role of auditing in society. In order to achieve this objective we provide an in-depth discussion and critical analysis of the audit and assurance elements of the reforms proposed by the MED and the ASRB in 2009, and examine the submissions made by interested members of the community on the reform proposals, in particular the views held by respondents about the auditing and assurance issues. Our paper aims through this analysis to provide better understanding and insights into the role of auditing in society. We seek to complement previous studies on submission letters by extending research to a setting where there was widespread participation by people representing smaller organisations within the community, and where lobbying was successful in some matters. We thus contribute by providing in-depth discussion and critical analysis of
recent developments affecting auditors, their clients, and financial report users in New Zealand.

**New Zealand background**

New Zealand has been very late to introduce regulatory reform of auditing, compared to countries with similar economic systems such as Australia or the United States. There was no New Zealand equivalent of Enron (or HIH), and at the time that other countries were adopting reforms, the profession promoted a view that ‘if it ain’t broke, don’t fix it’ (Hagen, 2003) and similar views at approximately the same time were accepted by government ministers (Vaughan, 2002). Later, the chief executive of the New Zealand Institute of Chartered Accountants (NZICA) provided a more formal justification of self-regulation at a speech made before the Council of the International Federation of Accountants (IFAC) when it met in New Zealand (Muriwai, 2005). Thus, while New Zealand is similar to other countries like Australia, the United Kingdom, and the United States in auditing procedures and liability (Hay and Knechel, 2010; Hay and Jeter, 2011), its regulatory setting lagged behind once New Zealand became one of the last countries where auditing was self-regulated.

Leaders of the profession eventually recognised that New Zealand was out of step with other countries, and lobbied for independent regulation. This lobbying included a letter to the Minister of Commerce, signed by the Chairman of the New Zealand Securities Commission and the New Zealand CEOs of the Big 4 audit firms (Diplock *et al.*, 2007).

This was followed by further public statements in newspaper reports by a newly-appointed CEO of NZICA and by other leading accountants urging for independent regulation of auditors, e.g. NZPA (2009a), Slade (2009) and Vilari (2009).
The impetus for change was reinforced by the collapses of a large number of New Zealand finance companies from 2006 onwards. Until that time, there had been several dozen finance companies in New Zealand. They operated by taking deposits from the public and making loans to individuals and businesses. Some companies provided largely consumer finance, e.g., car hire purchase loans; others lent mainly to property developers. According to a report to Parliament by the Registrar of Companies, there was widespread lending to parties related to the directors of the finance companies, and many of the companies engaged in a practice of capitalising interest payments on nonperforming loans (Harris, 2009, 9). In 2006, the first of the companies collapsed; by 2008 there were 24 of them in some form of bankruptcy or moratorium (New Zealand Herald, 2008); and the Registrar’s report in 2009 listed 31 ‘failed finance companies’ (Harris, 2009, 14). Subsequently there have been more failures (e.g., Stock, 2010). Some notorious examples are Provincial Finance Limited, Capital and Merchant Finance Limited, Hanover Finance Limited and South Canterbury Finance Limited.

Harris (2009) concluded that the collapses were largely due to poor corporate governance and risky lending practices, but that auditors were also implicated. He noted that:

‘the audits of many of these finance companies lacked the rigour and analytical depth one would expect for entities managing substantial public investments. There is a view among receivers that if they had been rigorously audited, it is unlikely many of the failed finance companies would have continued in business for as long as they did’ (Harris, 2009, 11).

Harris (2009, 11) also noted that few of these companies were audited by Big 4 firms, and instead many were audited by second tier firms (and in some cases small local firms). Commenting on Harris’s report, the CEO of the NZICA stated that auditors of failed finance companies were being investigated by NZICA under its self-regulatory powers (NZPA, 2009b). A number of them have since been disciplined. A prominent example of flaws in a finance company’s reporting occurred when it was reported that after South Canterbury
Finance made a change from a small local auditor to a Big 4 firm, the accounts were restated, increasing the reported net loss by $105 million (Stock, 2010).

Subsequently, there were further developments that highlight the problems with the audits of finance companies. The (small-firm) auditor of South Canterbury Finance, Woodnorth Myers audit partner Byron Pearson, was disciplined by NZICA and fined $38,000. He was found guilty of accepting assertions from management that no collective provision for doubtful debts was required, when there was information available indicating otherwise; and of failing to exercise due care and diligence, in particular with regard to the recording of capitalised interest in the interest received of $114.48 million, among other charges (NZICA, 2010). The local newspaper reported that ‘Pearson appears to have been aware of his shortcomings in that he told the tribunal he had tried, without success, to get another independent auditor to act as second partner reviewer on the audit’ (Hunter, 2010). In some cases (such as South Canterbury Finance) investors were protected by a government guarantee scheme introduced in 2009 (Associated Press, 2010), but most were not and many suffered considerable hardship (e.g. Press, 2008) and there was a degree of public outrage (Dann, 2010).

The increasing number of finance company collapses and the Registrar’s Report (Harris, 2009) made it apparent that the New Zealand auditing profession was not adequately regulated. The two documents examined in this paper were part of a response to the need to reform New Zealand auditing regulation that also included changes to the overall framework of accounting. A Cabinet paper stated: ‘There are two problems with the status quo. The main problem is that the current self-regulatory system for regulating auditors is weak. The other problem is that self-regulation is no longer internationally acceptable’ Power (2009, 11). According to Power (2009, 3), New Zealand auditors cannot carry out company audits in Australia (although Australian auditors can audit New Zealand companies), and there is an
increasing risk that New Zealand auditors will not be able to audit overseas-owned New Zealand companies.

The two documents that are the subject of this paper were released together in September 2009. While the MED Document is about law and policy issues related to the financial reporting framework, as far as auditing is concerned, it proposes a transfer of responsibility for auditing and assurance standards to an External Reporting Board (XRB) (and includes related proposals, e.g., the force of law requirement). The ASRB Document is a companion document about more specific requirements concerning accounting standards and the appropriate levels of assurance on them.

Announcing them, Power said that:

‘A comprehensive review of New Zealand's financial reporting landscape is long overdue. . . We are really going back to first principles and asking what kind of financial information, and what kind of assurance, do the users of financial reports need’ (Smith 2009).

At about the same time, Power announced (in October 2009) that there would be:

- Independent oversight of auditors through co-regulation. Under co-regulation, professional accounting bodies (e.g., NZICA) have front line responsibility for regulating ‘issuer auditors’; an independent body (the new FMA, Financial Markets Authority) monitors the effectiveness of the professional bodies’ regulatory systems and processes, and has powers to direct them to improve their systems; and the FMA also has ‘safety valve’ power to take over investigations. This is the minimum acceptable to the European Union, according to the Cabinet paper (Power, 2009, 5).

- The Accounting Standards Review Board, a government agency, should be reconstituted as the XRB and include auditor oversight in its role.

- A system to limit audits to individuals with ‘demonstrated auditor-specific capabilities’ and a register of licensed auditors.

**The Audit and Assurance Proposals**

The discussion documents are concerned with different aspects of the statutory accounting and reporting requirements and obligations. The MED Document covers higher-level issues
including the establishment of a three tier reporting framework and the ASRB Document provides more details on what the specific requirements and obligations are for each entity group within the reporting framework. Both documents include auditing and assurance aspects, and both provide question prompts for public submissions relating to the audit and assurance proposals and issues discussed. Some of the proposals are similar to reforms introduced in other countries (e.g., giving the force of law to assurance standards) while others are unique (requiring a review engagement for certain entities).²

Each document has three question prompts for public submissions on the auditing and assurance proposals: six questions in total. The three questions related to auditing posed in the MED Document are (MED, 2009, pp.8-9):

1. (Q24) What are your views on the advantages and disadvantages of giving assurance standards the force of law?
2. (Q25) What are your views on the proposal to make it an offence to unduly influence, coerce, manipulate or mislead an auditor?
3. (Q26) What are your views on the proposal to make it an offence to recklessly or knowingly include false or deceptive matters in an audit report?

The three questions related to auditing posed in the ASRB Document are (ASRB, 2009, p.11):

4. (Q15) Do you agree that the same tiers developed for accounting standard application should be used to determine assurance requirements? If not, what alternative would you suggest and why?
5. (Q16) Do you agree that a satisfactory matching of costs and benefits is achieved by requiring Tier 1 and Tier 2 entities to obtain audit engagements and Tier 3³ entities to obtain review engagements? If not, what alternative would you suggest and why?

² The proposals were intended to apply to all entities with expenditure greater than $100,000 including some small voluntary entities.
³ Tier 3 entities are small public benefit entities, defined as public sector entities with expenditure less than $2 million and not-for-profit entities with expenditure less than $1 million. Some very small public benefit entities (less than $20,000 of expenditure) will be exempt, but not if they are in the public sector or are registered charities. The proposal was that Tier 1 entities (primarily issuers and large public benefit entities, where large is defined as more than $20 million of expenditure for public sector entities or more than $10 million of expenditure)
6. (Q17) Do you consider that pure ISA and pure ISRE [International Standards on Review
Engagements] should be adopted as the basis for providing assurance on General
Purpose Financial Reporting? If not, what alternative would you suggest?

The MED Document (MED, 2009) looks at three audit issues: legal enforcement of the
assurance standards and provisions for the enforceability of offence provisions. The MED
points out that the cost of obtaining a criminal record could promote compliance with
auditing standards (ISA) by auditors. They also note that adopting legal enforcement of
assurance standards would harmonise the New Zealand position with Australia. The main
counter-argument discussed in the MED Document (2009, 61) against legal enforcement of
the assurance standards is that some auditors could become so concerned about technical
breaches of the standards, that they follow the standards to the letter of the law by taking a
‘tick box’ approach rather than applying their professional judgement to the situation.4 There
is also a concern raised by the MED (2009, 61) that if auditors do take this risk averse
approach, it will reduce audit quality and increase audit costs.5 A further consideration
discussed by the MED is allowing the courts to retain the flexibility they currently have in
determining the level of duty of care owed for negligence and other civil cases under the
standards. The preliminary view stated here is that the assurance standards should not have
the force of law and the status quo should remain. A recent interview study in Australia
(Hecimovic et al., 2009, 1) found that the additional burden of compliance with the legally
enforceable assurance standards is not perceived (by accounting firms, professional bodies

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4 There is evidence that this occurred when an equivalent requirement was introduced in Australia (Houghton et al., 2009, ii).
5 Another argument that could be raised is whether legal enforceability would cause some chartered accountants
to decline to be auditors and this evidently also occurred in Australia (Houghton et al., 2009, 412).
and regulatory bodies) to have increased audit quality or public confidence, which were the main aims of the government’s regulatory intervention (AUASB, 2006).

The paper in question recommends the addition of two new audit-related offence provisions; namely (i) to unduly influence, coerce, manipulate or mislead an auditor and (ii) to recklessly or knowingly include false or deceptive matters in an audit report. In evaluating whether unduly influencing, coercing, manipulating and misleading an auditor should be an offence, the effectiveness of existing avenues of leverage open to auditors are considered, with relation to dealing with undue pressure, such as the threat to resign or give a qualified audit opinion. The MED points out that if auditors do not use existing leverage options in the event of undue pressure, then an obligation to report offending conduct is unlikely to make any difference. One advantage of adopting this provision, the MED points out, is that it would harmonise New Zealand legislation with that of Australia.

The MED Document also evaluates whether it should be an offence to include recklessly or knowingly false or deceptive matters in an audit report. In this case, they consider the United Kingdom legislation on this issue, taking the view that the possibility of obtaining a criminal record will act as a deterrent for inappropriate conduct by auditors who are dishonest or incompetent. The MED (2009, 63) believes that although this legislation will not affect the majority of auditors ‘it is unlikely to reduce audit quality and could, on rare occasions, improve audit quality’.

The ASRB Document (ASRB, 2009) looks at three audit and assurance issues, all of which relate to what level of assurance should be required for General Purpose Financial Reporting (GPFR) purposes, and how assurance standards should be set. The most innovative of these is to introduce, for the first time in New Zealand, a requirement for a review engagement as a

6 "Audit" is the term used here and the MED Document does not discuss applying this provision to review engagements.
statutory requirement. The first two assurance issues relate to the proposed tiered reporting framework for GPFR. The first issue is whether the same tiers developed to determine reporting requirements for entity groups should also determine what level their assurance requirements (either audit or review engagement) should be. The ASRB contended that using the same framework for both accounting and assurance purposes would reduce the potential for confusion for preparers and users.

The second issue relates to whether there is a satisfactory matching of the assurance costs and benefits by requiring larger entities to purchase an audit engagement (reasonable assurance) and smaller public sector and not-for-profit entities a review engagement (limited assurance). The ASRB argues that decreases in the size of an entity act as a proxy for user demands in regard to the level of both GPFR and assurance requirements for each entity group within the tiered reporting framework. They consider it reasonable to presume that user assurance requirements reduce proportionately with reductions in entity size as user benefits also decrease. It contends that application of these assurance tiers will reasonably reflect the relative costs and benefits to users. The preliminary view of the ASRB is that using the proposed tiered reporting framework to evaluate the level of assurance required is appropriate, and it represents a reasonable reflection of the relative costs and benefits of assurance to users within the different entity groups.

The last audit issue relates to which standards the proposed XRB should adopt. The proposal is that whichever standards the XRB decides to issue will apply to all persons providing assurance on GPFR, irrespective of whether they are members of the NZICA or volunteer assurance providers such as those sometimes used in the not-for-profit sector. Provision is

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7 However, the ASRB also acknowledges the concern expressed by the Office of the Auditor General (OAG) over the level of assurance proposed for public sector entities by the ASRB. The OAG believes that the public expects a reasonable level of assurance for public sector entities so that all public sector entities regardless of size should have an audit engagement and not the review engagement proposed by the ASRB.
made for other accounting bodies (such as CPA Australia) to also provide audit and assurance standards and to be regulated in the same manner as NZICA members. Thus, for the first time, all assurance providers in New Zealand would comply with the same set of auditing and assurance standards. The ASRB considers whether or not to adopt the ‘pure’ ISA and International Standards on Review Engagements (ISRE) as the basis for providing assurance on GPFRs in New Zealand. The preliminary view of the ASRB is to recommend adopting the ‘pure’ ISA and ISRE standards but also to retain the ability to supplement these international standards as circumstances in New Zealand dictate (ASRB, 2009).

The views of parties affected by both types of these proposed reforms are of interest to provide insights into the role of auditing in society. The remaining sections analyse the views that they put forward.

2. ANALYSIS OF SUBMISSIONS

In order to achieve our goal of understanding the role of auditing in society and the views put forward by those making submissions on the proposed auditing and assurance changes, we examine the arguments put forward in submissions. It is expected that submissions from respondents on the audit and assurance questions in the MED and the ASRB Documents will be consistent with findings from the prior literature on lobbying. These studies suggest preparers are opportunistically motivated and are more likely to lobby if the lobbying benefits maximise their economic self-interest and that larger preparer entities are less likely to support an income increasing proposals (Watts and Zimmerman, 1978, 1986; Francis, 1987; Booth and Cocks, 1990; Tandy and Wilburn, 1996). In contrast, some of these studies have found professionals such as accountants are more likely to act in an objective and neutral manner (Booth and Cocks, 1990), while other studies have found accountants favour regulatory proposals that provide business opportunities (Saemann, 1999). On the basis that
preparers are generally considered to be motivated by self-interest, standard setters are less likely to accept the views of preparers unless their views are supported by respondents from one of the other groups such as professional accountants (McLeay, et al., 2000; Watts and Zimmerman, 1978, 1986).

Our approach to examining these issues is to analyse respondent submissions within the power group framework put forward by Booth and Cocks (1990), and to conduct content analysis of the comment letters (Tutticci, et al., 1994), to identify what type of arguments - general and/or specific - respondents rely on to support their position. We also examine the content of the responses and assess differences in the supporting arguments presented, strength of the responses, and their length. Prior literature findings on lobbying and comments letters based on this approach suggest the response rate of respondents should be the highest for preparers of financial statements and the lowest for users of financial statements (Sutton, 1984; Tandy and Wilburn, 1992; Weetman, et al., 1996).

Preparer organisations that are large can be expected to favour changes to standards that reduce their political exposure (Francis, 1987; Georgiou, 2005; Watts and Zimmerman, 1978). For large organisations, since assurance compliance costs are less likely to increase\(^8\), it is expected that they will favour the auditing and assurance changes. However, for the smaller organisations that anticipate the auditing changes will have a significant impact economically, it is expected these organisations will provide specific economic arguments that relate to their line of business, as well as conceptual arguments, in support of their view (Sutton, 1984; Watts and Zimmerman, 1978, 1986). A further expectation is that if respondents disagree with an issue that they will mostly use conceptual arguments (Stenka and Taylor, 2010; Tutticci, et al., 1994; Watts and Zimmerman, 1978). For those respondents

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\(^8\) The larger organisations are already subject to an audit by a professional auditor, following NZICA auditing standards, while the smaller organisations often have a more informal arrangement.
who agree with an issue, an expectation is that they are less likely to present a supporting argument (Sutton, 1984; Watts and Zimmerman, 1978). It is expected that trade associations within this group will lobby on behalf of their members by taking the majority view of their members (Lindahl, 1987; Stenka and Taylor, 2010; Sutton, 1984; Tutticci, et al., 1994). The professional accountants group is likely be dominated in its composition by accountancy firms and their professional bodies (Tandy and Wilburn, 1996); although it is anticipated that this group will provide objective and general arguments in support of the majority view of its clients or members and their economic interests, this group may also be motivated by self-interest, thus supporting proposals that bring about additional disclosure requirements (Booth and Cocks, 1990; Georgiou, 2002; Saemann, 1999; Watts and Zimmerman, 1982). While the lobbying costs of interpreting and analysing information on an issue may reduce for some individuals if they form an associated body to present an aligned majority view (Lindahl, 1987; Watts and Zimmerman, 1986), due to their diverse motivations, this approach may result in the submission presented by the associated body differing strategically from submissions made by respondents classified in the same subgroup (Tutticci, et al., 1994). Previous studies propose that professional respondents, such as accounting firms and bodies, will present objective, conceptually sound and detailed submissions to enhance their credibility to the public (Hines, 1989); to advertise their expertise and concern to existing and potential clients (Lindahl, 1987); and to promote accounting changes that increase disclosure requirements (Puro, 1984). It is therefore expected that professional accountants will provide longer responses, supported by arguments that are more detailed.

The MED and ASRB Documents were released in September 2009, and public submissions on the discussion questions were required by 31 January 2010. There are 158 respondents who made publicly available submissions on one or both of the documents. A number of respondents made submissions on the audit and assurance proposals under the MED
Document and the ASRB Document, namely 47 respondents and 45 respondents respectively.

First, we examined all submissions to assess the profile of respondents. We ascertained, firstly, who the respondents were and allocated them to a group based on the four power groups identified by Booth and Cocks (1990). Secondly, we classified them by whether the respondent answered the general submission questions from one or both of the discussion documents, and lastly, whether they made submissions on the auditing and assurance proposals in the MED and ASRB Documents.

Subsequently, we examined the smaller datasets of respondents who made submissions on the auditing and assurance proposals in the discussion documents, to ascertain the simple vote of respondents on each of the six audit questions, to assess whether the responses and views held by respondents showed evidence of self-interested behaviour, and to examine the content of their submissions and to draw out inferences about the responses using several different levels of content analysis (Stenka & Taylor, 2010; Tuttici, et al., 1994). The submissions were relatively straightforward to code, and one author completed this process.

3. RESULTS AND DISCUSSION

3.1 The respondents’ profile

We first analysed all the submissions in order to examine who the respondents were. Table 1 provides a profile of the 158 respondents by discussion document and by group, based firstly on general submissions on the discussion documents, and secondly on submissions on the auditing and assurance proposals. Respondents are grouped on the basis of the four power groups identified by Booth and Cocks (1990), namely preparers of financial statements (100 respondents), professional accountants (39), users of financial statements (2) and government
entities (7) on the basis that each power group has a different mode of rationality. An additional group is used for those respondents who did not clearly identify which group they belonged to (10) and which we call ‘individuals and unknowns’.

INSERT TABLE 1

The results showed that the largest number of respondents was preparers, followed by professional accountants. These results are consistent with the findings of Tutticci et al (1994), and the theoretical arguments of both Sutton (1984) and Francis (1987), that a larger proportion of the respondents will be from preparers of financial statements, as they bear most of the economic impact of the proposed changes, and for this reason, user involvement in the lobbying process will be very low. In this case, the proposed audit and assurance changes will directly affect those in the preparers group; probably resulting in economic consequences, particularly for those preparers now required to move from a pro bono or unqualified auditor to a professional auditor providing a review engagement. It was anticipated that a larger proportion of the preparers group that made audit submissions would be from those to be newly included under the audit and assurance requirements by the proposed changes. The results are consistent with this proposition.

Most of the audit and assurance submissions from the preparers group were from large private organisations, charities and not-for-profit entities, and the least number of submissions came from large public companies, which provided only one audit submission. This pattern of responses from preparers is consistent with the economic self-interest arguments of Watts and Zimmerman (1978, 1986). For the preparer group, the audit proposals under the ASRB are more likely to have an adverse effect on large private organisations, charities and not-for-profit entities. The suggested changes are likely to have an income-decreasing effect due to the proposed increase in compliance requirements being
more costly. The large private preparers, charities and not-for-profit preparers who are more likely to be affected adversely by the ASRB proposals made more submissions on the ASRB audit and assurance proposals than on the MED proposals. Thus, these response results to audit and assurance proposals are consistent with results from prior literature on lobbying behaviour in response to accounting standard changes, and they are also consistent with the self-interest theoretical framework that suggests submissions depend on the economic impact from the proposed changes on the affected parties.

3.2 The Content of Submissions

We next consider what the responses were. The remainder of the analysis uses the smaller datasets of respondents who made audit and assurance submissions under the MED Document and the ASRB Document, namely 47 respondents and 45 respondents respectively.

For each question, the majority view of respondents reflected the preliminary views proposed by the MED and the ASRB Documents. The largest response was for question 16 from the ASRB Document at 95.6%. Just over 58% of those respondents agreed that a satisfactory matching of costs and benefits is achieved by requiring Tier 1 and Tier 2 entities to obtain audit engagements, and Tier 3 entities to obtain review engagements. The next highest response from respondents was for questions 24 and 26 from the MED Document. For question 24, almost 74% of those respondents disagreed with giving assurance standards the force of law. However, for this question, some respondents (11, or 23.4%) took a public interest approach and made strong submissions in favour of giving the assurance standards the force of law. For question 26 almost 67% of respondents were in favour of making it an offence to recklessly or knowingly include false or deceptive matters in an audit report.
The last two proposals in the ASRB Document generated many submissions. The effect of these proposals (requiring a review engagement, and imposing international standards) is to impose higher costs on many smaller non-profit entities. A number of the non-profit entities indicated in their submissions that at present they are able to utilise the services of persons such as retired accountants (for instance) for little or no cost to do their accounts and/or audits, sometimes without following the professional standards on auditing. (Auditors in these circumstances are not required to be members of NZICA, or of any other professional body, and are not bound by any code of ethics or disciplinary proceedings). Hay and Davis (2004) report that many not-for-profit entities in New Zealand have the voluntary choice of an auditor of any level of quality. Many submissions expressed concern that if the proposals go ahead, these pro bono services will disappear and there will be an increase in costs. First since all auditors will have to be licensed, the auditors will want to pass their licensing costs (training, fees etc.) on to clients and many of the volunteers who now do pro bono audit work will not bother to become licensed auditors (due to training requirements and/or fees). If this is the case, then non-profit entities that wish to have an audit will have to pay a licensed auditor to do the work. Second, non-profit entities that exceed the expenditure threshold will have additional requirements imposed on them in the form of reporting requirements and a review engagement. So while these entities now may have a pro bono person completing the reporting and audit requirements, it is proposed these will now be formalised as a statutory requirement to meet a specified professional standard – so there will be increased costs in order to achieve the benefits of these higher standards of assurance.

3.3 Evidence about self-interested behaviour

Third, we examine to what extent there are differences among the groups in their responses. There were two issues where different groups of respondents provided different responses. In both cases there appeared to be an element of self-interest. A breakdown of the vote position
for question 16 (review engagements) by groups and subgroups reveals that 73.3% of those professional accountants who responded to this question were in agreement with the proposal for review engagements, whereas preparers showed an ambivalent tendency toward it. The majority of the disagreement from preparers for the review engagement requirement came from charities and not-for-profit organisations, again consistent with their self-interest.

A breakdown of the vote position for question 26 (offence for auditors to recklessly or knowingly include false or deceptive matters in an audit report) by groups and subgroups reveals that the majority of the agreement came from preparers at 42.8%, with professional accountants showing ambivalence to the proposal. The main preparer support came from large private organisations, industry associations and community trusts. For professional accountants the main objection came from individual accountants and firms, although 36% did agree with the proposal. The rest of the support came from the other subgroups of professional accountants. For the other four questions, the responses did not differ among the different groups of respondents. In each case, over 70% of respondents agreed with the recommendation in the MED or ASRB Document (which meant they were against force of law for auditing standards, and in favour of it being an offence to mislead an auditor, in favour of a three tier structure for reporting and assurance requirements and in favour of pure ISA).

3.4 Content Analysis

The following analysis follows the approach used by Tutticci et al (1994) and focuses on the content of the audit and assurance submissions made by respondents to ascertain the level of their support and the strategies they used. We analysed the extent to which the respondents used supporting arguments, the length of their responses, and the number of questions addressed.
(a) Provision of Supporting Arguments

More than three quarters of all the audit and assurance submissions made by respondents contained supporting arguments. These respondents relied mainly on conceptual supporting arguments to validate their vote position. Table 2 summarises the voting approach of respondents for each question in terms of both the use of a supporting argument and the type of argument used. Respondents addressing question 24 provided supporting arguments most often at 95.2%. Those respondents who provided supporting arguments used conceptually-based arguments more often when addressing questions from the MED Document, especially for question 24. Only 7.3% of respondents who provided supported audit and assurance submissions on the MED Document provided both types of supporting arguments compared with 43.5% of respondents who provided support for their submissions on the ASRB proposals.

 Contrary to prior research that indicates the main motivation for lobbying by respondents is their own economic self-interest, Table 2 results suggest these respondents more readily provided conceptual arguments in their audit and assurance submissions than specific consequences based on their own economic self-interest. One possible explanation suggested by Tutticci et al (1994) is that respondents have become more familiar with the lobbying process and believe influencing standard setters is best achieved by using conceptual arguments based on the discussion document rather than arguments based on their own economic self-interest. Another explanation may be that where respondents understand more fully the economic impact on them of the proposed changes they are better able to provide both types of supporting arguments.
(b) Length of response and number of questions addressed

In addition to using supporting arguments, respondents also used stronger or weaker language, and discussions of varying lengths, to validate their vote position. We analysed these aspects of the responses to assess whether any differences were as we expected. However, none of the results for strength of language by question or by vote position is significant. The other strategies that we analysed were length of argument and number of questions addressed. Analysis of submission length and number of questions addressed revealed considerable variation. A number of respondents, especially those from the professional accountants and government groups for the ASRB audit and assurance submissions, used quite lengthy arguments to give weight to their submission, while others focused on particular questions. A number of the preparer charities presented identical or very similar submissions suggesting they formed a collective action group to reduce submission costs. Discussions with a representative from one of these preparer charities revealed that the particular charity had made its submission available as a resource to a number of other similar charities.

Table 3 presents the results of content analysis by respondent group based on the number of lines in the response and number of questions addressed for each discussion document. Differences in response length among groups were not significant.

**INSERT TABLE 3**

Further tests for any differences between responses by the various groups were conducted using Mann-Whitney U tests to compare each group with each other group. (The detailed results are not shown). The only differences that were significant were for the number of ASRB audit questions addressed by preparers compared to professional accountants. Professional accountants answered more questions than preparers. In addition, professional
accountants submitted longer responses than preparers for both discussion documents. This result is consistent with the professional motivation arguments discussed in section 2, which predict professional accountants will present longer responses supported by arguments that are more detailed to advertise their expertise and support additional disclosure requirements. Government entities made few submissions. Tutticci et al (1994) points out that this group historically has had low participation in standard setting processes due to a relatively low economic consequence, except where a proposed standard may affect the public sector.

(c) Strength of Support

Another way respondents can give weight to their vote is by the level of support or opposition they convey for a proposal. In this case, the content of each submission was analysed and rated using a Likert scale between 1 to 5, where level 1 equated to full acceptance of the particular proposal and level 5 represented a total rejection of the proposal.

In the analysis of the submission content, it would have been difficult to establish a difference between those respondents who agreed with the proposal but had substantial reservations about the proposal and those respondents who disagreed with the proposal based on a severe reservation with a major aspect of the proposal. Respondents who made either of these two types of submission were both allocated level 3 on the scale. Those respondents who fundamentally objected to the proposal without providing an alternative suggestion were allocated level 4. If they provided an alternative suggestion then they were allocated level 5. At the acceptance end of the scale, those respondents who had little or no objection to the proposal were allocated level 1, and those respondents who agreed with the proposal but had a reasonably strong or particular reservation about the proposal were allocated level 2. An analysis of the variation of level of support by vote position and discussion document is presented in Table 4.
For the MED audit questions, just over 61% of voting respondents were in full agreement with the audit and assurance proposals presented in that document. The number agreeing without reservations was high, while those disagreeing were more likely to be classified less strongly, as objecting without providing an alternative suggestion (level 4). The results for both documents are significant at the 1% level. In contrast, only 37.8% of voting respondents were in full agreement with the ASRB audit and assurance proposals. Including respondents who held some reservation (level 2), there was a bare majority of 54% of voting respondents that are in favour of the ASRB audit proposals. The next highest number of voting respondents was level 3 at 28.8%, indicating nearly a third of voting respondents had severe or substantial reservations about the ASRB audit and assurance proposals. The recurring reservation among the ASRB respondents from level 2 to level 5 involved the audit and assurance proposal requiring Tier 3 entities to obtain an assurance engagement. Some respondents proposed minor alterations to improve this aspect of the proposal while others who fundamentally objected to the proposal provided an alternative model.

An analysis of those respondents who had some reservations (Level 2) revealed that these respondents tended to include large private preparers and preparer associations. Those respondents who had more serious reservations (Levels 3 to 5) included charities and not-for-profit entities as well as some professional accountants. The results for the preparers group are as expected given that the ASRB proposals are more likely to have a greater impact on charities and not-for-profit entities than large private entities due to the proposed increase in assurance requirements and associated costs. However, the level of support from the professional accountants group ranged from Level 1 to Level 5. Thus it is difficult to suggest from these results whether the professionals group response was in support of the majority
view of their clients and/or members, or whether they were motivated by self-interest, supporting the proposals that increased disclosure requirements (Watts and Zimmerman, 1982; Booth and Cocks, 1990; Saemann, 1999; Georgiou, 2002) or whether they each responded to the proposals in an objective and neutral manner (Booth and Cocks, 1990). An investigation of the breakdown of the level of support from professional accountants on the ASRB proposals revealed that no professional subgroup dominated a particular level of support. On this basis, these results suggest the submissions of preparers that had reservations about the ASRB proposals are supported by a range of the professional accountants (McLeay, et al., 2000; Watts and Zimmerman, 1978, 1986).

4. CONCLUSION

This paper contributes to understanding the role of auditing in society by addressing a number of issues relating to the audit and assurance reforms proposed by the MED and the ASRB in 2009. We provide an in-depth discussion and critical analysis of the audit and assurance proposals set out in the MED and ASRB Documents and examine the views put forward by those making submissions on the reform proposals, to analyse and understand the changes and the views of those affected. This study also examines whether the profile of respondents who made submissions on the auditing and assurance proposals is consistent with the findings of prior literature on lobbying behaviour for accounting standard changes. Further, from a policy and standard setting perspective, we examine whether the MED and the ASRB preliminary views on the auditing and assurance proposals align with the views of some or all of the affected parties. This aspect of the study contributes by providing in-depth discussion and critical analysis of recent developments affecting auditors, their clients, and financial report users in New Zealand.
In general, the responses showed a narrow majority in support of the recommendations – that is, to reject applying the force of law to assurance standards, and to adopt the other five recommendations. There were two areas where different groups responded with different views. Many preparers were opposed to the recommendation that they would be required to have a review engagement in place of the informal audits (or no audits) that some currently have, while most professionals were in favour. Most preparers favoured the proposal making it an offence for an audit report to recklessly or knowingly include false or deceptive matters, but professionals were equally divided for and against this proposal.

The results from the content analysis of audit and assurance submissions were consistent with the findings from prior literature on lobbying behaviour. Most respondents provided supporting arguments to give more weight to their vote position. Respondents that disagreed with a proposal were more likely to provide supporting arguments, and often relied on either conceptual arguments alone or both conceptual and specific consequences to validate their vote position. Respondents who provided supporting arguments used conceptually-based arguments alone more often when addressing the MED issues of legal enforceability compared to those respondents who provided supporting arguments for their submissions on the ASRB issues of assurance standards. Respondents also tended to lengthen their supporting arguments if they disagreed with a proposal.

The audit and assurance proposal that had the lowest majority of voting respondents and the least defined levels of agreement and disagreement related to the proposal for a requirement for review engagements. Although a number of the respondents who expressed a more serious reservation on this audit proposal were charities and not-for-profit entities from the preparers group, a number were also from professional accountants and professional associations in the professionals group. Many of the respondents considered that requiring a
review was too demanding and expensive. In contrast, there is also a view expressed (by the Office of the Auditor-General) that in many cases a review is not enough and that an audit is needed.

The study provides an opportunity to gain insights into the views of auditing and assurance held by affected members of the community, especially representatives of smaller community-based organisations. The results show that preparers and professional accountants show a strong interest in these issues, but users of financial statements do not. Preparers are in favour of audits, but prefer them to be defined on their own terms – for example, many entities prefer an informally defined audit (by a pro bono auditor who is not required to follow the full auditing standards) to an audit that meets professional standards, or even a review by a professional auditor who is subject to auditing standards, practice review and discipline. The respondents were strongly opposed to an Australian-style requirement to give auditing standards the force of law. Self-interest was evident in the submissions, particularly those from preparers, who sought to avoid higher costs being imposed upon them.

Limitations to the study include our inability to find out the views of non-respondents. It is also possible that respondents were not fully informed, or gave intentionally misleading responses. Nevertheless, this approach to research has the potential to ascertain how auditing and assurance are seen by the community in ways that other research cannot.

After these submissions, the Government presented the Auditor Regulation and External Reporting Bill to Parliament, and this was passed into law in May 2011 as the Auditor Regulation Act 2011 and the Financial Reporting Amendment Act 2011 (NZPA 2011). The legislation included a number of changes consistent with the views presented by respondents. These included making it clear that regulation would apply only to the auditors of issuers (entities that seek investment from the general public through equity or debt, including for
example listed companies and banks) and not to other entities such as non-profit bodies (NZPA 2011) that were active in making submissions against being required to be audited (or to have review engagements) by auditors using professional standards. The requirement that auditing standards have the force of law was included in the Bill presented to Parliament, but subsequently dropped from the Act, after lobbying by the NZICA in opposition to ‘criminalising breaches of auditing standards’ (Chartered Accountants Journal, 2011). The other two offence provisions raised in the MED document were dropped before the Bill was introduced.

New Zealand has been one of the last countries to move from self-regulation of auditing, and has done so using quite minimal reform. In conclusion, this study shows that people have views about audit and assurance; that they like informal arrangements in some circumstances; and that their views can have an impact. Our paper contributes to in-depth discussion and critical analysis of these recent developments regarding auditing in New Zealand.
References


Slade, M. 2009. 'Call for Auditor Watchdog Before Scandal Hits', New Zealand Herald, 22 June.


Table 1: Respondent Group Profile by Discussion Document and Audit and Assurance Submissions

<table>
<thead>
<tr>
<th>Document Answered</th>
<th>MED Document</th>
<th>ASRB Document</th>
<th>Number of respondents†</th>
<th>MED Audit Questions</th>
<th>ASRB Audit Questions</th>
<th>Number of respondents †</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>Preparers</td>
<td>96</td>
<td>46</td>
<td>100</td>
<td>24</td>
<td>23</td>
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<td>58.2%</td>
<td>63.6%</td>
<td>51.1%</td>
<td>51.1%</td>
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<td>39</td>
<td>18</td>
<td>16</td>
<td>23</td>
</tr>
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<td>accountants‡</td>
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<td>0</td>
</tr>
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<td>.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>.0%</td>
</tr>
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<td>5</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>4</td>
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<td>4.5%</td>
<td>6.4%</td>
<td>8.9%</td>
<td>10.3%</td>
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<td>Individuals and</td>
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<td>5</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>unknowns</td>
<td>6.2%</td>
<td>6.3%</td>
<td>6.1%</td>
<td>4.3%</td>
<td>4.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Totals</td>
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<td>158</td>
<td>47</td>
<td>45</td>
<td>63</td>
</tr>
<tr>
<td>% Totals</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

† Adjusted so that respondents who submitted on both discussion documents are not counted twice.

‡ Includes auditors, individual accountants, accounting firms and professional accounting bodies.
<table>
<thead>
<tr>
<th>Question</th>
<th>Self-interest</th>
<th>Conceptual</th>
<th>Support</th>
<th>Both</th>
<th>Total</th>
<th>(%)</th>
<th>No Support</th>
<th>Number</th>
<th>(%)</th>
<th>Total</th>
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</tr>
<tr>
<td>25</td>
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<td>25</td>
<td>1</td>
<td>26</td>
<td>65.0%</td>
<td>14</td>
<td>35.0%</td>
<td>40</td>
<td></td>
<td></td>
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<tr>
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<td>29</td>
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<td>30</td>
<td>71.4%</td>
<td>12</td>
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<td>42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>1</td>
<td>19</td>
<td>9</td>
<td>29</td>
<td>74.4%</td>
<td>10</td>
<td>25.6%</td>
<td>39</td>
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<td>6</td>
<td>14.0%</td>
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<td>17</td>
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<td>15</td>
<td>7</td>
<td>22</td>
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<td>7</td>
<td>24.1%</td>
<td>29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>2</td>
<td>138</td>
<td>44</td>
<td>184</td>
<td>78.3%</td>
<td>51</td>
<td>21.7%</td>
<td>235</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

S= Specific consequences arguments based on self-interest
C=Conceptual arguments
B=Both specific consequences and conceptual arguments provided
### Table 3: Length of Submissions by Respondent Group and Discussion Document

<table>
<thead>
<tr>
<th>MED Document</th>
<th>Respondent Groups</th>
<th>Average number of Lines</th>
<th>Standard Deviation (range)</th>
<th>Average number of questions</th>
<th>Standard Deviation (range)</th>
<th>Number of Submissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparers</td>
<td>12.08</td>
<td>10.142 (2-39)</td>
<td>2.67</td>
<td>0.637 (1-3)</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>Professional accountants</td>
<td>14.28</td>
<td>12.456 (2-50)</td>
<td>2.61</td>
<td>0.608 (1-3)</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Government</td>
<td>16.33</td>
<td>5.508 (10-20)</td>
<td>3.00</td>
<td>0.000 (3-3)</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Individuals and unknowns</td>
<td>8.00</td>
<td>1.414 (7-9)</td>
<td>2.00</td>
<td>1.414 (1-3)</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

Results of Kruskal-Wallis tests for differences among respondent groups:
Average number of lines $KW = 1.716$ ($\rho = 0.633$)
Average number of questions $KW = 2.308$ ($\rho = 0.511$)

<table>
<thead>
<tr>
<th>ASRB Document</th>
<th>Respondent Groups</th>
<th>Average number of Lines</th>
<th>Standard Deviation (range)</th>
<th>Average number of questions</th>
<th>Standard Deviation (range)</th>
<th>Number of Submissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparers</td>
<td>13.35</td>
<td>9.103 (2-44)</td>
<td>2.30</td>
<td>0.765 (4-6)</td>
<td></td>
<td>23</td>
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<tr>
<td>Professional accountants</td>
<td>22.56</td>
<td>20.314 (4-71)</td>
<td>2.75</td>
<td>0.608 (4-6)</td>
<td></td>
<td>16</td>
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<tr>
<td>Government</td>
<td>21.25</td>
<td>28.687 (3-64)</td>
<td>2.00</td>
<td>1.155 (4-6)</td>
<td></td>
<td>4</td>
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<tr>
<td>Individuals and unknowns</td>
<td>7.00</td>
<td>0.000 (7-7)</td>
<td>3.00</td>
<td>0.000 (4-6)</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

Results of Kruskal-Wallis tests for differences among respondent groups:
Average number of lines $KW = 14.120$ ($\rho = 0.249$)
Average number of questions $KW = 6.451$ ($\rho = 0.092$)
Table 4: Strength of Level of Support by Vote Position

<table>
<thead>
<tr>
<th>MED Document</th>
<th>Level of Support for Preliminary View</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote Position</td>
<td>Agree</td>
<td>76</td>
<td>5</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>88</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>28</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Totals</td>
<td>76</td>
<td>5</td>
<td>13</td>
<td>28</td>
<td>2</td>
<td>124</td>
</tr>
</tbody>
</table>

61.3% 4% 10.5% 22.6% 1.6% 100%

Result of test of whether vote position and level of support are different using chi-squared tests or Fisher exact tests (FXT):

\( \chi^2 \) (including votes with no arguments) = 108.319 (\( \rho = 0.000 \))  \( \text{FXT} = 120.683 (\rho = 0.000) \)***

Result by question:

Q24: \( \chi^2 = 42.000 (\rho = 0.000) \)  \( \text{FXT} = 41.878 (\rho = 0.000) \)***

Q25: \( \chi^2 = 29.969 (\rho = 0.000) \)  \( \text{FXT} = 29.260 (\rho = 0.000) \)***

Q26: \( \chi^2 = 39.000 (\rho = 0.000) \)  \( \text{FXT} = 41.814 (\rho = 0.000) \)***

*** Significant at the 1% level

<table>
<thead>
<tr>
<th>ASRB Document</th>
<th>Level of Support for Preliminary View</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote Position</td>
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<td>42</td>
<td>18</td>
<td>19</td>
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<td>0</td>
<td>79</td>
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<tr>
<td></td>
<td>Disagree</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>8</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td></td>
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<td>42</td>
<td>18</td>
<td>32</td>
<td>8</td>
<td>11</td>
<td>111</td>
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</tbody>
</table>

37.8% 16.2% 28.8% 7.2% 10% 100%

Result of test of whether vote position and level of support are different using chi-squared tests or Fisher exact tests (FXT):

\( \chi^2 \) (including votes with no arguments) = 73.380 (\( \rho = 0.000 \))  \( \text{FXT} = 78.157 (\rho = 0.000) \)***

Result by question:

Q15: \( \chi^2 = 24.696 (\rho = 0.000) \)  \( \text{FXT} = 23.160 (\rho = 0.000) \)***

Q16: \( \chi^2 = 32.043 (\rho = 0.000) \)  \( \text{FXT} = 33.288 (\rho = 0.000) \)***

Q17: \( \chi^2 = 12.180 (\rho = 0.014) \)  \( \text{FXT} = 9.239 (\rho = 0.010) \)

*** Significant at the 1% level