

Extent of Disclosure in the Annual Reports of Malaysian Federal Statutory Bodies

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Abstract

Federal statutory bodies in Malaysia are public sector organizations that adopt a corporate style-management, where annual report serves as an important accountability medium. This study aimed at determining the extent of accountability information disclosed by these bodies in their annual reports. Using a disclosure index derived from the public accountability paradigm, 106 annual reports were analysed. Findings suggest that these bodies provided a moderate level of disclosure in their reports. The highest disclosure was found in the Performance category while the least disclosure was detected in the Governance category. In this regard, more efforts are required in ensuring that the annual reports of such federal statutory bodies serve more effectively as a mechanism by which public accountability agenda can be achieved and fulfilled.

Keywords: Accountability; Disclosure; Public Sector; Reporting; Statutory bodies

1. Introduction

In many parts of the world, semi-governmental bodies are created because respective ministerial departments in various countries are not capable of handling certain public sector functions particularly those related to the commercial fields (McCrae and Aiken, 1988). Likewise, the Malaysian federal statutory bodies (MFSB) were established as semi-governmental agencies for the purpose of achieving specific governmental objectives. The MFSB are awarded greater autonomy than governmental departments. They undertake various nature of activities including education, regulatory and socio-economic affairs. Many financial, management and accountability issues surround the MFSB, with a quarter of them suffering from deficits. In relation to reporting, the Malaysian Treasury has issued a circular, Treasury circular (TC) no. 4/2007, which guides the MFSB on the preparation and presentation of their annual reports and financial statements.

Based on the above, it seems apparent that the MFSB have to provide an extensive accountability and obligation to the wider public. This need is attributed largely to the impact they have on the lives of many citizens - both as the provider of large amounts of public resources consumed and as service recipients. Thus, it is very relevant and important that the MFSB discharge their public accountability. However, with the autonomy granted to the MFSB, there have been concerns about their ability to maintain a balance between discharging public accountability and acting independently. Guthrie (1993), for example, commented that the traditional public sector accountability is likely to be compromised when the corporate form is used in public sector agencies, as greater attention is given to its commercial rather than its social objectives. This issue represents the extra challenge faced by such types of bodies, particularly in their duty of discharging public accountability.

In looking at public sector reforms and New Public Management (NPM)¹, several authors such as Patrizio (2010) noted that annual report disclosures, as an NPM strategy, can be used by public sector bodies to enhance their public accountability. This is because annual reports are regarded as the main medium of disseminating information to stakeholders (Wei et al., 2008). Based on this, disclosures in MFSB annual reports can thus be used as a valuable tool in assessing the level of public accountability discharged. Consistent with the public accountability paradigm as propagated

¹NPM, according to Hood (1995) is a suite of changes to public sector management as a result of two doctrines, namely: (i) that the public and private sectors should be made less separable by aligning the private sector with the public sector, and, (ii) that rules within the public sector should be lessened so as to increase managerial discretion.

by authors such as Ijiri (1983), this present study contends that MFSB annual report disclosures must address multiple information dimensions including financial, performance, governance, sustainability, intellectual capital and others, all of which have been referred to in literature, as accountability disclosure. This study is motivated by the need to determine the extent of accountability disclosures provided by the MFSB in their annual reports. The outcome of this study will be helpful in evaluating public accountability discharged and will enable public sector practitioners to improve their level of public accountability discharged by practising wider disclosures in their external reports. Further, the outcome may add to the existing knowledge of disclosure practices made by public sectors in developing countries. This is because prior studies tend to focus on developed nations only. Goddard (2010) mentioned the importance of the insight into public sector disclosure practices in developing nations. In this regard, it is even more important than those vibrant research conducted in developed nations.

2. Literature Review

The importance of accountability in the public sector has been summarised by Samaratunge et al. (2008) who stated that the lack of accountability makes a state weak and its public management system dysfunctional. As agents entrusted with public resources, public organisations must be transparent on their activities and performance. Their accountability must be revealed and rightly assessed by stakeholders (Abu Bakar and Saleh, 2015; Abu Bakar et al., 2011). Transparency, disclosure and accountability are, in fact, interrelated concepts where transparency refers to voluntary disclosure (Ho and Shun Wong (2001). It is the key principle of accountability. The link between disclosure and accountability is well noted by many including Dixon et al. (1993) and Ferlie and Pollitt (2005) who agreed that a comprehensive public disclosure of information by public bodies is the main gateway to provide improved and wider accountability.

This concept of comprehensive disclosure is, in fact, consistent with the public accountability paradigm which addresses the widespread demand for greater accountability of public institutions and officials. The paradigm recognises the entitlement by a diverse group of stakeholders to information. Based on this paradigm, a valuable annual report would include a wide range of summarised, relevant information in a single document that enables stakeholders to obtain a comprehensive understanding of [an entity's] objectives and performance in financial and non-financial terms (Coy et al., 2001). Further, the comprehensive disclosure is important because traditional financial reporting measures had been inadequate in providing a complete account of business and governmental activities (Marcuccio and Steccolini, 2009). As part of the public sector reform process which pushes for greater accountability and external disclosure (Marcuccio and Steccolini, 2005), public sector reporting needs to be consequently reformed and this can be done by introducing greater disclosures.

Studies which address this need for comprehensive disclosures covering many different aspects of reporting have been using terms such as accountability disclosure/reporting to represent this kind of disclosure, a move that is consistent with the public accountability paradigm. Predominantly, such studies were conducted in higher educational institutions in developed countries (e.g. Coy and Dixon, 2004; Coy et al., 1993; Dixon et al., 1991; Nelson et al., 1997). Banks et al. (1997), for example, assessed disclosures in the 1992 to 1994 annual reports of universities in England, Wales, and Northern Ireland. They found that there was a lack of quantity or quality disclosure. They also reported that there was no statistically significant change throughout the years. Later, Nelson et al. (2003) tracked the Canadian universities' annual report disclosure from 1988 to 2000. They also observed very little change in the accountability disclosures from then until 1997. In Malaysia, as a less developed country, Ismail and Abu Bakar (2011) had evaluated the extent of accountability disclosure in the annual reports of 11 Malaysian universities. Their study revealed that accountability disclosure appeared higher in established universities' group as compared to new universities. In their latter study, Ismail and Abu Bakar (2015) evaluated the compliance of Malaysian public universities' annual report with the Malaysia government Treasury Circular no. 4/2007 (TC4/2007) in disclosing accountability information. They noted that public universities have not fully complied with the minimum disclosure requirements and that the degree of accountability information disclosure is lower. Additionally, unlike in their previous study, the established universities group also subscribed to a lower degree of compliance in the minimum disclosure requirements as compared to new universities.

All the abovementioned studies examined disclosures of universities. Few studies focused on accountability disclosures in other settings. Among these few were Ryan et al. (2002) and Blanco et al. (2011) who studied Australian and Canadian local governments' annual reports respectively. Herawaty and Hoque (2007) focused on Australian governmental departments.

Alongside these studies, some focused on public sectors but they were confined towards assessing only one aspect at a time for instance, financial (e.g. Banks and Nelson, 1994), governance (e.g. Ryan and Ng, 2000), performance (e.g. Boyne and Law, 1991), sustainability (e.g. Marcuccio and Steccolini, 2005) and intellectual capital (e.g.

Schneider and Samkin, 2008) reporting only. The above facts also apply to studies on semi-governmental bodies such as statutory authorities in Australia, executive agencies in the UK and MFSB in Malaysia. These studies appear to focus on specific aspects of reporting particularly, on performance reporting (e.g. Hyndman and Andersen, 1995; Hyndman and Anderson, 1998; Janet, 2006; Rutherford, 2000; Taylor, 2006), financial (i.e. Pendlebury et al., 1994) and governance reporting (i.e. Ryan and Ng, 2000). None has so far studied accountability disclosures. These specific reporting studies, although useful in providing some insights to specific aspects of reporting, may not be sufficient enough to allow for a comprehensive assessment of the level of public accountability discharged by public entities.

Nevertheless, despite the scope of reporting covered by these public sector literatures, the results found have generally been less than encouraging. Blanco et al. (2011) and Banks et al. (1997) reported an overall low disclosure index on information published in the annual reports of Canadian local governments and universities in England, Wales, and Northern Ireland, respectively. More specifically, certain disclosure areas such as human resources and asset management showed low levels of disclosure, as reported by Herawaty and Hoque (2007) and Schneider and Samkin (2008). Similarly, studies on semi-governmental bodies have generally shown a lack of disclosure. Hyndman and Andersen (1995) and Hyndman and Anderson (1998) reported that majority of the UK executive agencies provided little or no performance information. Ryan and Ng (2000) showed that governance disclosure of several Queensland statutory bodies were minimal. This lack of disclosures raises the issue of the level of accountability discharged by such bodies in general. More specific to this research, it is noted that very little studies have been done on MFSB annual report disclosures. Other than the study conducted by Ismail and Abu Bakar (2011, 2015) who studied only universities, which is only one of the several types of MFSB, two relevant but unpublished studies were those done by Azis (2008) and Abu et al. (2012). While Abu et al. (2012) evaluated only mandatory disclosure, Azis (2008) went a step further to evaluate some performance items of the disclosure. Azis' (2008) study, however, only covered half of the existing MFSB. These two studies apparently, do not assess accountability disclosure as both reported moderate levels of disclosure.

From the preceding findings, it is clear that studies on accountability disclosure in public sectors are lacking in general and in particular, the MFSB as semi-governmental bodies. In that regard, this study hopes to fill this gap in the literature by providing some insight on the extent of disclosures noted in the annual reports of the MFSB by taking a more comprehensive assessment of their accountability disclosures.

3. Methodology

This study focuses on the annual reports of 2008, a year after the issuance of the TC 4/2007. Annual reports of 2009 onwards were still unavailable at the time of data collection (i.e. June to December 2010) as they were yet to be tabled to the Parliament. Although there was a total of 118 MFSB in 2008, due to some reasons such as exemption from preparing and/or tabling annual reports granted to certain MFSB, the effective population noted for the current study amounts to only 111 MFSB. Overall, the entire process of obtaining data consumed a period of approximately seven months, duration similar to Dixon et al.'s (1991). The difficulty of getting access to government annual reports has been acknowledged by many other previous authors (e.g. Dixon et al., 1991; Banks and Nelson, 1994).

The current study employs a 110-item disclosure index developed by Abu Bakar (2016) referred to as the Accountability Disclosure Index for the MFSB or ADI, which attempts to measure the extent of accountability disclosures in MFSB annual reports. It represents a good model of MFSB reporting practices. The index was divided into five categories (overview, governance, financial, performance, others) and 24 subcategories.

4. Results and Discussion

Overall, a total of 106 annual reports were collected from the 111 MFSB entities which represent 95.5 per cent of the effective population. On average, 52.6 out of 110 items were disclosed representing 47.8 per cent of the total disclosure items. The range of items disclosed by the MFSB is between 27 and 78 (25 and 71%), indicating a moderate level of disclosure. This is comparatively lower than prior studies on accountability disclosure in public sector annual reports. Ismail and Abu Bakar (2011), for example, found a 75 per cent index score in their study on Malaysian universities' annual reports. Coy and Dixon (2004), in contrast, found a disclosure score of 66 per cent in their analysis of the annual reports of New Zealand universities for the year 2000.

4.1 Overview Disclosure Category (8 groups, 38 items)

The mean for the Overview category is 56.7 per cent (refer to Table 1). Six items were disclosed by more than 90 per

cent of the MFSB. These items are content page (ADI1), address (ADIS5), role/function/main activities (ADI12), chairman name (ADI18), CEO name (ADI19), and name of board members (ADI32). All these items, except ADI1, are required by TC4/2007 and could thus, constitute the main reason for disclosure by the MFSB.

Table 1. Descriptive Statistics of the Overview Category

ADI No.	Discosure Item	Frequency (n=106)	Percentage
BACKGROUND OF ANNUAL REPORT (GROUP1)			
1	Content page	106	100%
2	Index/ glossary	6	5.7%
3	Statutory process timeliness: annual report submission to Minister/Parliament	5	4.7%
4	Public accountability timeliness: annual report publication	7	<u>6.6%</u>
Mean for Background Of Annual Report			29.2%
ACCESS INFORMATION (GROUP2)			
5	Address of registered office	98	92.5%
6	Contact information (Telephone/fax/email)	87	82.1%
7	Webpage	90	84.9%
8	Business hours	2	<u>1.9%</u>
Mean for Access Information			65.3%
BACKGROUND OF STATUTORY BODIES (GROUP3)			
9	Year of establishment	88	83.0%
10	Parliamentary Act under which MFSB was established	88	83.0%
11	Governing ministry	59	55.7%
12	Role/ function/ main activities	97	<u>91.5%</u>
Mean for Background of MFSB			78.3%
COMPANY OBJECTIVES AND PHILOSOPHY (GROUP4)			
13	Vision and Mission	93	87.7%
14	Values/ethics/philosophy	34	32.1%
15	Aims/ goals/objectives	90	84.9%
16	Client charter	35	<u>33.0%</u>
Mean for Company Objectives And Philosophy			59.4%
CORPORATE INFORMATION (GROUP5)			
17	Organisation chart	89	84.0%
18	Chairman: name	105	99.1%
19	Chief Executive: name	101	95.3%
20	External auditor	29	27.4%
21	Main bank(s)	17	16.0%
22	Main lawyer(s)	4	3.8%
23	List of main events in the year	59	<u>55.7%</u>
Mean for Corporate Information			54.4%
CHAIRMAN AND CEO MESSAGES (GROUP6)			
24	Overall comments on programmes, activities and projects (PAP) of MFSB	69	65.1%
25	Achievements and financial status of PAP of MFSB & compare with previous years	57	53.8%
26	Events that influence the performance of PAP of MFSB	77	72.6%
27	Future prospects and corporate strategies	68	64.2%
28	Growth and development of PAP	64	60.4%
29	Acknowledgement to contributors of the SB success	76	71.7%
30	Minister message	16	15.1%
31	Chief executive message	62	<u>58.5%</u>
Mean for Chairman And Ceo Messages			57.7%
BOARD OF DIRECTORS (GROUP7)			
32	BOD: members' name	105	99.1%
33	BOD: secretary	41	38.7%
34	BOD: organisation represented	76	71.7%
35	BOD: members' term end/start	68	<u>64.2%</u>
Mean for Board Of Directors			68.4%
SENIOR EXECUTIVES (GROUP8)			
36	Senior management: name and designation	91	85.8%

37	Senior management: education and qualification	19	17.9%
38	Senior management: skills and experience (know-how)	7	6.6%
Mean for Senior Executives			36.8%
OVERALL MEAN FOR OVERVIEW CATEGORY			56.7%

Further, six items were disclosed at a rate of less than 10 per cent by the MFSB; index/glossary (ADI2), statutory process timeliness (ADI3), public accountability timeliness (ADI4), MFSB business hours (ADI8), main lawyers (ADI22), and senior management skills and experience (ADI38). Further, the disclosure of senior management skills and experience (ADI38) is much lesser than the findings made by Schneider and Samkin (2008) who found that in the context of New Zealand local authorities, work-related knowledge is disclosed at a rate of 20 per cent.

In terms of groups of disclosure items, on average, the highest disclosure is related to GROUP 3 which relates to information on the background of MFSB with a score of 78.3 per cent. Three out of four items under GROUP 3 have a disclosure level of above 80 per cent. These items are establishment year (ADI9), Parliamentary Act (ADI10), and the main activities of MFSB (ADI12). The last two items are both required under TC4/2007. Disclosure on ADI10 (83%) is substantially higher than Ismail and Abu Bakar's (2011) study on Malaysian public universities (54.5%), whereas disclosure rates of main activities (ADI12) (91.5%) is slightly lower than that of Ismail and Abu Bakar (2011) which found that all public universities disclosed ADI12. In all the MFSB, this information (ADI9, 10, 12) can be found in the first 10 pages of their reports. The group under the Overview category with the lowest disclosure level is GROUP 1 (29.2%) which relates to the background of annual reports. For this group, three out of four items have disclosure levels under seven per cent. These items are index/glossary (ADI2), statutory process timeliness (ADI3), and public accountability timeliness (ADI4).

4.2 Governance Disclosure Category (4 groups, 17 items)

The mean for disclosure for Governance is 19 per cent, which is relatively low (refer to Table 2). This result is consistent with the observation made by Ryan and Ng (2000) who noted that there was a lack of reporting on governance practices by public entities. Only three out of 17 items in this category have scores above 25 per cent. These items are the review and/or appraisal on effectiveness of risk management (ADI54), number of board meetings per year (ADI41), and board of director's remuneration policy or total amount (ADI45). Risk management (ADI54) and the frequency of board meetings (ADI41) are recommended for disclosure by listed companies by the Malaysian Code on Corporate Governance (MCCG). This suggests that the MFSB have taken heed of this advice, perhaps in light of their importance as a mechanism towards achieving good corporate governance. The disclosure level for risk management (ADI54) in this study is found to be higher than the 66 per cent level observed by Herawaty and Hoque (2007). The findings on a board's remuneration policy and amount (ADI45) do not fully support Ryan et al.'s (2002) study which concluded that this information is generally revealed.

Table 2. Descriptive Statistics of the Governance Category

ADI No.	Disclosure Item	Frequency (n=106)	Percentage
BOARD OF DIRECTORS GOVERNANCE (GROUP9)			
39	BOD: members' education and qualification	24	22.6%
40	BOD: members' skills and experience of nonexecutive director	21	19.8%
41	BOD: number of meetings per year	47	44.3%
42	BOD: meeting dates	26	24.5%
43	BOD: attendance summary	18	17.0%
44	BOD: meeting attendance of each individual director	15	14.2%
45	BOD: remuneration policy or total amount	39	36.8%
46	BOD: remuneration amount listed by person	2	1.9%
Mean of Board Of Directors Governance			22.6%
SENIOR MANAGEMENT GOVERNANCE (GROUP10)			
47	SM: remuneration amount of CEO	4	3.8%
48	SM: remuneration amount of other senior executives (total or individual)	10	9.4%
49	SM: how nature and amount of remuneration of senior executives is determined	0	0.0%
Mean of Senior Management Governance			4.4%
FINANCIAL MANAGEMENT AND ACCOUNT COMMITTEE (GROUP11)			
50	FMAC: members' name	17	16.0%

51	FMAC: required number of meetings	4	3.8%
52	FMAC: number of meetings	15	14.2%
53	FMAC: effectiveness of FMAC in handling financial issues	1	0.9%
Mean for FMAC			8.7%
INTERNAL AUDIT (GROUP12)			
54	Review and/or appraisal on effectiveness of risk management	82	77.4%
55	Review/appraisal of internal control systems	18	17.0%
Mean for Internal Audit			47.2%
OVERALL MEAN FOR GOVERNANCE CATEGORY			19.0%

None of the MFSB discloses information regarding the amount and the method used for determining the remuneration of senior executives (ADI49). This finding is consistent with that of Herawaty and Hoque (2007) who likewise, noted that the item was the least disclosed under their governance category, with almost half of the Australian government departments had disclosed this item. In comparison to the MFSB, the outcome suggests that the MFSB is taking on a much worse position.

In terms of groups of disclosure items, on average, the group with the highest disclosure is GROUP 12 which is concerned with internal audit information. The two items under this group are based on the MCCG recommendation. One concerns risk management (ADI54) and the other concerns internal control (ADI55). Information on risk management (ADI54) shows high levels of disclosure, consistent with the study made by Ryan and Ng (2000) which found 72 per cent public agencies in Queensland disclosed this information. The adequate disclosure found in the current study may be attributed to the substantial attention given by the MCCG on this particular issue.

Surprisingly, the results here show that internal control (ADI55) has a disclosure level of only 17 per cent, a finding that is less than that revealed by Ryan and Ng (2000) who found 83 per cent disclosure on internal control by various public agencies in Queensland. The low level of disclosure of internal control information in the MFSB reports may indicate a relatively low importance attached to internal control function by the MFSB, as compared to Queensland public agencies, for example.

The least disclosed group under the Governance category is GROUP 10 which focused on information on senior management governance (4.4%). All three items under this group (i.e. ADI47, 48 and 49) have less than 10 per cent disclosure levels. For ADI47 which concerns CEO remuneration amounts (3.8%), the score is consistent with the findings of Ryan et al. (2002) who found only one council, from three years of study (i.e. 1997 to 1999), had disclosed this information. They concluded that salaries of higher management in local councils are generally not made public. In their study, Ryan et al. found that the scores for disclosure on remuneration of councillors and/or executives decreased over the three years, with a mean of 54%. Results for the amount of remuneration of other senior executives (total or individual) (ADI48) show that 9.4 per cent of the MFSB disclosed the item. This is almost half of the rate found by Schneider and Samkin (2008) where 17 (21%) out of 82 New Zealand local authorities disclosed the item. Dixon et al. (1991) argued that the importance of breaking down salaries figures is to enable users to identify where an organisation staffing priorities lay. In the context of the current study, the information is also important to determine whether there is any mismanagement of public funds by 'overpaying' senior executives.

4.3 Financial Disclosure Category (4 groups, 20 items)

The overall mean for the Financial category is 55.2 per cent (refer to Table 3). All the MFSB disclosed four of the items under this category namely the balance sheet (ADI56), income statement (ADI57), statement of chairman and a board member for the group accounts (ADI62), and statutory declaration by the officer primarily responsible for the financial management (ADI63). This result is similar to that found by Dixon et al. (1991) where the balance sheet and operating statements were disclosed by all seven New Zealand universities. Additionally, four other items (not including the four items above) were disclosed by more than 90 per cent of the MFSB. The items are statement of changes in equity (ADI58), cash flow statement (ADI59), notes to the financial statement (ADI60), and auditor general certificate (ADI61). All these eight items are among the financial items required to be disclosed by the TC4/2007. With regards to the auditor general certificate (ADI61), a study on internet financial reporting of Spain's city councils by Perez et al. (2008) found that only 1.5 per cent of the financial information that was reported annually was accompanied by the corresponding audit certificate.

Table 3. Descriptive Statistics of the Financial Category

ADI No.	Disclosure Item	Frequency (n=106)	Percentage
AUDITED FINANCIAL STATEMENTS (GROUP13)			
56	Balance sheet	106	100.0%
57	Income statement	106	100.0%
58	Statement of changes in equity	104	98.1%
59	Cash flow statement	105	99.1%
60	Notes to the financial statement	105	99.1%
Mean For Audited Financial Statements			99.2%
ACCOMPANYING CERTIFICATE AND STATEMENT (GROUP14)			
61	Auditor general certificate	105	99.1%
62	Statement of Chairman and a Board member for the Group accounts	106	100.0%
63	Statutory declaration by the officer primarily responsible for the financial mgmt.	106	100.0%
Mean for Accompanying Certificate And Statement			99.7%
ANALYSIS OF FINANCIAL PERFORMANCE (GROUP15)			
64	Comparison figures/charts: on assets used	44	41.5%
65	Comparison figures/charts: on various source of finance	74	69.8%
66	Comparison figures/charts: on reserve	33	31.1%
67	Comparison figures/charts: on noncurrent liabilities	19	17.9%
68	Comparison figures/charts: on sales/receipts and gross profit margin	62	58.5%
69	Comparison figures/charts: on surplus/deficit or profit/loss	48	45.3%
Mean for Analysis Of Financial Performance			44.0%
FINANCIAL RATIOS (GROUP 16)			
70	Current ratio (Current assets/Current liabilities)	11	10.4%
71	Liquidity ratio (Liquid assets/Current liabilities)	11	10.4%
72	Debt asset ratio (Total debt/Total assets)	10	9.4%
73	Proprietor's ratio (Total equity / total liability)	6	5.7%
74	Total equity/total asset	8	7.5%
75	Assets turnover ratio	2	1.9%
Mean for Financial Ratios			7.5%
OVERALL MEAN FOR FINANCIAL CATEGORY			55.2%

The group with the greatest disclosure reported on financial statements with accompanying certificates and statements (GROUP14), closely followed by audited financial statements (GROUP13). All items in GROUP14 and 13 are required by the TC4/2007. Furthermore, all items in GROUP13 are also recommended by IPSAS 1 and 2 of IFAC² to be provided in the government's annual public financial reports (IFAC, 2011). The finding noted here may explain the very high disclosure level of these two groups. The results from the current study are very much higher than what Caba Perez and Lopez-Hernandez (2009) noted in their study on the annual public financial reports of the central government of MERCUSOR countries (Argentina, Brazil, Paraguay and Uruguay). It was revealed that none of these countries had included all the information in GROUP13 as proposed by IPSAS 1 and 2 of IFAC.

On the other hand, financial ratios (GROUP16) was found to be the least disclosed with a score of only 7.5 per cent. This finding is lower than a study by Stanley et al. (2008) which found that financial ratios are commonly disclosed by Queensland local authorities where 65 per cent of local authorities disclosed them. The disclosure of financial ratios is required by either the TC4/2007 or the GC6/2004 in the annual report and the annual summary report³ respectively. The TC4/2007 requires the disclosure of debt assets ratio (ADI72) and assets turnover ratio (ADI75). Regardless of such requirements, the disclosure levels for these two ratios appear to be very low with 9.4 per cent and 1.9 per cent respectively. The other four ratios (i.e. current ratio (ADI70), liquidity ratio (ADI71), proprietors' ratio (ADI73) and ratio on total equity/total fixed asset (ADI74) plus debt assets ratio (ADI72) are required to be disclosed by GC6/2004 in the

² According to IPSAS 1 and 2 of the IFAC, a complete set of financial statements should include the following statements: (a) statement of financial position – a balance sheet or statement of assets and liabilities; (b) statement of financial performance; (c) statement of changes in net assets/equity; (d) cash flow statement; and (e) accounting policies and notes to the financial statements.

³ Annual summary report of MFSB is a 3-page summary on MFSB overall performance in terms of financial management, operational efficiency and effectiveness and output quality to be submitted and tabled in the Cabinet meeting by the respective MFSB Minister Prime Minister's Department. 2004. General circular letter no. 6 of 2004: amendment to the general circular letter no. 1 of 1995 on preparation of annual summary report of the financial status and performance of federal statutory bodies. Kuala Lumpur: Percetakan Nasional Malaysia.

annual summary reports. All these ratios are disclosed by less than 11 per cent of the MFSB.

4.4 Performance Disclosure Category (4 groups, 20 items)

The overall mean for the Performance category noted in this study is 57.6 per cent (refer to Table 4), a result that is consistent with Wei et al.'s (2008) study which found a performance accountability disclosure score of 61 per cent. This category is the most disclosed category of information in the index, possibly reflecting the assumption made by the MFSB that performance information interests the public most.

Table 4. Descriptive Statistics of the Performance Category

ADI No.	Disclosure Item	Frequency (n=106)	Percentage
KEY PERFORMANCE INDICATORS (GROUP17)			
76	Key Performance Indicators	44	41.5%
77	Compare targeted KPI and actual achievement (in figure/percentage)	29	27.4%
Mean for Key Performance Indicators			34.4%
CUSTOMER/ EMPLOYEE SATISFACTION (GROUP18)			
78	Customer satisfaction	18	17.0%
79	Staff satisfaction	5	4.7%
80	No. of complaints received on MFSB	17	16.0%
81	No. of valid complaints resolved	15	14.2%
Mean for Customer/ Employee Satisfaction Indicator			13.0%
OVERVIEW OF PROGRAM/ACTIVITIES/PROJECTS (PAP) (GROUP19)			
82	Objective and description of each PAP	101	95.3%
83	Implementation progress of each PAP	100	94.3%
84	Problems encountered in the implementation	34	32.1%
85	Factors (internal/external)influencing current performance	89	84.0%
86	Future plans	66	62.3%
Mean for Overview Of Program/Activities/Projects (Pap)			73.6%
PERFORMANCE OF PAP (GROUP20)			
87	Input: Financial resources	84	79.2%
88	Input: Non-financial resources applied to a PAP	85	80.2%
89	Output	104	98.1%
90	Impact	76	71.7%
91	Efficiency	31	29.2%
92	Effectiveness	84	79.2%
93	Productivity	89	84.0%
94	Compare between actual and target performance	65	61.3%
95	Compare between current and previous year	85	80.2%
Performance of PAP			73.7%
OVERALL MEAN FOR PERFORMANCE CATEGORY			57.6%

Three items show disclosure levels of above 90 per cent, namely the objectives and descriptions of programmes, activities and projects (PAP) (ADI82), implementation progress of each PAP (ADI83), and output of PAP (ADI89). The first two items are required by the TC4/2007 to be disclosed. The third item, on the other hand, was listed as among the top 20 performance items which were perceived to be very important by stakeholders in study by Tooley et al. (2010) on Malaysian local government. Assuming that stakeholders' information requirements from the Malaysian public sector is similar across different types of entities, it may be said that the high disclosure of ADI89 has partly met the stakeholders' information requirement. On the other hand, the least disclosed item under the Performance category is staff satisfaction (4.7%).

In terms of groups, the group with the highest disclosure level is GROUP 20, which relates to performance of PAP. This is closely followed by GROUP19 (Overview of PAP). Overall, it is a relief to see that information on performance (GROUP 20) is well reported except in the case of the efficiency of PAP (ADI91). The scores obtained for efficiency (ADI91) are much lower than the 69.1 per cent found by Gordon and Fischer (2008) as is the case of US higher institutions. There should be more reporting on efficiency as this item is also among the top 20 items required by stakeholders as identified by Tooley et al. (2002). One possible reason for the nondisclosure of efficiency information here may be attributed to the difficulties in measuring the efficiency itself. In contrast, a comparison between actual and

target (ADI94) shows a relatively low score when compared to that of Tooley and Guthrie (2007) who found all 17 New Zealand schools studied had provided this information. The findings noted here are also consistent with the study by Marcuccio and Steccolini (2009) which found output measures (60%) are disclosed more than the input measures (9%).

On the other hand, the group with the least disclosure level is the customer/staff satisfaction (GROUP18). Within this group, the item showing the highest disclosure, namely customer satisfaction (ADI78) is much lower than Wei et al.'s (2008) study which scored 58 per cent. In addition, the score achieved for ADI78 may not be a favourable situation as a prior study by Tooley et al. (2010) found that customer satisfaction was perceived by Malaysian local government stakeholders as a very important information.

4.5 Disclosure of Others Items (3 groups, 15 items)

This category has an overall mean of 34.6 per cent (refer to Table 5). Only one item under this category has a disclosure level of above 80 per cent namely, statistics on staffing (ADI96) which scored 82.1 per cent. This figure is almost similar to the findings of Herawaty and Hoque (2007) who found this item being disclosed by 85.7 per cent of Australian government departments, the most disclosed item under human resource practices.

Table 5. Descriptive Statistics of the Others Category

ADI No.	Disclosure Item	Frequency (n=106)	Percentage
HUMAN RESOURCE (GROUP21)			
96	Statistics on staffing (e.g. total staff, vacancies)	87	82.1%
97	Workforce planning, staff turnover and retention	52	49.1%
98	Equal opportunity employment (e.g. staff by race/gender/age)	8	7.5%
99	Statistics on training and development courses/programmes for staff	72	67.9%
100	Achievements/impact of staff training and development activities (general/each)	23	21.7%
101	Staff recognition through awards/rewards/titles	46	43.4%
102	Staff recognition: Names of awards/titles/rewards recipients	20	18.9%
Mean for Human Resource			41.5%
SOCIO-ENVIRONMENTAL (GROUP22)			
103	Internal/external social responsibility efforts/activities	78	72.9%
104	Financial information on social responsibility issues (budget/cost)	50	46.7%
105	Internal/external environmental protection efforts/activities	29	27.4%
106	Financial information on environmental issues (budget/cost)	5	4.7%
Mean for socio-environmental			37.9%
MAIN ASSETS (GROUP23)			
107	List of main assets: location	20	18.9%
108	List of main assets: ownership	15	14.2%
109	List of main assets: size (area)	20	18.9%
110	List of main assets: description/type	27	25.5%
Mean for Main Assets			19.3%
OVERALL MEAN FOR OTHERS CATEGORY			34.6%

The least disclosed item under this category is the financial information on environmental issues (ADI106) with a score of 4.7 per cent. This is somewhat consistent with studies in other settings such as in the case of Joseph (2010) who found that only three (3) per cent of Malaysian local governments reported this information. Following this, the next least disclosed item after ADI106 is information on equal employment opportunity (ADI98) with a disclosure level of only 7.4 per cent. The low disclosure found in this study is far below the findings made by Schneider and Samkin (2008) who reported a mean score of 2.1 out of 5 for this item among 82 New Zealand local authorities. Notably, all the three groups under this category (i.e. human resource, socio-environmental and main assets) were disclosed by less than 45 per cent of the MFSB. The least disclosed group concerns properties or main assets (GROUP23) (19.3%). The finding is much lower than what was found by Tooley and Guthrie (2007) where information on property was disclosed by all 17 New Zealand secondary schools. Here, it can be said that the requirements of TC4/2007 on the disclosure of the MFSB main assets and properties are not closely observed by majority of the MFSB.

5. Conclusion

This research is concerned with the extent of disclosure of accountability information made in the annual reports of the MFSB. To achieve this objective, an analysis was conducted on the 2008 annual reports of 106 MFSB using a disclosure index referred to as ADI which consisted of 110 items divided over 5 categories. The main results revealed that the MFSB provided a moderate level of disclosure in their annual reports. By category, the highest disclosure is found in the Performance category, followed by Overview, Financial, Others (i.e. human resource, socio-environmental and main assets) and finally Governance. This finding suggests that the MFSB are more willing to share their performance information but are less committed in exhibiting their governance issues. Stakeholders may obtain a moderate level of performance, general overview, financial information of MFSB by reading the respective annual reports. The MFSB, however, do not sufficiently provide governance information. The low governance-related information is expected as the disclosure items for this category were partly drawn from MCCG, a code which is not directed towards a government agency such as the MFSB. Despite this, it is argued that since the MFSB are expected to carry out government policies professionally and effectively through various programmes and activities (National Audit Department, 2008), necessary measures such as being more open in its disclosure of governance information is necessary and appropriate. This allows for a necessary scrutiny and more effective action of boards, as pointed out in the report by the Cadbury Committee (1992). The importance of governance disclosure as described here suggests much opportunity for the MFSB to pursue with greater effort towards maintaining more governance disclosure in their annual reports. Further, given that other categories of disclosure such as Performance and Overview are higher on their level of disclosure as compared to Financial disclosure, it would appear that the prime objective of the MFSB reporting may not simply be to meet the needs of those with a commercial relationship with them (i.e. decision usefulness). Rather, it caters to a wider range of interested users, hence is consistent with the public accountability paradigm as explained earlier. However, it is noted that the MFSB has not fully observed high extent of disclosure. More efforts hence, need to be done to ensure that the MFSB annual reporting is effective as it is one of the many mechanisms by which public accountability agenda can be achieved and fulfilled. The practice may also enhance its due importance among public entities.

As explained earlier, the disclosure index developed (i.e. ADI) represents a good model of MFSB reporting practices. The strength of the index not only enhances the usefulness of the results obtained, but may also serve as the reason to provide a review and revision of the existing TC4/2007 such as incorporating some of the ADI items. These ADI items would be very useful as benchmarks for the MFSB to adhere to closely in their future reporting cycles. Doing so would enable the MFSB, in particular, and the government, in general, to be closer with the international public sector reporting practice as a pledge of commitment towards transparency and accountability. In fact, prior studies such as Allen and Sanders (1994) has established that standard assessment activities, such as revising the Circular in this context, is a contributing factor towards greater disclosure. It also increases the possibility for the index to be applied by future research in different settings both locally and internationally.

Despite the strength and contributions of the study, the results, however, need to be interpreted with caution. As the study is related to the 2008 annual report, which represent only a section of the year after the TC4/2007 was published and implemented (i.e. year 2007), the results found may be influenced by the adjustment or learning process. Thus, the MFSB may inadvertently, still be in the process of familiarising themselves to the new circular. In addition to that, the items included in the index - based on certain considerations - are presumed to be the information required by MFSB stakeholders. However, notably, it could be also that a few of these items are not representing the stakeholders' actual needs for information. Future studies therefore, may be interested in conducting a survey on the perceived usefulness of the ADI items among various stakeholders. To allow for a more comprehensive insight on public sector disclosure both in Malaysia and other countries, future research may apply ADI to other government bodies in Malaysia and abroad such as the state statutory bodies, local authorities, and federal and state departments. This will also allow for the external validation of the index itself. Lastly, future research may conduct analysis on factors influencing disclosure as propogated by Abu Bakar and Saleh (2011) and Abu Bakar and Saleh (2015). Additionally, conducting interviews with annual report preparers so as to obtain insights on the reasons for disclosure and nondisclosure of accountability information to understand their motivation and/or reluctance towards disclosure would also be beneficial.

This study, it is hoped, has paved the way for future researchers to investigate the issue of the disclosure of accountability information. It is also hoped that the study has provided valuable input for relevant authorities to formulate relevant policies on disclosure requirements, if not to improve current policies particularly, for the MFSB, towards enhancing transparency and accountability. This is important as quality policy formulation and decision making requires objective, factually-based knowledge and policy expertise in order to safeguard public interests and promote the wellbeing of a particular nation. Additionally, it is also hoped that the study contributes towards the knowledge and

literature on public sector reporting.

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