DISCLOSURE OF ACCOUNTABILITY INFORMATION IN PUBLIC SECTOR ANNUAL REPORT: THE CASE OF MALAYSIAN FEDERAL STATUTORY BODIES

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ABSTRACT

Various accountability issues concerning the Malaysian Federal Statutory Bodies (MFSB) have been revealed by various parties in their reports. Being a public sector body adopting a corporate-styled management and representing a substantial segment of the public sector, MFSB are expected to discharge its accountability and promote transparency. One aspect of accountability and transparency is the disclosure of accountability information (AI) in the annual report. In light of this, the study seeks to obtain insights on the extent of disclosure of AI in the annual reports of MFSB. Drawing from the public accountability paradigm and institutional theory, three objectives of the study are developed: (i) to determine the extent of disclosure of AI in MFSB annual reports, (ii) to examine whether certain set of variables, namely the type of MFSB, board size, board composition, existence of audit committee and fiscal stress have significant association with the extent of disclosure as found in (i), and (iii) to identify the reasons for disclosure (and nondisclosure) of AI in MFSB annual reports.

The study employs a mixed method research design. The data for quantitative phase was collected from 2008 annual reports of 106 MFSB using a disclosure index. They were then analysed using the General Linear Model (GLM) command for the multiple regression technique. Thereafter, 20 semi-structured interviews were conducted with 32 preparers and/or managers of MFSB and the meaning categorization approach was employed to analyse the data.

It was found that MFSB provided a moderate level of disclosure of 47.8 per cent in their annual report, ranging from 25 to 71 per cent. The results also showed that the most disclosed category was Performance, followed by the Overview, Financial, Others (i.e. human resource, socio-environmental and main assets), and Governance category. In addition, the study found that the strength of the regression model is moderate at an adjusted R^2 of 0.409. Two out of five hypotheses are supported. It was established that there is a significant association between the extent of AI disclosure and the type of MFSB as well as a significant positive association between the extent of AI disclosure and the existence of an internal member on the board.

The interview revealed 53 and 58 reasons for disclosure and nondisclosure, respectively. Six themes emerged from both situations with three of them being similar, namely the nature of the data for reporting, implication of reporting, and traditions and practices in preparing reports. The themes unique in the case of disclosure are external influences, internal influences, and awareness. Among the common reasons for disclosure are to adapt the reporting practices of others and to enlighten stakeholders on MFSB functions and activities. On the other hand, the three unique themes for nondisclosure are demand of the information, resources, and preparers. The main reasons for nondisclosure is the lack of reporting benefit and insignificant data.

The study provides useful inputs for both practitioners and researchers which may subsequently help to improve the extent of disclosure of AI and eventually enhance accountability and transparency among public sector entities particularly MFSB.

ABSTRAK (BAHASA MELAYU)

Pelbagai isu-isu akauntabiliti mengenai Badan Berkanun Persekutuan Malaysia (MFSB) telah didedahkan oleh pelbagai pihak di dalam laporan mereka. Sebagai sebuah badan sektor awam yang mengamalkan pengurusan ala korporat dan mewakili segmen yang besar di dalam sektor awam, MFSB seharusnya melaksanakan akauntabiliti dan menggalakkan ketelusan. Salah satu aspek akauntabiliti dan ketelusan adalah pendedahan maklumat akauntabiliti (AI) di dalam laporan tahunan. Sehubungan itu, kajian ini bertujuan untuk mencapai pandangan mengenai tahap pendedahan AI dalam laporan tahunan MFSB. Berlandaskan paradigma akauntabiliti awam dan teori institusi, tiga objektif kajian telah dibangunkan: (i) untuk menentukan tahap pendedahan AI di dalam laporan tahunan MFSB, (ii) untuk mengkaji sama ada set tertentu pembolehubah, iaitu jenis MFSB, saiz lembaga pengarah, komposisi lembaga pengarah, kewujudan jawatankuasa audit dan tekanan fiskal mempunyai hubungan yang signifikan dengan tahap pendedahan sebagaimana yang ditemui dari objektif (i), dan (iii) untuk mengenal pasti sebab-sebab penzahiran (dan ketidakzahiran) AI di dalam laporan tahunan MFSB.

Kajian ini menggunakan kaedah penyelidikan reka bentuk campuran. Data bagi fasa kuantitatif dikumpulkan dari 2008 laporan tahunan 106 MFSB menggunakan indeks pendedahan. Mereka kemudian dianalisa dengan menggunakan arahan Model Linear Am (GLM) untuk teknik regresi berganda. Setelah itu, 20 temu bual separa berstruktur telah dijalankan dengan 32 penyedia dan/atau pengurus MFSB dan pendekatan pengkategorian makna telah digunakan untuk menganalisis data.

Hasil dapatan menunjukkan bahawa MFSB mempunyai pendedahan tahap sederhana sebanyak 47.8 peratus di dalam laporan tahunan mereka, dengan kepelbagaian peratus di antara 25 kepada 71 peratus. Keputusan juga menunjukkan bahawa kategori yang paling banyak didedahkan adalah Prestasi, diikuti oleh Gambaran Keseluruhan, Kewangan, Lain-lain (iaitu sumber manusia, sosio-alam sekitar dan aset utama), dan kategori Tadbir. Selain itu, kajian juga menunjukkan bahawa kekuatan model regresi adalah sederhana dengan larasan R^2 pada 0.409. Dua daripada lima hipotesis disokong. Bukti ditemui tentang adanya hubungan yang signifikan di antara tahap pendedahan AI dan jenis MFSB serta adanya hubungan positif yang signifikan di antara tahap pendedahan AI dan kewujudan ahli dalaman di dalam lembaga pengarah.

Temuduga mendedahkan 53 sebab-sebab pendedahan dan 58 sebab-sebab ketidakdedahan. Enam tema muncul dari kedua-dua keadaan dengan tiga daripada mereka adalah sama, iaitu sifat data untuk laporan, implikasi pelaporan, dan tradisi serta amalan dalam penyediaan laporan. Tema-tema yang unik dalam hal pendedahan adalah pengaruh luar, pengaruh dalaman, dan kesedaran. Antara sebab-sebab yang biasa adalah mengikut amalan laporan organisasi lain dan untuk menyedarkan pihak-pihak berkepentingan mengenai fungsi dan aktiviti MFSB. Sebaliknya, ketiga-tiga tema yang unik untuk ketidakdedahan adalah permintaan maklumat, sumber, dan penyedia. Sebab-sebab biasa untuk ketidakdedahan adalah kurangnya manfaat dan ketidakpentingan data.

Kajian ini dapat memberi input yang berguna untuk pengamal sektor awam serta penyelidik yang kemudiannya boleh membantu untuk meningkatkan tahap pendedahan AI dan akhirnya meningkatkan akauntabiliti dan ketelusan di kalangan entiti sektor awam terutamanya MFSB.

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LIST OF ABBREVIATIONS

A-G	Auditor General
AD	Accountability Disclosure
ADIS	Accountability Disclosure Index for Statutory Bodies
AI	Accountability Information
BN	*Barisan Nasional* (National Front)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPI	Corruption Perceptions Index
CVCP	Committee of Vice-Chancellors and Principals (UK)
EWNI	England, Wales, and Northern Ireland
FELDA	Farmers' Land Development Authority
FMAI	Financial Management Accountability Index
FRS	Financial Reporting Standards
GAAP	Generally Accepted Accounting Principles
GLC	Government-linked Companies
GLM	General Linear Model
IFAC	International Federation of Accountants
KPI	Key Performance Indicator
LDC	Less Developed Country/Countries
MAMPU	Malaysian Administrative Modernisation and Management Planning Unit
MBS	Modified Budgeting System
MCCG	Malaysian Code of Corporate Governance
MFSB	Malaysian Federal Statutory Body/Bodies
MAD	Modified Accountability Disclosure
NEP	National Economic Policy
NFC	National Feedlot Corporation
NKRA	National Key Results Area
NPM	New Public Management
NZSA	New Zealand Society of Accountants
OBI	Open Budget Index
PAC	Public Accounts Committee (Malaysia)
PAI	Public Accountability Index
PERS	Private Entity Reporting Standards
PKA	Port Klang Authority
PKFZ	Port Klang Free Zone
PR	*Pakatan Rakyat* (Citizens' Coalition)
RM	Ringgit Malaysia (Malaysian Ringgit / MYR)
RQ	Research Question(s)
SEA	Service Efforts and Accomplishment
SER	Social and Environmental Report(ing)
SPSS	Statistical Package for Social Sciences
SSB	State Statutory Bodies
TC4/2007	Treasury Circular No. 4, year 2007
UK	United Kingdom
US	United States of America
www	World Wide Web

LIST OF APPENDICES

LIST OF PUBLICATIONS AND PAPERS PRESENTED

The following publications and presentations are based on certain parts as well as the preliminary work of the thesis.

Refereed Journal Articles

1. Abu Bakar, N.B., Saleh, Z. & Mohamad, M.H.S. (2011). Enhancing Malaysian Public Sector Transparency and Accountability: Lessons and Issues. *European Journal of Economics, Finance and Administrative Sciences,* 31, 133-145 (ISSN 1450-2275; EuroJournals; SCOPUS)

2. Abu Bakar, N.B. & Saleh, Z. (2011). Incentives for Disclosure of Accounting Information in Public Sector: A Literature Survey. *International Research Journal of Finance and Economics,* 75, 24-38 (ISSN 1450-2887; EuroJournals; SCOPUS)

3. Abu Bakar, N.B. & Saleh, Z. (2011). Public Sector Accounting Research in Malaysia: Identifying Gaps and Opportunities. *IPN Journal of Research and Practice in Public Sector Accounting and Management*, 1, 23-52 (ISSN 2180-4508; Institut Perakaunan Negara)

Refereed Conference Papers

1. (2011). Abu Bakar, N.B. & Saleh, Z. The Influence of Corporate Governance on Public Sector Disclosure: The Case of Malaysian Federal Statutory Bodies. *23rd Asian-Pacific Conference on International Accounting Issues.* Beijing, China, 16-21 October

2. (2011). Abu Bakar, N. B., & Saleh, Z. Disclosure of Accountability Information in Public Sector: The Case of Malaysian Federal Statutory Bodies. *13th Biennial Comparative International Governmental Accounting Research (CIGAR) Conference*, Ghent, Belgium, 9 - 10 June

3. (2010). Abu Bakar, N. B., & Saleh, Z. Incentives for Disclosure of Accounting Information in Public Sector: A Study using Content Analysis. *3rd International Accounting Conference,* Bali, Indonesia, 27 - 28 October

4. (2010). Abu Bakar, N.B. & Saleh, Z. Public Sector Accounting Research in Malaysia: Identifying Gaps and Opportunities. *International Accounting and Finance Conference,* Kota Kinabalu, Sabah, 8 - 9 December

CHAPTER 1
OVERVIEW OF THE STUDY

1.1 Background of the Study

In recent decades, there appear to be a greater call for change towards a more accountable and transparent government of Malaysia (Buang, 2012). The increasing political awareness and education level among the general Malaysian population, among others, are being characterised as the reasons for the Malaysian public to be more critical and vocal towards the government (Abdul Khalid, 2008; Yaakob et al., 2009). Various quarters have expressed their concern and anxiety over the accountability issues surrounding the government (e.g. Democratic Action Party, 2008). In fact, many political analysts and commentators locally and internationally have attributed the alarming results of the last two general elections, i.e. in 2008 and 2013, as the manifestation of public discontent towards the failure of the 50-year ruling government in upholding and fulfilling public accountability (e.g. Moten, 2009).

The 2008 general election recorded the worst results for the ruling party, the National Front (*Barisan Nasional* - BN), where for the first time since 1969 lost two-thirds of parliamentary majority (detailed results are available at the Election Commission's website at www.spr.gov.my). There was an unprecedented major swing of votes from the BN to the main opposition parties which have subsequently restyled themselves as the Citizen's Coalition (*Pakatan Rakyat* - PR). Although BN retained its power, they lost five out of thirteen state assemblies. Worse still, Kuala Lumpur, which is the capital city of Malaysia was won by PR where 10 out of 11 of its parliamentary constituencies were secured by them. The Transparency International (2009) claimed that it is not difficult to find the link between this electoral results with the public anger on the level of government transparency and accountability as the PR ran on the platform of transparency, accountability and governance.

This remarkable political scenario was repeated in the general election conducted recently in May 2013. The popular vote went to the opposition allies, PR, with a 51 per cent majority while BN only managed to secure 47 per cent of the votes (Navarria, 2013). PR also secured seats in 10 out of 12 state capitals in Malaysia. Despite these results, the BN government retains power as they won the simple majority of the parliamentary seats. These seats are not allocated proportionally but rather on the constituency level (Awang Besar et al., 2012). Analysts and observers such as Puyok (2013) concluded that the young, educated and urban voters are those attracted to PR's agenda of political, economic and social reform for greater public accountability. According to Abu Bakar et al. (2011), public grouses demonstrated through these last two elections should have given enough signal that various shortcomings in the Malaysian public sector need to be dealt with and overcome.

Besides the above electoral results which imply fading public satisfaction on the government's accountability, the state of accountability of the Malaysian public sector can also be assessed from several external independent assessments on the country. One of them includes the 2012 Open Budget Survey[1] conducted by an independent body namely the International Budget Partnership. The results in terms of both the ranking and the Open Budget Index (OBI) score[2] are very discouraging where Malaysia was ranked 62nd out of 98 countries and scored only 39 per cent (International Budget

[1] The Open Budget Survey measures the budget transparency and accountability in 100 countries. It is completed by independent researchers in the countries assessed. Ninety-five out of 125 of the questions deal directly with the public availability and comprehensiveness of the eight key budget documents that governments should publish at various points of the budget cycle.
[2]The OBI, a simple average of the quantified responses for the 95 survey questions that are related to budget transparency. The OBI assigns each country a score that can range from 0 to 100 to allow for comparisons across countries and over time.

Partnership, 2013). These results imply that Malaysia has been providing minimal information on the federal government's budget and financial activities during the course of the budget year. It is more disheartening to know that there has been no improvement on transparency and accountability recorded as similar OBI scores were obtained in 2010.

Another independent assessment which received much public attention is the Corruption Perceptions Index (CPI) conducted by the Transparency International. The CPI ranks Malaysia 54th out of 176 countries. In terms of the corruption perception score, Malaysia obtained 49 per cent indicating a worrying level of corruption. In fact, two-thirds of the countries worldwide are obtaining scores below 50 per cent suggesting a serious problem of corruption worldwide (Transparency International, 2012). The highest score of 100 means the country is perceived to be clean from corruption, while a score of 0 means the otherwise.

Besides those international studies, at the national level, there are a series of financial scandals, 'suspected' frauds[3] and malpractices involving public agencies, public officials at both the low and high level and politicians have been put under the spotlight (Case, 2008). These accountability concerns include the rising number of corruption, humongous prices paid by the government for goods and services, serious costs escalation, low quality delivery and delays in projects, extravagant, careless, unnecessary and wasteful spending, funds abuse, budget overshot, noncompliance to the procurement procedure, and widening national deficit (Buang, 2012; Moten, 2009; Nadeswaran, 2009; Puyok, 2013; Transparency International, 2009). The problems were unveiled by the Auditor General (A-G) yearly reports, Public Accounts Committee

[3] These cases are considered 'suspected' because under the law fraud has to be proven in court based on proper investigation by the competent authorities. Until then, these cases can be conveniently classified as mismanagement which at least disciplinary actions should be taken by the department heads against the defendant (Buang, 2008).

(PAC) special reports, advocacy groups such as Civil Movement Against Corruption (GERAK) and the oppositions' revelations through alternative medias. All these serve as the common basis of public awareness on the abuse, misuse and mismanagement of public funds by the public bodies or their officials (Abu Bakar & Ismail, 2011; National Audit Department, 2009a).

To a greater extent, various quarters even argued that the A-G annual report has been an 'annual ritual of shame' to the government (e.g. Lim, 2007). Nevertheless, the larger public has the perception that more often than not, the implicated agencies do not proceed the case with any further investigations and there are a lack of disciplinary or punitive actions taken by the department or agency heads on perpetrators and errant government officials or agencies whose negligence or carelessness have led to losses to the government or to project failures. This perceived inaction by the public has in fact been recognised and endorsed by the A-G (refer to Buang (2012)). The A-G has even concurred that the inaction is in fact often the cause of the widespread fraud or negligence. What make things worse were ridiculous explanations were given by the public agencies or officials as a response to these exposures of their mismanagement of funds, even when the exposures actually came from highly credible authorities such as the A-G and the PAC themselves. An example of this was provided by Lim (2007):

> The Treasury claimed the purchase of 90 sets of Faber Castell technical pens at RM1,146.56 per set when the market price is RM160 per set is because each set also included a set of spare nibs and other accessories. This is wrong as the original purchase order did not include such accessories. Further, such explanations are ridiculous as it would mean that the accessories are more expensive than the original item, as much as almost 10 times the price of the original technical pens.

One of the high profile accountability scandals is the National Feedlot Corporation (NFC) case involving the former Malaysian Minister of Women, Family and Community Development, Shahrizat Abdul Jalil, and her immediate family members who run the operation of NFC. As reported in The Sun Daily (2011):

> The NFC - which was meant to be the centre of production for beef and beef products in Malaysia - hit the spotlight following the publication of the 2010 Auditor-General's Report in October and disclosures by the Opposition of alleged misuse of funds involving the purchase of two luxury condominiums in Bangsar, luxury cars, office rentals and overseas holidays for the directors' family members.
>
> The A-G's report said that the NFC was in a mess and it had failed to meet its target. Following the report, it was claimed that the RM250 million loan allocated to the company by the government was used to buy property and holidays. Since the disclosures, there have been calls for Shahrizat, who is also Wanita Umno chief, to step down.

Another scandal which has been under the limelight deriving from the A-G report was the purchase of items and equipment at wildly inflated prices by the National Youth Skill Institute project, under the Ministry of Youth and Sports. For example, a cabin bought for RM141,900 when the market price is only RM20,000, and a car jack that cost RM50 was bought for RM5,471 (National Audit Department, 2007). The Treasury has provided some explanations as to why these prices are much higher than the market price but these responses appeared to many as cover-ups and ridiculous; among their justifications for the humongous prices were that the suppliers' locations are different from the Institute and that the price include the infrastructure cost.

Additionally, in the 2010 A-G report, nine ministries were testified as spending more than their approved and budgeted expenditures by more than RM3.6 billion. This includes the Education Ministry, Finance Ministry, Health Ministry and Defence Ministry which have overspent by RM1.24 billion, RM772 million, RM690 million and

RM658 million respectively. In other situations, there have been many evidences of the outrageous figures in the military budget compared with the budget on healthcare or other urgent social services. For example, the Defence Ministry suffers an estimated loss of RM 6.75 billion for the purchase of six off-shore naval patrol vessels (OPVs) that were either delivered but not operational or still not delivered. This issue implicated the current Premier, Najib Razak who was the Defence Minister then and has been one of the issues capitalised by the opposition during the electoral campaign.

The Malaysian Federal Statutory Bodies (MFSB) are not spared from such abuse of public trusts. One such occasion is the infamous legal proceedings, the Port Klang Free Zone (PKFZ)[4] fiasco which has been dubbed as one of the country's 'biggest financial scandal of the year' by the Transparency International (Ong, 2013; Transparency International, 2009). PKFZ project is owned by an MFSB, the Port Klang Authority (PKA). This scandal involves the former Transportation Ministers, a number of high profile politicians and businesspeople. It is being investigated by the PAC. According to the review report by the audit firm PricewaterhouseCoopers, this fiasco may end up costing the Malaysian taxpayers RM12.5 billion while the Transparency International stated USD1.3billion (Transparency International, 2009). The scandal involves cost overruns of almost five times more than the estimated RM1 billion debt level that was deemed sustainable for PKA. More stunningly, many of those involved in this case have yet to be charged or convicted.

Accountability cases in MFSB do not only involve PKA, but there were previously other well-publicised cases involving this type of body, for example in the Pilgrimage Fund, Employee Provident Fund and Farmers' Land Development Authority (FELDA)

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[4] The project was to have the following features: a 405-hectare facility comprising 512 warehouses, 2,000 covered parking bays, four office buildings, an exhibition centre and a four-star hotel.

(BERNAMA, 2010). One important reference on the accountability problems in MFSB is the A-G annual reports on MFSB which are available online on the former's website (National Audit Department, 2009a). Among the common problems highlighted were lack of compliance to procedures and regulations, substandard performance, weaknesses in implementation, and lack of competency and expertise (more discussion available in Section 3.4). These issues make it quite difficult for citizens to hold MFSB accountable for its management of the public's money. These incidences generally indicate that MFSB needs to put rigorous effort in improving its accountability and transparency as these problems will affect the development of the country (Office of the Auditor-General, 2008).

Despite the above elaborations on the accountability issues embroiling the public sector in general and the MFSB in particular, it must be acknowledged that a lot of initiatives have actually been undertaken to ensure an accountable Malaysian government. Some of the important initiatives are shown in Table 1.1. The table shows that from as early as the 1960s, the government has made some efforts in improving the public sector. This includes the introduction of the Programme and Performance Budgeting System and the Micro Accounting System. Beginning 1990s, more efforts were undertaken owing to the New Public Management (NPM) surrounding the international and then the local public sector (Shafie, 1996). This can be seen through the introduction of Modified Budgeting System (MBS) programs, the Productivity Improvement Initiative, Total Quality Management, Client Charter, ISO and the benchmarking exercises (Saleh, 2008; Xavier, 2009).

Table 1.1: Major Milestones in the Malaysian Public Sector Reform

No.	YEAR	INITIATIVES
1	1968	Programme and Performance Budgeting System (PPBS)
2	1987, 1992	Micro Accounting System (MAS)
3	1990	Modified Budgeting System (MBS)
4	1991	Productivity Improvement Initiative (PMI)
5	1992	Total Quality Management (TQM)
6	1993	Clients' Charter
7	1996	ISO
8	1999	Benchmarking
9	2004	Key Performance Indicators (KPIs) for government-linked (GLC) companies
10	2005	KPIs for all other government agencies
11	2007	Treasury Strategic results area and strategic KPIs
12	2007	Auditor-General's Star Rating on Financial Management
13	2008	MAMPU's Star Rating System on Public Management
14	2009	KPIs for Minister and Ministries
15	2009	KPIs for jobholders in the senior echelons of public service

Source: Adopted from Abu Bakar & Ismail (2011)

The MBS, for example, has the main objective of improving and modernizing the process of resource allocation and increasing the public sector managers' accountability on the basis of performance (Saleh, 2007, 2008; Xavier, 1998). There was a claim by the architects of the reforms that the financial management and accountability in public services have improved through the MBS (Malaysian Government, 2000). The Client's Charter, which also echoed the NPM, although narrowly focusing on front-end service delivery, has contributed toward promoting greater accountability for results (Xavier, 2009).

In 1999, a benchmarking policy was introduced through the Development Administration Circular No.1 in the Malaysian public organizations to enable the continuous improvement culture inculcated by previous reform programs (Prime Minister's Department, 1999). The five types of benchmarking to be conducted by government bodies include: comparison among their own units, among agencies of similar services, among agencies providing dissimilar services, among different sectors, and with international counterparts.

Beginning in 2004, Key Performance Indicator (KPI) initiatives were introduced with the government-linked companies (GLCs) as the pioneer (Mohd. Alwi & Abdul Khalid, 2008). This initiative was claimed to have resulted in marked improvement in the performance of GLCs (e.g. Razak, 2008). Interestingly, the KPI are revealed to the public, hence indicating the GLCs commitment towards greater performance, transparency and accountability. It also provides some basis for stakeholders' feedbacks (Yakcop, 2006). Following that, the KPI initiative are instituted in all public agencies through the issuance of the Development Administration Circular No. 2 in 2005. The target was that by 2010 almost all public agencies in Malaysia are required to implement the KPI system (Economic Planning Unit, 2006). Later in 2009, KPI is also required for ministers, ministries and senior echelons of public services.

Despite these efforts, still it was found that in some public sectors such as the local government, KPIs are not issued to the public and meant for internal purposes and that there is an absence of mechanisms to serve as the 'carrot and stick' in ensuring the KPI is implemented successfully (Abdul Khalid, 2008). The glaring incident related to this is that following the Premier announcement on KPI agenda to be implemented on ministries, there was almost impromptus detractor by one of the ministers against revealing the KPIs to the public for fear of public misinterpretation (The Star Online, 2009). This perhaps confirms the argument brought forward by several international researchers such as Siddiquee (2005) and Kim (2009) that although many of the developing countries are attempting to promote public accountability as a part of public sector reform, their situation remains unsatisfactory compared to advanced countries. They further commented that the lack of political will on undertaking political and legal reform is one factor for the limited success regarding public sector reform. The minister's concern was basically unfounded and can be seen as a personal strategy to get away from accountability. In the UK, the publication of this information was shown to be valued by the public, believing that this would enhance public accountability, according to the UK Audit Commission (Cowper & Samuels, 2003). According to the Commission, it was also to improve the public image of the public sector, throwing positive light on their commitments toward transparent and accountable government.

Another important effort promoting accountability and curbing the mismanagement of public funds include the implementation of the star rating system on financial management by the National Audit Department and on public management by Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) in 2007 and 2008 respectively. The National Audit Department rating system is also referred to as the Financial Management Accountability Index (FMAI). In essence, the FMAI is an objective financial management assessment on all ministries and state governments. Marks are awarded and star ratings are given accordingly. The results will be used to identify areas of weaknesses while those achieving excellent rating may serve as role models for others. This is hoped to encourage healthy competition among the public sector bodies towards improving their financial management which will hopefully enhance accountability, transparency, and efficiency in the public service delivery system performance (National Audit Department, 2008a). The FMAI has also been endorsed by external bodies such as the Transparency International as a step in the right direction as it shows the National Audit Department's seriousness in checking corruption and the abuse of public funds and assets (Transparency International, 2008).

The most recent effort by the government is the establishment of the National Key Results Area (NKRA) against corruption. According to the A-G, Buang (2012):

> It [The government] has established an NKRA against corruption as an important element in the whole Government Transformation Program (GTP) under which several core initiatives have been undertaken in the areas of regulatory and enforcement, government procurement and grand corruption. So we now see SPRM [i.e. Malaysian Anti-Corruption Commission] and the police being strengthened, greater efficiency of the judiciary in disposing corruption cases, enforcing stiffer punishment, etc.

The National Audit Department is seen to be very keen in promoting accountable government. The A-G has given clear cues to the government to be more transparent and that an accountable government should not be afraid of public scrutiny (Buang, 2009). It has been argued that the public sector should be receptive of the notion of open government where public information is readily available. The entire government machinery, especially top-level management, should be made to fully understand the need for government to be accountable by publishing information set that helps them achieve this. As indicated earlier by the A-G, the public sector should neither be fearful of, nor object to, a system of effective government accountability. More importantly, people have the right to get access as to how their money is being managed by the public sector (Giroux & Shields, 1993). In turn, the public sector bodies are fully accountable to the public and should be transparent by disclosing[5] the necessary information.

1.2 Problem Statement and Aim of the Study

Based on the preceding discussion, which highlights the numerous accountability concerns in the Malaysian public sector in general and MFSB in particular, as well as the initiatives carried out to enhance their accountability, there is a need to have a more objective mechanism of ensuring accountability is being discharged by the public

[5] Disclosing, reporting, publishing and communicating are used interchangeably in this thesis.

bodies. An aspect of accountability that has hitherto not been sufficiently dealt within both the public domain (e.g. media, A-G and PAC reports) and literature (will be elaborated in Chapter 2 and 3) is the issue of transparency. Transparency is in fact one of the core ingredients of accountability as corruption and fraudulent cases are the outcome of a lack of transparency (Patrizio, 2010). According to Ho & Wong (2001), an aspect of transparency would be the disclosure of both mandated and voluntary information. Disclosure, on the other hand, can be done through various mediums including the annual reports which have been regarded by the literatures as the main tool to discharge accountability (Tooley & Guthrie, 2007).

Given the above, MFSB is unique in terms of it being required to prepare and table its annual report to the Parliament (The Commissioner of Law Revision, 2006; Treasury, 2007). This is not the case in other Malaysian public entities such as the local governments (Joseph, 2010b). In preparing the annual report, MFSB have been issued with a guideline in 2007, namely the Treasury Circular no. 4 (TC4/2007) by the Ministry of Finance through the Treasury. The aim of the TC4/2007 is partly to promote accountability and governance in these bodies (Treasury, 2007). This Circular is rather specific on items to be disclosed and the timing aspect that should be complied by MFSB for the submission of these documents. It is however, not known to what extent MFSB has followed the Circular. Besides this Circular, literature has suggested a number of items that should be disclosed by public bodies and demonstrated how by disclosing these wide range of information may help the public sector to fulfil its public accountability (e.g. Tooley et al., 2010). There are also various corporate or private sector guidelines which may be useful for MFSB to follow in their disclosure practice given their unique setting as semi-governmental bodies (refer to Chapter 3 for more details).

Hence, it is necessary to see to what extent MFSB actually disclosed the required (mandatory) and recommended (voluntary) information that promotes and fulfil their public accountability in their annual reports, which have been referred to by the literature as accountability information (see Section 2.3.1.2 for fuller definition). Also, given the uniqueness and importance of MFSB as they represent a large segment of public sector due to their employee size, assets size and public fund size (more detail will be provided in Chapter 3)[6], the study of MFSB disclosure of accountability information will be very meaningful. It is also worthwhile studying MFSB due to the various accountability concerns in these organisations.

In short, this study aims to obtain an insight and understanding on the extent of disclosure of accountability information in the annual reports of the MFSB. Specifically, three research questions are developed to achieve this main objective.

1.3 Research Questions and Methodology

Based on the above problem statement and research aim, there are three specific research questions set to be answered by the thesis.

To recap, the Malaysian government issued a guideline for MFSB for the preparation of annual reports and financial statements (i.e. TC4/2007) as part of its effort to promote accountability, transparency and governance in these bodies. Among the items required to be included in the statutory bodies' annual reports are accountability information and performance report (Treasury of Malaysia, 2007). Besides the TC4/2007, prior literature identified various disclosure items found to be important to be included in the public sector annual reports as a means to discharge their accountability. This study will adapt

[6] Chapter 3 will discuss this in more detail by providing some statistical data.

these items together with the Circular's items as well as several other new items deemed to be important in Malaysian context to see whether MFSB have or have not disclosed these items in their annual reports. This will determine the extent of disclosure of accountability information in the MFSB's annual reports. Therefore, research question 1 (RQ1) is: *What is the extent of the disclosure of accountability information in the Malaysian Federal Statutory Bodies' annual reports?*

Previous disclosure studies in both the public and the private sector tested the association between certain variables such as firm size, profitability and reliance on debt, and the extent of disclosure. It will therefore be meaningful for this thesis to provide additional evidence to predict association between the dependent and independent variables. The variables that will be included are (i) MFSB type, (ii) board size, (iii) board composition, (iv) existence of audit committee and (v) fiscal stress. They are primarily drawn from the institutional theory of isomorphism - coercive, normative and mimetic. Prior studies are drawn from various theoretical frameworks including the agency theory and the legitimacy theory. Therefore, research question 2 (RQ2) is: *Do MFSB type, board size, board composition, existence of audit committee and fiscal stress have significant associations with the extent of disclosure of accountability information in the Malaysian Federal Statutory Bodies' annual reports?*

Besides the above variables, there could be other reasons for the disclosure or nondisclosure of accountability information in the annual reports of MFSB. MFSB managers and report preparers may have their personal and/or organisational motives and reasons for making any decisions on accounting choice including on reporting or nonreporting of information. This brings forward the research question 3 (RQ3), i.e.:

What are the reasons for disclosure and nondisclosure of accountability information in the Malaysian Federal Statutory Bodies' annual reports?

Based on the above research questions, three research objectives will be addressed. The first objective is to determine the extent of disclosure of accountability of information in the annual reports of MFSB. Second objective is to examine whether certain set of variables namely the type of MFSB, board size, board composition, existence of audit committee and fiscal stress have significant association with the extent of disclosure of accountability information in the annual reports of MFSB. While the third and last research objective is to identify reasons for the disclosure and nondisclosure of accountability information in the annual reports of MFSB from preparers' and/or public managers' perspective.

In answering the research questions, both quantitative and qualitative research methods will be applied. The quantitative phase will precede the qualitative phase where RQ1 and RQ2 will be addressed using the quantitative approach. Specifically, for RQ1, MFSB annual reports' content will be analysed using a disclosure index approach. The disclosure index or checklist will be developed from various sources and categorised into several common themes. The binary and unweighted method of scoring will be adopted. Following that, to answer RQ2, the association or relationship between the variables will be examined using the multiple regression analysis with the general linear model (GLM) used as the command. Later the qualitative phase come into the picture when answering the RQ3 where semi-structured interview will be conducted with a certain number of MFSB annual report preparers/managers and the meaning categorization approach will be adopted to analyze the interview data.

1.4 Significance of the Study

The significance of the thesis can be seen in various ways. In the international context, this thesis is significant for several reasons. First, the thesis adds to the existing knowledge on the disclosure practice of public sector in developing countries as prior studies tend to focus on more developed nations such as the UK, the US, Australia and New Zealand. It is very important to have an insight of public sector disclosure practice in developing nations to develop a truly comprehensive understanding of public sector disclosure (Goddard, 2010). In this regard, Goddard (2010) asserted that public sector studies in developing nations are even more important than those where research is vibrant namely in the developed nations.

Secondly, this thesis conducted mixed method research where examination of annual reports disclosure is further complemented with an interview to understand the reasons for such disclosure practice. Most prior research has not obtained primary data such as interview to understand reasons for disclosure or nondisclosure.

Thirdly, the thesis develops a more comprehensive disclosure index to measure the extent of accountability information disclosure of public sector annual reports. Through the index, a refined framework on disclosure practice for public agencies is developed as many aspects of reporting have been taken into account in developing the index including financial, performance, and governance disclosure. Consequently, future research may employ the index in other public sector settings such as local government and state government as well as in other countries. This may allow comparisons to be made across different types of public sector entities as well as across nations.

Fourth, relatively less tested variables in public sector studies have been used in this study to see their association with disclosure practice. These include governance variable (i.e. board composition and board size), and fiscal stress. The latter factor, for example may be able to provide new understanding on whether the financial resources of public entities has any bearing on the disclosure practice of the respective entity.

Fifth, the results and findings found from this thesis is hoped to enrich both public sector and corporate governance literatures. In essence, it is expected to contribute towards understanding of the governance and accountability issues in MFSB. The findings may also serve as a turning point for corporate governance literature to look into other sectors instead of focusing on the private sector per se.

The significance of this thesis can also be clearly seen in the national context (i.e. Malaysia). There are very limited studies in Malaysia examining the public sector disclosure. To the best of the researcher's knowledge and based on cursory examination of literature, it was found that there are only a handful of published studies and theses conducted in the area of public sector disclosure in Malaysia. Majority of these few available studies appear to pose some gaps in the literature, for example they do not cover the MFSB except for one published study that was conducted on public universities, which is one type of MFSB (i.e. Ismail & Abu Bakar, 2011) and one thesis which covers half of the existing MFSB (i.e. Azis, 2008). Also, the studies mostly do not examine annual reports but rather focus on other disclosure mediums such as financial accounts and websites. Thirdly, they do not comprehensively cover the various aspects of disclosure but rather limit their disclosure analysis on certain disclosure issues such as financial reporting or performance reporting. Fourthly, they mostly do not attempt to identify determinants of disclosure. All these gaps are addressed by this thesis by providing evidence on MFSB through annual reports analysis based on a comprehensive disclosure and consequently examine the potential predictors of disclosure.

From the practical point of view, the findings from this thesis have several implications and provide useful inputs for the policy makers, regulators, legislators, the respective ministries, MFSB themselves, as well as the larger civil society. These parties can benefit from the study in different ways as each of them have and should play their expected role in promoting greater disclosure, transparency and accountability of MFSB in particular and public sector in general.

Based on the above discussions, this thesis is therefore expected to contribute towards the knowledge theoretically and practically in the field by providing further insights and evidences in understanding the public sector disclosure. The next section shall discuss the scope of the study.

1.5 Scope of the Study

The thesis, as in any other research, is subject to certain scope. The scope of a particular research is set to make it more feasible and doable within various constraints such as limited resources including time, financial and human resources. The followings are the scope of this study.

First, the thesis only focuses on Malaysia. Besides personal motivation due to the country of origin of the researcher, Malaysia was chosen due to the recent development in the country where there is increased concern over the perceived lack of transparency and accountability in the public sector. The public has called for change toward a more transparent and accountable government (Abu Bakar et al., 2011) and this concern has been partly manifested in the most recent general election in 2008 as explained earlier. Further, from international viewpoint, Malaysia has been repeatedly ranked low in terms of accountability and transparency in various ranking system.

Second, the thesis focuses on MFSB. The main motivation for selecting MFSB is due to the substantial amount of public money provided to these MFSB in the form of grants and loan to subsidize their activities[7]. Given the size of public money spent for these bodies, it is considered indispensable for them to report their activities and performance (i.e. accountability information) as a medium to discharge their accountability. Another reason is that there exists a clear statutory requirement for MFSB to prepare and submit their annual reports and accounts, together with items to be disclosed (i.e. TC4/2007). The issuance of TC4/2007 shows there is certain level of expectation from the policy makers that MFSB provide certain level of disclosure in their annual reports. It would be therefore interesting to see to whether the MFSB followed the guideline in their annual reporting. Additionally, the other type of statutory bodies in Malaysia that is the State Statutory Bodies (SSB) are not included in this thesis for at least two reasons. Firstly, almost all SSB do not produce annual reports which are the unit of analysis in this study and therefore it would be less meaningful to include this category of statutory bodies in the study[8]. Second reason is that SSB has different governance and regulatory structure than that of federal. The former is primarily governed by the respective states' rules and regulations whereas the latter is directly governed by the federal government through the Ministry of Finance and are subjected to accounting rules and regulation that are not necessary applicable to the former, particularly the TC4/2007 which is one important element in this study.

[7] More discussion on this is provided in Chapter 3.
[8] The state government prepares one annual report that comprehensively include all its departments, agencies, and statutory bodies.

Third, this study examines only annual reports. This is due to the assumption that annual reports are the main accountability medium (Tooley & Guthrie, 2007). Other mediums of communication (such as financial reports per se, extended/stand-alone performance reports, internal documents, websites, etc.) are not examined partly due to diverse reporting practices among MFSB as well as accessibility issues. Although it is undoubtedly agreed that public sector information is not necessarily communicated through annual reports only, this same reason makes the accountability information data of each agency scattered and makes it almost impossible for an outsider to assess all these sources (of which some are unknown) in order to evaluate the extent of disclosure (Gordon & Fischer, 2008).

Fourth, the thesis does not differentiate between the mandatory and voluntary items. Instead, it regards all items included in the disclosure index as important towards discharging public accountability. The results of mandatory (or rather required) and voluntary items are nevertheless provided in some circumstances as supplementary or additional findings.

Fifth, it is assumed in this study that stakeholders are able to obtain copies of an entity's reports at ease. Accessibility and/or distribution of annual report, which are important qualitative characteristics of external reporting particularly under the public accountability paradigm (see Coy et al., 2001) are not the focus of the thesis.

The organisation of the thesis's chapters is described next.

1.6 Structure of the Subsequent Chapters

The thesis is presented in eight chapters. Chapter 2 provides the outcome of the review of the literature relevant to public sector reporting. It is concluded that there are various lacuna in the public sector reporting literatures hence justifies the current study.

Chapter 3 invites the readers to understand the MFSB setting. This chapter is necessary for discussing other subsequent chapters due to the unique characteristics of MFSB as a public sector body which might not be familiar to many. The chapter also finds scant empirical evidence on public sector dislcosure studies in various aspects hence justifies the present study.

The subsequent chapter (i.e. Chapter 4) offers the theoretical framework, the research paradigm, the hypotheses development and the research methodology of the thesis. It details out the research design of this thesis which comprises two phases, first being the the quantitative and later followed by the qualitative phase.

The thesis then proceeds with Chapter 5, 6 and 7 which present detailed results and findings of RQ1, RQ2 and RQ3, respectively. Here, links are made to prior literatures and the theoretical perspectives of the study to see how the results and findings are consistent or otherwise with the former. Attempts are also made to see if the results and findings from the RQ1, RQ2 and RQ3 supports each other.

The thesis is then concluded in Chapter 8 with a brief summary on the thesis's main findings, and elaborate discussion the thesis's implications and recommendations to the relevant parties and to the theory and knowledge. The strength and limitations of the thesis as well as recommendations for future research direction are then being laid out. The thesis finally concludes.

1.7 Summary

Despite various government initiatives for reform, the poll results of the last two general elections in Malaysia, the independent worldwide assessment on the country's accountability status and the reports from various credible national sources have suggested widespread accountability issues surround Malaysian public sector organisations, especially MFSB in particular.

Transparency is one important aspect in discharging accountability, as the lack of accountability is partly the outcome of the lack of transparency. Disclosure of comprehensive information covering both mandatory and voluntary information as expected from various stakeholders, i.e. accountability information, is, in turn, an aspect of transparency. As a corporate public sector body, MFSB have been required to prepare annual reports as part of its fulfilment of public accountability. In light of this, and given the uniqueness as well as the size and importance of MFSB in the Malaysian public sector, this study is motivated to obtain further understanding on the extent of disclosure of accountability information in the annual reports of MFSB.

Three specific questions will be answered to achieve this main objective; they are related to the extent of disclosure, variables associated with disclosure and reasons for disclosure and nondisclosure. The mixed method approach is adopted where the quantitative method will be used to answer the first two RQ while the qualitative method is applied to answer the third RQ.

The study is significant in various ways. It provides additional insights on public sector disclosure practices in developing nations, it provides a qualitative dimension of disclosure practice, it develops a more comprehensive disclosure index, it tests a few previously less tested variables in public sector disclosure literature, it adds further to the public sector and governnance literature both locally and internationally and finally it has practical implications for practitioners and researchers.

CHAPTER 2
LITERATURE REVIEW

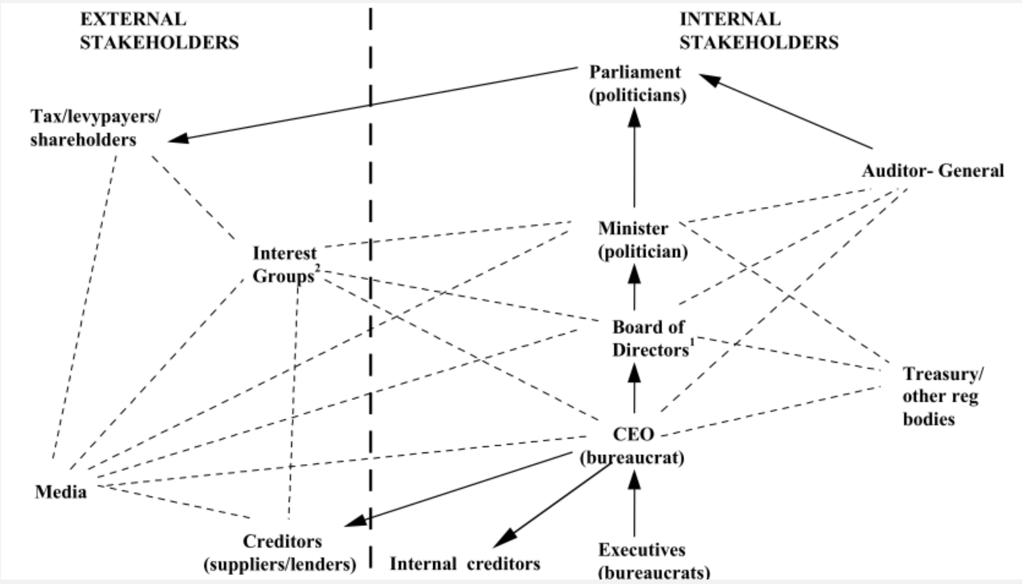
2.1 Introduction

This study focuses on reporting of accountability information by public organisations. Chapter 2 provides a review of relevant literature on this issue. Section 2.2 begins with an overview of public sector reporting. This is followed with a review of studies on public sector reporting in Section 2.3. Here, different aspects of public sector reporting are discussed and the definitions of accountability information and reporting used in this thesis are provided. Studies focusing on public sector reporting, influential factors and reasons for reporting and non reporting are also examined. The chapter then proceeds with a review of studies on public sector reporting in the context of Malaysia in Section 2.4. Section 2.5 discusses the literature on public sector disclosure among semi-governmental bodies in other countries. A discussion of annual reports as a medium of public sector reporting is provided in Section 2.6. The chapter is concluded in Section 2.7.

2.2 Reporting of Accountability

Public sector organisations, as agents entrusted with public resources, must reveal their accountability to the stakeholders. Accountability in the public sector is more ambiguous, complex, elusive, fragmented and heterogeneous concept than in the private sector (Greiling & Spraul, 2010; Ryan et al., 2002a). This is due to the multiple accountabilities, both to those internal to the organisation and those external as a result of the latter diversifying the interests and objectives of the former (Australian National Audit Office, 1997). There are many ways of classifying between the internal and external stakeholders. One of them is as shown in Figure 2.1, where the internal stakeholders include the executives, chief executive officers, board of directors, minister, treasury and other regulatory bodies, parliament and auditor general. Whereas the external stakeholders include the taxpayers or levypayers, interest groups, suppliers and media. In the case of media, Chee (1991) has expressed that it has been regarded as an informal and external check-and-balance mechanism for public accountability. Public sector accountability has gained importance as a mechanism to control the use and abuse of power. The importance of accountability in the public sector has been summarised by Samaratunge et al. (2008) as follows:

> Accountability is an important means for establishing criteria to measure the performance of public officials, and for creating oversight mechanisms, to ensure that the quality of public services is improved. Lack of accountability makes a state weak and its public management system dysfunctional. (p. 102)



Key:
bonds of accountability
- - - - - - links of accountability
1 for government-owned corporations and some statutory bodies
2 include competitors/customers/clients/other equivalent public sector agencies

Figure 2.1: Chain of Accountabilities for Departments, Statutory Bodies, Government-owned Corporations

Source: Ryan et al. (2002a)

Consistent with the above, Coy et al. (2001) argued that there are many accountability mechanisms, both within and external to the institutions. They maintained that a government agency's internal line of responsibility and accountability is through the chief executive officer to the governing board, responsible minister and to the parliament. Additionally, accountability mechanisms with the external world exist through the general responsiveness of institutions to public and media enquiries. They further added that there are various ways of providing the information element of accountability, namely through the "formal and informal, routine and ad hoc, written, spoken, electronic, and other media" (p.14). Similarly, Bowrey (2008) listed the key stakeholders of government agencies as comprising of the parliament, government [particularly via the Departments of Finance and Administration, treasury and prime minister and cabinet], ministers, public service officers and the public. The broad spectrum of shareholders means that the agencies are accountable to several sectors of society which thus necessitates a high degree of transparency and disclosure in their activities.

Normanton (1971, cited in Coy et al., 2001) argued that accountability per se is based on a hierarchical relationship and usually operates in secret. On the other hand, public accountability calls for openly declared facts and open debate by laymen and their elected representatives. Public accountability, according to him, obliges politicians, officials and managements to engage openly in dialogue which calls into question what they are doing, and sometimes upon which that activity is founded. From here, it is clear that public sector entities should be accountable to a wider public instead of focusing on those existing on the higher strata of the hierarchy. Coy et al. (2001) succinctly explained this issue:

> The public entities are owned by the public, funded from the public purse, including private gifts and state appropriations, and provide services to the community as a whole. For these reasons, the stakeholders include all members of the community. (p. 13)

Public accountability can be achieved through effective external reporting on conformance and performance against its objectives. As argued by many authors, public accountability is seen to be a more relevant concept for public sector reporting than the concept of decision usefulness, unlike in the case of private sector reporting (e.g. Nelson et al., 2003; Mack & Ryan, 2006) (refer to Section 4.3.1). This is due to the relative elusiveness of the concept of 'decision' in the public sector, and, the non-voluntary relationship between the fund providers and users in the public sector.

In the context of MFSB, given its autonomy (refer to Section 3.2.3) there should be concern about their ability to balance between discharging public accountability and acting independently based on the autonomy given. This perhaps poses extra challenges to the MFSB management. With regards to this, Guthrie (1993) commented that the traditional public sector accountability is compromised when the corporate form is used in public sector agencies as greater attention is given to its commercial rather than its social objectives. Consistent with this, several authors have highlighted that there has been notable changes in accountability focus and mechanisms as NPM been introduced (Christensen & Skaerbaek, 2007).

NPM, 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. This supported the notion that much of the innovation in the public sector has origins related to practices in the private sector (Hood, 1991; 1995). Accordingly, NPM is manifested in the seven following dimensions:

(i) unbundling of organisations into corporatized units organised by product;
(ii) more contract-based competitive provision, with internal markets and term contracts;
(iii) stress on private-sector styles of management practice;
(iv) increased discipline and frugality in resource use;
(v) more emphasis on visible hands-on top management;
(vi) explicit formal measurable standards and measures of performance and success; and,
(vii) greater emphasis on output controls.

Among the leading public sector reformers is the UK. The scope of public sector reform in the UK includes a wide breath of reform namely new institutions, new frameworks of accountability, new management systems and processes and new accounting practices and procedures (Jackson & Lapsley, 2003). The major impetus of the public sector reforms is a new managerialism in the public sector. For example, one of the key reforms was the Financial Management Initiative in 1982 which focused on the profesionalisation of government managers. Another example of public sector reform in the UK is the creation of the Next Step Agencies as a result of the Next Step report in 1988. These agencies operate based on the business excellence model. Among the implications of this new model is the preparation of commercial-based accounting reports which also include targets.

Patrizio (2010), in analysing the effect of NPM-based reforms on public accountability, identified disclosure as an NPM strategy that can be used by public sector bodies to enhance their public accountability. He further argued that:

> Together with performance, transparency appears to be the key principle of accountability; the loss of legitimacy faced by public organisations in many countries pushes politicians to disclose more information in order to regain citizen confidence" (p. 633).

Public bodies must be transparent in their organisations' activities and performance to allow stakeholders to assess their accountability level. Here a link is made between transparency, disclosure and accountability. In the context of public sector reform and NPM, Christiaens & Van Peteghem (2007) argued that disclosure, such as those made in the annual reports, is used as a means of evaluating the success of the reform implementation, and not as an independent objective per se.

When discussing the relationship between transparency, disclosure and accountability, it is important to better understand the concept of transparency. By definition, transparency is "the extent to which all … stakeholders have a shared understanding of, and access to ... the information they request, without loss, noise, delay and distortion" (Hofstede, 2003, quoted in Papenfuß & Schaefer, 2010, p.18). Transparency also refers to "a process by which information about existing conditions, decisions and actions is made accessible, visible and understandable" (Working Group on International Financial Crisis, 1998). Operationally, according to Ho & Wong (2001), it refers to voluntary disclosure in addition to the already mandated disclosure. This is specifically how the concept of transparency is related to disclosure. On the other hand, the notion of the link between disclosure and accountability is supported by many other authors. Dixon et al. (1993) for example stated that better disclosure increases accountability to stakeholders. Ferlie & Pollitt (2005) also agreed that disclosure of information was the main means to provide wider and better accountability to the public. Consistent with this, according to Marcuccio & Steccolini (2005), many public bodies are trying to improve accountability through wider public disclosure.

Disclosure of more comprehensive information by public sector bodies is important as the traditional financial reporting system is inadequate in providing a complete account of business and governmental activities (Marcuccio & Steccolini, 2009). As part of the public sector reform process which pushes for greater accountability and external disclosure (Marcuccio & Steccolini, 2005), public sector accounting and reporting needs to be partly reformed by introducing greater disclosure of both financial and nonfinancial reporting. The nonfinancial reporting includes the reporting on performance, governance, sustainability, and intellectual capital among others. All these may be part and parcel of the accountability information and is provided on top of the financial information traditionally provided by organisations.

At the same time, the development of reporting practices in the private sector has also become a push factor for public sector bodies to move forward beyond its traditional financial reporting practices. It can be observed that various reporting initiatives have taken place in the private sector both locally and internationally, which requires greater disclosure by corporations. An example is the Global Reporting Initiative (GRI) and in the Malaysian context, the Malaysian Code of Corporate Governance (MCCG). The MCCG, which was introduced and has in fact been revised for further improvement in 2007, requires public listed companies to disclose various governance-related information. In some ways this development has deprived public institutions of their leadership as guardians of the social and economic wellbeing of its citizens as pointed out by Marcuccio & Steccolini (2009). Several authors (e.g. Marcuccio & Steccolini, 2009) contended that in the public sector, addressing such issues as environmental, social and sustainability issues should be part of the official external reporting.

Loosely defined, accountability is often used as a synonym for "good governance" or "virtuous behaviour" (Bovens, 2007). Accountability is claimed to be part of governance (Australian National Audit Office, 1997). Despite this, as argued by Ryan & Ng (2000), the debate and literature on governance issues in the public sector has been relatively fragmented and limited. It has also been argued by Barrett (1997) that corporate governance frameworks in the public sector are similar to those found in the private sector:

> The principles of corporate governance are the same in both the public and private sectors. Good corporate governance requires clear definitions of responsibility and a clear understanding of relationships between the organisation's stakeholders and those entrusted to manage its resources and deliver its outcomes. (p. 3, as cited in Ryan & Ng, 2000)

Hodges et al. (1996) observed the challenge to the public sector as a whole was:

> To devise systems of governance that can both provide assurance to stakeholders that the sector is in capable and honest hands, while at the same time, avoiding the negative effects of tight control and bureaucracy, to enable performance objectives to be achieved and improved. (p. 12)

It is important for public sector agencies to provide "comprehensive information on their governance framework and practices in annual reports" although it may not be a statutory requirement as highlighted in one of the corporate governance document issued by the Queensland Audit Office (Queensland Audit Office, 1999, p. 42). Ryan & Ng (2000) shared the Australian experience where public agencies are recognised for their governance information disclosure through the giving of awards for best corporate governance disclosure.

In short, public accountability should be an important agenda in public sector organisations. Its reporting has been explained as one mechanism by which this agenda can be achieved and fulfilled and as such should be given its due importance among public entities.

2.3 Studies on Public Sector Reporting

This section discusses literature on public sector reporting primarily in order to identify the lacuna that will be filled by the current study. The issues discussed cover (i) aspects of reporting, (ii) extent and quality of reporting, (iii) factors influencing reporting and (iv) reasons for reporting and nonreporting.

2.3.1 Aspects of Reporting

Most studies on public sector reporting concentrated on specific aspects of reporting with the financial and performance reporting receiving greatest attention from public sector researchers (Ryan et al., 2002b). Financial reporting, besides being one of the most popular areas of research in public sector reporting literature, is also one of the earliest aspects of reporting to be studied. It continues to be widely researched (e.g. Caba Perez & Lopez-Hernandez, 2009; Stanley et al., 2008; Bolivar, et al., 2007; Gore, 2004; Gordon, et al., 2002; Coombs & Tayib, 2000; Sanders, et al., 1994; Dixon et al., 1991; Giroux, 1989; Ingram & DeJong, 1987; Robbins & Austin, 1986; Zimmerman, 1977).

Sanders et al. (1994) for example examined the level of financial disclosure provided by US municipalities in their annual reports through a survey of 439 Chief Financial Officers. While most studies on financial reporting focused on either private or public sector organisations, Gordon et al. (2002) went a step further by making a comparison between the two sectors where they compared the extent of financial disclosure between 100 US public and private higher education institutions. Coombs & Tayib (2000), on the other hand, conducted a country-wide comparative study where the financial reporting practices between UK and Malaysia local authorities were compared, using ten published accounts. Their basis of country selection is due to Britain's contribution to the development of local Malaysian authority during the early stages of its development.

Studies on financial reporting are also relatively more inclined than other reporting studies to assess compliance or conformance to certain accounting guidelines or suggestions such as the Generally Accepted Accounting Practices (GAAP), International Federation of Accountants (IFAC), Government Accounting Standard Board (GASB) or state-designated disclosure (e.g. Caba Perez & Lopez Hernandez, 2009; Ingram & DeJong, 1987). This kind of reporting which includes compliance with regulations and fiscal integrity generally falls within the fiduciary/compliance accountability (Othman et al., 2008); fiduciary accountability is identified by Taylor & Rosair (2000) while compliance accountability by Stewart (1984), among others. The relatively large number of research focusing on financial reporting is possibly due to the nature of financial issues which is more regulated than other issues owing to necessary financial report submission by most public agencies to their higher authorities such as the treasury or auditor generals. An example of this is Caba Perez & Lopez Hernandez (2009) study of the consistency of the information presented in the public financial reports of MERCOSUR member countries (Argentina, Brazil, Paraguay and Uruguay) with the IFAC recommendation of public financial reporting practices.

Another area of reporting that has received much interest from public sector researchers is performance reporting (e.g. Gordon & Fischer, 2008; Hoque, 2008; Tooley & Guthrie, 2007; Janet, 2006; Christensen & Yoshimi, 2001, 2003; Wall & Martin, 2003; Hyndman & Eden, 2002; Carlin & Guthrie, 2001; Hyndman & Andersen, 1995; Boyne & Law, 1991). The importance of reporting performance information by public agencies has been widely recognised as part of the process of discharging accountability as suggested by Hyndman & Andersen (1995). Taylor & Pincus (1999, as cited in Nichol & Taylor, 2001) mentioned that by the mid 1990s, annual reporting of public agencies was expected to capture both compliance (financial) reporting and performance reporting, due to the shift of focus from fiduciary to wider managerial accountability. Providing financial accounts per se is not sufficient for public agencies to demonstrate their accountability. To a greater extent, Boyne & Law (1991) emphasised that accountability is simply a sham when performance data is not provided by public agencies.

Consistent with the above development and unlike in the case of financial reporting studies which tend to focus on compliance/conformance issues, there is greater variance in performance reporting studies in that it better covers both compliance/conformance (e.g. Gordon & Fischer, 2008) and voluntary reporting (e.g. Hyndman & Andersen, 1995; Wall & Martin, 2003). Hyndman & Andersen (1995) for example analysed the annual reports of 57 UK executive agencies to determine the type and extent of voluntary performance reporting. They also compared their findings with their earlier study to identify any changes in emphasis over time. Wall & Martin (2003) on the other hand evaluated the voluntary KPI disclosure in the annual reports of numerous types of Irish public sector organisations, while Boyne & Law (1991) examined the disclosure of performance information in the annual reports of 165 Welsh local authorities. The present study covers both mandatory and voluntary disclosure.

Besides financial and performance reporting, another aspect of reporting which has seen increased attention in recent years is sustainability reporting which includes social and environmental reporting (e.g. Burritt & Welch, 1997; Gibson & Guthrie, 1995; Joseph, 2010a, 2011; Joseph & Taplin, 2012; Lynch, 2010; Marcuccio & Steccolini, 2005, 2009; Mussari & Monfardini, 2010). The increasing number of studies in this area is partly due to the call made by the Global Reporting Initiative (GRI) that given their size and influence, public agencies are expected to lead by example in reporting publicly and transparently on their activities to promote sustainability, as the public agencies also have a major impact on national and global progress towards sustainable development. An example of such studies is Marcuccio & Steccolini (2009) who investigated the patterns in the content of social reporting by 15 Italian local authorities.

There are a number of other areas of reporting that are studied in the context of public sector research that remain unknown to the specialists as they have received lesser attention. These include governance reporting (e.g. Ryan & Ng, 2000), intellectual capital reporting (e.g. Schneider & Samkin, 2008), infrastructure assets reporting (e.g. Lee & Fisher, 2004) and rate of return reporting (e.g. Wines & Nicolson, 2000).

In the case of governance reporting, Ryan & Ng (2000) reviewed the corporate governance section of 18 annual reports of various types of Australian public organisations to identify their level of governance information disclosure. Unlike in private sector literature, little research has been conducted on corporate governance in public sector settings. As such little is known concerning governance in the public sector. This is unfortunate given the importance of governance in the public sector as the cornerstone to sound stewardship, effective management, and attainment of performance objectives (Australian National Audit Office, 1997).

Whilst most prior research has tended to focus on specific aspects of reporting as discussed above, a review of the relevant literature has found that little research has been conducted with a comprehensive analysis of public sector reporting that covers various aspects of reporting. It is important to determine whether public agencies have sufficiently discharged their accountability through reporting to their stakeholders on various aspects of their organisation. This is consistent with the concept of public accountability which advanced the idea that the public has the right to know about the condition, performance, activities and progress of public agencies. As such, the external reporting of public agencies should cover such information so as to allow the public to gain a comprehensive understanding of their operations and performance (Coy & Dixon, 2004) (refer to Section 4.3.1). The limited literature which covers this type of comprehensive public sector reporting has been referred to in the respective studies as accountability reporting/disclosure (Banks et al., 1997; Coy et al., 1993b, 1994; Ismail & Abu Bakar, 2011; Nelson et al., 2003; Ryan et al., 2002b; Taylor & Rosair, 2000). In several other research, this type of reporting has been also referred to as annual reporting (e.g. Coy & Dixon, 2004; Herawaty & Hoque, 2007). The next section discusses further the concept of accountability information and accountability.

2.3.1.2 Defining Accountability Information and Reporting

To date there remains no explicit definition regarding the term accountability reporting or disclosure despite its prior usage in a number of literature. The term accountability disclosure was used by Ryan et al. (2002b) and Taylor & Rosair (2000) while accountability reporting was used by Nichol & Taylor (2001) among others. Generally, accountability reporting or disclosure refers to the reporting of accountability information.

Similarly, accountability information has yet to be explicitly defined by those using the term although its meaning is quite apparent given the context of the literature in which the term was used. Readers understand the term through intuition. The term has been used by a number of authors including Ijiri (1983), Dixon et al. (1991), Nichol & Taylor

(2000), Nelson et al. (2003), Coy et al. (2001) and Greiling & Spraul (2010). For the sake of clarification and due to its importance in this thesis, it is important to provide a clear and explicit definition of these terms in order to provide a clear and consistent understanding.

Ijiri (1983) was apparently among the first to use the term accountability information. According to him, the aim of accountability information is to achieve fairness to both the accountor and accountee. It may include positive or negative information about the entity. Dixon et al. (1991) stated that accountability information is a broad spectrum of information based on an accountability framework, which may include employee information, safety data and environmental effects.

Consistent with the previous authors, Nichol & Taylor (2000) referred to accountability information as information that may help government in fulfilling or discharging their accountability. According to them, this requires public organisations to report not only their intended activities or statement of objectives, but also major decisions taken and the rationale for those decisions, the actual outputs and outcomes, explanation of the variances between the targeted and actual outputs and outcomes, and the quality of internal controls of the organisation. Collectively, these considerations produce comprehensive reporting.

Coy et al. (2001) emphasized that the disclosure of accountability information is consistent with the public accountability paradigm (refer to Section 4.3.1) which addresses the broad range of stakeholders who have vested interests in the well-being of the organisation. They further added that in regards to accountability information, as it may include both the positive and negative information as mentioned by Ijiri (1983), the accountor may not feel comfortable disclosing the accountability information as he/she is usually inclined to think that information disclosure should provide a good impression. When highlighting the criteria of a quality annual report, Coy et al. (2001) emphasized that the annual report value “rests in the provision of a wide range of summarized, relevant information in a single document, which enables all stakeholders to obtain a comprehensive understanding of a university’s objectives and performance in financial and nonfinancial terms” (p. 14).

Greiling & Spraul (2010) explained that accountability information in the public sector may have a symbolic function. It symbolises the competence of the supplier of the information and reaffirms their social virtue. In light of this, providing accountability information may help public bodies gain public confidence and trust.

Based on the literature reviewed thus far, the term ‘accountability information’ is defined in this thesis as follows:

> A broad range of information about an organisation including its objectives, structure, financial, performance, governance and other information which enable all stakeholders to obtain a comprehensive understanding of an organisation in order to meet a public accountability perspective.

As accountability information covers various types of information, the reporting of it (i.e. accountability reporting or disclosure) would then accordingly cover broad aspects of reporting or disclosure. This may include financial reporting, performance reporting, governance reporting, social and environmental reporting, intellectual capital reporting and others. Accordingly, the discussion on accountability reporting in this thesis may cover those aspects of reporting.

To sum up, prior studies have focused primarily on financial and performance reporting. More recent developments have seen sustainability reporting receive greater attention by researchers, while studies on other aspects of reporting such as on governance, intellectual capital, infrastructure assets remain limited. At the same time, there appears to be a dearth of research analysing public sector reporting more comprehensively by covering many different aspects of reporting referred to as accountability reporting by this study and a number of previous researches. Given the importance of the public accountability agenda among public organisations, accountability reporting is deemed an important mechanism towards fulfilling this agenda.

The next section provides a more in-depth understanding on the extent and quality of various aspects of reporting among different types of public sector organisations across the globe.

2.3.2 The Extent and Quality of Reporting

A number of studies have been conducted to assess public sector reporting practices. These studies vary in numerous ways including in terms of aspects of reporting (e.g. financial, performance, governance) (refer to Section 2.3.1), research settings (e.g. local government, universities, government departments), countries (e.g. the UK, Australia, New Zealand, India), measurement of disclosure (e.g. disclosure index, survey) and disclosure medium (e.g. annual reports, websites, financial accounts).

Among the earlier studies that focused on public sector reporting practices is that by Singh & Bhargava (1978) in India. Their study focused on both financial and nonfinancial disclosure which they referred to as quality of disclosure. Their disclosure index which was adapted from a private sector study by Singhvi & Desai's (1972) comprised of 36 items which was developed from literature as well as expert (comprising chartered accountants, financial experts and financial managers) opinions and suggestions. The findings of their study suggested no uniformity in the disclosure of information of 1972/3 annual reports of 40 Indian central trading and manufacturing public sector enterprises. In particular, they reported that the quality of disclosure varied from enterprise to enterprise with half of the enterprises disclosing between 40 and 50 per cent of total information, two-thirds of the companies disclosed between 20 and 40 per cent of total information while 12 per cent of the enterprises disclosed between 10 and 20 per cent of total information.

In 1980s, most public sector reporting studies tested the influence of certain factors on reporting practices. These studies are discussed in Section 2.3.3. Another early study on public sector reporting is that by Gray & Haslam (1990) who examined the corporate reports (including financial statements and annual reports) of British universities for five years from 1982/3 to 1986/7. Gray & Haslam used a disclosure index which incorporated certain financial disclosures and performance indicators recommended and suggested by the CVCP (1984) and CVCP (1985). From their sample of 89 and 64 per cent of the financial statements and annual reports of 60 universities, Gray & Haslam concluded that external forces had a marked effect on reporting practices.

A year later, Boyne & Law (1991) analysed 165 annual reports, representing 66 per cent of 37 Welsh districts published between 1981/2 and 1988/9. They used a checklist of performance indicators based on the stages of the local authority production process. The checklist contained 20 items with 9 categories, namely input, throughput, output quantity, efficiency, output quality, process quality, outcomes, citizenship and commentary. Most of the performance indicators reported are related to input while effectiveness and consumer satisfaction were not reported at all. They concluded that their annual report on performance was generally of poor quality.

In 1991, Dixon et al. (1991) extended Gray & Haslam's (1990) disclosure index by incorporating requirements by the New Zealand Society of Accountants (NZSA). They developed another index containing 52 items with 9 groups. By using a dichotomous and unweighted disclosure measurement approach, Dixon conducted a longitudinal study of a 5-year period (1985 to 1990) to assess any changes in disclosure within the period in the annual financial reports of seven New Zealand universities. Their results revealed a substantial improvement of two universities that were in line with NZSA, and little or no change by the other five over the study period.

Not long after, Coy et al. (1993b) revised Dixon et al.'s (1991) index. Among the main changes made in their alternative accountability disclosure index (AD-score) was the scoring system itself. From a simple index using 'present or absent' scoring system, AD-score was made to include a 3-point qualitative scoring system (1=poor, 3=excellent) to reflect the quality of the disclosure of each item. Each item was also assigned a weight (1=low importance and 3=high importance) based on criteria such as whether the item is considered crucial to the achievement of accountability tenets. The AD-score index contain 43 items with 8 categories. Coy et al. (1993b) conducted a similar analysis to that of Dixon et al. (1991) by using both indexes on a larger sample of 33 New Zealand educational institutions. They found that the scoring systems were found to be significantly different in 1990 and that the disclosure level was approximately 10 percentage points lower when the AD-score index was used. The AD-score also changed the rankings of some of the universities.

The AD-score was then further revised by Coy et al. (1993a) and widely known as the modified accountability disclosure (MAD) index. The index contained 26 items with 4 categories, namely overview, service performance, financial performance, and physical and financial condition. Each disclosure was ranked on a 0 to 5 qualitative scale.

The MAD index has since gained prominence in the context of public sector disclosure literature as it has been adapted and externally validated in different countries by other researchers including in Australia and Canada (Nelson et al., 1997), England (Banks et al., 1997), Canada (Banks & Nelson, 1994; Nelson et al., 2003) and Malaysia (Ismail & Abu Bakar, 2011). Besides that, although developed for the university setting, the MAD index was also adapted in different settings including schools (Tooley & Guthrie, 2007), museums (Wei et al., 2008) and local governments (Ryan et al., 2002b). The adoption arose due to "a common desire in these countries for information disclosures about the items in the MAD index." (Nelson et al., 1997, p. 39)

By way of illustration, Banks et al. (1997) employed the MAD index in their review of financial statements and annual reports of universities in England, Wales, and Northern Ireland (EWNI) over the 1992 to 1994 period. The sample comprised of reports from 53, 59 and 73 per cent of 84 universities for the years 1992, 1993 and 1994 respectively. They reported no statistically significant change throughout the years. When comparing their results with those from New Zealand (Coy et al., 1993b) and Canada (Banks & Nelson, 1994), the universities in EWNI were found to have lower disclosure levels than their counterparts in New Zealand but higher disclosures when compared to the Canadian universities. New Zealand had higher disclosure due to the existence of the New Zealand Education Amendment Act (1990). Their results also demonstrated that the "established" universities tended to have better quality disclosure than "new" universities (i.e., former polytechnics) in the categories of service performance and financial performance. The results revealed an overall lack of quantity or quality of disclosure, hence the need for greater disclosure if the universities are to satisfy increasing demands for greater public accountability.

Another similar study employing similar index is that by Nelson et al. (1997) who used the MAD index on universities in two countries, namely Australia and Canada for the 1993 to 1995 period. Their results appear to support that of Banks et al.'s (1997) where no significant changes are detected in both quantity and quality of disclosure over the study period. Further, they found evidence of higher disclosure in Australian universities than its counterpart in Canada, both at aggregate levels and by major categories for each of the study years. A similar study was conducted by Banks et al. (1997) whereby greater disclosure was needed in order for universities of both countries (i.e. Australia and Canada) to meet public accountability.

In Canada, Banks & Nelson (1994) conducted a longitudinal study on financial disclosure by Ontario universities for a six-year period from 1988 to 1993. By applying the MAD index on the presidents' annual report and audited financial statements of 16 universities, the study concluded that the universities' disclosure was consistent with the Canadian Association of University Business Officers (CAUBO, 1984) reporting guidelines but insufficient to be consistent with the accountability tenets developed in the Broadhurst (1993) and Gibbins et al. (1992) reports. A decade later, Nelson et al. (2003) tracked the universities disclosure from 1988 to 2000 also using the MAD index by using an annual sample of between 75 and 90 per cent of 48 Canadian universities. Results for the first eight years of the study period corroborated the findings by earlier authors who used a similar index (i.e. Banks et al., 1997; Nelson et al. 1997). Very little change was observed in accountability disclosures. However, for the remaining years beginning in 1997, significant annual improvements were detected. The reasons for the changes were also investigated using the interview method (refer to Section 2.3.4). Among the reasons include increased fund raising by the universities and pressure by the public and government for universities to become more accountable.

As indicated earlier, the MAD index has also been adapted in different public sector settings. Ryan et al. (2002b) for example adapted it in the context of the local government in Queensland. Using the annual reports of the largest 36 councils as their data base, the results of the study indicated that although the quality of reporting by local governments has improved over time, councils generally do not report information on aspects of corporate governance, remuneration of executive staff, personnel, occupational health and safety, equal opportunity policies, and performance information.

Upon realizing the limitations inherent in the MAD index, Coy & Dixon (2004) revised the index and named it the Public Accountability Index (PAI). Among the main differences between the MAD and PAI indices are that the latter is crafted with parametric statistical properties whereby it incorporates a polychotomous approach with a zero to infinity scale to assess items thus generating index numbers that have interval (or even ratio) properties. This enables the usage of parametric statistical analyses. Additionally, the PAI is regarded by its developers Coy & Dixon (2004) as a more comprehensive index than MAD and includes 58 items compared with 26 in the MAD-score. This is owed to the approach used to develop PAI, that is, using stakeholder opinions captured via a delphi exercise and driven by the public accountability perspective. Despite the claimed superiority of the PAI over the MAD index, Coy &

Dixon (2004) found similar results of the PAI to the MAD-scores when applied to the 1996 and 2000 New Zealand university annual reports.

Besides the MAD and PAI indices, which can be regarded as a relatively widely-used index in public sector disclosure studies, other authors have also developed their own index to suit their scope of study (refer to Table 4.8 in Section 4.8.3). For example, following the approach of Coy & Dixon (2004) in developing PAI where a disclosure index is constructed through a participatory stakeholder consultation process, Schneider & Samkin (2008) applied a similar approach to assess the extent and quality of intellectual capital disclosures in the annual reports of the New Zealand local authorities. Applying their 26-item index which comprised of three categories, namely internal, external and human capital to the 2004/5 reports of 82 authorities showed that the intellectual capital reporting in the reports varied. Internal capital was the most reported category followed by external capital and finally human capital. They also found that joint ventures/business collaborations and management processes were the most reported, while intellectual property and licensing agreements the least reported.

On the other hand, Ryan & Ng (2000) developed their own unique classificatory scheme derived from government documents of corporate governance, namely the Australian National Audit Office's (ANAO) *Applying Principles and Practice of Corporate Governance in Budget Funded Agencies* (Australian National Audit Office, 1997). The aim was to test the applicability of five corporate governance principles (leadership, management environment, risk management, monitoring, accountability) across various types of Australian public agencies, namely local governments, statutory bodies, state government departments and government owned corporations. Based on a content analysis of the corporate governance section in the 1998 annual reports of 20 agencies (5 agencies in each of the four categories), their results showed that the monitoring principle of governance which covers internal control received most disclosures while accountability principle appears to be the category that suffers from the most deficiency. They also found that government owned corporations achieved better disclosure practices in most governance principles than other public sector bodies.

Similar to Ryan & Ng (2000) who based their index on certain official documents, Caba Perez & Lopez Hernandez (2009) created an informational transparency index based on the minimum requisites for the information to be provided in the annual financial public report of MERCOSUR member countries (Argentina, Brazil, Uruguay and Paraguay), as recommended by the IFAC with reference to the International Public Sector Accounting Standards (IPSAS) references 1 and 2. The index is used to compare the index items with the public reports of 2006 of these four countries. It was discovered that the quality of these reports failed to meet IPSAS standards of information disclosure, suggesting the implementation of important changes involving the reports as well as its content.

Likewise, Herawaty & Hoque (2007) applied a disclosure index derived from the disclosure requirements issued by the Australian Department of Prime Minister and Cabinet on the “Requirements for annual report for departments, executive agencies and FMA Act bodies” to assess the 2005-2006 annual reports of 56 Australia government departments. The index, which comprises 47 mandatory and 20 voluntary items, is divided into eight broad categories. Voluntary disclosure level was found to be higher than the mandatory disclosure. Further, disclosure areas including human resources, asset management, external scrutiny, purchasing, and contracting showed low levels of disclosure.

Another example of a study that developed a classificatory scheme based on the literature is the study by Marcuccio & Steccolini (2009). Marcuccio & Steccolini developed a scheme which combined the "internal" and the "external" perspectives of the public organisations' activities to describe the extended performance reporting (EPR) practices by local Italian authorities. From their content analysis of the 2002 social reports of 15 local authorities, the study found no common approach towards EPR by those entities. It did however demonstrate that local Italian authorities made s significant attempt to publish performance information to stakeholders particularly concerning their social and economic development.

A study by Caba Perez et al. (2008) based its index on both official guidelines as well as prior research. They combined between the approaches used by other authors. Interestingly, their sources for index development were derived from guidelines and research not only in the context of the public sector but also that of the private sector (e.g. International Accounting Standards Committee, Financial Accounting Standards Board), resulting in a tri-dimensional disclosure index comprised of information content, qualitative characteristics of information and accessibility. They examined the extent of financial information made available by 65 Spanish municipalities on their web sites during January 2007 and concluded that municipalities have not been sufficiently disclosing their financial information on the internet.

Following Caba Perez et al. (2008), Blanco et al. (2011) also constructed their index using prior research and official documents. The index which comprised of 53 items including mandatory items was used to evaluate the quality and quantity of information published in the annual reports and in the financial statements of Canadian local governments in 2003 with a comparison in 2005. The results showed an overall low disclosure index with significant improvements in 2005 compared to 2003 and significant differences across the country.

Gordon & Fischer (2008) on the other hand measured the extent of disclosure using a survey method. They examined the extent of performance reporting by public and not-for-profit US colleges and universities using survey data provided by the National Association of College and University Business Officers. The questionnaire was completed by 292 respondents from its member institutions in the year 2003/4. The most common performance measures reported by colleges and universities included enrolment, persistence and graduation statistics.

Yang (2008) went further in the context of performance reporting by publicising the concept of honest performance reporting. According to them, honest performance reporting "exists when an organisation or its leaders purposefully report performance results to stakeholders truthfully, responsibly, and in a timely manner" (p. 82). Based on the survey items developed in the US and with the help of a panel of five experts on performance management and survey methodology, their findings suggested that the level of honest reporting by top managers in 12 Taipei district governments, as perceived by employees and middle managers, was not very high.

To sum up this section, it is safe to say that prior studies have generally found not very encouraging results regarding the extent and quality of disclosure among public sector organisations. Studies also appear to have focused on specific research settings primarily the local governments and public universities. Country-wise, most studies were conducted in the more developed economies such as in the UK, US, Australia and New Zealand.

2.3.3 Factors Influencing Reporting

Studies have been conducted to determine factors influencing public sector organisations to report information from before the 1980s. Earlier published studies tended to focus on factors influencing financial disclosures and were mainly conducted on the US public sector (e.g. Baber & Sen, 1984; Giroux, 1989; Ingram, 1984; Ingram & DeJong, 1987; Robbins & Austin, 1986; Zimmerman, 1977) except for a few (e.g. Singh & Bhargava, 1978).

Zimmerman's (1977) study which was conducted on US municipalities is among the earliest study on factors influencing reporting practice. By using the length of the report and auditor type as his measure for quality reporting, Zimmerman found that the council/manager form of government was more likely to adopt higher quality reporting methods than the strong mayor form of government.

Unlike most studies conducted prior to the 1990s which focused on US financial disclosure, Singh & Bhargava (1978) concentrated on the disclosure of both financial and non-financial information (which were referred in their study as disclosure quality) in the context of India. Their study found the quality of information disclosure was associated with the nature of the industry. In particular, companies manufacturing capital goods disclosed most information while those engaged in rehabilitation of sick industries and technical consultancy services saw poor disclosure. It should be noted however that organisational patterns on the other hand were not associated with disclosure quality. In other words, government companies and public corporations disclosed similar information.

Later, Baber & Sen (1984) found sufficient evidence to support their general claim that political agents in the US state government adopted standard financial reporting practices (namely, the Governmental Accounting, Auditing and Financial Reporting) to reduce costs arising from 'political' factors, namely the (i) intraparty competition, (ii) wages to state officials, (iii) debt financing, (iv) legislator turnover and (v) bureaucratic restrictions. No conclusive evidence however can be made based on their study due to the non-significant associations between the variables and reporting practices.

Ingram (1984), unlike Baber & Sen (1984) who focused on political incentives, focused on economic incentives in testing the determinants of financial disclosure. His study examined the financial disclosure in 50 US state government annual financial reports and found the extent of disclosure was greatly affected by the demands and needs for information exhibited by constituents and administrators than recommendations in accounting disclosure standards. Specifically, positive associations were found between (i) voters' incentives to monitor government finances, (ii) internal incentives of appointed administrators to monitor political behaviour, (iii) incentives to reduce debt costs and (iv) higher-paid administrative personnel and financial accounting disclosure.

Unlike the above studies which used simple measures for their disclosure index, Robbins & Austin (1986) used both simple and compounded measures and compared their results. Based on 99 annual reports for the year 1981/2 of US cities, they provided evidence that regardless of whether simple or compound measure were used to measure the disclosure quality in government financial reports, (i) city government form (mayoral versus manager/council), (ii) reliance on debt, and, (iii) reliance on federal funds remain significant variables.

Ingram & DeJong (1987) on the other hand focused on the effects of state disclosure regulations on the financial reporting practices of US local governments. Based on the cities' annual reports for 1981 and 1982, in addition to correspondence with city financial managers for 544 cities, the findings suggested that disclosure practices of cities in the states that do not regulate local government practices did not differ significantly from the practices of cities in the Generally Accepted Accounting Principles (GAAP) regulated states.

Another earlier study that focused on factors influencing financial disclosure is that by Giroux (1989). Giroux modelled the relationship between financial disclosure quality of 97 US cities' 1983 annual financial reports and annual operating budget and political and economic incentives of the groups actively involved in the governmental processes of municipalities. They found that each group with political power had only limited influence on disclosure quality.

Similar to studies prior to the 1990s, studies in the 1990s also appear to have focused on financial reporting. However, besides concentrating only on the US public sector (e.g. Cheng, 1992; Dixon et al., 1991; Sanders et al., 1994), focus has now expanded to other countries such as New Zealand (e.g. Dixon et al., 1991), Australia (e.g. Lim & Mckinnon, 1993) and Belgium (e.g. Christiaens, 1999). Studies have also been expanded to other public sector settings besides the state or local government such as higher educational institutions (e.g. Dixon et al., 1991).

In New Zealand, Dixon et al. (1991) analysed the 1988 and 1989 annual financial accounts of seven universities in New Zealand and found timeliness as having significant influence on the comprehensiveness or compliance of financial reporting. In other words, the more quickly a report is published, the more compliant it is to the reporting guidelines as promulgated by the New Zealand Society of Accountant (NZSA).

One study attempted to develop a model for the factors influencing disclosure using a more advanced statistical technique. Cheng (1992) hypothesized four categories of factors as influencing the US state government's choice of financial disclosure, namely (i) socioeconomic factors, (ii) political system factors, (iii) characteristics of the bureaucracy, and, (iv) factors that represent other external demands and constraints. They used the LISREL (Linear Structural Relations) methodology to test their model based on the 1986 financial reports of all 50 US states. Support was found implying that the choice of accounting disclosure of state governments depended on factors in the political environment and on institutional forces.

To date, the common approach for studies on factors influencing disclosure has been to use secondary reports. However, few authors have opted to use survey or census data to explore the issue of reporting (e.g. Allen & Sanders, 1994; Copley, 1991; Sanders et al., 1994). An exception to this is the study by Allen & Sanders (1994) that was based in a mail survey gathered from 439 US cities that found that (i) participation in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial reporting and (ii) the Chief Financial Officer professional orientation significantly increased levels of financial disclosure whereas other factors, namely city size and externally mandated GAAP compliance were not significant factors. Sanders et al. (1994) found similar results and reported:

> Municipal efforts to promote a climate of openness and responsiveness are associated with the amount of financial disclosure indirectly through the professional activities of the CFO and through participation in the GFOA's Certificate of Excellence Program. Specifically, cities that have adopted a code of ethics have a more professionally-knowledgeable CFO and are more likely to

> participate in GFOA's Certificate of Excellence in Financial Reporting. Both of these factors are strongly associated with increased financial disclosure. (p. 77)

Copley (1991) on the other hand, used census data on 262 US municipal governments available in the US Census Bureau's Survey of Governments, namely the Annual Financial Statistics as well as a unique database developed by Ingram & Robbins (1987) and found that independent auditors, seeking to maintain a reputation of higher quality, positively influenced the level of financial disclosures appearing in their clients' financial statements.

A study by Christiaens (1999) used both annual reports and survey data in his study to explore factors influencing reporting compliance in the Belgium public sector. The study involved the examination of 100 1995 annual reports and a verbal survey conducted on 18 Belgian municipalities and found that the (i) municipal experience, (ii) professional accounting consultants' support, (iii) accounting staff graduated at provincial school or participated in training courses, (iv) training per person and (v) municipal size had positive relationships with reporting compliance. Other factors such as the reliance on debt, municipal wealth, accountant and auditor being related parties, regional treasurer, education level of accounting staff, the membership of professional accounting organisation and bookkeepers with business accounting experience were not significant factors.

Beginning from the 21st century, it was observed that studies on factors influencing disclosure had further grown to cover more than the financial aspects of reporting (e.g. social reporting by Tagesson et al. (2011) such as performance reporting by Smith (2004), environmental reporting by Ribeiro & Aibar-Guzman (2010) and covered more countries besides the US (e.g. Sweden by Tagesson et al., 2011). For example, the study by Smith (2004) examined determinants of non-financial performance reporting in US cities the reported that socioeconomic status, press coverage, and reliance on debt concerning US voters were factors influencing nonfinancial performance reporting practice. Factors such as CFO quality, form of government, political competition, fiscal stress, existence of internal auditors were not significant factors. Furthermore, two factors limited the growth of US cities, namely i) variability in practice, and ii) managerial resistance. Data for this study was gathered from annual financial reports (128), adopted budgets (111), and any other publicly available document containing performance measures (16) as well as a mail survey (204).

Yang (2008), on the other hand, studied potential determining factors of honest performance reporting through a mail survey of 684 Taipei government employees comprising of performance specialists, senior managers and regular administrators. The study found that supportive external environments and harmonious internal environments were likely to enhance stakeholder participation and innovation culture, which, in turn, encourage honest performance reporting.

In the context of social reporting, Tagesson et al. (2011) found that the extent of social disclosures among Swedish municipalities was associated with size, tax base, tax rate, financial performance and political majority. Their study was based on 2006 annual reports of all 290 Swedish municipalities and archived data from official statistics supplied by the Swedish Association of Local Authorities. Marcuccio & Steccolini (2009) on the other hand reported that the type of activities performed and the local authorities' strategic priorities were significant factors influencing the content of the social reports. Their study was based on 2002 social reports of all 15 Italian local authorities.

Besides social and performance reporting, factors that influence disclosure which covers a wider aspect of reporting, namely accountability reporting have also been studied. Ryan et al. (2002b) for example referred to accountability reporting as quality reporting or the type of reporting which reflects the key features of ‘best practice’ disclosures conduct examination on 2007 to 2009 annual reports of 36 Australian local councils. They reported a positive correlation between the size of the local government and the quality of reporting. However, the quality of disclosures did not appear to be correlated with the timeliness of the reports.

Despite the growing scope of reposting issues, a number of studies in the 21st century remain focused on financial disclosure (e.g. Gore, 2004). Gore (2004) examined the impact of GAAP regulated and unregulated disclosure on US municipal governments in Michigan and Pennsylvania respectively. He reported that managers of unregulated disclosure have bond market-induced incentives to disclose information. On the other hand, in regulated disclosure environments, the findings suggested that regulation only induces additional disclosures for low-debt governments and not on high-debt governments. Gore’s study was based on 175 financial reports for the year-end 1995 of both states. A study by Giroux & McLelland (2003) found that governance structure was a significant variable influencing accounting disclosure in 1983 and 1996 annual reports of 92 US cities. In particular, cities with council–manager structure maintained superiority over those with mayor–council structure for accounting disclosure.

Studies have also combined between both private and public sector reporting (e.g. Gordon et al., 2002; Gordon & Fischer, 2008). In the context of colleges and universities for example, Gordon et al. (2002) examined the 1994 annual reports of 100 US institutions of higher education and found that:

> Institution size and public/private status were associated with total extent of disclosure but leverage and audit firm size were not significant. Extent of disclosure of non-financial performance information was associated with high tuition rates and low dependence on tuition revenue and with state auditors as opposed to public accounting firm auditors. Highly visible institutions, those larger in size or audited by the state, disclosed more information. Moreover, some institutions used a corporate-style report to better promote their interests. (p. 235)

A later study by Gordon & Fischer (2008) suggested that both the extent and the effectiveness of performance reporting among 262 public and not-for-profit US colleges and universities was influenced by the (i) level of education provided, and (ii) the regional accreditation agency. At the same time, the extent of disclosure was also associated with the size, while the effectiveness of disclosure was associated with the extent of disclosure. Their study was based on the survey data provided by the National Association of College and University Business Officers.

Further, due to the advancement of technology whereby reporting is no longer limited to hardcopy reports but is also published through websites, studies on public sector disclosure have also taken a similar direction whereby studies have been conducted by examining public sector websites and the factors influencing its disclosure (e.g. Bolivar et al., 2007; Laswad et al., 2005). Laswad et al. (2005) reported that leverage, municipal wealth, press visibility, and type of council were associated with the internet financial reporting practices of local authorities in New Zealand.

Several studies on internet financial disclosure have been carried out in Spain (e.g. Bolivar et al., 2007; Caba Perez et al., 2008). Bolivar et al. (2007) for example found no clear demographic or socioeconomic characteristic that can characterize the Spanish regional governments with better financial disclosures on their websites. However, regional governments with high financial disclosures appear to be those with highest percentage of homes having internet access. In a separate study by the same group of authors conducted in the context of municipalities a year later (i.e. Perez et al. (2008)), reported that of all factors tested, only the cost of debt and household's access to the internet appear to have some influence in internet financial disclosure in their studies on Spain municipalities. Factors which used to be found as influencing paper-based reporting, namely political competition, fiscal pressure, population size, reliance on state/regional funds, citizens' education level, were no longer significant in internet reporting.

Another study on internet financial disclosure was conducted on the US municipalities by Groff & Pitman (2004). Groff & Pitman concluded that the size of the government plays an important role in internet financial reporting. In addition to intra-country studies, internet financial disclosure has also been conducted across groups of countries. Bolivar et al. (2006) for example compared the approaches taken by Anglo-Saxon, South American and Continental European central governments in making financial disclosures through the internet. Their findings suggest that administrative culture was the influential factor in determining how a particular country used the web for financial disclosure.

Studies have also grouped annual report disclosures into different types and tested them against potentially influential factors. For example, Taylor & Rosair (2000) dichotomized disclosure items into two different groups, namely fiduciary and managerial accountability-based disclosure. Based on their examination of the annual reports of Australian state government departments, they found that:

> The extent of both fiduciary and managerial accountability-based disclosure provided by government departments is influenced by those user groups that directly participate in the decision processes of the department (e.g., Treasury, the Minister, the CEO and lobby groups), not by the ultimate accountees of

governments (e.g., taxpayers and recipients of public goods and services). Further, the extent of a government department's exposure to political costs (measured by size of organisation) is found to be related to the amount of fiduciary, but not managerial, accountability-based disclosure.

(Taylor & Rosair, 2000, p. 77)

From the above literature, it can be summarised that various factors have been tested by the literature in determining their influence on public sector disclosure. Roughly, the factors can be categorised into different types, namely political, social, financial, institutional, and governance factors. Table 2.1 provides illustrative examples of factors included within each category[9]. For instance, political competition, voters' participation, legislative power and interest group competition are political factors tested by prior studies on public sector disclosure.

Table 2.1: Factors for Disclosure

Themes	**Factors**
Political	political competition voter participation legislative power interest group competition government size
Social	public media interparty competition Activity voter wealth regional culture internet access voter demographic
Financial	reliance on debt government wealth reliance on federal
Institutional	professionalism population size staff demographic government type staff selection IT sophistication
Governance	governance power accounting quality system endorsement audit quality code of ethics disclosure regulation

Source: Adapted from Abu Bakar & Saleh (2011a)

[9] The thesis has produced one journal article (i.e. Abu Bakar & Saleh, 2011a) related to this issue. For further elaboration on the issue, please refer to the cited article. The article is the product of preliminary study to identify factors studied on public sector disclosure.

The factors included above can be referred to or termed differently in different papers. Below are some examples of different terms used by different papers (refer to Table 2.2). For example, voter participation is also termed as electoral competition by a separate study.

Table 2.2: Factors for Disclosure and the Equivalent Terms

No.	Factors	Other Terms Used
1	voter participation	electoral competition
2	legislative power	parliamentary competition
3	interest group competition	interest-group strength
4	government size	institution size & wealth/internal ability/total assets/total revenues/no. of employees
5	public media	internet visibility/press visibility/press/strength of press
6	activity	industrial/geographic coalition/firms' activity/company town
7	voter wealth	voters' socio-economic level/income per capita/citizens' wealth/ socioeconomic characteristics/socioeconomic development and diversity
8	regional culture	administrative culture
9	internet access	internet access in households/technology
10	voter demographic	voters' level of education/demographic characteristics
11	reliance on debt	cost of debt/debt/leverage/the use of debt financing/bond market interaction/contracting/capital market
12	government wealth	city wealth/municipal wealth/municipal resources/fiscal pressure/financial condition
13	reliance on federal	state-regional funds/state and federal intergovernmental transfers/federal influence/tuition dependence & tuition rates
14	professionalism	COE participation/ CFO informed
15	population size	complexity of government
16	staff demographic	demographic of public officials /education/salaries & wages/experience/ bureaucracy needs and abilities/bureaucratic power/statutory or bureaucratic restrictions/experience/training/professional support
17	government type	form of government/council type/type of institution/administrative culture / public vs. private U&C
18	staff selection	administrative selection process (selection of auditor, accounting system administrator, appointive power of governor)
19	IT sophistication	e-politician/website design/IT sophistication
20	governance power	governance structure/corporate governance structure/power of governor
21	accounting quality	quality of accounting disclosure/qualitative characteristics of accounting information/timeliness/performance reporting
22	system endorsement	endorsement of the most advanced governmental financial information systems
23	audit quality	outside audit/audit firm size
24	disclosure regulation	GAAP disclosure regulation/GAAP state /non GAAP state/state regulation/ state disclosure practices

Source: Adapted from Abu Bakar & Saleh (2011a)

From this section, it can be summarized that early studies on factors influencing disclosure tend to focus on financial disclosure in the US public sector before gradually expanding to others reporting aspects (namely the sustainability and performance reporting) and to other developed countries (e.g. New Zealand and Australia) and European countries (e.g. Belgium). The research settings of these studies appear to concentrate mainly on the local and state governments with a few others on universities. Secondary reports such as the annual reports have been the common approach to gather data for these studies although mail surveys and census data have also been used. The 21st century shows the beginning of studies on public sector Internet disclosure. Factors which have been tested are diverse and can be grouped into several themes namely financial, political, social, institutional and governance factors. There appears to be only a handful of study examining the factors potentially influencing accountability reporting. The next section will discuss public sector studies which attempt to identify reasons for the reporting and nonreporting of information.

2.3.4 Reasons for Reporting

Besides focusing on disclosure level and factors influencing the disclosure, prior studies have also attempted to understand the reasons for such disclosure. Several authors such as Marcuccio & Steccolini (2005) have proposed that interviews are conducted with public managers to enrich the analysis on factors influencing the public sector disclosure practice. To date however, only a very limited number of studies have used interviews as a means to gather a different set of data to better understand the reporting practices of public sector organisations (e.g. Chatterjee et al. (2012); Christensen & Skaerbaek (2007); Marcuccio & Steccolini (2005); Nelson et al. (2003)). Below are the reviewed literature which has documented possible reasons for public sector reporting or non-reporting in various contexts. In the context of accountability reporting, Nelson et al. (2003) interviewed 36 Canadian university personnel and found that among the reasons for increased accountability disclosure were increased fund raising by the universities and pressure by the public and government for universities to become more accountable. Additionally, the board of governors also played a role in changing accountability reporting. Nelson et al. (2003) also found that a change in accounting pronouncements appear to have had little effect on the improved accountability disclosure.

The most recent study to identify reasons for public sector non-reporting is by Chatterjee et al. (2012). Their interviews with three preparers of New Zealand local authorities' annual reports revealed that reasons behind the non-reporting of required infrastructure information in annual reports were: preparers' access to inside information, lack of community interest in this document, lack of resources, lack of time due to time pressure, no legislative requirements, uncertainty of whether the reporting of additional information than those required by legislation will be approved by the auditor and lack of space in annual reports.

At least three studies focusing on reasons for reporting and nonreporting were conducted in European countries such as Italy (e.g. Marcuccio & Steccolini, 2005; Mussari & Monfardini, 2010) and Denmark (e.g. Christensen & Skaerbaek, 2007). For example, in Italy, interviews were conducted by Marcuccio & Steccolini (2005) with 12 preparers of social and environmental report (SER) in Italian local authorities revealed that both the (i) socio-psychological (which relates to the willingness to signal the innovativeness and progressiveness of the management techniques adopted by other departments or other local authorities) and (ii) techno-economic forces (which relate to the search for improvements in financial and non-financial performance through better accounting, reporting and management systems) combine to shape the SER phenomenon. Their findings supported the concept of managerial fashion proposed by Abrahamson (1996) which combines both the technical/rational explanations of the adoption of management practices and 'institutional' practices.

Another Italian study focusing on social reporting in their local authorities is by Mussari & Monfardini (2010). Mussari & Monfardini pointed out that disclosure was made to regain lost trust from citizens as a result of prior accountability issues. Disclosure may serve as a useful tool for organisations to address issues highlighted by media and public concerns. They argued that social reporting practice in local authorities is a legitimacy-seeking behaviour, whereby the local authorities try to highlight to the management or governance of local welfare and policies on their potentials as well as on the peculiarity of their managerial approach. It is also used as a sign of their higher level of efficiency and socially responsible behaviour.

In the case of Denmark, it was a cross-country study where Christensen & Skaerbaek (2007) interviewed ten public sector personnel in either the central agencies or reporting agencies of Denmark and New South Wales, Australia. They found that nondisclosure of other performance measures besides the traditional input and output measures and significant stories was to avoid public criticism of the accountability reform as well as to hinder central agencies from opportunities to identify objects for cost cutting. This is consistent with the arguments of Lee & Fisher (2004) that potential loss of competitive advantage may lead to reduced levels of disclosure.

It is noted that very limited literatures are available to explain the disclosure practice in public sector entities in terms of why information are reported or not reported using qualitative approach such as interviews. Additionally, unlike studies on the level and quality of disclosure (refer to Section 2.3.2) and factors influencing it (refer to Section 2.3.3), studies identifying reasons for disclosure and nondisclosure was not dominated by the US. This is possibly due to the fact that US studies, as noted by Goddard (2010), are more inclined toward positivistic research. Further, reasons for financial reporting were not studied; rather, these studies focused on other reporting aspects including social reporting, infrastructure reporting and accountability reporting. This is possibly because financial information disclosure is more regulated leaving less room for discretion for preparers. Next section discusses public sector reporting studies conducted in the Malaysian context.

2.4 Studies on Public Sector Reporting in Malaysia[10]

Most studies on Malaysian public sector disclosure were published in the 21st century (e.g. Ismail & Abu Bakar, 2011; Joseph, 2010a; Nichol & Taylor, 2001) with the exception of a few (Tayib et al., 1999). Local authorities appear to receive most attention in Malaysian public sector disclosure research; a scenario which can be observed in the international context as well (refer to Section 2.3). One of the earliest studies on Malaysian public sector disclosure was conducted by Tayib et al. (1999) in the context of financial reporting in local authorities. Tayib et al. focused on the demand for reporting where the needs and demands of local Malaysian taxpayers for published financial information were investigated. Based on a sample of 305 local taxpayers in

[10] The thesis has produced one journal article (i.e. Abu Bakar & Saleh, 2011b) related to this issue., and therefore more discussion on the issue is to be referred to that article. The article is a bibliographic review on public sector accounting research conducted in Malaysian context. In the article, the area of research, research settings, methods adopted by research on Malaysian public sector were identified and classified. The literatures included journal articles, masters' dissertations and doctoral theses in most of these classifications. It was found that there exist various gaps in the literatures on Malaysian public sector accounting. One of them is lack of studies on reporting.

three local authorities, the study found a large expectation gap between the taxpayers' needs for information in the financial accounts and the actual financial reporting practices of local authorities. The results also found that the availability of financial information may influence taxpayer compliance behaviour in terms of their willingness to pay local tax demands.

In addition to Tayib et al., several other authors conducted their reporting studies on local authorities although their focus of reporting differed. The aspects of reporting researched thus far included sustainability reporting (e.g. Joseph, 2010a, 2011; Joseph & Taplin, 2012) and performance reporting (e.g. Tooley et al., 2010). Consistent with Tayib et al. (1999), Tooley et al. (2010) also focused on the demand for reporting by Malaysian local authorities. Their study however moved to performance reporting instead and surveyed a larger group of stakeholders comprising of both internal and external stakeholders instead of solely focusing on taxpayers like in Tayib et al.'s (1999). Based on 666 returned surveys representing a response rate of 38 per cent, the study revealed that there was a general demand by respondents that a broader set of performance information should be publically communicated, which includes quantitative and qualitative information as well as financial and non-financial performance information.

Unlike Tayib et al. (1999) and Tooley et al. (2010) who focus on demand aspect of information, Joseph (2010a) examined the supply aspects of reporting, in particular, the supply of sustainability information in the websites of local authorities. Based on a content analysis of 139 websites, their study revealed low levels of disclosure for sustainability information. Furthermore, the findings suggested that more economic information should be published as compared to social and environmental information.

Disclosure of sustainability activities, despite being positive, had little impact due to the lack of financial information attached to it.

In a follow-up study, Joseph (2011) examined why Malaysian district councils did not report sustainability information on their websites. Her study, unlike many researches in this area which applied a quantitative approach, was qualitative whereby a case study approach was used. Based on semi-structured interviews with six interviewees from three district councils and by using institutional theory as its theoretical guide, it was reported that:

> Internal and external organisational factors influenced the non-reporting of sustainability information on council websites. In institutional theory, the lack of commitment shown by the top management in implementation sustainable development program appears to discourage the promotion of normative isomorphic pressure for disclosing sustainability information on websites. There is evidence of coercive isomorphism relating to website bureaucratic procedures, but, not relating to disclosure of sustainability information.
>
> (Joseph, 2011, p.1)

Using a similar research approach by using case study and semi-structured interviews, Joseph & Taplin (2012) explained the role of mimetic isomorphism, an element of institutional theory, in relation to reporting sustainability information on 16 local authority websites. The study reported that all except one council mimicked the sustainability information found on the websites of both local and international councils. However it should be noted that such as act aimed at adopting innovation on sustainability activities rather than reporting format.

Besides local authorities, studies on Malaysian public sector disclosure have also focused on other government entities including the federal government (e.g. Nichol & Taylor, 2001) and the state government (e.g. Mucciarone & Neilson, 2011). A study by Nichol & Taylor (2001) is possibly the only study that has examined disclosure across the various Malaysian federal government units and is possibly the only study to have conducted a longitudinal examination of public sector disclosure in Malaysia. Based on Hyndman & Andersen's (1995) framework, Nichol & Taylor produced a scheme comprising two mutually exclusive categories, namely performance and accountability information that refers to managerial accountability and fiduciary accountability respectively. The changes in the extent of disclosure of these two categories of information in the annual public accounts of the various federal government entities including its ministries for the years 1985 (30 entities/reports) and 1995 (19 entities/reports) were examined. The general findings showed that there was little to negative change in the extent and quality of disclosure over the 10 years. Further, disclosure on statement of objectives and strategies appear to have been given increased weight and emphasis, whereas disclosure on quantified results was lacking. It was concluded that the public's ability to assess the annual performance and the discharge of accountability of Malaysian federal government entities as well as the Malaysian government on the whole remain limited.

Unlike Nichol & Taylor (2001) who used secondary data, Mucciarone & Neilson (2011) obtained their data using surveys and semi-structured interviews with the senior finance officers of the Malaysian federal and state government departments in order to assess the disclosure of performance indicators in government departments. Based on 37 survey cases, representing a 21.7 per cent response rate, they reported that government departments consider the disclosure of efficiency information in annual reports important in discharging the government's accountability. Further, based on interviews conducted with twelve departments, it was found that two of the departments did not disclose any performance indicators in their annual report whereas six departments claimed to report all the eight performance indicators (i.e. efficiency, effectiveness, output, outcome, time, quality, quantity and cost). Additionally, the mostly disclosed indicator by Malaysian departments is the quantity indicator.

Besides federal and state government as the focus of study, the study of public sector disclosure in Malaysia has also covered one type of federal government agency, namely public universities (e.g. Ismail & Abu Bakar, 2011). Ismail & Abu Bakar's (2011) study slightly differed from other Malaysian public sector disclosure studies in terms of the coverage of reporting mediums it examined. Their study analysed both the hardcopy annual reports and websites. Using the items listed in the TC4/2007 and selected items from the widely used MAD index developed by Coy et al. (1993a), Ismail & Abu Bakar evaluated the extent of accountability information disclosure of eleven Malaysian public universities. The findings revealed that accountability information disclosure was very low in the universities' websites compared to their annual reports. Disclosure of accountability information also appeared higher in the established universities' group compared to new universities.

Besides the public universities, which is one type of federal statutory bodies in Malaysia, there is also a study on Malaysian public sector disclosure which covers more than this type of federal statutory bodies (e.g. Azis, 2008). Azis (2008) in her Master's thesis studied the reporting practice of 2005/4 annual reports of 62 federal statutory bodies. Based on three different disclosure indices, her findings generally indicated that the disclosure level is average and is still far behind the developed countries. It was reported that not all statutory bodies comply to the reporting requirement as suggested in the Treasury Circular 15/1994. At the same time, the chairman's statement focused on the disclosure of the management of the organisation, and followed by the customers or target groups and government. The study also revealed that more than 90 per cent of studies on statutory bodies disclosed more than half of the performance measures.

There seems to be very few published studies on factors influencing disclosure in the Malaysian public sector; the few studies available appear to be unpublished doctoral studies (i.e. Johl, 1993; Joseph, 2010b; Mucciarone, 2008). In his doctoral thesis, Johl (1993) examined the factors influencing the level of disclosure reflecting financial accountability in the financial reports of government entities in Malaysia. Based on his analysis of 62 financial reports of federal, state and local governments, the study reported that financial reports by government entities in Malaysia lacked financial accountability with significant variations in the disclosure level reflecting accountability across government entities. Long term debt and form of government are associated with the level of disclosure reflecting accountability whereas size in terms of assets and revenue were not significant factors.

In her doctoral thesis Mucciarone (2008) studied factors influencing performance indicator disclosure in the annual reports of Malaysian government departments. Based on her content analysis of the 2003/2004 annual reports of thirteen Malaysian and thirteen Australian government departments, she reported that oversight bodies, organisational size, citizenry, bureaucrats accounting ability and their salary had no influence on the performance indicator disclosure. However, culture appears to have influenced the disclosure of the performance indicator.

The most recent unpublished doctoral study on factors influencing disclosure in Malaysian public sector was carried out by Joseph (2010b). Her study focused on factors influencing sustainability disclosure on local government websites. Based on her analysis of the 139 websites, it was revealed that size (logrevenue), jurisdictions, internal goals and the LA21 program were significant explanatory variables in influencing sustainability disclosure.

To sum up, there appear to be very limited studies on Malaysian public sector reporting. Additionally, the available studies tend to focus on specific aspects of reporting such as sustainability, performance and financial reporting. The majority of the studies also concentrated on the local authorities, while the other two higher-tiered governments, namely the federal and the state government are less researched. Published studies on the reporting practices are also almost non-existent on the federal or state statutory bodies. A similar situation was found in the case of studies investigating the factors influencing disclosure in Malaysian public sector organisations. There also appears to be a dearth of qualitative studies that attempt to understand the reasons for reporting and nonreporting by Malaysian public sector bodies. The literature review also revealed that the supply of information by public sector entities is generally lacking and thus does not meet the stakeholders' demand.

2.5 Studies on Public Sector Reporting in Semi-government Bodies (Outside Malaysia)

In countries besides Malaysia, there are quite a number of public sector disclosure studies conducted in the context of semi-government bodies such as statutory authorities and executive agencies (refer to Section 3.2.1 for discussion on different terms used by different countries with regards to its semi-governmental organisation). Prior to the 21st century, studies on disclosure in the UK executive agencies could be regarded as having received the most attention compared to their counterparts in other parts of the world (e.g. Hyndman & Andersen, 1995; Hyndman & Anderson, 1998; Pendlebury et al., 1994; Rutherford, 1996) although one of the earliest studies was conducted on statutory authorities in Australia (i.e. Lim & Mckinnon, 1993). Further, most studies tended to focus on performance disclosure (e.g. Hyndman & Andersen, 1995; Taylor, 2006).

One of the pioneering studies to be conducted was that by Lim & Mckinnon's (1993) on the statutory authorities in Australia, consistent with the fact that Australia was said to be the pioneer for this form of public entity (McCrae & Aiken, 1988). They examined the relationship between political visibility and voluntary disclosure. The political visibility item was proxied by total assets, total revenues, number of employees and parliamentary debate coverage. Based on their analysis on the 1984 annual reports of 50 commercial and semi-commercial statutory authorities in the Australian State of New South Wales, there was an evident positive relationship between political visibility and their voluntary disclosure of financial and non-financial information of a non-sensitive nature. However, no positive correlation was found for the sensitive nature of information, implying that statutory authorities distinguish between sensitive and non-sensitive information in the voluntary disclosure of information in managing their political visibility.

A year later, a study was conducted on the UK executive agencies' reporting practices by Pendlebury et al. (1994). Based on the analysis of 1992 annual reports of 53 executive agencies, which focused on financial accounting information and performance measures/indicators, the findings suggested that the form and content of annual reports and accounts are diverse and thus not useful for comparison purposes (i.e. comparing either between one agencies' reports with another or with the private sector). The variation in financial reporting appeared to have been influenced by the trading fund status and not by agency size or length of time as agency. As for the reporting of performance measures, there was little evidence that the competitive position of an agency influenced their performance measure selection.

In the following year in 1995, another research on the UK executive agencies was conducted that focused on performance reporting. Hyndman & Andersen (1995) analysed 1991/2 annual reports of 57 agencies and it was revealed that the majority of the agencies provided no or little performance information including efficiency, effectiveness, inputs, outputs and results. In particular, almost half (42%) of the agencies did not report efficiency measures at all, whereas only 14 per cent of the agencies provided comparable effectiveness figure. Nevertheless, they noted a considerable improvement in the performance reporting as compared to their earlier study, i.e. Hyndman & Andersen (1992).

Three years later, Hyndman & Anderson (1998) conducted a study similar to their 1995 study except that they now analysed annual reports of four different periods, namely those published during or before 1990/1 (29 reports), the 1991/2 (57 reports), 1992/3 (71 reports) and 1993/4 reports (88 reports). They reached conclusions similar to their earlier except that the percentage of the agencies that did not report efficiency measures at all slightly increased to 43 per cent from 42 per cent, whereas the percentage of agencies providing comparable effectiveness figure reduced by 6 per cent to 8 per cent.

Unlike most reporting studies on semi-governmental bodies which analyse secondary reports, Rutherford (1996) adopted the survey method. He conducted a survey on the structure and content of the published financial statements of 50 UK executive agencies entering the Fifth Pricewaterhouse Best Agency Report and Accounts Competition (covering 1993/4 financial statements), representing 58 per cent of the 92 agencies existing at the time. Their findings suggested that applying the private sector GAAP to executive agencies may introduce gaps and inconsistencies in the reporting across agencies due to the difference in their nature of events and transaction. The non-uniformity nevertheless, according to them, may not affect the fundamental integrity and the basic usefulness of the agencies/financial statements.

In a follow up study four years later, Rutherford (2000) examined the 1996/1997 reports of 44 executive agencies submitted to the Eighth Price Waterhouse Best Agency Report and Accounts Competition. His study's findings suggested that more standardization of performance indicators needed to be undertaken by agencies to enhance their comparability and this must not be done without addressing the uniqueness of each agency.

Later, Hyndman & Eden (2002) who based their analysis on matched sets of corporate plans (covering a three- to five- year period), annual business plans and annual reports of 24 executive agencies, attempted to identify whether performance reporting in executive agencies' annual reports was tied to the agencies' stated targets and objectives. They found that agencies linked their performance planning process to the performance reporting process, and in return, this facilitated better management and accountability.

Unlike most previous studies on semi-governmental disclosure which have focused on either secondary reports or the survey method, Taylor (2006) combined both of these method. Her study identified how performance reporting affected the autonomy of statutory bodies in Hong Kong and Singapore and how it benefited other stakeholders. Using the responses received from (mostly) senior officials of ten Hong Kong and six

Singapore statutory bodies, and their respective annual reports and strategic plans available on websites, she concluded that:

> Any increased operational autonomy enjoyed by statutory bodies as a result of performance reporting arrangements has had only a negligible impact on the participation of citizens in the affairs of those bodies and on their accountability to citizens. (Taylor, 2006, p. 289)

There are at least two studies which have examined the reporting practices of statutory bodies together with other public units (i.e. Janet, 2006; Ryan & Ng, 2000). Janet (2006) examined performance information disclosure in the Australian government trading enterprises which included statutory authorities and state-owned corporations. Based on her analysis of the 1998 to 2002 annual reports of a selected government trading enterprises (fourteen to twenty entities in each year), the findings suggested a lack of uniformity and performance reporting in those entities. Information on effectiveness, service quality, achievement of social objectives and comparative non-financial performance were varied and inconsistent.

Ryan & Ng (2000), on the other hand, studied governance disclosure of public sector bodies comprising of government-owned corporations, state government departments, local governments and statutory bodies. They content analysed the corporate governance section of 20 agencies 1998 annual reports (five agencies in each of the four categories), and found that the disclosure of corporate governance was piecemeal. Additionally, government-owned corporations showed greater disclosure than their counterparts in the public sector.

In short, studies on reporting in semi-governmental bodies appear to focus on the more developed countries particularly the UK and Australia. The most researched area was performance reporting, followed by financial reporting and there was at least one study conducted on governance reporting. The next section discusses the role and importance of annual reports as an accountability medium.

2.6 Annual Report as a Medium of Reporting

Accountability reporting may be conducted through various avenues including media release, mailings to citizen groups, websites, and annual reports (Taylor, 2006). Annual reports need to be seen in their context as only one means of discharging accountability (Sinclair, 1995). Nevertheless it has been regarded in the literature as the main medium of information dissemination in the public domain and therefore an accountability tool (Tooley & Guthrie, 2007; Wall & Martin, 2003; Wei et al., 2008). Annual reports are considered to be yearly statements by a public sector entity required under some legislation or regulation (Christensen & Skaerbaek, 2007). They usually comprise of activity reports and financial reports (Garcia et al., 2002) (refer to Figure 2.2).

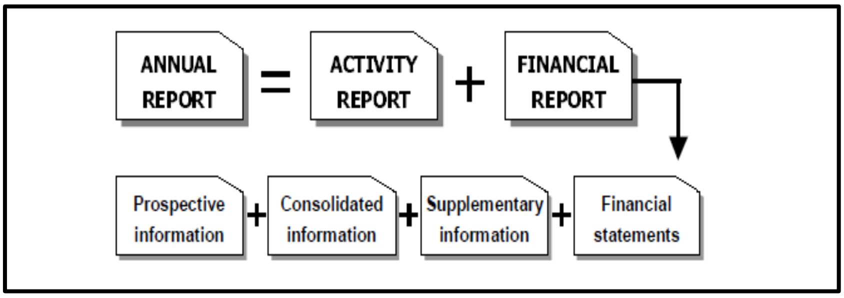


Figure 2.2: Components of Annual Reports

Source: Garcia et al. (2002)

Many government stakeholders are interested in public sector annual reports and accounts. Lapsley (1992) divided the stakeholders into internal and external users (refer to Figure 2.3)[11]. Internal users may include government officers and members. The external group may be divided into two types; (i) those who have direct and regular access to the document (e.g. parliament, auditor general, auditors, the responsible

[11] This classification of stakeholders is slightly different with Ryan et al. (2002a) classification as explained earlier in Figure 2.1.

minister, ministry of finance, external experts who may be hired by the bodies such as governing boards/ committees/ councils), and (ii) those who have limited resources to access the documents (e.g. clients and client groups, the general public, pressure groups, media) (Lapsley, 1992; Taylor, 2006).

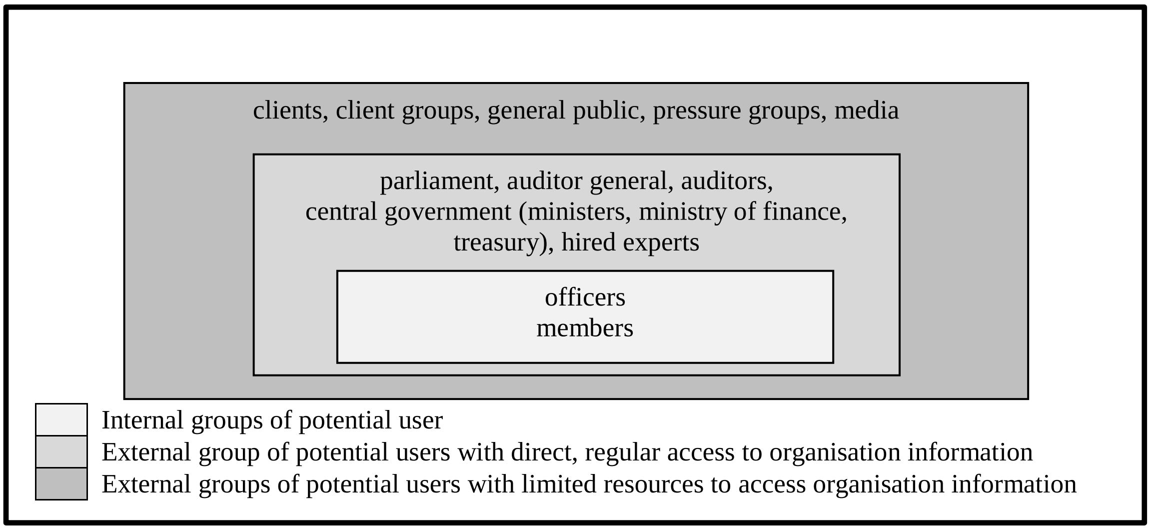


Figure 2.3: A Layered Schema of Stakeholders of Annual Reports and Accounts
Source: Adapted from Lapsley (1992)

According to Nelson et al. (2003), the annual report is the cornerstone of public and parliamentary scrutiny. Annual reports can be seen as an attempt to make the performance of the public sector auditable (Power, 1996). It is said to be the accountability acquittal required under the NPM (Christensen & Skaerbaek, 2007). Lim & McKinnon (1993) mentioned that annual report regulations will considerably improve the level of responsibility of authorities to parliament and enhance their efficiency and effectiveness. According to Coy et al. (2001), annual report is the only document that is available to all stakeholders on a routine (yearly) basis.

One disadvantage of annual reports is that it requires large investment by the reporting agencies (Christensen & Skaerbaek, 2007). Studies have raised concern on the lack of users of the report or little public interest in it (Nelson et al., 2003). Despite this, Likierman (1992, as cited by Nelson et al. 2003) argued that the public interest and disclosure quality is really a ‘chicken and egg’ situation where poor-quality reports themselves may cause a lack of stakeholders’ interests. Hence, the problem can be eventually overcome by increasing the quality of disclosure, and by addressing more stakeholders. Sinclair (1995) reinforced this by arguing that for annual reports to be effectively achieving its broad accountability purpose, managers of reporting agencies should target their disclosures much more directly towards the general citizens and broader group of audiences (refer to Section 4.3.1). Unfortunately, studies have found that annual reports are less directed towards stakeholders besides those within the government itself (e.g. Taylor & Rosair, 2000).

A variety of disclosure medium has been investigated in prior studies. Among the most researched mediums of disclosure is annual reports (e.g. Clarke et al., 2009; Coy & Dixon, 2004; Gordon et al., 2002; Herawaty & Hoque, 2007; Schneider & Samkin, 2008; Singh & Bhargava, 1978; Taylor & Rosair, 2000). Besides annual reports, other disclosure mediums that are studied include websites (e.g. Gandia & Archidona, 2008; Groff & Pitman, 2004; Laswad et al., 2005; Papenfuß & Schaefer, 2010), financial reports (e.g. Caba Perez & Lopez Hernandez, 2009; Cheng, 1992; Gore, 2004; Robbins & Austin, 1986), performance report (Marcuccio & Steccolini, 2009) and budget papers (Carlin & Guthrie, 2001). Some studies have even examined more than one disclosure medium (e.g. Bolivar et al., 2007; Giroux, 1989; Hoque & Adams, 2008; Smith, 2004). From the preceding discussion, it is clear that annual reports serve as one of the most important public accountability mediums.

2.7 Summary

In summary, the review of the international and Malaysian literature in this field revealed several gaps in the literature. First, there is a lack of study on a more comprehensive aspect of reporting, namely the accountability reporting or the disclosure of accountability information, as many studies tended to focus on certain aspects of reporting per se mainly the financial and performance reporting; this gap is addressed in this thesis as the central issue of the study. Secondly, there appear to be a dearth of recent studies on reporting in semi-governmental bodies, as most prior studies tend to focus on local governments; therefore the present study attempts to add evidence to the literature from this unique type of organisation. Thirdly, there was a lack of public sector disclosure studies on less developed countries, on Asian countries and on Malaysia itself as most studies were conducted in the context of a more developed nations. It is hoped that this study, which focuses on Malaysia, will fill this particular gap in the literature.

Fourth, it was reported by the majority of these studies that there was a generally low level and quality of disclosure across various public sector organisations both locally and internationally. As such, this study further explores this issue in RQ1 to determine whether a similar situation applies in the context of the Malaysian public sector organisations, in particular the Federal Statutory Bodies and the focus will be on the level of disclosure. Fifth, there is a dearth of studies that identify factors influencing disclosure of accountability information, and those available have not focused on statutory bodies and as such have not tested factors addressing the unique characteristics of these type of bodies. This gap is addressed by this study in RQ2. Sixth, it was revealed from the literature review that there is a dearth of public sector disclosure studies on the reasons for reporting or nonreporting that adopt a qualitative method particularly using interview for a more comprehensive understanding on the issue. This study addresses this research gap in RQ3.

Finally, this chapter has discussed the importance of annual reports as a medium for the public sector to discharge its accountability to its stakeholders. In the next chapter, the MFSB which is the central research setting of this thesis is discussed.

CHAPTER 3
MALAYSIAN FEDERAL STATUTORY BODIES

3.1 Introduction

Chapter 2 reviewed literature on the forms and extent of disclosure in public sector organisatons. This thesis focuses on disclosure in the Malaysian Federal Statutory Bodies (MFSB). Chapter 3 provides an overview of MFSB and awards particular attention on lacunas in existing accounting and reporting research in the context of MFSB. The chapter begins with a general overview of MFSB in Section 3.2. It includes the definition of MFSB, its position in the Malaysian public sector, the distinguishing features of MFSB, the size and financial performance of MFSB as well as the financial relationship between MFSB and the Malaysian federal government. The chapter then proceeds with a discussion on the accounting and reporting requirements required of MFSB in Section 3.3. This covers the Treasury Circular No.4/2007, accounting basis and standards of MFSB, the submission and tabling of accounts and annual reports of MFSB and the minimum disclosure requirements. Section 3.4 provides some discussion and examples on the accounting and accountability issues in MFSB. This is then followed with Section 3.5 which discusses prior literature on MFSB in regards to accounting and reporting.

3.2 Overview of Malaysian Federal Statutory Bodies

3.2.1 Definition of MFSB

MFSB is defined by the Statutory Bodies (Accounts and Annual Reports Act 1980) (Act 240) as:

> Any body corporate, irrespective of the name by which it is known, that is incorporated pursuant to the provisions of federal law and is a public authority or an agency of the Government of Malaysia but does not include a local authority and a body corporate that is incorporated under the Companies Act 1965 (part 1, para.2, pg.6).

MFSB are established with the aim of achieving specific government objectives (Ahmad et al., 2009). They can be generally classified into five non-mutually exclusive categories based on their roles and functions (Treasury, 2007): (i) regulatory, (ii) research and education, (iii) socioeconomic, (iv) public utilities, and, (v) business enterprises. However, as these categories are not mutually exclusive, it implies that one statutory body may be classified into more than one category.

Public entities with a similar nature with that of MFSB exist in other parts of the world, albeit using different names (Hill et al., 1989). Australia is said to be the pioneer of this form of public entity (McCrae & Aiken, 1988). In Australia, such public entities are commonly called statutory authorities. By 1979 there were 241 statutory authorities in Australia. The emergence of these entities was mainly due to the country's recognition that the ministerial department was an inappropriate organisation for some public sector functions particularly in the commercial field (McCrae & Aiken, 1988). In other countries, including Hong Kong, Singapore and Malaysia, the term used is statutory bodies, whereas in the UK, these types of entities are named as executive agencies. Other countries name them public corporations. According to Hill et al. (1989):

> [Despite the different terms used in different countries], essentially, however, the form is similar - that of a body established by law to operate outside the departmental organisation, with specific powers, functions and objectives, controlled by a board or commission with a good deal of freedom to recruit staff and operate on a day-to-day basis without ministerial intervention, but responsible to the legislature through the relevant Minister.

For the purpose of this study, these terms (i.e. statutory bodies, statutory authorities, executive agencies, public corporations) may be used interchangeably wherever it is appropriate to discuss this type of organisation in general and not specifically pertaining to the Malaysian context. It is also important to understand where MFSB stands within the Malaysian public sector. This is discussed next.

3.2.2 The Position of MFSB in the Malaysian Public Sector

The Malaysian government consists of three tiers of government namely the federal, the state, and the local government (refer Figure 3.1). The federal government is the highest tier in the government, followed by the state and lastly the local governments or local authorities. MFSB are part of the federal government. At the state government level, there are statutory bodies as well. However, the focus of this study is limited to the MFSB and does not include state statutory bodies.

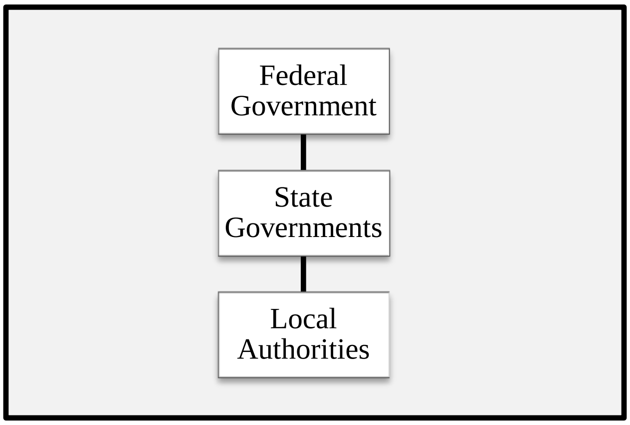


Figure 3.1: Tiers of Government in Malaysia

The federal government consists of ministries that are the highest body in the federal administrative machinery (Rauf et al., 2008) (refer Figure 3.2). At present, there are a total of 25 federal ministries in Malaysia. Under each ministry, there are departments as well as public enterprises. Departments are in charge of carrying out most functions of the ministries (Ahmad et al., 2009). Examples of federal government departments are the Private Education Department and Technical Education Department under the Ministry of Education to name a few.

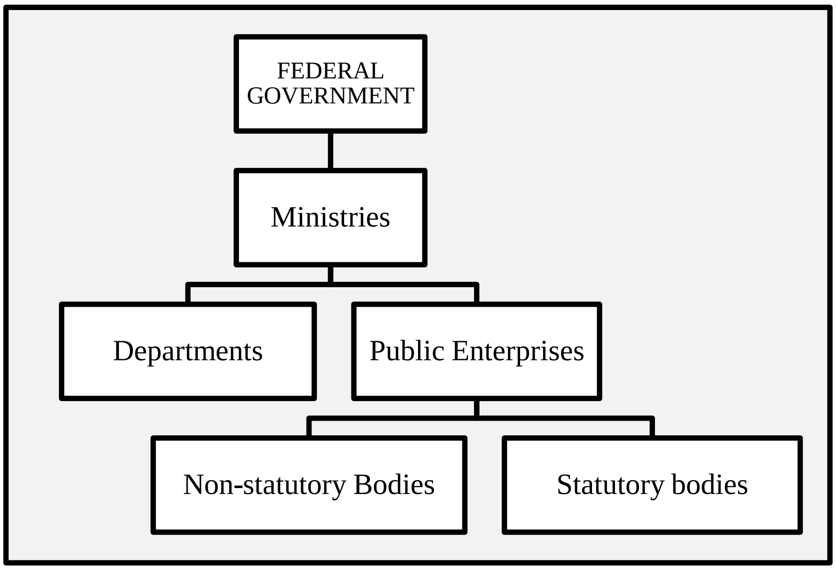


Figure 3.2: Structure of the Malaysian Federal Government

The other arm of the federal ministries besides the federal departments is the public enterprises. In the government administrative machinery, ministries, departments, and public enterprises are also known as government agencies (Ahmad et al., 2009). A public enterprise is an organisation which is public in purpose but run as a profit-making entity. Based on official records, approximately 200 public enterprises were established during the National Economic Policy (NEP) period, i.e. from 1970 to 1990 (Ahmad et al., 2003). The establishment of many public enterprises during that period was largely to fulfill the two objectives of NEP, namely; (i) to eradicate poverty and (ii) to restructure society, as stated by Ahmad et al. (2003, p.204):

> The implementation of the NEP was in the hands of the public sector as the private sector was not in a position to do so. The government announced that it would go into the private sector in order to help achieve the NEP's objectives. Thus, an increasing number of statutory bodies and public enterprises were created for this purpose. They were headed and assisted by persons seconded from civil services.

Public enterprises may be statutory or non-statutory bodies. Non-statutory bodies are established in accordance to the Companies Act 1965 (Rauf et al., 2008). They are purely business ventures with socio-political objectives (Ahmad et al., 2009). The

Urban Development Authority and the Heavy Industries Corporation are examples of such bodies. Some have been transformed into commercial companies in which they became financially-independent while at the same time still being closely monitored by the government particularly in regards to financial matters (Rauf et al., 2008). One example is the National Electricity Board which was later privatised and renamed *Tenaga Nasional*.

On the other hand, statutory bodies are mostly established under a Parliamentary Act specific for that particular MFSB or for a group of MFSB with similar activities. One such example is universities. All public universities, which are MFSB, are established under the Universities and College Universities Act. One important difference between a statutory body and a non-statutory body is that the latter is not subjected to government control and is free to have service schemes of their own for their staff (Rauf et al., 2008).

Each MFSB is placed under the jurisdiction of a respective Ministry as stated in their respective establishment Acts (i.e. parliamentary Act) or Ministerial Functions Act 1969 (Act 2) revised in 1999. For example, the University of Malaya is under the Ministry of Higher Education. Another example is the Employee Provident Fund which is under the Minsitry of Finance. Most ministries have their own MFSB. As of 2011[12], there are a total of 124 MFSB under various ministries. Table 3.1 shows the number of MFSB within each ministry in the year 2011.

[12] This is the latest data available.

Table 3.1: Number of MFSB in Each Ministry

No.	Ministry	No. of MFSB
1	Ministry of Higher Education	23
2	Ministry of Finance	11
3	Ministry of Transport	11
4	Prime Minister's Department	11
5	Ministry of Plantation Industries and Commodities	8
6	Ministry of Agriculture and Agro-Based Industry	8
7	Ministry of Rural and Regional Development	7
8	Ministry of Domestic Trade, Cooperative And Consumerism	6
9	Ministry of Information, Communication and Culture	5
10	Ministry of Youth and Sports	5
11	Ministry of Defence	4
12	Ministry of International Trade and Industry	4
13	Ministry of Education	3
14	Ministry of Natural Resources and Environment	3
15	Ministry of Energy, Green Technology and Water	3
16	Ministry of Human Resources	2
17	Ministry of Women, Family and Community Development	2
18	Ministry of Works	2
19	Ministry of Federal Territories and Urban Wellbeing	2
20	Ministry of Tourism	1
21	Ministry of Science, Technology and Innovations	1
22	Ministry of Housing and Local Government	1
23	Ministry of Health	1
24	Ministry of Home Affairs	0
25	Ministry of Foreign Affairs	0
	Total	124

Source: Prepared by the author with reference to the 2011 Auditor General’s report on MFSB

MFSB is a unique type of public sector organisation and are in several ways different from the other mainstream public sector entities; below are some of its important characteristics.

3.2.3 Distinguished Features of MFSB

In general, MFSB are mandated to carry out government policies professionally and effectively through various programmes and activities (National Audit Department, 2008). Among the important features of MFSB are the following:

a) *Separate legal entity*

MFSB are separate legal entities and therefore can sue and be sued. In many cases, they may invest, raise capital, borrow and lend within the terms of their statutes. Statutory bodies may also set up corporations under subsidiary legislation for specific purposes (Hill et al., 1989).

b) *Part of the public service*

MFSB are considered part of the public service as most MFSB adopt the procedures of public services (although they are not obliged to adopt them) pertaining to appointment, terms and conditions of service, remuneration systems, pension and other retirement benefits similar to employees in the public service (Rauf et al., 2008). As a case in point, the salary scales determined by the respective minister of an MFSB are often similar to those pertaining to the mainstream public service of Malaysia (Hill et al., 1989). Nevertheless, a small group of MFSB, particularly those whose activities are more business-oriented and are relatively financially stable such as the MARA Education Foundation, are given the freedom to set up their own policies and procedures pertaining to appointments, terms, and conditions of service.

c) *Given greater autonomy than government departments*

Compared to the departmental undertakings under ministries, MFSB are given far more autonomy both financially and managerially (Mohamad & Karbhari, 2009; Othman, 2005). Ministerial control over MFSB is relatively limited. In this regard, Hill et al. (1989) pointed out that ministers do not exercise day-to-day financial controls over statutory bodies and is not involved in the routine administration of such bodies. In essence, the power of the relevant minister is more towards determining that the overall policies and activities of the MFSB are in accordance with the provisions of any enabling legislation, or of its Memorandum and Articles of Association (Hill et al., 1989). The term used for the highest administrative post in most MFSB is Director General. Others use terms such as Chief Executive Officer, General Manager, Vice Chancellor, Chief Executive, Secretary, Executive Director, Managing Director, Chairman, Governor, President and Director[13].

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[13] This was discovered during the course of this study; more specifically while examining the annual reports of MFSB included in the sample.

d) Board governed

Almost all MFSB are governed by a board. This resembles the organisations in the corporate sector. Although in majority of cases the board is called the board of directors, there are instances when the MFSB board is called other names including Board of Governors, Board of Trustees, Board of Management, the Authority, the Council, and the Commission[14]. The number and composition of members serving on the board varies among MFSB as has been set out in the respective establishment Act of the MFSB. In most MFSB, the non-executive directors almost exclusively dominate the governing board with a majority of MFSB (i.e. almost 72 per cent) (refer to Section 6.2.2) has only one inside board member that is the CEO himself. This is consistent with observation by few prior authors in their study (e.g. Adawi & Rwegasira, 2011; Gordon et al., 2002) and in line with recommendation by Jensen (1993) that the only inside board member should be the CEO. This kind of board composition has been referred to as the 'supermajority independent' board by Bhagat & Black (2002). In effect, the board independence in MFSB has far exceeded the recommendation by the Malaysian Code on Corporate Governance on public listed companies that requires at least one-third of board members are non-executive. However, it is quite consistent with the Malaysian central bank requirement on development financial institutions that only a maximum of two senior officers may be allowed to serve on its board (Central Bank of Malaysia, 2010).

[14] Similarly, this was also discovered during the course of this study; more specifically while examining the annual reports of MFSB included in the sample.

e) *A balance between government control and managerial flexibility*

Another characteristic of MFSB is that there is a balance between governmental control and managerial flexibility. This is reflected in the composition of its board members which include representatives from the Treasury, the ministry/ies concerned, politicians and persons knowledgeable in the relevant fields of activity of the corporation (Hill et al., 1989). The government influence can also be seen in the the appointment and removal of board members and the chairman of the board which is mainly the prerogative of the responsible minister although in rare cases, where stated by law, the prerogative of His Majesty the King of Malaysia.

The above are among the important criteria of MFSB. The size and financial performance of MFSB are discussed in the following section.

3.2.4 Size and Financial Performance of MFSB

As indicated earlier, as of 2011, the number of MFSB was 124. Table 3.2 below indicates the increasing trend in the number of MFSB on a yearly basis with the total increase from year 2003 to 2011 is 24.

Table 3.2: Number of Malaysian Federal Statutory Bodies (2003 to 2011)

Year	No. of MFSB
2011	124
2010	119
2009	118
2008	118
2007	118
2006	109
2005	103
2004	101
2003	100

Source: Prepared by the author based on the list of MFSB provided in the appendix section of the 2003-2011 Auditor General's report on MFSB

In terms of employment, MFSB employed a total of 114,281 personnel[15] (refer Figure 3.3). This represents almost 7 per cent of the public servants working in various government agencies which totalled 1,648,977 (Public Service Department, 2012). Public servants, including MFSB employees, deliver a wide range of services to the public, to businesses and other parts of the public sector.

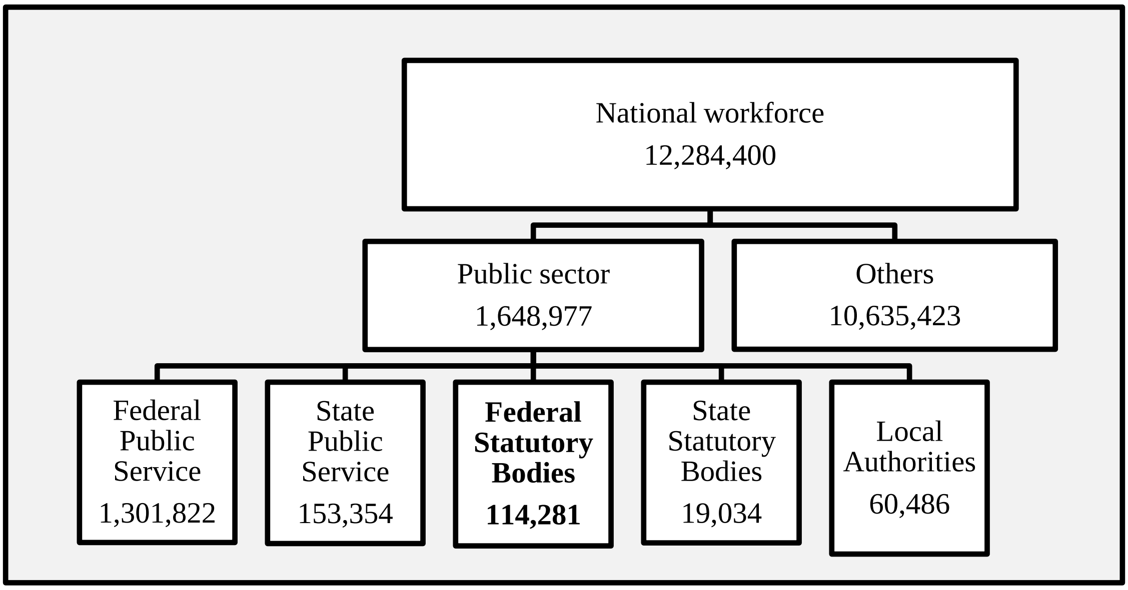

Figure 3.3 : Malaysian Labour Force

Source: Prepared by the author from Public Service Department (2012) and Department of Statistics (2012)

Furthermore, the total workforce of MFSB constitute approximately 1 per cent of the total national workforce which totalled 12,284,400 (Department of Statistics, 2012). The number of MFSB workforce (i.e. 114,281) appears to be the third highest when compared to the other types of government agencies, namely the state public service, state statutory bodies and local authorities (refer Table 3.3).

[15] All data provided in this chapter is based on the latest available data.

Table 3.3: Numbers of Public Servants in Government Agencies

Government agencies (No. of agencies)	Number of public servants	Percentage of public servants
Federal public service (144)	1, 301,822	78.9%
State public service (247)	153,354	9.3%
Federal statutory bodies (86)	114,281	6.9%
State statutory bodies (112)	19,034	1.2%
Local authorities (145)	60,486	3.7%
Total	**1, 648, 977**	**100%**

Source: Public Service Department (2012)

In terms of financial performance, MFSB contributed approximately a net income of RM42.4 billion in 2011 (refer Table 3.4) (National Audit Department, 2011b). Despite the huge net surplus, data indicates that a quarter of MFSB are suffering deficits in the same year with a total deficit amount near to RM681 million. Although the deficit amount has reduced by approximately RM88 million from the previous year, it is still considered a huge amount. Additionally, the number of MFSB suffering deficits in 2011, i.e. 30 MFSB, also appear to be the second highest since 2006. Table 3.4 indicates the overall financial performance of MFSB in terms of surplus, deficit and net income amounts for ten subsequent years.

Table 3.4: Statistics on MFSB Financial Performance

	SURPLUS INCOME (A)		**DEFICIT INCOME (B)**		**NET INCOME (A+B)**	
Year	RM (million)	No. of MFSB	RM (million)	No. of MFSB	RM (million)	Total MFSB included
2011	43,104.82	92	(680.97)	30	42,423.85	122
2010	42,068.62	83	(768.99)	36	41,299.63	119
2009	41,752.07	95	(697.15)	23	41,054.92	118
2008	28,056.14	91	(1,015.29)	24	27,040.85	115
2007	35,241.65	93	(577.75)	17	34,663.90	110
2006	22,004.54	83	(361.57)	21	21,642.97	104
2005	20,089.56	70	(369.11)	31	19,720.45	101
2004	17,121.40	54	(1,461.55)	46	15.659.85	100
2003	15,626.22	68	(587.73)	32	15,038.49	100
2002	n/av	n/av	n/av	24	4,400.00	96

Source: Prepared by the author based on a content review of 2003 to 2011 Auditor General's reports

Besides the financial performance, it is also critical to understand how MFSB relates to the Malaysian government financially. This is discussed below.

3.2.5 The Financial Relationship between MFSB and the Malaysian Government

Many MFSB receive subsidies from the government in the form of full or partial exemptions from payment of tax on profits (Hill et al., 1989). A case in point is the National Art Gallery, which receives tax exemptions for all kinds of income (not including dividend income) in line with the announcement made in the 2001 Budget; prior to 2001, they received only partial exemption, i.e. 70 per cent.

In addition to subsidies through tax exemption, some MFSB financially rely either partly or wholly on assistance from the federal government to subsidize their programmes and activities. As highlighted by Hill et al. (1989) in his study on the Malaysian public enterprise, this is because, except for a few, the income received by most MFSB from their own activities is generally inadequate mainly due to their service-oriented nature. The financial assistance from the federal government may be in the form of grants, subsidies and loans. Operating grants are given by the government to MFSB as assistance to help MFSB cover their operating expenditures including the payment for salaries and allowances to officers and other operational costs such as utilities, transportation and administration (National Audit Department, 2010b).

Data shows that the majority of MFSB have been receiving operating grants from the federal government (refer to Table 3.5). In 2011 for example, two-third (81 out of 122) of MFSB received operating grants amounting to RM16.5 billion. This represents almost 20 per cent of the total income of MFSB. The amount as well as percentage of operating grants over total income had been steadily increasing for at least nine years (i.e. 2003-2011) although it slightly dropped in 2010. This shows that MFSB need government grants to subsidise their operational costs in order to implement their planned activities (National Audit Department, 2011a).

Table 3.5: Proportion of Self-generated Income and Operating Grant in MFSB Total Income

Year	**Own income (A)** RM (billion)	%	**Operating grant (B)** RM (billion)	%	**Total income (A+B)** RM (billion)	**No. of MFSB receiving operating grant**	**Total MFSB assessed**
2011	66.41	80.1	16.50	19.9	82.91	81	122
2010	63.47	80.8	15.05	19.2	78.52	79	118
2009	58.93	79.1	15.57	20.9	74.50	75	115
2008	48.78	81.2	11.31	18.8	60.09	78	115
2007	50.9	83.3	10.20	16.7	61.10	66	110
2006	43.21	83.7	8.39	16.3	51.60	n/av	n/av
2005	38.17	83.6	7.47	16.4	45.64	59	101
2004	33.19	84.6	6.04	15.4	38.96	60	100
2003	32.44	84.9	5.78	15.1	38.22	59	100
2002	25.47	82.7	5.33	17.3	30.80	58	96
2001	22.31	83.7	4.33	16.3	26.64	n/av	n/av

Source: Prepared by the author based on content review of the 2003 to 2011 Auditor General's report

Although the amount of grants received by MFSB from the government is substantial, they also generate their own income, which represents a substantial proportion of their total income. For example, in 2011, self-generated income constituted 80.1 per cent of MFSB total income (refer to Table 3.5). Examples of such income include income generated through their economic activities, which include investments in subsidiaries, equities, securities, bonds, foreign currencies exchange, fund management, fixed deposit, lending, academic fees and the sale of products and services (National Audit Department, 2011a). A marginal amount includes contributions received from non-government agencies. These are different sources of income for MFSB.

In the next section, the accounting and reporting rules and guidelines of MFSB are discussed.

3.3 Requirements on Accounting and Reporting of MFSB

Generally, MFSB have their own set of instructions; some of which are government regulations suitably adopted by them for use. These instructions are generally approved by the relevant minister or board of MFSB to be adopted by them (Hill et al., 1989). Additionally, MFSB are not compelled to adopt government circulars and Treasury instructions unless the circulars or instructions are specifically related to them (National Audit Department, 2008c). One circular that is specifically related to MFSB is the Treasury Circular No.4/2007 (TC4/2007), which is discussed next.

3.3.1 Issuance of the Treasury Circular No.4/2007

This Circular, the TC4/2007 – which was issued by the Ministry of Finance - is a guideline[16] on the preparation and presentation of annual reports and financial statements of statutory bodies. Its purpose is to identify minimum disclosure requirements in the MFSB annual report and to inform on the accounting standards that should be accepted by MFSB (Rauf et al., 2008). It has been issued partly as a medium to enhance accountability and governance in all MFSB (Treasury, 2007). The Circular has been implemented effective at the end of the 2007 financial year. It revises and replaces the previous circular namely the Treasury Circular No.15/1994 which in turn, had previously replaced Treasury Circular No. 4/1988. This initiative originally started in 1985 when MFSB were required to follow the "Guidelines for the Form and Standard of Financial Statements of Statutory Bodies" issued by the Treasury. Prior to that, there were no guidelines that guide MFSB in the preparation of their financial statements and annual reports, and hence, each MFSB had been responsible for the form of their own financial statements (Hill et al., 1989).

[16] Although termed as guideline, a phone interview carried out at the early stage of the study with a Treasury officer in charge of the Circular reveals that the Circular is of mandatory in nature.

3.3.2 Accounting Basis and Standards of MFSB

In terms of their accounting basis, MFSB are required to prepare their financial statements based on an accrual basis for each financial year. For most MFSB, their financial year ends on the 31st December, except for selected MFSB, that end their financial year on other dates (National Audit Department, 2011a).

MFSB can have their own financial procedures, systems and procedures and decide their accounting policies in so long as they do not contradict the approved accounting standards (National Audit Department, 2008b). In this respect, the TC4/2007 requires MFSB to adhere to the accounting standards issued by the Malaysian Accounting Standard Board (MASB), either the Private Entity Reporting Standards (PERS) or the Financial Reporting Standards (FRS) depending on the characteristics of the MFSB (Treasury of Malaysia, 2007). Table 3.6 below specifies those characteristics.

Table 3.6: Accounting Standards Based on MFSB Characteristics

PERS	FRS
CAN be adopted by: • Those MFSB without subsidiaries, OR, • Those MFSB having non-public listed subsidiaries that are not required to submit their financial statements to the Securities Commission (SC) and Central Bank of Malaysia (BNM).	MUST be adopted by: • Those MFSB with public listed subsidiaries and required to submit financial statements to the Securities Commission (SC) and Central Bank of Malaysia, OR, • Those financial institutions MFSB which are regulated by the Development Financial Institutions Act (DFIA)

MFSB are also required to submit and table its financial accounts and annual reports. This is discussed in the next section.

3.3.3 Submission and Tabling of Accounts and Annual Reports

The Circular TC4/2007 requires that annual reports and financial statements of MFSB are tabled to the Parliament. The whole process, from the financial year end to the tabling of annual reports and financial statements to the Parliament, should be completed within one year (Treasury, 2007). The Circular provides a comprehensive step-by-step process with accompanying datelines to be followed by MFSB for this purpose. Details of the process are shown in Table 3.7.

Table 3.7: Process for the Preparation and Submission of MFSB Annual Reports and Financial Statements

STEP	PROCESS FLOW	DATELINE*
1	Preparation of Annual Report and Financial Statements	Between January and April
2	Presentation of Annual Report and Financial Statements (Unaudited) in Board of Directors meeting	Not later than 25 April
3	Statutory declaration by the officer primarily responsible for the financial management of MFSB	Before 30 April
4	Provide the Annual Report and Financial Statements to the Auditor General	Not later than 30 April
5	Received the Audited Financial Statements from the Auditor General	Not later than 31 July
6	Presentation of Annual Report and Audited Financial Statements in Board of Directors meeting	Not later than 15 August
7	Provide the signature for the statements to be attached with Financial Statements, namely: a) Statement of Chairman and a member of Board of Directors (Company account); b) Statement of Chairman and a member of Board of Directos (Group account); c) Statutory declaration by the officer primarily responsible for the financial management of MFSB	Not later than 15 August
8	Provide the duly signed Annual Report and Financial Statements to the Auditor General	Not later than 22 August
9	Issuance of Auditor General Certificate by the Auditor General	Not later than 30 August
10	Provide the Annual Report and Audited Financial Statements to the Cabinet	Not later than 31 October
11	Table the Annual Reports and Audited Financial Statements in Parliament	Not later than 31 December

*Assumption is that the financial year-end of the MFSB is on 31 December. For MFSB with financial year end date is not 31 December, necessary changes to the date shall be made (Treasury, 2007).

Source: Treasury of Malaysia (2007)

The Statutory Bodies Act (Accounts and Annual Reports) 1980 (or Act 240) emphasises a time limit for the preparation and submission of financial statements and annual activity reports (National Audit Department, 2009a). In particular, it regulates the time limit for the: (i) preparation and submission of financial statements to the A-G for an audit no later than 30th June[17] (i.e.within 6 months) of the following year, and, (ii) submission of audited financial statements, the A-G's report (if any) and annual (acitivity) report to the respective Ministers one (1) month after the certification. Consequently, the respective Ministers are required to table these documents to the Parliament as soon as practicable. Here, the time limit was not specified. Act 240 specifies that the audit of the financial statements is subject to the Audit Act 1957.

In this regard, the TC4/2007 has however, given a slightly stricter time limit. Although Act 240 allows a 6-month period between the end of the financial year and the submission of financial statements, TC4/2007 allows only 4 months (i.e. 31st April of the following year[18]). This is to expedite the preparation and tabling of the financial statements to a date no later than 31 December of the next financial year (National Audit Department, 2004, 2008). Earlier parliamentary tabling may allow stakeholders to assess the performance of MFSB in a more clear, complete and relevant manner (National Audit Department, 2008). Concurrently, the National Audit Department has set its vision, mission and client charter to certify the financial statements within 4 months from the date the financial statements were received (National Audit Department, 2004).

The issue on the preparation and tabling of accounts and annual reports by MFSB has also been addressed by another circular, namely the Treasury Circular Number 10 of 2008 (TC10/2008) on the Establishment of the Role and Responsibilities of Financial Management and Accounting Committee in Federal Government. This circular highlighted that one of the main role and in fact reason for the establishment of the Financial Management and Accounts Committee in MFSB is to monitor and ensure that

[17] This is assuming that the financial year ends on the 31st December. In the case those MFSB with different financial year end dates, adjustments to the date shall be made accordingly.
[18] The same assumption is made, i.e. the financial year end of the MFSB is 31st December. If financial year end is other than that, adjustments shall be made according to the date of 31st April.

MFSB observe various accounting and reporting-related regulations relevant to them including the TC4/2007. This is a response to the issue raised in the A-G's annual report on the repeated delays by MFSB in the preparation and presentation of their financial statements and annual reports.

The General Circular Letter Number 1 of 1995 (GCL1/1995) on Preparation of Annual Summary Report of the Financial Status and Performance of Federal Statutory Bodies on the other hand requires the chief executive of each MFSB to submit to their respective Ministers an annual summary report of the financial status and performance within 3 weeks after the financial year end. This summary should not exceed three pages according to the General Circular Letter Number 6 of 2004 (GCL6/2004) on the amendment to the GCL1/1995. Following that, the Secretary Generals of the respective ministries are to compile these reports for all its MFSB and submit them together with the cabinet notes to the Cabinet, Prime Minister Department. This is to be done by 31 January each year. It is also a requirement that the Ministry provide comments to the documents submitted (i.e. annual summary report of the financial status and performance) by MFSB to them.

The content of the annual reports of MFSB are partly subjected to the TC4/2007 as discussed next.

3.3.4 Minimum Disclosure Requirements

The TC4/2007 outlines the minimum disclosure requirements of the annual report for all MFSB. According to the Circular, annual reports have to disclose at minimum information on the following: (i) corporate information, (ii) background information of the entity, (iii) chairman report, (iv) report on government assistance, (v) analysis of financial performance, (vi) performance reports, (vii) audited financial statements, and, (viii) other information. At present, although different MFSB serve different functions, the guideline provides a standard list of minimum disclosure requirements that applies across all bodies except the performance report category (i.e. category vi) where different sectors of MFSB have different lists of items (Ismail & Abu Bakar, 2011). Besides the above-mentioned regulations, there are also other financial-related regulations related to MFSB, as discussed in the next section.

3.3.5 Other Regulations

Other financial-related regulations relevant to MFSB include (i) the Audit Act 1957, (ii) Development Administration Circular (DAC) Number 1 of 2007: Implementation of Computerised Standard Accounting System at Federal Statutory Bodies - "Standard Accounting System for Government Agencies (SAGA)" (DAC1/2007), and (iii) Malaysian Accounting Standard Board (MASB) accounting standards (either the PERS or FRS). All these rules and regulations are to be followed by all MFSB unless exemptions are awarded for special cases.

Based on the above discussions on the accounting and reporting systems and requirements required of MFSB, it can be safely said that there are proper guidelines in place provided by the respective authorities in Malaysia that allow MFSB to fulfill their accountability to stakeholders. In many cases, it seems to be consistent with the rules and regulations imposed on Commonwealth Statutory Authorities in Australia (for more discussion, see for example, Bowrey, 2008).

The next section discusses the accounting and accountability problems and issues as highlighted in certain publicly accessible reports.

3.4 Accounting and Accountability Issues in MFSB

As indicated in Chapter 1, there are various accounting and accountability issues that have been highlighted in the annual A-G's report of MFSB (National Audit Department, 2010a, 2010b, 2011a). One of them is related to their financial statements; for example four MFSB received qualified audit certificates and five received unqualified audit certificates with emphasis of matter for their 2011 financial statements (National Audit Department, 2011a). This is despite the fact that these financial statements are prepared in accordance to the accounting standard of FRS and PERS. Among the reasons identified by the National Audit Department for the issuance of qualified audit certificate are unverifiable and the questionable figures presented and unjustified reconciliation.

Other than issues related to accounting figures, there also appear to be issues related to the financial performance of MFSB subsidiaries. For example, it was highlighted in the 2010 A-G's report on MFSB that MAJUIKAN, a subsidiary company established under LKIM (a MFSB) is suffering increasingly huge loss from RM1.21 million in 2007 to RM17.38 million in 2010. At the same time, MAJUIKAN is increasingly in huge debt with LKIM from RM17.53 million in 2007 to RM35.95 million in 2010. The money owed is primarily used to finance MAJUIKAN's operation and investment activities (National Audit Department, 2011c). This has resulted in the subsidiary of MFSB becoming a liability to the government. Another example is in the case of the DAWAMA, a subsidiary under the DBP (a MFSB). DAWAMA was found to be suffering from huge outstanding debt and has not submitted their accounts to DBP starting from year 2003 through to 2008, and worst still, DAWAMA did not prepare financial statements for two consecutive years after that. Issues also exist in MFSB's offices abroad where the A-G’s report revealed several financial management weaknesses including on receipts, payments and assets management.

Weaknesses in the implementation of projects and activities of MFSB was also highlighted by the National Audit Department in their report. The implementation problems include delay in project completion, unsatisfactory work quality, increase in projects cost resulting to the government not getting value for money for the money spent, nonachievement of the projects’ objectives and the targetted impact to the target groups. Among the reasons identified by the National Audit Department for these problems are lack of monitoring and supervision by MFSB, lack of technical expertise and MFSB giving full authority to their external consultant/contractors, and lack of coordination among agencies involved.

The National Audit Department has suggested several moves that should be taken by MFSB to address their weaknesses and problems. Both preventive and corrective measures should be taken to avoid and improve any future and current weaknesses respectively. The moves include improving on implementation of programmes and activities, improving on asset management including its maintenance, control and monitoring, taking disciplinary action and imposing surcharge on negligent staff, improving on equipment procurement to avoide wastage, be firm on contractors and vendors including imposing penalty on their nonperformance and noncomformance, and establishing a check-and-balance system including widening the scope of internal audit to include performance audit on projects and activities (National Audit Department, 2011a).

Given the various accounting and accountability issues that exist in MFSB as briefly discussed above, there is a need to examine an important aspect of accountability namely the disclosure aspect, that have not been examined by the relevant government authorities such as the Treasury or A-G. It is important to examine this disclosure issue. Disclosure is in fact one of the ways MFSB can discharge its public accountability. Prior studies on MFSB disclosure has also been rather limited as discussed below.

3.5 Studies on MFSB Accounting and Reporting

To date, from the researcher's limited knowledge, there is at least one study which has covered a large number and different types of MFSBs (i.e. Azis, 2008) (as discussed earlier in Section 2.4). In most cases, MFSB accounting and reporting studies in Malaysia have focused on universities; either covering a group of universities (e.g. Azhar, 2005; Azhar & Abdul Rahman, 2009; Ismail, 1999; Ismail & Abu Bakar, 2011; Tayib & Hussin, 2005; Wahid, 1997; Zakaria et al., 2006), or specific universities such as the Northern University of Malaysia (e.g. Mustafa, 2000) and Universiti Teknologi MARA (e.g. Abd Rahman, 2002). This situation where many studies focusing on universities has also been the trend for international public sector accounting research as observed by Broadbent & Guthrie (2008) in their bibliographic review of international public sector accounting research where they found a high proportion of public sector accounting studies are on universities.

Additionally, most studies on public universities has covered issues on management accounting including management accounting practices (e.g. Joseph, 2000), management accounting techniques (e.g. Azhar, 2005), performance measurement (e.g. Abd Rahman, 2002; Azhar & Abdul Rahman, 2009; Ismail, 1999), budgeting practices (e.g. Tayib & Hussin, 2005) and activity-based accounting and management (e.g. Wahid, 1997). Besides management accounting, MFSB studies also covered other issues including the internal audit (e.g. Zakaria et al., 2006) and financial accounting (e.g. Mustafa, 2000). From the researcher limited knowledge, at least one study on public universities covers reporting or disclosure issue (i.e. Ismail & Abu Bakar, 2011) .

Most of the above studies except for a few (e.g. Azhar & Abdul Rahman, 2009; Tayib & Hussin, 2005; Zakaria et al., 2006) are either unpublished doctoral or masters theses, and as such limit the ability of the researcher to obtain further insight on their methods and findings. Nevertheless, at least two of the published studies highlighted the lack of significant difference between Malaysian public and private institutions of higher learning; one in their use of performance measurements for management accounting functions (Azhar & Abdul Rahman, 2009) while the other in the perceptions of the respective management on the role of internal auditors and the important audit areas (Zakaria et al., 2006). Similarly, Tayib & Hussin (2005) reported that public universities do adopt some of the characteristics of good budgeting practices as practiced by the private sector. These findings arepossibly due to the corporatization of public sector entities which makes them somehow resembles the private entities.

The preceding discussion has indicated the lack of studies on accounting and reporting in the context of MFSB. Studies on MFSB tend to focus on management accounting issues and on the limited type of organisation, i.e. universities. As universities only represent around 15 per cent (19 out of 124) of the total MFSB (National Audit Department, 2011a), focusing on this type of organisation will not give a fair and comprehensive picture of accounting practices and accountability status in MFSB as a whole. This is because MFSB are in fact diverse in terms of its functions and roles, and universities only represent one type of MFSB, i.e. the research and education type.

Further, focusing on management accounting provides only a 'single side of the coin' as management accounting deals mainly with the internal aspect of the organisation.

This paucity in relevant studies on MFSB is despite the many accountability problems in these organisations as documented in the A-G's reports annually. This makes it more difficult to draw a more complete picture of the status of accountability in this type of organisation. Therefore, it is argued that more research on MFSB - particularly on disclosure practices - is needed and it is hoped that this research will serve this purpose.

3.6 Summary

MFSB are semi-governmental agencies established by the federal government under a particular ministry to achieve specific government objectives. There are various types of MFSB with differences in the nature of their activities. MFSB are separate legal entities, part of the public service, awarded with greater autonomy than government department, governed by a board and have a balance between governmental control and managerial flexibility. Over the years, the number of MFSB has increased. There are many financial and management issues surrounding MFSB including that a quarter of MFSB suffer from deficit according to the latest data. MFSB finance their operation from government grants and/or its own income. Generally, one-fifth of all MFSB income are from the government and two-third of MFSB receive government grants.

MFSB have their own set of rules and regulations; some are adopted from the mainstream public sector regulations while others are specifically related to MFSB, such as the TC4/2007. This circular is important as it guides MFSB on the preparation and presentation of annual reports and financial statements. There are various issues or problems related to the accounting and accountability of MFSB which are documented by the A-G's report annually. Despite that, it appears that there is a dearth of studies focusing on MFSB justifying the need of the current study to fill this particular gap by the literature.

The next chapter discusses the theoretical framework, the research paradigm, the hypothesis development and the research methodology of the study.

CHAPTER 4
THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY

4.1 Introduction

The previous chapter discussed the Malaysian Federal Statutory Bodies (MFSB) to set the context of the study. This chapter outlines the theoretical framework, the research paradigm, the hypothesis to be tested as well as the research methodology of the thesis. It begins with a discussion on the existing theoretical perspectives adopted by studies that address public sector reporting in Section 4.2. In Section 4.3, the theoretical perspective of the thesis is elaborated. This includes the public accountability paradigm and the institutional theory. In Section 4.4 the research paradigm, namely the pragmatism paradigm, which drives this thesis is presented. The chapter then proceeds with a discussion on the mixed method research model employed in this thesis as detailed in Section 4.5. Section 4.6 develops the hypotheses for the thesis while Section 4.7 presents the hypotheses diagrammatically. Section 4.8 outlines the research design of the first phase of the thesis, i.e. the quantitative phase and then followed by Section 4.9 which explains the research design of the second phase of the thesis, i.e. the qualitative phase, before drawing to a conclusion in Section 4.10.

4.2 Theoretical Perspectives Related To Public Sector Reporting

A review of the relevant literature reveals that various theories were applied to explain or understand public sector reporting behaviour. Examples of such theories are provided in Table 4.1. Among the reasons cited for the diversity of different theories are the absence of a unifying theory that can exhaustively explain all the factors (Smith, 2004) and explain disclosure patterns (Campbell et al., 2006). To a certain extent, this reasoning appears to be true given that some studies apply more than one theory to enable better justifications and more meaningful discussion (e.g. Herawaty & Hoque, 2007). In addition, the mere dependence of some studies on prior research and intuitive reasoning (e.g. Ingram & DeJong, 1987) may reflect the insufficieny of any single theory to explain and justify reporting practices in the public sector setting. A study by Jacobs (2009) found that 34 per cent of public sector accounting research do not apply any theory at all while the remaining majority predominantly used the institutional theory.

Table 4.1: Example of Theories Applied in Public Sector Reporting Literature

Theories / Models / Frameworks	**Authors Applying the Theory**
Agency theory	Bolivar, et al. (2007) Gandia & Archidona (2008) Laswad, et al. (2005) Perez et al. (2008) Yang (2008)
Public accountability paradigm / Public sector reform	Coy & Dixon (2004) Ryan et al. (2002b) Tooley et al. (2010a,b)
Contingency theory	Christensen & Yoshimi (2003) Marcuccio & Steccolini (2009)*
Institutional theory	Mussari & Monfardini (2010) Hoque (2008)
Public choice theory	Giroux (1989) Herawaty & Hoque (2007)*
Incentive theory	Perez et al. (2008)
Legitimacy theory	Marcuccio & Steccolini (2009) *
Stakeholder theory	Herawaty & Hoque (2007)*
Game theory	Umehara & Ohta (2009)
Efficient citizenship theory	McCall (2009)*
Bureaucratic politics theory	McCall (2009)*
Democracy theory	McCall (2009)*
Politico-economic model of positive accounting theory	Cheng (1992) Smith (2004)
Economic model	Gordon & Fischer (2008)
Balance scorecard (BSC) framework	Wei et al. (2008)
No theory	Carlin & Guthrie (2001) Ingram & DeJong (1984)

*combine two or more theories

The theoretical perspectives used for this thesis are discussed next.

4.3 Theoretical Perspectives for the Thesis

Consistent with the argument on the insufficiency of a single theory in explaining and understanding reporting practices, in this thesis, two theoretical perspectives are used namely, (i) the public accountability paradigm, and, (ii) the institutional theory. Both these theories are used in a complementary manner to provide a more complete picture of accountability reporting practices in MFSB. Figure 4.1 below summarises the relationship between the two theoretical perspectives and their roles in addressing RQ.

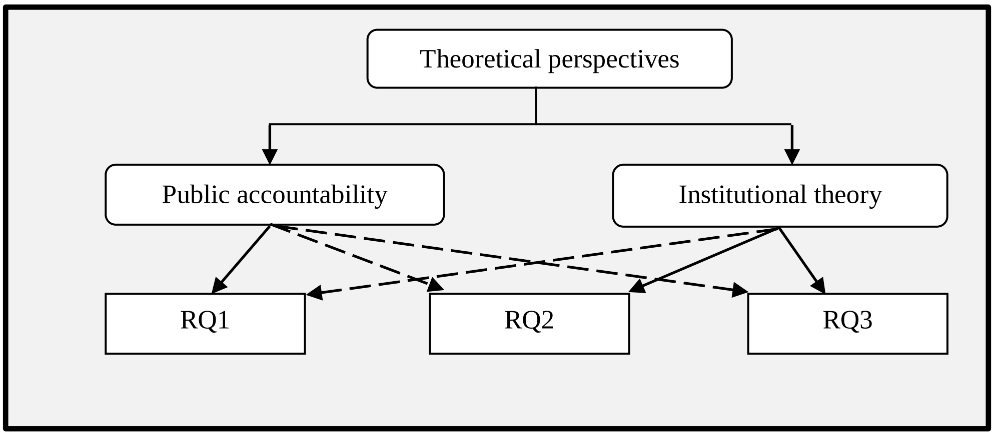

Figure 4.1: Theoretical Perspectives of the Thesis

More directly used to answer RQ
Less directly used to answer RQ

In essence, the public accountability paradigm is useful in answering RQ1. In particular, in the context of this thesis it will define what is referred to as 'accountability information'. The paradigm is useful mainly to develop the disclosure index which will be used to measure the extent of disclosure. While this paradigm is useful and important in providing an understanding of the issue of accountability disclosure (i.e. related to RQ1), using this paradigm per se may not be sufficient to explain certain factors regarding disclosure. The institutional theory is therefore needed to contribute to the understanding of how various factors combine in the initiation of reporting. The theory is especially useful in providing a strong basis for the hypothesis development (i.e. related to RQ2) as well as in interpreting, explaining and understanding the findings of the interviews (i.e. related to RQ3). It is hoped that the integration of both influences (i.e. public accountability and institutional theory) will provide a richer meaning and better understanding of the issue. The next section shall discuss the public accountability paradigm in more detail.

4.3.1 Public Accountability Paradigm

Public accountability is a concept that has primarily been discussed in the context of government entities (see for example Coy et al., 2001; Kim, 2009; Ranson, 2003). It connotes the answerability of public officials to the public for their actions and inactions for which they are subject to both external and internal sanctions (Romzek, 2000). It is based on the premise of 'right to know' by the society and as such relevant information is owed to the public (Coy et al., 2001; Pallot, 1992) (refer to Section 2.2). Compared to other forms of accountability[19], public accountability is "a more informal but direct accountability to the public, interested community groups and individuals" (Tyhnne & Goldring, 1987, as cited in Sinclair, 1995, p. 225).

The notion that public accountability framework as a useful framework for public sector external reporting was advocated by a few authors including Coy et al. (2001). They argued that a public accountability paradigm would include important features of a stewardship perspective, as well as accommodating the decision usefulness perspective. Prior to 1970s, the focus of external reporting was on the stewardship paradigm. The stewardship concept is an ancient religious concept which focuses on moral obligations and responsibilities and emphasizes beyond economic and financial interest. Chen (1975) however expressed that the concept has not been understood in its original sense by the modern society due to the capitalism and industrialisation and hence identified two stewardship function in the context of external reporting as understood by modern

[19] Sinclair (1995) for example identified five forms of accountability: political, managerial, public, professional and personal.

societies, which covers the responsibilities of institutions to the society (primary stewardship) and stockholders (secondary stewardship). In this respect, Coy et al. (2001) argued that the public accountability framework is consistent with Chen's (1975) concept of primary stewardship responsibility to society: "at a fundamental level, all property is owned by the whole of society" (Coy et al., 2001, p.6). According to Coy et al. (2001), the similarity between the stewardship and public accountability is their hold to the concept of justice, truth and fairness that balances the interest of owners and the steward (principal and agent respectively).

Coy et al. (2001) also believed that public accountability is more suitable in the public sector compared to the decision-usefulness paradigm, which first appeared in 1970 after 'taking over' the stewardship paradigm. Decision usefulness paradigm implies that organisations must only satisfy users who have specific (and primarily economic) decisions to make with respect to the reporting entity. The public accountability paradigm take away this unnecessary constraint and hence argued to be better capable of addressing the widespread demand for greater accountability of public institutions and officials by the wider public. As argued by Ijiri (1983), this framework is fair for both parties (the accountor and accountee) as its objective of reporting, unlike in the decision-usefulness paradigm where reporting is user-oriented. This allows public officials and institutions to explain and justify their acts and performance in managing public funds and hence avoid unjustified criticisms of public sector entities from a poorly uninformed public (Likierman, 1992, as cited in Coy et al., 2001). At the same time, it allows the public to get information they need concerning how their money is managed and spent.

Consequently, according to this paradigm, stakeholders include “all those with a legitimate economic, social, or political interest in the organisation” (Coy et al., 2001, p. 14). The audience of external reports such as the annual reports, would therefore not only include “all those for whom decision usefulness is relevant” (Coy et al., 2001, p. 15), but also extends to a much more comprehensive group of stakeholders. To fulfil the public accountability perspective, public organisations must ensure “the reporting of comprehensive information about the condition, performance, activities and progress to all those with social, economic and political interests” (Coy & Dixon, 2004, p. 81).

Consistent with this, as well as due to the inclusiveness of stakeholders under the public accountability paradigm, annual reports will serve as an important component of the overall public accountability framework (Ryan et al., 2002b; Tooley & Guthrie, 2007) as it is the only comprehensive statement available to all stakeholders on a routine basis (Boyne & Law, 1991; Coy et al., 2001). Consistent with the public accountability paradigm, Coy et al. (2001, p. 14) emphasised that a valuable annual report include “a wide range of summarised, relevant information in a single document, which enables all stakeholders to obtain a comprehensive understanding of [an entity’s] objectives and performance in financial and non-financial terms”. In the case of MFSB, their accountability obligations are extensive and must address multiple information dimensions (financial, performance, governance, etcetera) due to their impact on the lives of many citizens, both as service recipients and the providers of the large amounts of public resources consumed. Accordingly, it has been one of the commonly adopted frameworks in public sector disclosure research and in several cases has been used as the only framework (e.g. Coy & Dixon, 2004; Ryan et al., 2002b; Tooley et al., 2010).

From the preceeding discussion, this thesis therefore adopts the public accountability paradigm as it recognises the entitlement by a diverse group of stakeholders to comprehensive information of a reporting entity from the annual report produced by the respective entity. The next section will discuss the institutional theory, that is the complementary theory used for the thesis alongside with the public accountability paradigm.

4.3.2 Institutional theory

Institutional theory (DiMaggio & Powell, 1983, 1991) has been applied in accounting research by a good number of authors both in the private and public sectors (e.g. Bebbington et al., 2009; Bowrey, 2008; Brignall & Modell, 2000; Carpenter & Feroz, 2001; Collin et al., 2009; Modell, 2001). Early research which applied institutional theory was largely concerned with not-for-profit and public sector organisations, such as schools, hospitals and other governmental organisations (Scapens, 2006). Despite this its application to public sector reporting can nevertheless be regarded as relatively limited (e.g. Hoque, 2005; Mussari & Monfardini, 2010; Ryan et al., 2002a).

Institutional theory can be defined as "a way of thinking about formal organisation structures and the nature of the historically grounded social processes through which these structures develop" (Dillard et al., 2004, p. 508). The theory suggests that organisations are both influenced by and can influence the society in which they operate (DiMaggio & Powell, 1991; Meyer & Rowan, 1977; Meyer & Scott, 1992). Institutional theory draws on a much broader set of discourses from the social sciences (Baxter & Chua, 2003) and focuses on something more subtle that is shaped by a more complex range of factors (Bebbington et al., 2009) instead of being based on the model of rational action which considers organisational activities as something managers purposely initiate to achieve carefully considered outcomes.

According to Barretta & Busco (2011, p. 217), “the theory has been used – especially in public sector settings – to challenge the assumption that adoption is driven purely by economic rationality. The institutional theory therefore, was argued by some researchers to represent a major departure from competing accounting theories (Frumkin, 2004) which are relatively more commonly adopted by researchers, such as the agency theory (Greiling & Spraul, 2010) and the transaction costs economics or resource dependence theory. To a greater extent, the theory has been classified under the alternative or critical accounting theory together with few other theories such as Marxist tradition, the Frankfurt School, Giddens’s theory of structuration and a Foucauldian approach (e.g. Greiling & Spraul, 2010). Nevertheless, some researchers (e.g. Carpenter & Feroz, 2001; Collin et al., 2009) regard institutional theory as being complementary to economic theory in general and resource dependency theory in particular. It is however beyond the scope of this thesis to discuss further on this issue. The next section discusses the key components of the institutional theory.

4.3.2.1 Legitimacy

One of the key tenets of the institutional theory is legitimacy. The institutional legitimacy approach suggests that organisations have to appear legitimate to their broader constituencies and stakeholders to secure the resources they need for their continued survival (DiMaggio & Powell, 1983). Institutional practices therefore “serve to create legitimacy rather than fulfil a functional role” (Jacobs & Jones, 2009, p. 14). In other words, organisational changes may not be driven solely by the need to compete and be efficient, but rather by the need to gain legitimacy and enhance survival

(DiMaggio & Powell 1983; Meyer & Rowan 1977). This is more so in the context of public organisations where the classic measure of performance profit is traditionally missing, requiring their managers to deal more with pressures for legitimacy than for efficiency (Fernández-Alles & Llamas-Sánchez, 2008).

To gain this legitimacy, organisations must be seen to conform to what is expected of them. What constitutes appropriate or acceptable (or legitimate) economic behaviour is in turn, determined by the social character displayed by the economic activities in that society, because organisations operate within a social framework of norms, values and assumptions (Meyer & Rowan, 1977). It thus focuses on the social contract that exists between the organisation and society (Deegan, 2000). As a result, the economic actions and practices of the economic agents (i.e. organisations) are structured and moulded in the social processes in which they operate (DiMaggio and Powell, 1983, 1991). This is when the concept of homogeneity or isomorphism occurs, which is discussed next.

4.3.2.2 Isomorphism

Isomorphism is described as "a constraining process that forces a unit in a population to resemble other units that face the same set of environmental conditions" (Hawley 1968, as cited in DiMaggio & Powell 1983, p.149). Simply put, it refers to the process through which one organisation tends to resemble others in the same sector (DiMaggio and Powell, 1991). Institutional theorists are concerned with understanding why organisations are similar and why there is homogeneity in organisational forms and practices (e.g. DiMaggio & Powell 1983).

In explaining the concept of isomorphism, institutional researchers (DiMaggio & Powell, 1983; Scott, 2001) have highlighted three specific elements of institutional pressures or mechanisms that tend to drive similarities in organisational practices, namely (i) coercive isomorphism; (ii) mimetic isomorphism and (iii) normative isomorphism. According to Scapens (2006, p. 13), the approach to use isomorphism in explaining organisational conformity has been used in public sector management accounting research "to study the 'non-rational' and sometimes ceremonial use of accounting information". Scott (2001) indicates that the three institutional types of isomorphism are rarely separate but often function together in the generation of legitimacy. This is further agreed by Frumkin (2004, p.285) where he opined that, "the three mechanisms can overlap and intermingle, but they tend to derive from different conditions". He further adds that:

> At an analytic level, only coercive isomorphism is linked to the environment surrounding the organisational field. Mimetic and normative processes are internal to the field and help explain the spread of roles and structure. When organisations are subjected to outside coercive scrutiny, evaluation, and regulation, they tend to react defensively and gravitate toward isomorphic transformation. (p.205)

In essence, while coercive isomorphism is "a push factor that imposes specific institutional regulations upon a social group" (Beckert, 2010, p. 155), the other two isomorphisms are pull factors where organisations "are pulled toward existing institutional models" (Beckert, 2010, p. 157). The main difference between the two pull factors (mimetic and normative) is that under the mimetic isomorphism "imitation is motivated by disorientation rather than by conviction that the model to be imitated is superior" (Beckert, 2010, p. 158).

Below are further explanations and examples of the three types of isomorphism.

a) Coercive Isomorphism

Coercive isomorphism occurs due to regulative and political influences which stem from pressures exerted on organisations by other organisations upon which they are dependent for resources or support, and also by cultural expectations of society where they operate (DiMaggio & Powell, 1983). The influences may be either formal or non-formal. The formal pressures occurs when "the change is a consequence of an order coming from a hierarchically superior entity" (Mussari & Monfardini, 2010, p. 489). An example of this can be found in a study by Hoque (2008) wherein he identified regulatory institutions and their four legislative frameworks for the Australian public sector's annual report (i.e. the Public Service Act 1999, the Auditor General Act 1997, the Commonwealth Authorities and Companies Act 1997, and the Financial Management and Accountability Act 1997) as coercive pressures as they shape the design and use of performance measures within the Australian government organisations.

The non-formal influence, on the other hand, occurs when organisations experience expectations and persuasions as a force toward compliance (DiMaggio & Powell, 1991) and hence they change to adopt to the expected behaviours potentially only as ritualistic conformity. Mussari & Monfardini (2010) provide an example of this in a study wherein they highlighted that this kind of pressure is evident in the Italian public sector organisations when the organisations perceive that the stakeholders pressure them to voluntarily report their social information as a fundamental requisite for them to maintain legitimacy.

b) Mimetic Isomorphism

Mimetic isomorphism occurs when organisations seek to copy or imitate the practices of other similar organisations in their field which have been perceived to be more legitimate and successful, so that legitimacy can be maintained, or uncertainty can be reduced at less cost (DiMaggio & Powell, 1983). This imitation process is mainly triggered when there are uncertainties in the environment for example where organisational technologies are poorly understood and goals are ambiguous (DiMaggio & Powell, 1991). In political literature, this process is called policy transfer or policy learning (Dolowitz & Marsh, 1996 , as quoted in Jacobs & Jones, 2009). An example of mimetic isomorphism is illustrated by Ryan et al.'s (2002a, p. 62) study. Ryan et al. explain that "if entry into the Queensland Annual Reporting Award (QARA) is considered to be a socially accepted behaviour and organisations enter it in order to protect their legitimacy by not standing out as being different, then this motive would be consistent with the concept of mimetic isomorphism".

c) Normative Isomorphism

The normative isomorphism stems mainly from professionalization, which can occur through the two drivers that can result in a change in organisational practices and professional behaviours. The two drivers are formal university education and the creation of cross-organisational professional associations or networks (DiMaggio & Powell, 1983). In both cases, professional staff undergo relatively uniform training, and then carry the ideas they learnt to the different organisations that employ them (Pollitt, p. 938). It is the commonality of cultural and educational values associated with professional orientation which leads organisations to isomorphic behaviours in certain ways (DiMaggio & Powell, 1991). Mussari & Monfardini (2010) provided an example of normative isomorphism in the context of public sector delivery. They pointed out that normative isomorphism is basically the new managerialism induced by public sector reforms and influence the role of local governments in local public service delivery.

4.3.2.3 The Utility of Institutional Theory

There are various benefits of applying institutional theory in understanding organisational practice. Among others, the theory is "very useful in drawing attention to the need to recognise the way in which organisations tend to conform to what they perceive as the expectations of their broader environment" (Scapens, 2006, p. 13). Additionally, compared to the legitimacy theory, institutional theory has better explanatory potentialities (Unerman et al., 2007, as quoted by Mussari & Monfardini, 2010) as it takes into consideration various internal and external factors shaping organisational practice. The theory also recognizes that management is able to use discretion over their actions (Oliver, 1991, as quoted in Scapens, 2006) and as a result, there may be significant differences between their formal structure and their actual day-to-day work activities (Meyer & Rowan, 1977). Further, some authors (e.g. Ryan et al., 2002a) highlighted that institutional theory is not only useful to understand similarities, but is also helpful in comparing the diverse practices of different groups of organisations belonging to different sectors or nations (e.g. Beckert, 2010). More precisely, Ryan et al. (2002a, p. 64) posit that:

> Institutional theory directly addresses the unique political and social forces upon organisations and while it is normally used to explain similarity in practices ... , the theory has the capacity to explain differences in policies and practices across different organisational sectors.

In the context of the public sector, Hoque (2005) has clearly stated the applicability of institutional theory in understanding public sector reform, as follows:

> There is the view that many public sector entities are currently undergoing significant reforms, not to achieve greater economic efficiency but for the purpose of legitimising themselves to different forms of institutional pressure or influence (Broadbent and Guthrie, 1992; Lapsley, 1999; Hoque et

> al., 2004). Seen in such a context, the reform process in the public sector may not be completely economically rational, but rather could be a "window dressing" of organisations. (p. 370)

Given the usefulness of institutional theory and the importance of public accountability, both of them will be used as the theoretical lens of the thesis (refer to Section 4.6, Chapter 5, 6 and 7). The next section shall discuss the research paradigm of this thesis.

4.4 Research Paradigm: Pragmatism

A research inquiry should be based on a certain identifiable research paradigm[20], which is intrinsically shaped by the concepts of ontology, epistemology and methodology[21] (Guba & Lincoln, 1998). These three elements are intimately related as they provide an interpretative framework that guides the entire research process including strategies, methods and analysis (Guba & Lincoln, 1998; Krauss, 2005).

This thesis adopts the pragmatism paradigm, which can be traced to American scholars such as Charles Sanders Peirce, William James and John Dewey (Teddlie & Tashakkori, 2009). This paradigm is defined by Tashakkori & Teddlie (2003, p. 713) as:

> A deconstructive paradigm that debunks concepts such as "truth" and "reality" and focuses instead on "what works" as the truth regarding the research questions under investigation. It rejects the either/or choices associated with the paradigm wars, advocates for the use of mixed methods in research, and acknowledges that the values of the researcher play a large role in interpretation of results.

The pragmatism paradigm is often said to be the most philosophical orientation associated with mixed method research (Bryman, 2006; Teddlie & Tashakkori, 2009). This is because this paradigm offers a third choice that embraces both sides of the constructivism-positivism paradigm debate in interaction with the research question and

[20] Paradigm refers to the "basic belief system or world view that guides the investigation" (Guba & Lincoln, 1994, p. 105).
[21] Ontology refers to the philosophy of reality (Krauss, 2005). Epistemology is how we come to know about the reality whereas methodology on the other hand is the identified practice utilised to attain the knowledge of the reality (Krauss, 2005).

real-world circumstances. Teddlie & Tashakkori (2009) have summarized the characteristics of the pragmatism paradigm - in contrast to other four alternative paradigms (i.e. constructivism, transformative, postpositivism and positivism) - as follows (refer Table 4.2).

Table 4.2: Expanded Paradigm Contrast Table Comparing Five Points of View

DIMENSIONS OF CONTRAST	CONSTRUCTIVISM	TRANSFORMATIVE	PRAGMATISM	POSTPOSITIVISM	POSITIVISM
METHODS	Qualitative	Both Qualitative and Quantitative; community of participants involved in method decisions	Both Qualitative and Quantitative; researchers answer questions using best methods	Primarily Quantitative	Quantitative
LOGIC	Inductive	Both inductive and hypothethico-deductive	Both inductive and hypothethico-deductive	hypothethico-deductive	hypothethico-deductive (originally inductive)
EPISTEMOLOGY (researcher/participant relationship)	Subjective point of view	Both objectivity and interaction with participants valued by researchers	Both objective and subjective points of view, depending on stage of research cycle	Modified dualism	Objective point of view (dualism)
AXIOLOGY (role of values)	Value-bound inquiry	All aspects of research guided by social injustice	Values important in interpreting results	Values in inquiry, but their influence may be controlled	Value-free inquiry
ONTOLOGY (the nature of reality)	Ontological relativism-multiple, constructed realities	Diverse viewpoint regarding social realities; explanations that promote justice	Diverse viewpoints regarding social realities; best explanations within personal value systems	Critical realism (external reality that is understood imperfectly and probabilistically)	Naive realism (an objective, external reality that can be comprehend)
POSSIBILITY OF CAUSAL LINKAGES	Impossible to distinguish causes from effects; credibility of descriptions important	Causal relations that should be understood within the framework of social justice	Causal relations, but they are transitory and hard to identify; both internal validity and credibility important	Causes identifiable in a probabilistic sense that changes over time; internal validity important	Real causes temporally precedent to or simultaneous with effects
POSSIBILITY OF GENERALIZATION	Only ideographic statements possible; transferability issues important	Ideographic statements emphasized; results linked to issues of social inequality and justice	Ideographic statements emphasised; both external validity and transferability issues emphasized	Modified nomothetic position; external validity important	Nomothetic statements possible

Source: Tedlie & Tashakkori (2009, p. 88)

The choice of this paradigm is partly a response to Goddard's (2010) proposal to researchers on contemporary public sector accounting research in which he promotes the use of multiparadigmatic methodologies particularly between positivist and interpretive approaches, arguing that it may lead to a deeper and more comprehensive understanding of the subject area. It is argued that the pragmatism paradigm adopted in this thesis represents a paradigmatic approach that locates somewhere between positivism and interpretivism-constructivism as reflected in Table 4.2. It is important to note that pragmatists believe that "epistemological issues exist on a continuum, rather than on two opposing poles" (Teddlie & Tashakkori, 2009, p. 90). Teddlie & Tashakkori (2009, p. 90) further elaborated:

> At some points during the research process, the researcher and the participants may require a highly interactive relationship to answer complex questions. At other points, the researcher may not need interaction with the participants, such as when testing a priori hypothesis using quantitative data that have already been collected or when making predictions on the basis of a large-scale survey.

Method-wise, the pragmatists believe that either quantitative or qualitative method is useful, and its choice would depend on the statement of research questions and the ongoing phase of the inductive-deductive research cycle (Teddlie & Tashakkori, 2009). This is because they believe that research on any given question at any point in time falls somewhere within the inductive-deductive research cycle, as explained by Teddlie & Tashakkori (2009, p. 89):

> Research may start at any point in the cycle: Some researchers start from theories, minitheories, or conceptual frameworks, whereas others start from observations of facts. Regardless of where the researcher starts, a research project typically travels through the cycle at least once. In practice, instead of starting from a theory, many researchers build a conceptual framework on the basis of current research literature, minitheories and intuition. This process can be highly inductive.

Consistent with the above, variables-wise, pragmatists decide what they want to study based on what is important within their personal value system (Teddlie & Tashakkori, 2009). It was argued that pragmatists behaviours are in fact “consistent with the way many researchers actually conduct their studies, especially those research that has important societal consequences” (Teddlie & Tashakkori, 2009, p. 90). The next section discusses the research method adopted in this thesis namely the mixed method.

4.5 Research Method: Mixed Method

Consistent with the research paradigm adopted, the methodology adopted in this research is both quantitative and qualitative. The quantitative method is used to answer the first two RQs (i.e. extent of disclosure and factors influencing it) while the qualitative method is adopted to answer the third or last RQ (i.e. reasons for disclosure/nondisclosure). In this thesis, qualitative inquiry is used apart from the quantitative approach as it accepts the complex and dynamic quality of the social world and due to the ability of qualitative inquiry to yield rich information not obtainable through the quantitative method (Hoepfl, 1997).

Mixed methods research[22] - which combines quantitative and qualitative approach - is chosen as it offers great promise in providing greater insights and expanded understanding of the research problem, thus enhancing the quality of the study (Creswell, 2009). Utilizing either the quantitative or the qualitative approach per se is inadequate to address the complexity of the problems in social sciences. Mixed method research, owing to the perceived legitimacy of both quantitative and qualitative approaches, may address the complexity of research problems by utilizing the strengths of both quantitative and qualitative research (Creswell, 2009). Furthermore, mixed method is also useful in research involving content analysis as highlighted by Neuendorf (2002) that only with an integrated approach to data collection can

[22] By definition, mixed method research is “the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” (Johnson & Onwuegbuzie, 2004, p. 17)

applications of content analysis aspire to the highest goal, i.e. explanation. Consistent with this, of late, there is evidence of growing interest in the mixed methods approach in disclosure studies (e.g. Joseph, 2010b).

An example of the disclosure studies using mixed method approach is that by Joseph (2010b). Joseph studied sustainability reporting in Malaysian local government websites using first the quantitative and then followed by the qualitative approach. The quantitative approach involved determining the level of disclosure using both the content analysis as well as the disclosure index method, and then followed by testing five variables that may potentially influence the disclosure level. Whereas the qualitative method in her study involved interviewing the local authorities' officers on their reasons for disclosure and nondisclosure of sustainability information on their website.

There are at least six strategies for researchers to choose from in conducting a mixed method research (Creswell, 2009). The six strategies are: (i) sequential explanatory design, (ii) sequential exploratory design, (iii) sequential transformative design, (iv) concurrent triangulation design, (v) concurrent embedded design, and (vi) concurrent transformative design. The present study employs the sequential explanatory mixed method design, which starts with the quantitative (Phase 1) followed by the qualitatitive (Phase 2) approach. It slightly modifies Creswell's (2009) sequential explanatory mixed method design which regards the quantitative phase (i.e. the first phase) as having stronger priority than that of the qualitative (i.e. the second phase). In this thesis, both the quantitative and qualitative phases are given similar priority. Creswell (2009) mentions that the drawback of placing equal priority to both phases is the longer time required for data collection. Nevertheless, due to the benefits of mixed method design, this strategy is chosen despite it being emotionally taxing and extraordinarily time consuming. Figure 4.2 provides a description of the steps involved in this type of design.

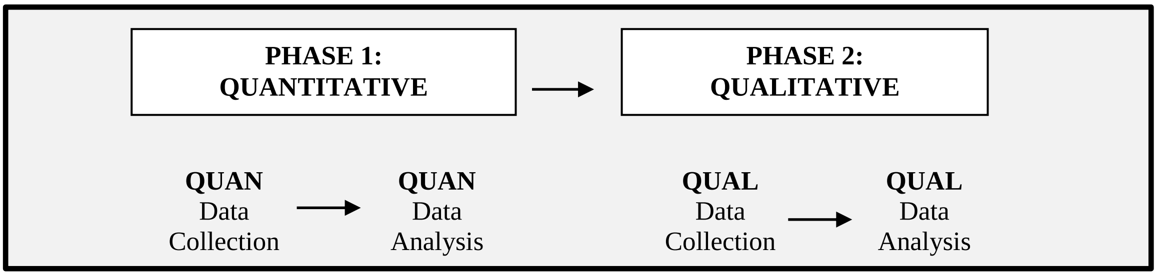

Figure 4.2: Sequential Explanatory Mixed Methods Design

In Phase 1 of the study, annual reports were examined using a disclosure index that was developed from various sources. The aim is to determine the level of disclosure of the accountability information in the annual report of MFSB (i.e. RQ1). Then the association between five factors (i.e type of MFSB, board size, board composition, audit committee existence, fiscal stress) with the level of disclosure are analysed using the multiple regression analysis (i.e. RQ2).

In Phase 2, semi-structured interviews were conducted with senior managers or preparers of MFSB annual reports to gain a deeper understanding on the motivations to and hindrance from reporting accountability disclosure items in the annual reports (i.e. RQ3). This phase aims to enhance and clarify the insights that are suggested from the earlier phase. Table 4.3 below summarizes the research method and data source for each research question.

Table 4.3: Research Question, Research Method and Data Source

Phase No.	Research Question	Research Method	Data source
Phase 1	RQ1: What is the extent of the disclosure of accountability information in the Malaysian Federal Statutory Bodies' annual reports?	Quantitative	Annual Report 2008
	RQ2: Do MFSB type, board size, board composition, existence of audit committee and fiscal stress have significant associations with the extent of disclosure of accountability information in the Malaysian Federal Statutory Bodies' annual reports?		
Phase 2	RQ3: What are the reasons for disclosure and nondisclosure of accountability information in the Malaysian Federal Statutory Bodies' annual reports?	Qualitative	Interview

The hypotheses development of the thesis are presented next.

4.6 Hypotheses Development

Before proceeding to discuss the research design, the hypothesis developed for answering RQ2 is first discussed. In this thesis, five variables (i.e. type of MFSB, board size, board composition, existence of audit committee and fiscal stress) are hypothesized for testing. The choice of the variables are made after taking into consideration several factors, including (i) the unique nature of MFSB in the context of the public sector that may influence disclosure (e.g. corporate-style management), (ii) the different aspects of internal and external environments of MFSB which may influence disclosure (e.g. contextual, governance, financial), (iii) the three institutional isomorphisms that may help to explain disclosure practices (i.e. coercive, normative, mimetic), as well as (iv) the availability of data. The last reason is in line with the fact that in the public sector, the challenge is to obtain data for the independent variable for all units of analysis. The number of variables included is related to the number of MFSB that is effectively included as a sample (i.e. 106) (refer to Section 4.8.7.3).

Table 4.4 below summarizes the basis for the selection of variables for this thesis. The dependent variable is the extent of disclosure of accountability information in MFSB annual reports. Almost all variables have rarely been tested in the context of public sector disclosure literatures except for the fiscal stress variable.

Table 4.4: Basis of Variables Selection

Variable	Uniqueness of MFSB	Category	Isomorphism
Type of MFSB	MFSB are established for various purpose and thus varied in terms of their core activities	Contextual	Normative
Board size	MFSB operate in corporate manner	Governance	Coercive, Mimetic
Board composition	MFSB operate in corporate manner	Governance	Coercive
Existence of audit committee	MFSB operate in corporate manner	Governance	Coercive, Mimetic
Fiscal stress	MFSB financial status is important as most of them (two-thirds) receive money from the government or public (e.g. through licensing, fees imposed on public, etc.) and one-quarter are suffering deficits	Financial	Mimetic

4.6.1 Hypothesis One: Type of MFSB

Quite a number of previous studies on public sector disclosure have examined the relationship between type of public sector organisation and disclosure (e.g. Ingram & DeJong, 1987; Laswad et al., 2005; Marcuccio & Steccolini, 2009; Robbins & Austin, 1986). For example, in the context of local government, studies have tested the association between the disclosure practices and the forms of organisation based on the categories of the district-municipal versus regional-city councils (e.g. Laswad et al., 2005). Another example is in the study by Marcuccio & Steccolini (2009) where they differentiated between provinces and municipalities, as these two types of local authorities are involved in different types of activities whereby the former is more involved in regulation and financial transfer while the latter deals more with providing direct services to the community. These studies have shown mixed results. Some found that there exist different levels of disclosure in different types of government organisations (e.g. Ingram & DeJong, 1987; Laswad et al., 2005; Robbins & Austin,

1986) while others didn't consider it a significant factor in determining disclosure (e.g. Joseph, 2010b).

In the context of MFSB, each organisation can be regarded as being unique as each operates with specific objective(s). However, generally, they can be classified into several types based on the nature of their core activities. For example, the TC4/2007 has categorised MFSB into at least five (non-mutually exclusive) types namely (i) regulatory, (ii) research and education, (iii) socio-economic, (iv) public utilities, and, (v) business enterprises (Treasury, 2007). Although this classification is useful in providing an estimate of the activities under which MFSB may possibly be categorised, the list is nevertheless not comprehensive and inclusive. No attempt was made by the circular or any party (e.g. the government or any researcher) to identify under which category each MFSB falls into and as such the classification is still subject to further modification. This study has made efforts to further improvise and refine this classification in order for it to be more mutually exclusive as well as comprehensive and inclusive. The aim is to see the extent to which MFSB differs from each other in terms of their core objectives. Hence, a careful analysis of the annual report of each MFSB has been made by examining their objective section. From this process, the thesis has been able to produce eight categories of MFSB, namely: (i) transportation, (ii) banking/finance/fund/investment, (iii) research and development/education, (iv) scholarship/foundation, (v) regulatory, (vi) area/regional development, (vii) socio-economy, and (viii) others. Table 4.5 below presents the types of MFSB and its respective source of reference for categorisation purposes.

Table 4.5: Types of MFSB and Its Source of Reference

Types of MFSB	Source	Reason	Example
Regulatory	TC4/2007	Clear classification	CCM
Research and education	TC4/2007	Clear classification	UM
Socio-economy	TC4/2007	Although the category can be interpreted differently, this refers to those MFSB dealing with poverty alleviation	FELDA
Public utilities*	TC4/2007	Only one MFSB falls under this type	N/A
Business enterprise*	TC4/2007	Difficult to determine the criteria of MFSB falling under this category	N/A
Transportation	Analysis of MFSB annual report on the aim or main objective section	Clear classification	RAC
Banking/finance/ fund/ investment		Clear classification	EPF
Scholarship/foundation		Clear classification	YTR
Area/regional development		Clear classification	KESEDAR
Others		One of its kind/small in number	SENILUKIS

*excluded by the thesis as MFSB category

Given the diverse nature of operations among MFSB as identified from the eight categories developed above, it is expected that MFSB would have different extents of accountability disclosure depending on the activities they undertake. From the perspective of institutional theory, this can be explained using the concept of normative isomorphism. As stated by Beckert (2010), normative isomorphism is when imitation is the result of a belief that a model is superior as well as that it is internally rather than externally motivated. For example, in the case of MFSB, which fall under the research and development/education, some may imitate others in the preparation of their annual report, without any external pressures. Possibly, full-fledged universities (e.g. University of Malaya) are perceived as superior in their model of annual report and disclosure of accountability information, and thus, the rest in the group, such as research institutions (e.g. Malaysian Institute of Road Safety Research) and educational institutions (e.g. Cooperative College of Malaysia) would imitate the annual reports of the universities. Furthermore, normative isomorphism also suggests that similar professional training among the members of the organisational field results in homogeneity. Here, it is possible that because the members are involved in similar activities and training as researchers and educators, the level of disclosure of accountability information in their annual report is also homogeneous.

Additionally, different types of MFSB may have different levels of disclosure of accountability information. For example, regulatory MFSB might not have as much institutional pressure to show high levels of disclosure of accountability information in their annual reports as socio-economy and area/regional development MFSB because they themselves is already a form of governing body and hence subjected to relatively less scrutiny by others (e.g. the Treasury).

In line with the above argument, it is therefore expected that different types of MFSB will have different levels of accountability disclosure in their annual reports. Since the level of disclosure for each of the eight types of MFSB are not clear, i.e. which types have greater or lesser levels of disclosure, the hypothesis is thus non-directional. The first hypothesis, in its alternate form, is therefore:

> *H_1: There is an association between the extent of disclosure of accountability information in the annual reports of MFSB and the type of Malaysian Federal Statutory Bodies.*

4.6.2 Hypothesis Two: Board Size

In the literature regarding private sector disclosure, board size has been studied as one of the governance-related variables that influence disclosure (e.g. Al-Akra et al., 2010; Cerbioni & Parbonetti, 2007; Indra, 2010). Studies have shown mixed results. For example, Al-Akra et al. (2010) and Indra (2010) found a positive relationship between board size and disclosure while Cerbioni & Parbonetti (2007) found otherwise. There is also a degree of inconsistency in the opinions and findings of previous research on the size of effective boards (Indra, 2010). For example, Jensen (1993) suggested that size should be limited to seven or eight while Lipton & Lorsch (1992) suggested ten as the maximum number but stated that eight or nine is preferred. This inconsistency for the size of an effective board size is reflected in practice where the recommended board size as proposed by various organisations vary. Examples are listed in Table 4.6 below[23].

Table 4.6 : Example of Recommended Board Size

Year	Issuer	Description	Board size	
			Min	Max
1992	Lipton & Lorsch (1992)	Literature	Nil	10 (preferred: 8 or 9)
1993	Jensen (1993)	Literature	Nil	7/8
1997	Jordan	1997 Company Law No. 22	3	13
1998	Spain	Olivencia report	5	15
2006	Malaysian Putrajaya Committee	Green book on board effectiveness in GLC	Nil	10/12
2007	Malaysian Securities Commission	Malaysian Code on Corporate Governance for PLC	Company decides	
2010	Malaysian Central Bank	Development financial institution	7	Nil

The majority of prior studies argued that smaller boards are more likely to function effectively (e.g. Adusei, 2011; Eisenberg et al., 1998; Jensen, 1993; Lipton & Lorsch, 1992; Mak & Kusnadi, 2005; Yermack, 1996). According to these studies, large boards destroy corporate values and monitor activities less effectively (Cerbioni & Parbonetti, 2007) as well as increases problems of communication and coordination (Jensen,1993; Yermack, 1996). In essence, it decreases the board's ability to control management, thereby leading to problems stemming from the separation of management and control.

[23] In private sector settings, there are numerous requirements and proposals for effective board sizes (Indra, 2010). In Al-Akra et al.'s (2010) study, it was stated that Jordanian 1997 Company Law No. 22 requires that the size of the board should be comprised of a minimum of 3 and a maximum of 13 directors. The Olivencia Report (1998) in Spain suggested that the optimal number of directors is between 5 and 15 (Olivencia Report, 1998, as quoted in Lara et al., 2007). Malaysian 2007 Code on Corporate Governance does not specify the number but indicates that "every board should examine its size, with a view to determining the impact of the number upon its effectiveness" therefore leaving each company to decide its own effective board size. Another example is the Malaysian Putrajaya Committee, where they have set that board size for Government-Linked companies (GLC) to be not more than 10 or 12 (PCG, 2006). On the other hand, Malaysian central bank while not setting any maximum number, has set the minimum number of directors on the board of the development financial institutions to be seven (Central Bank of Malaysia, 2010).

In public sector settings, the board size is not a widely tested variable given the nature of this sector which does not generally embrace the concept of a governing board as a governance mechanism except in certain corporate-like public agencies such as MFSB itself. A study by Gordon et al. (2002) found that there was a negative but insignificant relationship between board size and disclosure in the context of US colleges and universities.

Drawing from the perspective of institutional theory, MFSB with smaller board sizes are expected to show higher levels of disclosure. This can be explained using the concept of informal coercive isomorphism. While the adoption of private sector governance structures and practices (such as governing board) by public sector entities as well as the board size is part of coercive pressure as stipulated in the respective Acts of each MFSB, the actual implementation of the governance mechanism by the MFSB is only to adopt the expected behaviours of the society and potentially only as ritualistic conformity, hence informal coercive isomorphism. In contrast, the management of MFSB with more board members may have a greater tendency to feel satisfied with their formal governance structure rather than the actual day-to-day governance practice in their organisation (Meyer & Rowan, 1977). They may be less likely to provide more accountability information compared to MFSB with smaller board sizes. In other words, practicing good governance is part of a process of legitimising themselves in the society (Bowrey, 2008).

Besides informal coercive isomorphism, adoption of the governing board mechanism by the public sector from private sector practices can also be described as mimetic isomorphism. Their motivation behind MFSB imitation of private sector practices (in terms of the governing board) could be due to their lack of own governance mechanism historically, and not because they believe it is a good mechanism for governance (Beckert, 2010). A similar form of logic applies here wherein MFSB with larger board members due to their large board size are more likely to disclose less accountability information as they are more easily contented towards surface adoption than those MFSB with smaller board sizes.

Consistent with the above argument it is expected that board size will have a negative relationship with the extent of disclosure of accountability information. Hence, the hypothesis, in its alternate form, is stated as:

> *H_2: There is a negative relationship between the extent of disclosure of accountability information in the annual reports of MFSB and the board size.*

4.6.3 Hypothesis Three: Board Composition[24]

Board composition in this thesis refers to the proportion of internal and external directors representing a board. It is partly related to the concept of board independence, which refers to the proportion of independent directors on the board. The general claim is that higher board independence relates to a more effective board (John & Senbet, 1998). Various corporate governance guidelines issued worldwide for private sector required that external directors should make up at least one-third of the board membership (e.g. Code of Corporate Governance for Listed Companies in China and Malaysia) and at the same time there should be a balance between these two groups (internal and external directors) so as to avoid any group dominating the board's decision making (Securities Commision, 2007). Consistent with this, some authors

[24] This thesis had considered board independence as one of its variable but had not proceeded with that idea due to several reasons; (i) the inclusion of board independence alongside board size appears to be redundant as they are highly and significantly correlated as found from a preliminary analysis using a Pearson correlation coefficient, (ii) in public sector settings, higher number of independent directors do not necessarily mean 'actual' board independence due to their possible affiliation with politicians as has been demonstrated by Calabrò & Torchia (2011). Thus, the credibility of the independence of the independent directors is still questionable, (iii) difficulty to identify independent nonexecutive director as a considerably high proportion of nonexecutive members are nonindependent directors and thus not independent. This is because many are current senior public servants serving either at the ministerial level or at other government agencies, (iv) on average, the proportion of external members represents 84.7% of the board membership (with a range of 66 to 100%). Given that the optimum board independence is 50-60%, it is thus felt that the variable board independence is not suitable to be tested in this thesis.

found empirical evidence that for a board to be effective, the board independence should be just between 50 to 60 per cent (Garg, 2007) and not a 'supermajority' group (John & Senbet, 1998).

In the context of MFSB however, it appears that there is a trend of 'supermajority' external directors with most MFSB having only their CEO on the board as internal representative[25]. Moreover, about one-quarter of MFSB do not have any single internal director representing the management on the board. It is argued here that the presence of at least one representative such as the CEO from the management is necessary to allow for a more effective board decision making. The presence of internal representative is also crucial to act as an effective liaison between the board and the management on issues such as the practice of governance and disclosure. A study by Adawi & Rwegasira (2011) has documented evidence that a governing board comprising a mixed of internal and external director will show greater disclosure as compared to those having only external directors. Consistent with this, some other studies have also shown the evidence that organisation with outsider-dominated board has low disclosure level (e.g. Eng & Mak, 2003; Gul & Leung, 2004) although there are also studies which found otherwise (e.g. Chen & Jaggi, 2000; Huafang & Jianguo, 2007).

Drawing from institutional theory, the positive relationship between high disclosure and existence of internal directors can be explained using the concept of coercive isomorphism – both the formal and informal isomorphism. The coercive isomorphism may exist because internal director is more inclined to be more conscious towards meeting external disclosure guideline such as TC4/2007 (formal coercive isomorphism) as well as pressures from stakeholders (informal coercive isomorphism) as they are

[25] This is based on a preliminary analysis conducted by the thesis. For more detail, please see Section 6.2.2.

more likely to be subjected to greater responsibility and scrutiny than external directors for violating it. The process is part of a legitimisation process of acceptance within the system. This may bring the internal directors to become more persuasive in encouraging the rest of the board members to effectively monitor disclosure practice of MFSB and the board hence may be more likely to be more committed towards enhanced disclosure. These formal and informal pressures of formal and informal expectations and persuasions create a force for them to exhibit greater disclosure (DiMaggio & Powell, 1991).

Based on the preceding discussion, it is expected that MFSB differ in their levels of disclosure of accountability information depending on whether there is an internal director in their board. Specifically, the thesis argues that at minimum, there should be at least one executive member on the board to allow greater disclosure. A 100 per cent board 'independence' in MFSB will not be useful for the practice of disclosure in MFSB. The formal hypothesis, in its alternate form, is stated as:

> *H_3: There is a positive association between the extent of disclosure of accountability information in the annual reports of MFSB and the existence of an internal member on the board.*

4.6.4 Hypothesis Four: Existence of an Audit Committee

The audit committee has been claimed in private sector setting to be an important and effective corporate governance mechanism or attribute to monitor and encourage internal control and management commitment as well as compliance towards greater transparency and disclosure (Al-Akra et al., 2010; Yuen et al., 2009). Nevertheless, according to Kalbers & Fogarty (1998), the mere existence of an audit committee does not necessarily translate into better financial reporting quality. The characteristics of audit committee (including independence, frequency of meetings, size, members' expertise and financial literacy) is said to be part of the reason for the ability of the audit committee to influence a reduction of the information withheld hence enhanced disclosure (Davidson et al., 2005; Menon & Deahl Williams, 1994). This explains why literature in this area show mixed results concerning the association between audit committee existence and disclosure level[26].

Since audit committee is not commonly established in public sector settings except for in organisations such as MFSB, there is a paucity of studies testing the influence of existence of audit committee on disclosure levels in public sector literature. In the private sector literature, studies have largely found support for the positive relationship between the existence of the audit committee and disclosure practices (e.g. Al-Akra et al., 2010; Alanezi & Albuloushi, 2011; Barako et al., 2006; Ho & Wong, 2001; Yuen et al., 2009). There are also however, some studies which found negative or no association (e.g. Forker, 1992; Samaha, 2010). Samaha (2010), for example, found a nonsignificant negative association between existence of audit committee and disclosure of corporate governance information among Egyptian companies.

In the context of MFSB, the audit committee can be observed in some MFSB due to their adoption of corporate style management. In Malaysia, the Malaysian Code on Corporate Governance (MCCG) requires public listed companies to establish an audit committee (MCCG, revised 2007)[27]. Despite the majority of previous studies showing a positive relationship between the audit committee and disclosure level, this thesis expects otherwise (i.e. a negative relationship). Most studies on the relationship between audit committee and disclosure are on private sector, hence the context is different than the present study. This thesis expects that the establishment of an audit

[26] Although it is recognized by the thesis that it would be better to test the relationship between audit committee characteristics (such as independence, meetings frequency and size) and disclosure level, these variable cannot be tested effectively in the case of MFSB due to the very limited disclosure on audit committee is available in their annual reports.
[27] The Code has also outlined specific requirements on the charactaristics of the audit committee including the minimum size (i.e. three), the composition (i.e. number of executive and independent members), members' financial expertise and association with accounting bodies.

committee in MFSB is simply to legitimise themselves by adopting private sector mechanisms and that implementation is far from ideal. This parallels the reasonings given for the board size variable (refer to Section 4.6.2).

As in the previous hypothesis on board size, this expectation can be explained using the institutional theory perspective using the logic of coercive and mimetic isomorphism. Like governing boards (refer to Section 4.6.2), the establishment of audit committes in public sector organisations is an adoption by the public sector from the private sector. While it is true that formal coercive isomorphism exists due to the respective Acts and regulations in some MFSB which requires the establishment of audit committee, informal coercive isomorphism may drive its implementation. Specifically, the establishment of audit committees in MFSB is more for legitimising themselves. MFSB may form audit committees for their image value (Menon & Deahl Williams, 1994). As such, those MFSB having audit committees may feel that they have sufficiently fulfilled their governance obligations and hence are less likely to commit towards high levels of disclosure of accountability information and vice versa.

Using mimetic isomorphism, MFSB with audit committees adopt this practice from the private sector because they lack their own governance mechanisms (Beckert, 2010). MFSB that fulfil obligations of formal governance structures through the establishment of an audit committee may be less likely to strive in the fulfillment of actual governance practices, including the commitment towards greater levels of accountability disclosure.

Given the preceding arguments primarily based on the institutional theory, a negative association between the existence of audit committees and the disclosure of accountability information is expected. Again, this is despite the fact that large number of studies found positive association. The hypothesis, in its alternate form, is stated as:

> *H_4: There is a negative association between the extent of disclosure of accountability information in the annual reports of MFSB and the existence of an audit committee.*

4.6.5 Hypothesis Five: Fiscal Stress

The last variable included in this thesis is the fiscal stress of MFSB. Few studies on public sector disclosure have incorporated this variable in their studies (e.g. Caba Perez et al., 2008; Smith, 2004). The results are however mixed; while Ingram (1984) found that disclosure is becoming more important as the fiscal pressure increases, a study by some authors (e.g. Smith, 2004; Perez et al., 2008) found that fiscal stress is not significantly associated with disclosure.

In this thesis, it is expected that MFSB with higher fiscal stress would disclose more accountability information. This expectation is parallel to Ingram's (1984) findings. MFSB with higher fiscal stress will try to legitimise themselves or justify their financial position among their stakeholders as well as the members of the organisational field by disclosing more accountability information. This expectation can be explained using the institutional theory perspective, particularly mimetic isomorphism. They will copy the practice of others due to their own disorientation and uncertainties in their own environment on how best to disclose accountability information so as to protect their legitimacy at the same time help them avoid being further scrutinised by the stakeholders as in the case of suffering a deficit for example. These MFSB are also expected to be more motivated to disclose accountability information as it may legitimise their position from the perspective of the fund provider which may later help them to raise their fiscal condition to a better status.

Given the preceding, a positive relationship between the fiscal stress of MFSB and the disclosure of accountability information is expected. Hence, the hypothesis, in its alternate form, is stated as:

> *H_5: There is a positive relationship between the extent of disclosure of accountability information in the annual reports of MFSB and the fiscal stress.*

4.6.6 Control Variable: Size of MFSB

To test the main hypotheses, organisational size is included as a control variable in the model. Organisational size is a variable that has frequently been used in both private sector as well as public sector studies for explaining disclosure practices. In the context of the public sector, size have been found to be positively associated to various disclosure practices including social disclosure (e.g. Tagesson et al., 2011), accountability disclosure (e.g. Ryan et al., 2002b) and financial dislocuse (Gordon et al., 2002; Magann, 1983). One can expect that larger organisations will have greater disclosure levels for several underlying reasons as discussed in prior literature. The reasons include (i) the economies of scale; which relates to the cost of gathering, collecting and reporting information (Laswad et al., 2005), (ii) greater number and more diversified staff; which enables them to train specialists in the different matters related to the annual reports (Christiaens & Van Peteghem, 2007) (iii) the number of activities; where larger organisation have relatively more activities and thus have more information to be reported. This in turn, may motivate them to disclose more so as to show that they are acting optimally in managing the organisation (Anam, 2009), and (iv) political visibility; which make larger organisations more susceptible to management-stakeholders conflicts, hence larger organisations are motivated to dislcose more information to reduce the potential conflicts that may occur between the management and stakeholders[28]. It is therefore for these reasons that size is controlled in testing the variables of disclosure levels in this thesis.

The next section presents the summary of hypotheses and control variable in a diagram.

[28] In the context of MFSB, an example of a large organisation is FELDA. Due to its large size, as reflected in the wide range of activities it is involved in (e.g. plantation, manufacturing, etcetera), and the wide geographical area it covers, FELDA has been subjected to greater public scrutiny. Accordingly, it is expected that FELDA would disclose more accountability information than the relatively smaller MFSB.

4.7 Conceptual Schema of the Hypotheses

From the previous discussion, five hypotheses were developed. Figure 4.3 below presents the conceptual schema of the thesis addressing the hypotheses to be tested and the control variable related to RQ2.

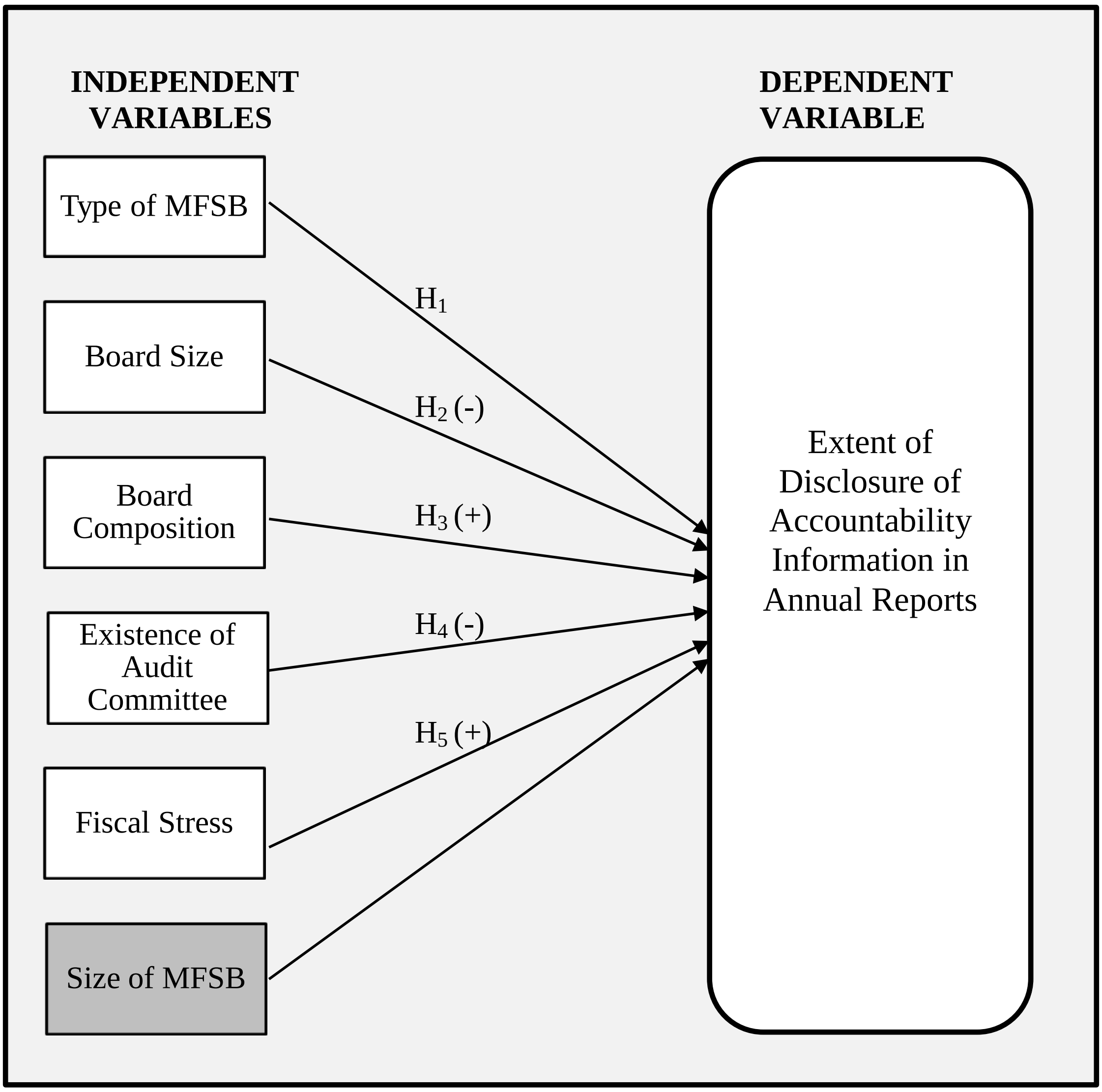

Figure 4.3: Conceptual Schema of the Hypotheses for Research Question 2

The research design of the thesis comprises of both the quantitative and the qualitative method. The quantitative phase was first conducted. It is presented in the next section.

4.8 Research Design (Phase 1: Quantitative)

This section discusses the research design for answering RQ1 and RQ2. This phase draws on the annual reports of MFSB as its data source. The following section discussed the population and sample of the study.

4.8.1 Population and Sample

Based on the 2008 A-G's report, there is a total of 118 MFSB. The list of all the 118 MFSB was obtained from the National Audit Department's (NAD) official portal at the web address of http://www.audit.gov.my (refer to Appendix 4_1). However, for some reason, as stated in Table 4.7, the effective population or sample for the thesis is only 111. The reasons for a smaller number of effective population compared to the original population are provided in Table 4.7. Due to the limited population, all the MFSB in the effective population can be included in the study. This means no sampling was necessary. The annual reports as the source of data for answering RQ1 and RQ2 are discussed next.

Table 4.7 : Effective Population of the Thesis

Description	**Quantity**
Total MFSB in 2008	118
MFSB ceased to become MFSB by 2010 (during data collection phase) [29]	(1)
MFSB receiving exemption from preparing and tabling annual report and financial statement[30]	(1)
MFSB is part of another MFSB, thus no annual report is prepared for the 'sub-MFSB'[31]	(3)
MFSB only start producing annual report since 2009[32]	(1)
MFSB do not produce annual report[33]	(1)
Effective Population	111

[29] Malaysian Industrial and Development Authority (MIDA) had ceased to become a MFSB since year 2009.

[30] Golf Subang Corporation was given an exemption by the Cabinet from preparing and tabling its financial statements and activities report for 1968 to 1999 as it will be dissolved indefinitely. To date, there has been no feedback on the status of this statutory body. Golf Subang needs to apply for further exemption from 2000 until 2009 (National Audit Department, 2009b).

[31] There are three MFSB which falls under this category; (i) Johor Port Authority (Tanjung Pelepas) is part of Johor Port Authority, (ii) Penang Port Commission (Teluk Ewa) is part of Penang Port Commission, and, (iii) Malacca Port Board is part of Klang Port Authority. The financial statements of these 'sub-MFSB' are however available within the annual reports of their respective main MFSB.

[32] National Academy of Arts, Culture and Heritage (ASWARA) was established in 2006. It starts producing its first annual report on year 2009 onwards. Prior to that, information on its activity are passed to the Ministry (Source: Personal communication with ASWARA official).

[33] Malaysia Land Survey Board (JURUUKUR) does not produce annual report. (Source: Personal communication with JURUUKUR official)

4.8.2 Source of Data: Annual Reports

The study focuses solely on annual reports. To answer RQ1 and RQ2, the annual report for the year 2008 is examined. This is the year after the issuance of the Treasury guideline No.4/2007. The analysis has been limited to the year 2008 and not year 2009 or onwards due to the inavailability of data (Gore, 2004). At the time data collection was undertaken (i.e. June to December 2010), most MFSB are yet to table their 2009 annual reports to the Parliament and therefore annual reports are not yet officially and publicly available. This was communicated by the MFSB officials to the researcher through either telephone or email conversations. Furthermore, disclosure policies appear to remain relatively constant over time and therefore justifies the one-year period as highlighted by Botosan (1997).

The thesis does not include other agency communication mediums such as websites, brochures and internal documents. This decision was made based on the assumption that annual reports are regarded as the main medium of information dissemination by public agencies to their stakeholders (Wall & Martin, 2003; Wei et al., 2008) (refer to Section 2.6). Being a public-motive document, annual reports are also usually more accessible to researchers (Woodward, 1998, in Unerman, 2000). Also, the fact that all MFSB are required to produce annual reports every year makes it possible to have greater consistency in the analysis of the results. On the other hand, other agency communication mediums may differ not only across agencies but also within the same agency over a period of time. This makes these non-annual report documents as virtually impossible to be completely identified and accessed and therefore the completeness of the data gathered from these documents cannot be firmly determined (Gordon & Fischer, 2008). All these may have some adverse impact on the analysis of results by making it more difficult and less meaningful. Focusing only on annual reports is consistent with prior studies such as those by Schneider & Samkin (2008), Gordon et al. (2002), Coy & Dixon (2004) and Ryan et al. (2002b). The method of collecting annual reports is elaborated in the next section.

In this study, annual reports were obtained through several means. The following steps were followed:

Step 1: The first option was by searching the softcopies from the websites of the MFSB.

Step 2: If the annual report was not available on the MFSB website, the second option was by making a request to the respective MFSB through either emails, letters or telephone calls. Due to the cost factor, the researcher starts by sending emails (Wei et al., 2008). Emails were first sent to the corporate affairs department and if there was no response after a week, it was sent to the finance department.

Step 3: If there was no response after two emails with a two-week gap, letters were sent. Letters were also sent to those MFSB that have no websites and/or when email addresses are not identifiable from the World Wide Web. Letters were first directed to the corporate affairs department. After around one month of nonresponse, a second letter was sent to the chief executive office.

Step 4: If no response was received from the letter request, telephone calls were made.

From the above steps, some annual reports were received through mail. It was in either the hardcopy form, in CD or in both forms. However, some MFSB did not prefer to mail copies of annual reports even when the researcher was willing to send them self-addressed envelopes with paid postage. These MFSB required or suggested the researcher to either: (i) buy from their office, (ii) collect personally from their offices, (iii) access from the researcher's institutions' library, or (iv) access from the respective MFSB libraries.

For other annual reports that were still not available despite the above efforts, the next option was to search for the annual reports at the National Library. Due to the availability of 'Inter-library loans' among Malaysian public libraries, inter-library loans was made between the researcher's institution and the National Library. In addition, a few annual reports were obtained from other public sector researchers who have obtained MFSB's 2008 annual report.

Overall, the whole process of requesting and obtaining took the researcher approximately seven months. Dixon et al. (1991) underwent a similar experience. The difficulty of getting access to government annual reports has been acknowledged by many other previous authors (e.g. Dixon et al, 1991; Banks & Nelson, 1994). Common problems include annual reports were not available on website, no information on website on how public can get access to annual reports and other sources of performance information and that the public needs to make special requests to get annual reports with valid justifications (Taylor, 2006). Even when special requests were made, there is no guarantee they can access the annual reports as excuses such as no more copies are available are commonly given (Taylor, 2006).

The next section elaborates on the approach used by the study in collecting data for RQ1 and RQ2, namely the disclosure index approach.

4.8.3 Disclosure Index Approach

The focus of the thesis (i.e. the dependant variable) is the extent of disclosure. Disclosure is an abstract concept which cannot be measured directly (Cooke & Wallace, 1989). However, an indication of the level of disclosure can be obtained by using a surrogate measuring device. According to existing literature, authors used various methods to measure disclosure including employing disclosure index, practice index (e.g. Cheng, 1992), disclosure checklist (e.g. Boyne & Law, 1991), content analysis by incorporating textual analysis (e.g. Clarke et al., 2009; Hoque, 2008) and indicator analysis (e.g. Carlin & Guthrie, 2001). In addition, readily available survey data (e.g. Gordon & Fischer, 2008), questionnaire survey (e.g. Yang, 2008), and case studies (e.g. Christensen & Yoshimi, 2001, 2003) have also been employed.

According to Guthrie and Abeysekera (2006), the two main approaches in measuring disclosure is the content analysis and disclosure index. While content analysis measures the abundance of disclosure, disclosure index measures occurrence of the item (Joseph & Taplin, 2011). A study by Joseph & Taplin (2011) used both approaches in measuring sustainability disclosure in the websites of Malaysian local councils and found that the disclosure index is a more predictable measurement of disclosure. This was evidenced in the higher adjusted R squared value as well as more significant independent variables.

Despite the distinction between these two approaches, content analysis and the disclosure index can be seen as non-mutually exclusive approaches. This is consistent with Marston & Shrives (1991) in Tooley & Guthrie (2007) which says that the disclosure index is in fact a form of content analysis. In line with this relationship between content analysis and the disclosure index, in this thesis, these two elements are used in harmony whereby in analysing the content of annual reports, the disclosure index is used as an instrument.

As suggested by Cooke (1991), the disclosure index comprises of items that are expressed as a ratio of the actual scores compared to the scores which are expected to be earned. It is therefore created to measure the relative level of disclosure by an entity. The disclosure index is primarily used to measure the occurrence or presence or richness of disclosed items (McCracken, 1988).

Various approaches have been used by prior public sector disclosure studies in developing their disclosure index. This include incorporating the disclosure requirements as specified by various guidelines provided by professional, authoritative and regulatory bodies, and adaptation or adoption of other authors' guidelines. Table 4.8 below summarizes some of the approaches used by prior studies in developing their index.

Some authors have also identified their index with specific labels. Among the labels given include the SPADI or School Performance Accountability Index by Tooley & Guthrie (2007), the LGA Index or Local Government Accountability Index by Ryan et al. (2002b) and the MAD or the Modified Accountability Index by Coy et al. (1993b). Despite the usefulness of the disclosure index in this thesis, the common caution applies where "measuring of information disclosures cannot be carried out in a precise scientific way" and that "research subjectivity cannot be completely removed, nor is it reasonable to expect that it can be" (Marston & Shrives, 1991, p. 208). Necessary measures however will be undertaken to address the subjectivity issues in this research (refer to

Section 4.8.9). The detail on the development of the disclosure index used for answering the RQ1 and RQ2 is presented next.

Table 4.8: Summary of Approaches Used by Prior Studies to Develop Disclosure Index

Approach	Example of Studies Using the Approach
Balance scorecard approach	Wei et al. (2008)
Stakeholder opinions or Delphi exercise	Coy & Dixon (2004); Coy et al. (1993b); Engstrom (1988)
Review of literature	Coy & Dixon (2004); Coy et al. (1993b); Gore (2004); Robbins & Austin (1986)
Based on anticipated user needs	Giroux (1989)
Analysis of annual reports /current practice	Coy et al. (1994)
Guidelines provided by professional, authoritative and regulatory bodies	• IFAC-IPSAS (e.g. Caba Perez & Lopez Hernandez, 2009) • Public Finance Act 1989 (e.g. Coy & Dixon, 2004) • Ministry of Education 1991 (e.g. Coy & Dixon, 2004) • Committee of Vice-Chancellors and Principals 1994 (e.g. Coy & Dixon, 2004) • New Zealand Society of Accountants (e.g. Coy & Dixon, 2004) • Department of Employment, Education and Training (DEET) 1994 (e.g. Coy & Dixon, 2004) • Performance Indicators Task Force 1989 (e.g. Coy & Dixon, 2004) • Australian Institute of Management 1984 (e.g. Lim & Mckinnon, 1993) • Parliament of New South Wales 1984 (e.g. Lim & Mckinnon, 1993) • US GAAP/GASB (e.g. Gore, 2004) • Standard & Poor’s 1986 (e.g. Gore, 2004) • Treasury circulars (e.g. Azis, 2008; Ismail & Abu Bakar, 2011)
Adopt or adapt the disclosure index from prior studies	• Gordon et al. (2002) adapted the index from Engstrom (1988) • Tooley & Guthrie (2001, 2007), Wei et al. (2008), Ryan et al. (2002b), Banks et al. (1997), Nelson (1997), Nelson et al. (2003) employed Coy et al.’s (1993b) index • Ingram & DeJong (1987) employed Robbins & Austin’s (1986) index. • Dixon et al. (1991) adapted Gray & Haslam (1990) items.

In short, based on the preceding discussion, the thesis focuses on the extent of accountability disclosure in the annual reports of MFSB and this will be measured using a disclosure index. The index is developed based on the public accountability paradigm which regard that the society - and not only those who need to make certain decision (primarily economic) - has the right to information (refer to Section 2.2 and 4.3.1). As there is no agreed theoretical framework or guidelines on the number and the selection of items to be included in a disclosure index (Wallace et al., 1994), this thesis has employed six steps in developing the disclosure index.

Step 1: The study reviewed the disclosure requirements in the TC4/2007[34]. The Circular classified the disclosure requirements into eight (8) main categories, namely (i) corporate information, (ii) background of MFSB, (iii) chairman report, (iv) report on government assistance, (v) analysis on financial performance, (vi) performance report, (vii) audited financial statements, and, (viii) other information. This study carefully decomposed the disclosure requirements within each category and transformed them into specific disclosure items. From this process, a total of 107 items were extracted. Following that, the disclosure items were translated into English as the circular is in Bahasa Melayu (the Malay language).

In the subsequent steps, changes are made to the disclosure items where some existing items are removed while some others are added. This is made based on the premise that there is a deficiency of using information containing only required disclosure items (Copeland & Ingram, 1983). Therefore, consistent with Robbins & Austin (1989) and Allen & Sanders (1994), several items were selected for inclusion in the disclosure index on the basis that they are being useful, but not currently required to be disclosed by TC4/2007. In the following steps, the selection of item was made based primarily on anticipated user needs of accountability information (e.g. Giroux, 1989). At almost each step, the existing eight categories are revised accordingly. Besides that, subcategories are also introduced by classifying the items into subgroups so as to produce a more meaningful index.

[34] This Circular is on the "Guideline for Preparation and Presentation of Annual Reports and Financial Statements of Statutory Bodies" (Treasury, 2007)

Step 2: Modifications of disclosure items were made to the index developed in step 1 based on a review made of other Malaysian statutory requirements including the General Circular Letter No. 6 of 2004[35] (Prime Minister's Department, 2004), the Development Administration Circular No. 2 of 2005[36] (Prime Minister's Department, 2005), the Malaysian Code on Corporate Governance[37] (Securities Commision, 2007) and Treasury Circular Number 10 of 2008[38] (Treasury, 2008). The recommendation of the IFAC Public Sector Committee (IFAC Public Sector Committee, 2001) has also been incorporated. Among the additions made in this step is the inclusion of additional financial ratios and governance items. New categories such as the governance category are also being included into the index.

Step 3: Additional modifications to the disclosure items were made to the disclosure index developed in step 2 based on a thorough inspection of other relevant public sector disclosure indexes in the prior studies (e.g. Coy & Dixon, 2004; Gray & Haslam, 1990; Herawaty & Hoque, 2007; Joseph, 2010a; Lim & Mckinnon, 1993; Ryan et al., 2002b; Schneider & Samkin, 2008; Tooley et al., 2010; Wall & Martin, 2003; Wei et al., 2008). Additional items such as staff recognition through awards and new categories such as human resource are at this point introduced.

Step 4: Few more items were considered based on a review of the MFSB annual reports. This is consistent with the approach taken by Tooley et al. (2010). An example is the item governing ministry and the respective Minister's message. Categories and subcategories remain as it is here.

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[35] This Circular is on "Preparation of annual summary report of the financial status and performance of federal statutory bodies". This Circular is useful to incorporate relevant financial and performance information.
[36] The Circular is on "Guideline on establishing key performance indicators (KPI) and implementing performance assessment at Government agency".
[37] The Code is originally meant for public listed companies.
[38] The Circular is on "Establishment, role and responsibilities of financial management and accounting committee in federal government agencies".

Step 5: Modifications to remove items that may not be applicable to some MFSB were then made. The applicability of an item may be determined by understanding the overall business of MFSB through their annual report and/or website. This is necessary so as to avoid penalising MFSB who do not disclose items not applicable to them. For example, items related to branch or subsidiaries were removed as not all MFSB have branches/subsidiaries. Furthermore, all items related to government assistance were also removed as not all MFSB receive financial assistance as indicated in the A-G Report (refer to Section 3.2.5). In this step, a combination of analysis of the available annual reports (e.g. Tooley et al., 2010), intuition, trial and error and judgement were undertaken, consistent with Dixon et al. (1991). Although this approach may introduce subjectivity, this is important to ensure the relevance of disclosure items to all MFSB and to achieve number of disclosure items that is within a reasonable limit. Categories and subcategories are again revised at this step due to the removal of the disclosure items. Example is the removal of report on government assistance category.

Step 6: The draft index was sent to six experienced researchers in public sector disclosure. The experienced researchers were from Australia (1), New Zealand (1), US (1) and Malaysia (3). The aim is to validate the general framework of the index regarding the scoring system and the adopted categories and to determine the clarity of the index (Anam, 2009; Coy & Dixon, 2004). As a result, the index was further modified to incorporate their comments which include elimination of items which may result to double counting and reclassification of items into different categories. Additional modifications were made to the labels (names) given to categories and subcategories as well as the disclosure items themselves to enhance their clarity. The outcome of this step is 110 accountability disclosure items.

A list of 110 disclosure items was finalised. The disclosure index is divided into five categories and 24 subcategories. The categories are (i) overview, (ii) governance, (iii) financial, (iv) performance and (v) others. To avoid confusion with indices used in other studies, the adapted index used in this study is referred to as the Accountability Disclosure Index for Statutory Bodies or ADIS (refer to Appendix 4_2).

4.8.4 Measurement of Dependent Variable

The dependent variable in the thesis is ‘the extent of disclosure of accountability information in the annual reports of MFSB’. The ‘extent’ is defined here as the total amount of disclosure in order to measure the 'how much' component of the first research question. In other words, the thesis identifies the presence of the disclosure items in the annual report of individual MFSB. This means once an instance is found for a particular checklist item, the search would immediately stop for that item. The presence or existence, instead of frequency of occurrence, of data is applied. The thesis also did not cover the quality aspect of the disclosure.

Secondly, the thesis adopts the dichotomous or binary method of scoring each disclosure item. This method is chosen instead of the polychotomous or qualitative scale method (e.g. Coy & Dixon, 2004; Coy et al., 1993b, 1994; Robbins & Austin, 1986; Ryan et al., 2002b) as this thesis is interested in determining the presence of information and extent of disclosure and not in the quality or value of disclosure. The binary method is also consistent with many prior studies (e.g. Dixon et al., 1991; Gordon et al., 2002; Gore, 2004; Ingram & DeJong, 1987; Ismail & Abu Bakar, 2011; Lim & Mckinnon, 1993; Robbins & Austin, 1986; Tooley & Guthrie, 2007).

Thirdly, the thesis adopted the unweighted approach for scoring each of the disclosure items therefore assuming that all items are equally important. This method was used in many previous studies (e.g. Cooke, 1989; Gandia & Archidona, 2008; Ismail & Abu Bakar, 2011; Wei et al., 2008). There are at least three important reasons for choosing this approach instead of the weighted index. Firstly, the scoring bias that may be associated with the arbitrary assignment of weight to each disclosure item. This reason is exacerbated with the lack of previous studies on disclosure (Wei et al., 2008) related to MFSB. It is presumed that the subjectivity of arbitrarily assigning weight to items is relatively higher than the subjectivity of assuming that all items are equally important (Anam, 2009). Secondly, there are difficulties in conducting the practitioners' and users' weighting process (Wei et al., 2008). This is assuming that weights are not arbitrarily assigned but rather based on empirical studies that gather the users' perception on the importance of each disclosure item through survey for example. Time and cost factors limit the ability to conduct such surveys. Thirdly, there is a lack of material increase in explanatory power nor additional value found in the results of prior studies using weighted index when they use a duplicate sets of data and test them using an unweighted index (e.g. Firth, 1980; Gordon et al., 2002; Robbins & Austin, 1986; Ryan et al., 2002b). This is despite the claim that a weighted index is superior and intuitively more appealing than an unweighted index (Botosan, 1997).

Consistent with Ismail & Abu Bakar (2011), the total disclosure (TD) score is mathematically expressed as follows:

$$\boxed{TD = \sum d_i}$$

where TD is total disclosure for a MFSB; d = 1, if the item d_i is disclosed; and d = 0, if the item d_i is not disclosed.

The Disclosure Index (DI) for each MFSB is equal to TD/n, where *n* is the number of items (i.e. 110). To provide for comparability among MFSB, each MFSB's measure is converted into a percentage (i.e. 100%).

All the steps undertaken in the thesis were firstly examined via a pilot study, which will be detailed in a later section. This was to ensure the robustness of the disclosure index instrument developed in the thesis.

4.8.5 Measurement of Independent and Control Variables

This section discusses the independent variables and their measurement. As discussed earlier, there are five independent variables in this study.

Type of MFSB: MFSB are categorised into eight (8) categories according to their core activity or objective (refer to Section 4.6.1). The data is hence non-metric and available in the objective section of the annual report.

Board Size: The measurement for this variable is the number of directors on the board at the end of the financial year. This measurement is consistent with previous studies such as Adawi & Rwegasira (2011) and Gordon et al. (2002). The data is metric. This information is available in the annual reports of each MFSB.

Board Composition: A '1' is assigned if the board is composed of both internal and external directors with a minimum of one internal director. A '0' is assigned when all board members are outsiders. The data is therefore nonmetric. Information on board composition is available from the annual reports of MFSB.

Existence of an Audit Committee: To measure the existence of an audit committee, a '1' is assigned if an audit committee exists and '0' if otherwise. The data is nonmetric. This information is available from the annual reports of each MFSB.

Fiscal Stress: This variable is measured by the ratio of the surplus/profit (or deficit/loss) to total revenue, multiply by -1. This measurement implies that the higher the value, higher the stress. This measurement is consistent with previous studies including Smith (2004). The data is metric. This information is available in the income statement which is part of the MFSB annual report.

The control variable, i.e. *size of MFSB*, is measured by total assets at the end of the financial year in the Malaysian currency namely the Ringgit Malaysia (RM). Measuring the size of public organisations using total assets is consistent with prior studies such as Gordon & Fischer (2008). Although there are many ways to measure an entity's size (e.g. total revenue, total employees, total expenditure), total assets is used not only due to the data availability (compared to total employees, for example) but more importantly because it gives a measure of the total resources which have come under the authority's control over time (Lim & Mckinnon, 1993). This is a metric variable and is available in the annual reports of MFSB.

Table 4.9 below summarizes the variables and their measurements. Few modifications to these original measurements will be made during the regression diagnostics exercise which will be explained in Section 4.8.7.3.

Table 4.9: Summaries of Variables in this Study

Variable	Acronym	Measurement/ Operationalization	Variable type	Source of Information
Dependent variable				
Disclosure extent	DI	Ratio of total disclosure to total disclosure items	Metric	Annual report
Independent variables				
MFSB type	TYPEMF	8 categories as developed by the thesis	Nonmetric	Annual report
Board size	BODSIZE	Number of board members at the end of financial year	Metric	Annual report
Board composition	BODCOM	'1' if at least there is 1 internal director on the board '0' if otherwise	Nonmetric	Annual report
Audit commmittee existence	AUDCOM	'1' if audit committee exist; '0' if otherwise	Nonmetric	Annual Report
Fiscal stress	FISCSTR	(Surplus (Deficit)/Total revenue)*(-1)	Metric	Annual report
Control variable				
MFSB size	SIZEMF	Total assets	Metric	Annual Report

4.8.6 Coding Instrument

An internal instrument was developed to guide the content analysis procedure and help assure consistent coding. This is consistent with Gordon et al. (2002) who included the relevant disclosure items from the Engstrom (1988) study as well as organisational characteristics and certain monetary amounts. Similarly, in this thesis, the internal instrument containing the disclosure items/index, independent variables items and several other MFSB characteristics. The latter is useful in order for the thesis to describe the features of MFSB as available in Chapter 3. The statistical method used for RQ1 and RQ2 is elaborated next.

4.8.7 Statistical Method

Data pertaining to the dependent variable, independent and control variables were analysed using the Statistical Package for Social Science (SPSS) software version 19.0. This section discusses the descriptive statistics, multiple regression analysis and the general linear model approach, regression diagnostics and sensitivity analysis conducted by this study.

4.8.7.1 Descriptive Statistics

Descriptive statistics is useful to explore and understand the data (SPSS Inc., 1999). Among the descriptive statistics used are the frequency distribution and other most commonly used statistics associated with frequencies including the measure of location (e.g. mean, median) and measure of variability (e.g. range, standard deviation).

4.8.7.2 Multiple Regression Analysis and General Linear Model (GLM) command

The multiple regression statistical analysis was conducted to analyse the relationship between the independent variables and dependant variable using the univariate general linear model (hereafter referred to as GLM) command in SPSS[39] instead of the normal SPSS regression command. In essence, regardless of which command is used, they will both yield similar results and conclusion (more discussion in provided in next section) although the statistics used and outputs[40] shown may be in different form. All linear models (t test, ANOVA, regression, GLM) for that matter will lead us to similar results (Campbell, 2002; Park, 2009). Table 4.10 compares the different statistics used among several linear model procedures.

Table 4.10: Comparison of the T-test, One-way ANOVA/GLM and Linear Regression (OLS)

	T-Test	ANOVA/GLM	OLS*
Effect Size	Mean difference		b (dummy coeff.)
Denominator of T Statistic	$s_{pool}\sqrt{1/n_1+1/n_2}$		Standard error of b
Variance Partition		ANOVA Table	ANOVA Table
Test Statistic	T	$F=T^2=(T_b)^2$	T_b
P-value	p-value	p-value	p-value
Degree of Freedom (of Error)	n_1+n_2-2	n_1+n_2-2	n_1+n_2-2
Baseline for Comparison			a (coded as 0)

* The a and b of OLS are the intercept and the dummy coefficient, respectively.

Source: Adopted from Park (2009)

[39] More conceptual discussion on GLM is provided in Appendix 4_3. The key point in the discussion in the Appendix is that The Big Four test (t tests, ANOVA, correlation and multiple regression) are all part of GLM and therefore they are all systematically related. Among these tests, regression is the most general technique while the other tests are special cases of GLM (Aron et al., 2009). Thus, similarly, in the thesis, when the GLM command is used it implies that all the big four test may be conducted simultaneuously.

[40]. For example, the regression model reports the mean difference as the coefficient of the dummy variable (grouping variable) (Park, 2009)

The reason why GLM command is utilized is mainly because it allows the researcher to avoid the tedious process of programming or coding the categorical (nonmetric) variables into the dummy variables for the purpose of converting them into metric variables (Garson, 2012a; Grace-Martin, 2009; Stockburger, 1998). Given that in this thesis there are three nonmetric variables[41] out of the five independent variables, and, that there are many levels within one of the nonmetric variables (i.e. eight types of MFSB) makes GLM the most appropriate procedure to be utilised. The GLM automatically creates dummy coded variables for these variables in order to make them behave like metric variables and accordingly performs the appropriate statistical analysis (Petty & Cuganesan, 2005; Stockburger, 1998). Hence, it does not matter in the GLM statistical technique or computer program whether the independent variable is metric or nonmetric (McNeil et al., 1996) - unlike in other SPSS procedure such as regression or ANOVA - because both types of data can be included in GLM. What researchers need to do is to identify the nature of their variables and then enter them accordingly in specific boxes under the GLM command. Specifically, any non-metric variable is entered into 'Fixed Factors' box while metric variable will go into 'Covariate' box[42] (Chen et al., 2003; Grace-Martin, 2009). It also does not matter whether the variable is something being manipulated or controlled for in the model (Grace-Martin, 2012b). In essence, for research containing numerous metric and nonmetric independent variables and with numerous categories in its non-metric data such as in this thesis, the GLM is the way to go as it may prevent the labour-intensive process of coding variables (Hendersen, 1998). Another advantage of using GLM is that an unbalanced design and zero cell value are not problematic (with Type IV sum of squares) (Hendersen, 1998; IBM Corporation, 2011; Park, 2009).

[41] The nonmetric or categorical IVs are MFSB type, board composition and existence of audit committee.

[42] If an independent variable has only two categories (e.g. gender), a perfectly valid/equivalent result will be obtained regardless of whether it is entered as a Fixed Factor or as a Covariate (Taylor, 2011).

Given the above, we may see that the GLM is indeed a very flexible procedure (Hendersen, 1998). It is useful to answer all parametric (including regression, ANOVA and ANCOVA) and most nonparametric research hypothesis investigating one (or more) criterion variable (Grace-Martin, 2009; Hendersen, 1998; McNeil et al., 1996). This is partly because the GLM approach does not distinguish between ANOVA and correlational procedures (such as regression) in their underlying analysis (Leech et al., 2005; McNeil et al., 1996). The GLM approach recognizes that the two procedures differ only in the form of their output (Meyers et al., 2006).

In fact, as discussed in Appendix 4_3, the ANOVA, correlation, regression as well as descriptive statistics are themselves merely computational simplifications of GLM which were developed by statisticians before the widespread availability of the computer and statistical software. Nowadays, with the advancement of technology, GLM will be a better approach as it is able to answer most research hypotheses with one command (McNeil et al., 1996). The researcher is then free from wondering if the "correct" statistical analysis is known or if the desired research hypothesis can be stated in such terms that one of the few statistical tests known by the researcher can be used to answer that hypothesis (McNeil et al., 1996).

However, the limitation of SPSS GLM compared to SPSS regression is that some of the options available from the latter procedure are not available in the former (Hendersen, 1998). This includes the standardised regressions beta coefficients, multicollinearity diagnostics, stepwise and hierarchical method, partial plots and detection of outliers (Garson, 2012a; Hendersen, 1998). In the case of stepwise regression, there is no stepwise analysis in GLM because the procedure was developed for continuous variables (McNeil, 1996). However, the insignificant variables can be dropped manually as suggested by Chinna (2012). Hence, to obtain some of these statistical results which are not available under GLM, they can either be handled manually or by using other commands besides the SPSS GLM (Chinna, 2012) (for example, refer to Section 6.3.1). In accounting literature, only a handful of studies used GLM (e.g. Astami & Tower, 2006; Joseph, 2010b; Petty & Cuganesan, 2005; Tower et al., 1999) and therefore this study may contribute to the literature regarding the usefulness of the GLM approach.

With respect to the statistics used in GLM which covers both regression and ANOVA, partial eta-square (eta^2) is also used alongside R^2 to account for the variance in the dependent variable (Meyers et al.,2006). The partial eta-square (eta^2) is shown for both the model and for each independendent variable. The R^2 under the regression procedure will equal the model's partial eta squared from the GLM regression model when the relationships are linear, but will be higher than R^2 when the relationships are nonlinear. Hence, using GLM enable researchers to test the linearity assumption indirectly. Reporting this strength-of-effect (the R^2 and eta^2) is important as it provides the researcher and readers with some grounding in how effectively each of the independent variables functioned in the study. In most research studies, the strength-of–effect that are found are not ordinarily large (Meyers et al., 2006). Meyers et al. stated that 0.09, 0.14, and 0.22 are small, medium, and large eta-square respectively.

Parameter estimates is the term used in GLM, which is similar to the unstandardized (b) coefficient in normal regression command. The b coefficients in the regression model, which is run under ordinary regression command (Analyze-Regression-Linear) and the parameter estimates, which is run under GLM command (Analyze-General Linear Model-Univariate) show identical results (Garson, 2012a). Except that under regression command, b coefficients are default output while under GLM, researchers need to ask for it (Option-Parameter estimates). The parameter estimates are based on dummy coding with the last category omitted, and correspond to the results shown where the last category was omitted (Chen et al., 2003).

F test is also used. It will provide a single result (p-value) for the hypothesis related to factors that makes interpretation much easier. Nevertheless, the p-values of each levels of factors are also available.

The regression model representing relationship between the dependent variable and independent variables is depicted in the following equation:

$$\begin{aligned} DI_i = {} & \alpha_i + b_1 TYPEMF1_i + b_2 TYPEMF2_i + b_3 TYPEMF3_i + \\ & b_4 TYPEMF4_i + b_5 TYPEMF5_i + b_6 TYPEMF6_i + b_7 TYPEMF7_i + \\ & b_8 TYPEMF8_i + b_9 BODSIZE_i + b_{10} BODCOM_i + b_{11} AUDCOM_i + \\ & b_{12} FISCSTR_i + b_{13} SIZEMF_i + e_i \end{aligned}$$

where

DI_i	=	Total disclosure index
$TYPEMF1_i$	=	1 if Type 1 of MFSB, 0 otherwise
$TYPEMF2_i$	=	1 if Type 2 of MFSB, 0 otherwise
$TYPEMF3_i$	=	1 if Type 3 of MFSB, 0 otherwise
$TYPEMF4_i$	=	1 if Type 4 of MFSB, 0 otherwise
$TYPEMF5_i$	=	1 if Type 5 of MFSB, 0 otherwise
$TYPEMF6_i$	=	1 if Type 6 of MFSB, 0 otherwise
$TYPEMF7_i$	=	1 if Type 7 of MFSB, 0 otherwise
$TYPEMF8_i$	=	1 if Type 8 of MFSB, 0 otherwise
$BODSIZE_i$	=	Number of board members
$BODCOM_i$	=	1 if at least one internal director on the board, 0 otherwise
$AUDCOM_i$	=	1 if audit committee exists in MFSB, 0 otherwise
$FISCSTR_i$	=	Surplus (Deficit) over Total revenue, multiply by -1
$SIZEMF_i$	=	Total assets in MFSB

where

i	=	MFSB number
α	=	constant
b	=	coefficient
e	=	error term

The next section shall elaborate the regression diagnostics conducted in this study.

4.8.7.3 Regression Diagnostics

According to Pallant (2005), multiple regression is one of the fussier of the statistical techniques. There are at least three conditions (*minimum sample size, absence of multicollinearity* and *lack of influence of outliers*) and three assumptions (*normality, homoscedasticity* and *linearity*) that need to be satisfied to run regression analyses. This section briefly describes these conditions and assumptions as well as report their results to determine whether regression analysis is suitable and can be run for this current study.

a) Minimum Sample Size

Tabachnick & Fidell (2007) give a formula for calculating sample size requirements, taking into account the number of independent variables that the researcher wish to use: N > 50 + 8m (where m = number of independent variables). The importance of this requirement is for generalizability of the sample. In this thesis, however, generalizability will not be a major concern owing to the proximity of the thesis sample size (more than 95%) to the population.

Nevertheless, the thesis fulfilled the minimum sample size requirement to run the regression. It consists of a sample size of 106, which is 8 cases above the minimum requirement of 98, i.e. 50 + (8*6).

b) Tests on Multicollinearity

Independent variables that are highly collinear (i.e. linearly related) can cause problems in estimating the regression coefficients (Chen et al., 2003). Three separate tests are used to identify multicollinearity among variables.

Relationship between Covariates

A correlation test is used to test the degree of relationships between the covariates. The problem exists if independent variables are highly correlated with each other at correlation values exceeding 0.9, according to Tabachnick & Fidell (2007)[43]. Table 4.11 presents the correlation matrix for the three covariates. This table shows that the correlation values ranged between -0.135 and 0.044 with the highest correlation existing between BODSIZE and SIZEMF. From these values, there is no evidence of multicollinearity as the threshold value of 0.9 (Pallant, 2005) has not been exceeded by any of the variables, suggesting that all the covariates can be retained[44]. On the other hand, the FISCSTR has a negative and significant[45] relationship with BODSIZE, suggesting the larger the size of the board, the lesser the fiscal stress they face.

Table 4.11 : Correlations between Covariates

	BODSIZE	FISCSTR	SIZEMF
BODSIZE	1		
FISCSTR	-0.135*	1	
SIZEMF	0.044	-0.050	1

*Correlation is significant at the 0.10 level

Relationship between Covariate and Factors

This section discusses the relationship between covariates and factors. One-way ANOVA test is used to determine whether the covariates (both metric independent and control variables, i.e. BODSIZE, FISCSTR, and SIZEMF) is significantly related to the factors (TYPEMF, BODCOM and AUDCOM)[46]. This is consistent with Tower et al. (1999) and Joseph (2010b). Referring to row 1, the eight types of MFSB are significantly related to the FISCSTR (refer to Table 4.12). Some types of MFSB tend to

[43] For factors, this thesis presented contingency tables but not with the aim of testing multicollinearity but rather simply to obtain a general insight on the association among factors.
[44] On a separate note, McNeil et al. (1996) recommend that researchers ignore the notion that only uncorrelated variables are to be used. They argued that the real world is never fashioned that way and what is more important is the effect of the predictor on the R^2 the ultimate value. If the R^2 is significantly increased by the inclusion of a correlated predictor variable, then by definition that variable is a good variable (in that set of predictor variable).
[45] Many authors in this area suggest that statistical significance should be reported but ignored (Pallant, 2005).
[46] The common reason cited in literature for running ANOVA analysis is to compare whether there is any difference among levels of categorical/nonmetric independent variables in relation to the metric dependant variable. The thesis, however, is of the position that ANOVA is also part of correlational test and are part of a global general linear model (Thompson, 2008) as discussed in Appendix 4_3 and therefore can be used to find relationship between variables.

have significantly more (or less) FISCSTR. Referring to row 2, there are no significant relationships between the composition of board members in MFSB and its respective BODSIZE, FISCSTR or SIZEMF. Based on row 3, there appears to be no significant relationship between MFSB with audit committees or without audit committees and BODSIZE, FISCSTR and SIZEMF. In other words, regardless of whether or not there are audit committees in the MFSB, there appears to be no difference among them in terms of either board size, level of fiscal stress or MFSB size.

Table 4.12: Relationship between Covariates and Factors

Covariates	BODSIZE	FISCSTR	SIZEMF
Factors	p -value	p -value	p-value
TYPEMF	0.078	0.013**	0.176
BODCOM	0.768	0.072	0.269
AUDCOM	0.846	0.497	0.237

*, ** refers to significant at 1% and 5% respectively

Similar to the discussion on the relationship between covariates, the thesis believes that the significant relationship found between two independent/control variables should not be a major concern in so long as they are not measuring the same concept.

Relationship between Factors

For factors, Cramer's V test is used to test the association between them. This test is used because it can handle variables having more than two categories (Field, 2009). Its interpretation is similar to correlation test. A contingency table is presented to tabulate the frequencies among the three factors (TYPEMF, BODCOM and AUDCOM) (refer to Table 4.13, Appendix 4_4). Based on the table, there appears to be some empty cells. According to Garson (2012b), the widely accepted rule of thumb is that no cell in factor space should be 0 and 80% of cells should be greater than 5 as it may affect the generalizability of the findings (where having very few cell counts will result in very few subjects to generalize). In fact, the researcher should not generalize at all when there are any 0 cells or more than 20% of cells under 6 (Garson, 2012b).

Nevertheless, the GLM procedure utilised in this thesis overcame this problem through the Type IV sum of squares option[47].

From the Cramer's V test, there appears to be a significant association between (i) TYPEMF and BODCOM, and (ii) TYPEMF and AUDCOM ($p<0.01$), with Cramer's statistic is 0.452 and 0.497 respectively, out of a maximum value of 1, representing a medium association between the variables. However, the association between BODCOM and AUDCOM is not significant ($p>0.05$) with Cramer's statistic of 0.444, again indicating medium association. Hence, there appears to be no strong or perfect relationship between factors.

c) Test on the Influence of Outliers

An outlier is a case with an extreme value on a variable (Tabachnick & Fidell, 2007). Outliers can be found in both dependent and independent variables (Pallant, 2005) for both metric and nonmetric variables (Meyers et al., 2006). They lead to results that do not generalize except to another sample with the same kind of outlier[48]. Outliers that exert undue influence on the coefficients need to be removed (Chen et al., 2003). Consistent with Tabachnick & Fidell (2007), the thesis detects outliers using boxplot and later compare between the original mean and the 5% trimmed mean[49] of the variable in order to decide whether the subject can be retained or need to be removed. If there is little difference between the original and trimmed mean, then the outliers will be retained. Otherwise, the data will be transformed so that the outliers are more in line with the rest of the data (Tabachnick & Fidell, 2007).

[47] In this thesis, however, although the three contingey tables above contains cells with 0 and below 6, generalizability should not be an issue of concern owing to the proximity of the thesis sample size (more than 95%) to the population as discussed earlier.
[48] Again, generalizability will not be the major concern for this thesis given the proximity of sample size to population.
[49] To arrive to 5% trimmed mean, SPSS removes the top and bottom 5 per cent of the cases and recalculates a new mean value.

The boxplots of all four covariates (BODSIZE, FISCSTR, SIZEMF, and DISCLOSURE INDEX) (refer to Figure 4.5, Appendix 4_4) and three factors (TYPEMF, BODCOM, and AUDCOM) (refer to Figure 4.6, Appendix 4_4) shows some outliers. However, only two of them (FISCSTR, SIZEMF) demonstrated a signficant difference between the original and trimmed mean, indicating the nonfulfilment of this regression condition and is thus a potential candidate for variable transformation.

d) Tests on Normality

The assumption is that residual/errors should be normally distributed[50]. A common cause of non-normally distributed residuals is non-normally distributed dependent and/or independent variables (Chen et al., 2003; Meyers et al., 2006; Tabachnick & Fidell, 2007). Hence, screening variables should lead to the same conclusions as screening residuals (Tabachnick & Fidell, 2007). Consistent with this argument, this thesis will conduct the normality assessment on variables/residuals using the Shapiro-Wilk (S-W)[51] test, histogram and Q-Q plots. For nonmetric variables, the distributions in each will be assessed and not the overall distribution (Field, 2009). If there appear to be normality violations, the data will be transformed accordingly as a remedy.

Referring to Table 4.14 in Appendix 4_4, the values of skewness and kurtosis for all variables except for three variables (BODSIZE, FISCSTR, and SIZEMF) are below the threshold of 2 indicating that the normality assumption is met for all variables except for those three. Similar result were found from the Shapiro-Wilk test where the W statistic is significant for those three covariates only (refer to Table 4.14, Appendix 4_4). These statistical assessments are further supported by an assessment on

[50] Some researchers believe that linear regression requires that the independent and dependent variables be normally distributed whereas in actuality, it is the residuals that need to be normally distributed (Chen et al., 2003; Field, 2009; Grace-Martin, 2012a).
[51] S-W test is the most powerful in detecting departures from normality (Meyers et al., 2006).

histograms and normal Q-Q plots. Histograms show that those three variables are positively skewed with SIZEMF and FISCSTR showing almost an L-shaped distribution (refer Figure 4.7, Appendix 4_4). Similar results were also found using Q-Q plots where the Q-Q plots of those three variables do not have data points falling on or very near the diaognal line indicating nonnormal distribution (refer Figure 4.7, Appendix 4_4).

Based on the assessment on outliers and normality, three covariates (BODSIZE, FISCSTR and SIZEMF will be transformed accordingly (refer to Table 4.15). Remedying normality first may assist in meeting other statistical assumptions as well (Hair et al., 2010). This is because often when nonnormality is indicated, it also contributes to violations of other assumptions. This approach is consistent with the suggestions of most statisticians (e.g. Meyers et al., 2006).

Table 4.15: Summary of Assessment on Outliers and Normality

Variable	Outlier	Normality tests				Normality Issue	Final Remedy
	Boxplot	*Skewness & Kurtosis*	*Shapiro-Wilk*	*Histogram*	*Q-Q plot*		
TYPEMF	√	√	√	√	√	n/a	
BODCOM	√	√	√	√	√	n/a	
BODSIZE	√	√	X	X	X	Positive skew	$\log_{10}$
AUDCOM	√	√	√	√	√	n/a	
FISCSTR	X	X	X	X	X	Positive skew	inverse
SIZEMF	X	X	X	X	X	Positive skew	$\log_{10}$
DI	√	√	√	√	√	n/a	

√ = fulfil the assumption, may retain the variable in its original form
X= do not meet the assumption, a potential candidate for variable transformation

e) Test on Homoscedasticity and Linearity

Homoscedasticity refers to the assumption that the residual/error variance should be constant (Chen et al., 2003). For metric data, this means that the variance in the dependent variable should be stable or roughly, the same at all values of another variable. For this kind of data, heteroscedasticity is not fatal in the sense that the analysis weakens but is not invalidated (Tabachnick & Fidell, 2007). For nonmetric data, the assumption means that the variance should be about the same in each of the level (Field, 2009). If heteroscedasticity is present, the heteroscedastic variables will be transformed to remedy the unequal dispersion of variance (Hair et al., 2010). Linearity on the other hand is the assumption that the relationships between the independent variable and the dependant variable should be linear (Chen et al., 2003).

Homoscedasticity and linearity assumptions can be simultaneously checked with the normality assumption using scatterplot through the analysis of residuals between predicted DV values (*ZRESID) and error of prediction (*ZPRED) (Tabachnick & Fidell, 2007). This is done twice in this thesis - before and after the screening of each variable as described above - to demonstrate the effect of transformation. If all assumptions are met, the residuals will be nearly rectangularly distributed with a concentration of scores along the centre.

Initial screening of residuals (before variables transformation) is run and the resulting scatterplot shows that the assumptions were not sufficiently met, as residuals are not roughly rectangularly distributed with a concentration of scores along the centre (refer to Figure 4.8, Appendix 4_4). This confirms the need for variable transformation as discussed earlier.

A separate test for linearity is also conducted where the bivariate scatterplots for each combination of metric variables were examined, consistent with Meyer et al. (2006). Scatterplots that are elliptical or oval shaped are indicative of linearity between two variables. If nonlinear relationship is detected, one or both variables will be transformed in order to achieve linearity respectively (Hair et al., 2010). Based on the matrix scatterplot, the overall shape of each bivariate scatterplot is not oval before the transformation process (refer Figure 4.9, Appendix 4_4) indicating lack of linearity between variables and hence the need for transformation.

f) Transformation of Variables

In multiple regressions, the best solution may require transforming more than one independent variable, and that each independent variable may actually require a different transformation (LaLonde, 2012). There are at least two reasons why researchers should pay more attention to transformed variables (McNeil et al., 1996); (i) transformed variables may increase the R^2, and (ii) the cost of transforming is negligible. However, transformation of raw data may not necessarily effect the residuals of which what normality and homoscedasticity is about (Field, 2009). Of course, we can never perfectly meet the assumptions of statistical methods, but we should at least do so approximately, and when interpreting results, we must bear in mind the degree to which assumptions are met. To the extent that assumptions are imperfectly met, estimates of statistics such as r, R^2, the weights and p-value will be somewhat compromised (Thompson, 2008). Nevertheless, when assumptions are violated, we can still have a perfectly good model for our data and also draw conclusions about our sample, but not beyond it (Field, 2009).

One way to avoid the possibility of making confusing or misleading statements pertaining to transformed data is to provide the reader with the original variable's statistical context (e.g. minimum, maximum values or means and standard deviations reported in raw score values) (Meyers et al., 2006) (refer to Section 6.2).

BODSIZE was first transformed using the square root function as its nonnormality is not that substantial. However, this type of transformation does not seem to work well with the data in improving its normality, therefore, the logarithmic transformation, specifically the base 10 logarithm ($\log_{10}$)[52] is applied (Tabachnick & Fidell, 2007) (refer to Figure 4.10, Appendix 4_4). For FISCSTR, even the $\log_{10}$ does not seem to improve the normality (refer to Figure 4.10, Appendix 4_4) due to the severity of the nonnormality of the data, hence the inverse or reciprocal transformation was applied. Because the smallest value on FISCSTR was -0.97 (refer Section 6.2.1), a constant of 1.97 is added to all of the cases before the transformation to make the smallest number in the data set positive or at least one (Field, 2009; Tabachnick & Fidell, 2007). This is because we cannot get a log value of zero or negative numbers. Inverse transformation is found to improve the normality of FISCSTR (refer Figure 4.10, Appendix 4_4). For SIZEMF, the $\log_{10}$ transformation has improved its normality consistent with many prior research (refer to Figure 4.10, Appendix 4_4). In sum, assessment of logBODSIZE, invFISCSTR and logSIZEMF using histogram and Q-Q plot showed that the normality assumption was met.

g) Tests on Assumptions after Transformation

After the transformation process, the overall shape of each bivariate scatterplot in the matrix scatterplot is oval (refer Figure 4.9, Appendix 4_4), indicating enough linearity are depicted between variables. Hence, the variables are linearly related.

At the same time, no heteroscedasticity in the variables is detected. Homoscedasticity can be tested using Levene's test on individual variables. The GLM command provides option to run Levene's test for the homogeneity of variance for each independent

[52] Logarithmic transformation includes 'base 10' logarithms and 'natural (base e)' logarithms. Regardless of which we use, they have exactly same effect on the data. However, $\log_{10}$ is more easier to interpret (De Veaux et al., 2005).

variable across all level combinations of the between-subjects factors, for between-subjects factors (Garson, 2012a). The Levene statistic is not statistically significant ($F(23,82) = 0.976$, $p>0.05$) (refer to Table 4.16, Appendix 4_4), telling us that there are equal variances across levels and thus the homogeneity of variances assumption is met.

At the same time, the scatterplot analysis of the residuals shows that residuals are not clustered at zero (refer Figure 4.8, Appendix 4_4). Instead they are roughly rectangularly distributed with a concentration of scores along the center. This indicates that the errors are normally distributed, the variances of the residuals are constant, and the residual is relatively uncorrelated with the linear combination of predictors, hence indicating that normality, homoscedasticity and linearity were sufficiently met after the transformation process.

Based on the above tests, all the conditions and assumptions of running regression has been taken care of and thus the data are fit and ready to be used for regression analysis. The results for regression analysis can also be generalised beyond the study sample. The next section discusses the sensitivity analysis for answering the RQ2.

4.8.7.4 Sensitivity Analysis

Sensitivity tests or robustness checks were undertaken to ensure the robustness of results found from the second research question of the thesis (refer to Section 6.7). This involved determining whether changes of measurement in board size, fiscal stress and the MFSB size would have impacted differently on the overall results. The trial analysis involving the disclosure index used in this study is presented next.

4.8.8 Trial Analysis of Disclosure Index

For the purpose of examining the dependent variable measurement and to assess the ability of the disclosure index to distinguish between various levels of reporting, the ADIS was pretested on 11 of the 111 annual reports, representing 10 per cent of the effective population. This is consistent with prior studies such as Gordon et al. (2002) who included 10 annual reports of their 100 sample (i.e. 10 per cent) for pretesting purposes.

Table 4.17 below shows the extent of disclosure of accountability information in the annual reports of all 11 MFSB using the disclosure index. Results from the pilot test suggested that no change should be made to the items included in the disclosure index instrument. The instrument is able to capture the various levels of disclosure exist in different MFSB.

Table 4.17: Disclosure Level of Accountability Information

No.	MFSB	Disclosure index
1	MFSB1	40.87
2	MFSB11	41.74
3	MFSB21	46.96
4	MFSB31	33.91
5	MFSB41	50.43
6	MFSB51	53.91
7	MFSB61	40.87
8	MFSB71	48.70
9	MFSB81	43.48
10	MFSB91	37.39
11	MFSB111	42.61

The next section pertains to the reliability test conducted on the dependant variable of the study.

4.8.9 Reliability Test on the Dependent Variable

To address the issue of subjectivity inherent in the analysis of annual reports (Steenkamp & Northcott, 2007) (refer to Section 4.8.3), two scorers were used. This process is to ensure the reliability of the disclosure index instrument and the data collected from the annual reports. One scorer is the researcher herself, while the other is an experienced public sector accounting researcher who has conducted and published a similar type of analysis on annual reporting. Due to time and financial constraints, the thesis did not adopt the approach used by prior studies in that they used two scorers for collecting the data for all MFSB followed by a reconciliation for each case (e.g. Ryan et al., 2002b; Tooley & Guthrie, 2007; Wall & Martin, 2003; Wei et al., 2008). In this thesis, the other scorer was provided with the 11 randomly selected annual reports of MFSB together with the coding sheet. This is consistent with Gordon et al. (2002) who took 10 samples of annual reports. This is roughly 10 per cent of the sample population which is consistent with Joseph (2010b). Both scorers independently examined the text, and comparisons were then made. There was no statistically significant difference between scores. Hence, the findings of the study for RQ1 (refer to Chapter 5) can be regarded as reliable. The next section discusses the research design for phase 2 of the study which involves the qualitative phase.

4.9 Research Design (Phase 2: Qualitative)

The second phase of the study mainly answers RQ3, i.e. *what are the reasons for disclosure or nondisclosure of accountability information in the annual reports of MFSB*. This phase applies the qualitative approach and uses interviews as its data collection method. This section discusses in detail the research design for this phase of the study.

Qualitative research is "an inquiry process of understanding based on distinct methodological traditions of inquiry that explores a social or human problem" (Creswell, 1998, p. 15). This tradition of inquiry can be broadly defined as "any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification" (Strauss & Corbin, 1990, p. 17). Qualitative research allows researchers to produce findings arrived from real-world settings where the "phenomenon of interest unfold naturally" (Patton, 1990, p. 39). The main strength of qualitative research is that it yields data that provide depth and details to create understanding of the phenomena and of the lived experiences (Bowen, 2005). Qualitative research is the most appropriate approach to answer RQ3 because of its inductive nature.

Inductive process is defined as a process "where researchers gather data to build concepts, hypotheses or theories rather than deductively deriving postulates or hypotheses to be tested (as in positivist research)" (Merriam, 2002, p. 5). The inductive nature of the qualitative research allows exploration of issues in a more flexible manner compared to the quantitative tradition. It allows the ideas or the categories to arise from the data rather than placing a pre-existing framework on the data (Mayan, 2001).

Hence, the qualitative method is suitable to be used when exploring a new phenomenon of interest about which little is yet known (Strauss & Corbin, 1990) and when current literature and theory is lacking (Eisenhardt, 1989), such as in the present case. In addition, it is useful to gain more in-depth information that may not be adequately described or interpreted using quantitative research design (Hoepfl, 1997). In short, the qualitative method has the ability to describe a phenomenon in more detail (Lincoln & Guba, 1985) as compared to the quantitative method which primarily focuses on causal, correlation, and experimental investigations (Cavana et al., 2001). For the reasons above, qualitative research design is deemed to be the most appropriate method to answer RQ3.

4.9.1 Type of Qualitative Research: Basic Interpretive Qualitative Research

There are various types (also called forms, traditions, designs, approaches, strategies or genres by various authors) of qualitative research (see for example Creswell, 1998; Denzin & Lincoln, 2008). Among the qualitative research types include: (i) basic interpretative qualitative research, (ii) phenomenology, (iii) grounded theory, (iv) case studies, (v) ethnographic study, (vi) narrative analysis, (vii) critical qualitative research, (viii) postmodern research, (ix) biographical, (x) historical, (xi) participatory, and (xii) clinical. This present research falls under the first type, i.e. the basic interpretative qualitative research.

According to Merriam (2002), basic interpretive and descriptive qualitative research exemplifies all the characteristics of the qualitative research type (ii) to (viii) above. The characteristics are as follows:

(i) the researcher strives to understand the meaning that people have constructed about their world and their experiences (i.e. how people make sense of their experience);

(ii) the researcher as the primary instrument for data collection and data analysis;

(iii) the process is inductive; and,

(iv) the outcome of the strategy is descriptive (i.e. words including quotes, rather than number are used to convey what the researcher has learned about a phenomena).

In essence, the basic interpretative and descriptive qualitative study allows the researcher to identify the recurring patterns or common themes that cut across the data. Data for this type of inquiry is collected through interview, observations or document analysis. The findings, on the other hand, will be presented and discussed in an elaborate manner, using references to the literatures that framed the study in the first place (Merriam, 2002).

4.9.2 Data Collection: Semi-structured Interview

Semi-structured interviews were conducted in an effort to obtain a deeper understanding of the motivations of disclosure (and non-disclosure) in the annual reports of MFSB (i.e. RQ3). In essence, semi-structured interviews are "designed to have a number of interviewer questions prepared in advance but such prepared questions are designed to be sufficiently open that the subsequent questions of the interviewer cannot be planned in advance but must be improvised in a careful and theorised ways" (Wengraf, 2001, p. 5).

This design facilitates a detailed understanding of revealed issues and contradictions found in the analysis of the results of Phase 1. In semi-structured interviews, the interviewer introduces the topic, then guides the discussion by asking specific questions. The main advantage of using this type of interview is that the interviewer is free to probe and explore within the predetermined inquiry areas and therefore more flexible and comfortable for both the interviewer and interviewee (Hoepfl, 1997). In total, 20 interviews were conducted in the month of July and August 2011.

4.9.3 Sampling Strategy: Purposeful Sampling

This research adopts the purposeful (or purposive) sampling strategy. Purposeful sampling is "a nonprobability sampling design in which the required information is gathered from special or specific targets or groups of people on some rational basis" (Sekaran, 2003, p. 422). This sampling strategy - which is a dominant sampling strategy in qualitative research - seeks information-rich cases which can be studied in depth (Patton, 1990). The purposeful samples are often selected using the expert judgement of researchers (Teddlie & Tashakkori, 2009).

There are at least sixteen types of purposeful sampling (Patton, 1990). This study has employed the maximum variation sampling (sometimes called maximum diversity or maximum heterogeneity sampling) method. Under this method, the aim is to sample for heterogeneity in order to seek representativeness of the sample. It allows not only thicker descriptions of each sample or case, but also the identification of shared patterns that cut across cases (Hoepfl, 1997). Consequently, findings of the interview can be applied to a greater range of situations by readers or consumers of the research (Merriam, 2002).

4.9.3.1 Sample Size

Purposeful samples are typically small – usually 30 or fewer cases (Teddlie & Tashakkori, 2009). In interview studies, it was observed that the number of interviews tend to be around 15 ± 10 (Kvale, 1996) although in general, there appears to be no agreement or strict criteria about sample size in qualitative studies (Patton, 1990). Nevertheless, previous researchers tend to decide on the number of interviews based on at least three factors: (i) the time available for the research, (ii) the resources available for the research, and, (ii) the law of diminishing returns (Kvale, 1996).

Similarly, in this study, the above three factors were taken into consideration in determining the sample size, besides considering the common practice of qualitative sample size as stated in the discussion above (i.e. 10, 15 and 30). It was decided in this study that 20 MFSB as the suitable number of sample size that will be able to supply varied and detailed accounts for the purpose of this study (Burnard, 2004). This number (i.e. 20) would represent nearly 20 per cent (20/111) of the MFSB effective population.

4.9.3.2 Preliminary Step Prior to Purposeful Sampling Process

Prior to selecting the 20 samples of MFSB using the purposeful sampling strategy, the approach used in this thesis was to contact all MFSB of which annual reports' have been analysed in Phase 1 to identify their willingness to participate as interviewee. This approach is consistent with Chatterjee et al. (2012) who sent their invitation to participate in interview to preparers of infrastructure information of all 73 New Zealand local authorities. In this thesis, this is done in anticipation that there might be some organisations that might refuse to participate and therefore getting the information on their willingness to participate is best done – from the researcher's opinion- in advance, rather than after choosing them based on purposeful sampling. This approach is believed to be more time and resource effective while at the same time allows the researcher to see the level of openness by the public sector organisation towards the public.

The preliminary steps involve the following:

- A letter (refer to Appendix 4_5), together with a self-addressed envelope and reply form (refer to Appendix 4_6) were sent to the heads of 102 MFSB on 26th May 2011, to seek their willingness to allow interviews be conducted at their organisations. The MFSB included are those for which their annual reports have been analysed in Phase 1. The remaining 16 MFSB were not included due to the lack of availability of their disclosure index to allow any meaningful analysis with the interview findings. It was requested that the reply is made within two weeks upon receipt of the letter and that the tentative interviewees' names and contacts are provided (in the case where the organisation is willing to be interviewed) in the reply form to allow further arrangements by the researcher.

- After three and a half weeks (i.e. 19 June 2011), replies from 44 MFSB were received. 40 MFSB indicated their willingness to participate while 4 MFSB declined. Figure 4.11 summarizes the outcome from the preliminary sample selection process.

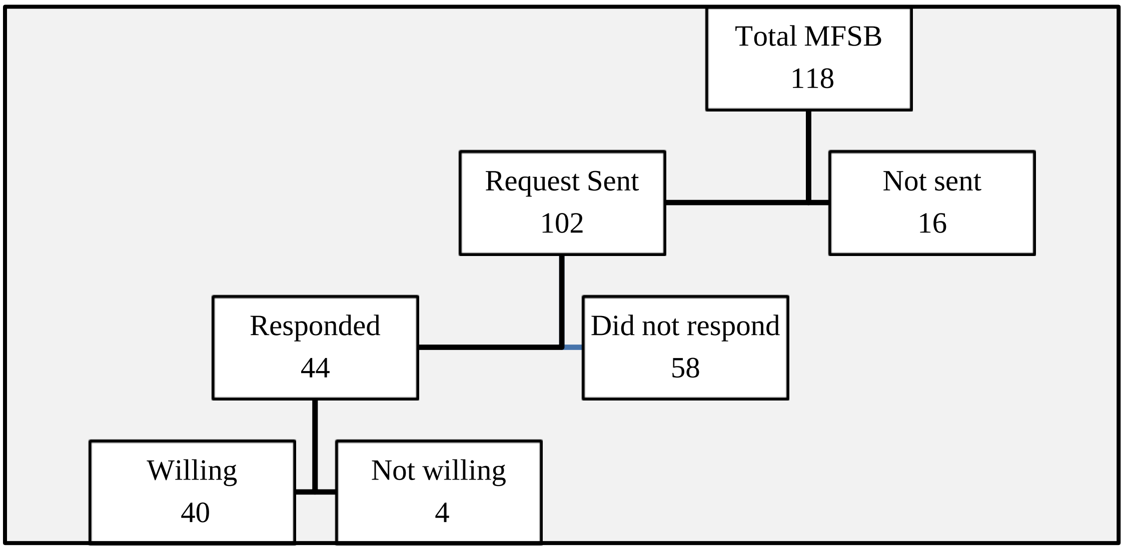

Figure 4.11: Summary of Preliminary Sample Selection Process for Interview

The outcome of the preliminary step shows the researcher's earlier expectation was to a certain extent supported. Positive responses were received from only approximately 39.2 per cent (i.e. 40 out of 102) of MFSB that received the letter, therefore indicating a somewhat low level of 'openness'. Upon determining the number of MFSB who were willing to participate in the interviews during this preliminary step (i.e. 40), the purposive sampling strategy was applied to the organisations. This is discussed in the next section.

4.9.3.3 Basis of Sample Selection

As discussed earlier, purposeful sampling involves selecting certain units or cases "based on specific purposes rather than randomly" (Tashakkori & Teddlie, 2003, p. 713). In this present study, the 20 MFSB were chosen based on several basis or characteristics including:

(i) *Results of disclosure index from Phase 1*: The interviewees comprise those that demonstrated high level of disclosure as well as low level of disclosure. The highs and lows were determined based on a cut-off point deriving from the mean score of disclosure index of all 102 MFSB from Phase 1.

(ii) *Size of MFSB*: The sample include the (relatively) large, small and medium-sized MFSB

(iii) *Geographical location*: Mainly due to financial and time constraint, MFSB located more than 30km away from the researcher's location were excluded. Thus, those outside the Federal Territory Kuala Lumpur, Federal Territory of Putrajaya and Selangor state were excluded from the sample.

(iv) *Availability of participants within the 2-month interview period*: Since the researcher was constrained by time for completing the doctoral research within a certain period of time, those MFSB which were unable to be interviewed within the 2-month time (i.e. July and August 2011) were excluded.

(v) Manageability in terms of the number of sites (Bowen, 2005).

(vi) *Type of MFSB*: It is ensured that the MFSB selected does not come from one single Ministry or type. For example in terms of type, financial institutions and universities are included as sample.

(vii) *Factors tested in Phase 1*: Some MFSB are included in the sample for possessing unique characteristics tested during Phase 1. This includes having large or small board size or having an audit committee or otherwise.

Table 4.18 below presents the list of MFSB selected as sample, their disclosure scores as well as characteristics based on factors tested in Phase 1. From the above procedure, the sample include a good mixture of type, board size, internal director, audit committee, fiscal stress and assets of MFSB. The detail processes involved in data collection using purposeful sampling strategy is explained in Section 4.9.4.

Table 4.18: Detail Characteristics of MFSB Involved in Interview

MFSB	DI[a]	Type of MFSB	Board Size[b]	Internal Director[c]	Audit Committee[d]	Surplus/ Deficit	Assets[e]
MFSB4	Low	Foundation/Scholarship	Small	No	No	Deficit	Small
MFSB19	High	Transportation	Small	Yes	No	Surplus	Small
MFSB114	High	Area/regional development	Small	Yes	Yes	Surplus	Large
MFSB21	Low	Transportation	Small	Yes	No	Surplus	Large
MFSB27	High	Research & Development, & Education	Large	Yes	No	Surplus	Small
MFSB85	47.27	Research & Development, & Education	Small	Yes	Yes	Surplus	Large
MFSB13	High	Research & Development, & Education	Small	Yes	Yes	Surplus	Small
MFSB57	Low	Research & Development, & Education	Large	No	No	Surplus	Large
MFSB59	High	Others	Small	No	No	Surplus	Small
MFSB44	High	Banking, Finance, Fund, Investment	Small	No	Yes	Surplus	Large
MFSB63	High	Socio-economy	Large	Yes	Yes	Surplus	Large
MFSB80	High	Research & Development, & Education	Small	Yes	Yes	Surplus	Large
MFSB78	High	Regulatory	Large	Yes	No	Surplus	Small
MFSB38	High	Banking, Finance, Fund, Investment	Small	No	No	Surplus	Large
MFSB94	Low	Research & Development, & Education	Small	Yes	No	Surplus	Large
MFSB109	High	Regulatory	Small	Yes	Yes	Surplus	Large
MFSB64	High	Regulatory	Large	Yes	No	Deficit	Large
MFSB47	Low	Others	Large	No	No	Surplus	Small
MFSB56	High	Research & Development, & Education	Large	Yes	No	Surplus	Large
MFSB48	Low	Others	Large	No	No	Surplus	Small

a.DI: High or low is determined by the cut-off point using median of 47.27 (refer Section 5.3).
b.Board Size: Small or large is determined by the cut-off point using median of 9.5 (refer Section 6.2.1.1).
c.Internal Directors:Yes is when there is at least 1 internal board member, 0 if otherwise.
d.Audit committee: Yes when there is an audit committee, 0 if otherwise.
e.Assets: Small or large is determined by the cut-off value of the median, RM254,164,159.00 (refer to Section 6.2.1).

4.9.4 Process Involved in Data Collection and Analysis

Figure 4.12 provide the summary of the process involved in data collection for the qualitative phase.

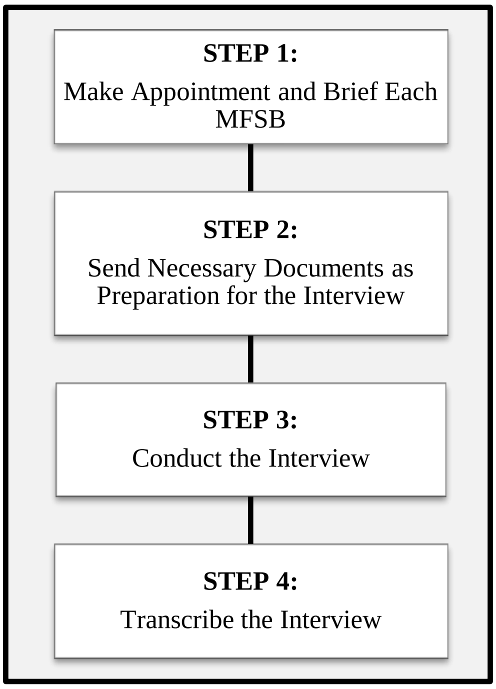

Figure 4.12: Summary of Data Collection Process

The four main steps involved in collecting data under the qualitative phase are as follows:

Step 1: Make Appointment and Brief Each MFSB

Once the MFSB and their respective interviewees were identified (during the preliminary step), a telephone call or email was made to the contact person in each MFSB to confirm on the interview date, time and location. The contact person may sometimes be the interviewee him/herself or another person assigned by the MFSB to liaise, coordinate and arrange for the interview appointment.

It was conveyed that the interview would be brief, lasting about 30 to 60 minutes and anonymity would be guaranteed. Additionally, the interviewer also explained the kind of answer sought, how complete it should be, and in what terms it should be expressed as suggested by Cooper & Schindler (2003). It is crucial to convey this to the potential interviewees so that they understand what is expected from them.

Step 2: Send Necessary Documents as Preparation for the Interview

All 20 MFSB were then sent four items (through their contact person) via either email or normal mail. The items were: (i) participation information statement (refer Appendix 4_7), (ii) interview guide (refer Appendix 4_8), (iii) consent form (refer Appendix 4_9), and, (iv) the disclosure index/checklist (refer Appendix 4_2).

The participation information statement contains a brief and straightforward description of the study and the roles of the interviewee. It also includes the voluntary nature of the interviewee's participation as well as the confidentiality of the interview data. It is important to provide participants with this information because interviewers are asking the respondents access to their lives, their minds, [and] their emotions (Lofland & Lofland, 1984, as quoted in Hoepfl, 1997).

The interview guide or schedule on the other hand is a list of questions or general topics that the interviewer plans to explore during interview. The advantages of using an interview guide is that it makes interviewing multiple subjects more systematic and comprehensive, in addition to ensuring good use of limited interview time (Hoepfl, 1997). The questions were primarily based on the quantitative phase (i.e. phase 1) as well as the literature review in Chapter 2.

The consent form consists of obtaining the voluntary participation of the subject and reassuring the participants about their definite rights - prior, during and after the interview - thus counteracting potential undue influence and coercion (Kvale, 1996; McCracken, 1988). The form is to be signed by the interviewee immediately prior to the interview. It also include the agreement by the interviewee to allow the interview be audio-recorded.

Step 3: Conducting the Interview

It was first ensured that all interviewees have read the participation information statement and consent form prior to the interview. All interviewees provided their cooperation by signing the consent form and giving their permission for the interview to be audio-recorded. The main advantage of recording interviews is that it allows the researcher to concentrate on the topic and the dynamics of the interview (Kvale, 1996) rather than on the note-taking activity (Hoepfl, 1997). Additionally, it ensures greater authenticity of the interview data than hurriedly written notes might. The language used in the interviews was either English, Malay or a mixture of both Malay and English.

Twenty (20) MFSB participated in the interviews which ran over a two-month period, i.e. from 4th of July to 25th of August 2011 (refer Table 4.19). Interviews were conducted once for each MFSB with no pilot interview conducted earlier nor follow-up interview conducted after the session. Therefore, there was a total of twenty (20) interview sessions. This took almost 20 interview hours with the duration of each interview ranging from thirty minutes to one hour and fourty minutes. The length of the interviews per MFSB depended on how much information the participant(s) in each MFSB were willing to share and how much time they were willing to spend.

Table 4.19: Interview Schedule and Duration

No	MFSB	Date (year 2011)	Time	Duration
1	MFSB4	4 July	1100-1210	1hr 10m
2	MFSB19	7 July	0910-1000	50m
3	MFSB114	8 July	1530-1620	50m
4	MFSB21	11 July	0925-1035	1hr 10m
5	MFSB27	12 July	1030-1125	55m
6	MFSB85	14 July	1045-1205	1hr 20m
7	MFSB13	19 July	1035-1155	1hr 20m
8	MFSB57	21 July	1420-1535	1hr 15m
9	MFSB59	25 July	1045-1125	40m
10	MFSB44	25 July	1450-1610	1hr 20m
11	MFSB63	26 July	1030-1115	45m
12	MFSB80	1 August	1035-1120	45m
13	MFSB78	3 August	1445-1515	30m
14	MFSB38	4 August	1010-1100	50m
15	MFSB94	4 August	1515-1545	30m
16	MFSB109	5 August	0905-0935	30m
17	MFSB64	9 August	1055-1205	1hr 10m
18	MFSB47	10 August	1430-1505	35m
19	MFSB56	23 August	1400-1510	1hr 10m
20	MFSB48	25 August	1430-1610	1hr 40m
			Total Duration	1155 minutes (=19hrs 15m)

Step 4: Transcribing the Interview

After each interview session, the recordings were immediately transcribed verbatim into computer files. The first transcript was as complete and unedited as possible particularly to avoid missing out the valuable clues to the state of mind and the state of feelings of the informant (Wengraf, 2001). Next, the ‘cleaned up’ versions were produced, particularly the grammatical errors in the transcripts were corrected, consistent with the concept of transcribing which involves “translating from an oral language, with its own set of rules, to a written language with another set of rules” (Kvale, 1996, p. 165).

The transcriptions of the 20 interviews took over a month of the researcher’s time and resulted in over 300 single-spaced pages of transcripts. Those interviews conducted in other than English language were translated and their meanings were checked so as to ensure accuracy. The transcripts were stored in both hard and soft copies.

4.9.4.1 The Interview Guide

In this research, there are a total of four main questions included in the interview guide (refer to Appendix 4_8). This is in line with Creswell's (2007) recommendation that the semi-structured interview should not be more than five or six general questions. Question 1 to 3 are mainly to obtain overview on the perception and/or experience of MFSB on three main issues; (i) accountability information, (ii) annual report, and, (iii) Treasury Ciruclar No.4/2007, respectively. Question 1 was aimed to gauge the perceptions of interviewees on the responsibility of public sector organisations in general, and FSB, in particular, in supplying accountability information in the annual report to their stakeholders. Question 2 is related to the extent of how annual reports have been used by the MFSB as a medium of discharging their accountability. Sub-questions that were also asked to achieve this include the aims of annual reporting in their organsiation, the main/ target audience of their annual reports and the accessibility of the annual reports. Question 2 also addresses the issue of the processes that MFSB went through in the preparation of annual report. It indirectly discuss the challenges faced by them during these processes, and whether any references were made to others' annual reports. Question 3 was formulated to understand the extent to which they follow the Treasury Circular No.4/2007. It also touched on whether the Circular was relevant and/or useful to their organisation, whether they regard the Circular as mandatory or voluntary, and whether more guidance were needed to adopt the circular.

Question 4 focuses on the main issue of the qualitative phase, i.e. to answer RQ3. It asks questions on the motivations/reasons/incentives of disclosing accountability information, as well as the reasons/hindrance/challenges/problems faced, for not disclosing the accountability information. In asking questions, items were carefully selected from the disclosure checklist to solicit interviewees' explanation on their reason for disclosure and/or nondisclosure. Different MFSB may be asked different disclosure items depending on whether they disclosed or do not disclosed the item. The item to be explained may be chosen by the interviewee themselves or the interviewer. Prior to asking Question 4, interviewees were presented with their disclosure index results including their overall score as well as the detailed results on whether they disclose each of the 110 disclosure items in the checklist. This practice, which is consistent with Coy et al. (1993b), is to allow for the validation of the results in RQ1 as well as to assist the study in indentifying appropriate respondents to the 'why this item is disclosed?' and 'why this item is not disclosed?' questions. The study received no negative feedback regarding their disclosure results implying they generally agreed with the scores received from the annual report review process. The total average scores for each disclosure items obtained by the study for all MFSB were also presented to the interviewees for the benefit of benchmarking by the individual MFSB.

4.9.4.2 Data Analysis Procedure

Data analysis can be generally defined as the process of transforming data into research results (LeCompte, 2000). In qualitative data analysis, it is a process that requires some creativity and flexibility as it involves working with data, organising it, breaking it into manageable unit, synthesizing it, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others (Bogdan & Biklen, 1982). Kvale (1996) differentiated five main approaches to qualitative data analysis: (i) meaning condensation, (ii) meaning categorization, (iii) narrative structuring, (iv) meaning interpretation, and (v) generating meaning through ad hoc methods. In this thesis, the qualitative data analysis follows the meaning categorization approach. The advantage of this approach is that it makes possible some checks for interviewer and coder reliability due to its quantification process. It is also therefore in line with, but not limited to, a positivist emphasis on quantification of facts in the social science (Kvale, 1996).

The meaning categorization approach implies that the interview is coded into categories. In this approach, long statements are condensed to simple categories, resulting in a production of a few tables and/or figures which comprises the frequencies of the categories in the interview data (Kvale, 1996). Some categories were developed in advance based on the literatures and the variables tested in quantitative phase. This allows the study to revisit the hypothesis tested in the quantitative phase. Categories can also arise during the analysis and in this case, the categories' terms will be from the interviewees' own idioms (Kvale, 1996). The meaning categorization approach is also variable-oriented where the focus is towards extracting variable–related information, and therefore it suits the study's aim of conducting interview (i.e. to identify motivations of disclosure/nondisclsoure). Additionally, consistent with Creswell's (2009) recommendation, the qualitative data analysis:

> Is conducted concurrently with gathering data, making interpretations, and writing reports. While interviews are going on, for example, the researcher may be analyzing an interview collected earlier, writing memos that may ultimately be included as a narrative in the final reports, and organizing the structure in the final report. (p. 184)

The categorization and coding process was conducted manually using word processor, i.e. the Microsoft Word 2007. Advanced qualitative analysis software packages such as NVivo or Nudist were not used mainly due to financial and time constraints. With regards to time, despite the fact that these software packages can reduce the amount of time spent on analysing qualitative data, the process of learning and familiarising oneself to optimise the use of such packages is in itself time-consuming (Woods & Roberts, 2000). The quality of the interview findings has been reasonably well taken care of with the application of several techniques, and this is elaborated in the next section.

4.9.5 Quality of the Interview Findings

A study needs to be valid, reliable, and conducted in an ethical manner to ensure its findings are worth to be looked into (Merriam, 2002). Apart from that, it is also important for a study to have the ability to be confirmed by the audience of the research. These are in fact the criteria of which the value or quality of any research is judged, be it qualitative or quantitative research. To attain or meet certain standard of a quality qualitative research, there are a number of strategies that can be employed. These strategies are discussed together with five issues: validity, reliability, external validity/generalizability, confirmability and ethics.

Validity (or Credibility)

In qualitative literature, the concept of validity has been referred to as credibility, trustworthiness and authenticity (Creswell & Miller, 2000). This thesis has adopted the "member checks" technique (Hoepfl, 1997) where the transripts and the conclusion made from the interviews were returned to participants to ask them to ascertain and corroborate the findings (Lincoln & Guba, 1985). A total of 9 MFSB responded and validated the transcripts and conclusions were finalised. Despite only 45 per cent of the MFSB responded, it is reasonable to assume that all the other 11 transcriptions were accurate. Another procedure adopted was by presenting negative and discrepant information that runs counter to the themes. By presenting this contradictory evidence, the account becomes more realistic and hence valid (Creswell, 2009). Peer review is another strategy. It involves discussions with supervisor regarding the process of study, the congruency of emerging findings with the raw data and tentative interpretations (Merriam, 2002).

Reliability (or Dependability)

Qualitative reliability indicates that the researcher’s approach is consistent across different researchers and different projects (Gibbs, 2007). In qualitative research, it is sometimes called dependability or consistency (Lincoln & Guba, 1985). The dependability of the study was addressed by: (i) peer review process, (ii) checking transcripts to make sure that they do not contain obvious mistakes made during transcribing (Gibbs, 2007), (iii) making sure that there is not a misallayment in the meaning of the codes during the coding process. This is accomplished by constantly comparing data with the codes and by writing memos about the codes and their definitions (Gibbs, 2007), and, (iv) documenting as many steps as possible regarding the procedures taken during data collection and analysis (Yin, 2003). This last step is also called the audit trail – a method suggested by Guba & Lincoln (1981). This process allows independent readers to authenticate the findings of a study by following the trail of the researcher.

External validity / Generalizability (or Transferability)

Generalizability or external validity refers to the ability to generalize findings accross different settings (Hoepfl, 1997). It is one of the main criticisms made by the opponents of qualitative research and consequently has been a major challenge faced by novice qualitative researcher to justify their qualitative inquiry. In qualitative research, it has to be understood that the concept of generalizability is used in a more limited sense, as it is not the aim of this type of research to generalize findings beyond those individuals, sites or places under study (Gibbs, 2007). In fact, the value of qualitative research lies in the particular description and themes developed in context of a specific site (Creswell, 2009). Accordingly, terms such as transferability, extrapolation, naturalistic generalization and retrospective generalization (Hoepfl, 1997) have been used by qualitative researchers to imply the 'particularity' notion (i.e. particular description and themes developed in context of a specific site) rather than 'generalizability' as it was conventionally understood under quantitative research.

The transferability of the findings obtained from a particular qualitative research depends on the degree of similarity between the original case and the case to which it is transferred (Lincoln & Guba, 1985). A researcher thus will not be able to decide whether their findings are transferable to another settings. It is primarily the responsibility of the readers or the one doing the generalizing. Thus, one had to know the characteristics of both context (i.e. the 'sending' and 'receiving' entity) to understand how transferable the results are (from the sending to the receiving entities) (Tashakkori & Teddlie, 1998). The original researcher can only provide limited information that would allow the readers sufficient information to determine whether the findings are transferable to another situation or case (Lincoln & Guba, 1985).

Consistent with the above, this thesis has: (i) provided detailed, rich or thick descriptions of the qualitative procedures, and, (ii) tried to link the findings of the study to a broader theory (Yin, 2003), i.e. institutional theory and public accountability framework. These techniques allow readers or consumers of the research to determine the transferability of the thesis's findings to other settings or into a broader theory altogether respectively. In addition, maximum variation sampling was also employed. This involves purposefully seeking variation or diversity in sample selections to allow findings to be applied to a greater range of situations by readers or consumers of the research (Merriam, 2002).

Confirmability (or Objectivity)

Due to the fact that qualitative research relies on interpretation and therefore value-laden, several authors such as Lincoln & Guba (1985) and Patton (1990) have preferred to avoid the terms and futile debates about objectivity *versus* subjectivity but rather strives for confirmability or emphathic neutrality (Hoepfl, 1997). Confirmability refers to the extent to which the product of the inquiry is confirmable. This includes whether the results are grounded in data, whether the inferences are logical, whether there is inquirer bias, and so forth (Teddlie & Tashakkori, 2009). In essence, confirmability requires the researcher to demonstrate neutrality in the interpretations of the research data (Lincoln and Guba, 1985), through a confirmability audit for example. Confirmability/validation audit steps or approaches undertaken by the researcher is the provision of an audit trail consisting of: (i) raw data (e.g. original interviews in softcopy audio file, interview transcripts), (ii) analysis notes (e.g. notes made during the process where phrases/ sentences/ paragraphs were analysed and assigned to differrent codes and themes), and (iii) personal notes (e.g. short notes taken during interviews). These audit trails are kept in either softcopies or hardcopies or both, whichever is applicable and necessary.

Ethics

The final but possibly the most important criteria of a good quality qualitative research is the observation of the ethical aspects of research (Merriam, 2002). To a large extent, most of the previous criteria are indeed highly reliant on the researcher's conduct of ethics. This is mainly because in qualitative research, the researcher is the main instrument; hence without the researcher's being ethical throughout the research, from the data collection up to the dissemination of the findings, including during interaction with participants, all the strategies designed to ensure the validity and reliability may prove pointless (Merriam, 2002).

A few specific strategies have been adopted in this research to ensure an ethical research was conducted, including (i) providing the participation information statement and consent form in advance at least one week prior to the interview so that the participants are able to deliberate on the actual purpose of the study and their rights and responsibilities prior, during and after the interview, (ii) obtaining participants' consent to audio-record the interview, and, (iii) endeavouring to ensure privacy and protect respondents from any potential harms (Merriam, 2002) such as to remove their actual names and organisations in the research reports.

4.10 Summary

This chapter discussed the theoretical framework, research paradigm, hypothesis development and the the research methodology of the thesis. Public accountability and institutional theory are used in complementary manner as the theoretical lens of the thesis. Based on the pragmatism paradigm that asserts that either quantitative or qualitative method is useful, the mixed method approach is adopted to answer the three RQs. The chapter also discussed the research design of the study which involved two phases, i.e. quantitative and qualitative research. The quantitative phase addressed RQ1 and RQ2 while the qualitative phase addressed RQ3.

The extent of disclosure of accountability information (RQ1) is determined by analysing the content of the 2008 annual reports of 106 MFSB using a disclosure index approach. The 110-item disclosure index or checklist which was developed from various sources and categorised into five main categories and 24 subcategories adopted a binary and unweighted method of scoring. It has passed through the validity, reliability and pilot test. The disclosure extent result was then used as the dependant variable for RQ2.

The association between the five variables - namely the type of MFSB, board size, board composition, audit committee existence and fiscal stress, together with the size of MFSB as the control variable - and the disclosure extent (RQ2) were examined using the multiple regression analysis with the general linear model (GLM) as the command. All the conditions and assumptions of the multiple regression technique were checked and satisfied. The robustness check was also performed.

To understand why disclosure of accountability information is performed or not (RQ3), 20 semi-structured interview were conducted with MFSB annual report preparers. The type of qualitative research adopted is the basic interpretive qualitative research with maximum variation purposeful sampling as its sampling strategy. Several strategies have been undertaken to ensure the quality in the findings of the interview. The meaning categorization approach was adopted to analyze the interview data.

The next chapter discusses the results of the content analysis (RQ1).

CHAPTER 5
EXTENT OF DISCLOSURE OF ACCOUNTABILITY INFORMATION

5.1 Introduction

The previous chapter discussed the theoretical framework and the research methodology of the thesis. This chapter discusses the results and findings of RQ1, i.e. "*What is the extent of disclosure of accountability information in MFSB annual reports?*". It begins with the background of the data analysis in Section 5.2. Section 5.3 provides the descriptive results of the dependent variable of this thesis. Section 5.4 closely scrutinises the results from which a more detailed discussion ensues. This includes a breakdown of the results according to the five categories of disclosure. In Section 5.5, the results of the disclosure are differentiated according to the items required by TC4/2007 and the other items included in the index. Section 5.6 concludes the chapter.

5.2 Background to Data Analysis

Overall, a total of 106 annual reports were collected from the 111 MFSB (refer to Table 5.1), representing 95.5 per cent of the applicable population. This is despite various attempts made to obtain all of the annual reports as discussed in Section 4.8.2 (refer also to Table 5.2). The sample size is comparable to prior studies such as Herawaty & Hoque (2008) and Stanley et al. (2008) who managed a 113 (50%) and 105 (84%) sample, respectively.

Table 5.1: Availability of MFSB Annual Reports

Availability	Total	Percentage
Available	106	95.5%
Not available	5	4.5%
Total Effective Population	111	100 .0%

Almost a quarter (24.3%) of the annual reports were obtained from the MFSB website (refer to Table 5.2). This figure represents the number of MFSB that publish their annual reports online. When compared with (i) statutory bodies in Hong Kong (80%) and Singapore (67%) as found by Taylor (2006), and (ii) local authorities in New Zealand (40%) as reported by Laswad et al. (2005), this sample percentage possibly suggests that the level of 'proactive openness' among MFSB remains relatively low. Most annual reports (40.5%) were collected by post from the MFSB upon request by the researcher. Given that an official letter is demanded with accompanying proofs (e.g. student ID and supervisors' official letter), it appears that some MFSB require the potential reader of their annual report to have valid justifications to access their reports and are unwilling to disclose their operations to just anyone.

Table 5.2: Sources of MFSB Annual Reports

Sources of Annual Reports	Frequency	Percentage	
Posted by MFSB	45	40.5%	
On MFSB website	27	24.3%	
Collected from MFSB	10	9.0%	
Access from MFSB library	4	3.6%	
Access from researcher's libraries	6	5.4%	22.5% did not respond
From other researchers	6	5.4%	
Access from National Library	4	3.6%	
From National Audit Department	4	3.6%	
Not obtained	5	4.5%	
Total Effective Population	111	100%	

Furthermore, 22.5 per cent of the MFSB did not respond to the requests made to obtain their reports. This rate is considered high if compared to a study on US public universities by Gordon et al. (2002) which recorded a 100 per cent response rate. Hence, perhaps MFSB need to make some improvement on the accessibility of their annual reports to the public. The nonresponse rate experienced in this study is however consistent with the nonresponse rate recorded in a study by Giroux & McLelland (2003) on US large municipalities (24 and 20% in year 1983 and 1996 respectively) and is better than a study on New Zealand schools by Tooley & Guthrie (2007) (60% decline rate). In the context of MFSB, we can observe a slight improvement in the response rate as the previous study on MFSB 2004/2005 annual report by Azis (2008) recorded a nonresponse rate of 31 per cent. This scenario may well echo the observation by Coy et al. (1994) regarding New Zealand public tertiary institutions where in the 1990s annual reports were beginning to be perceived as a marketing device. In their study, annual reports were seen as a promotional device to win public support for their programs and activities, unlike the preceding decade (in 1980s) where it was regarded as corporate secrets. Despite the improvements, MFSB may need to make further improvements related to their distribution and publication of annual reports online in order to allow for greater accessibility by the public.

5.3 Disclosure Index Results

This section addresses the first research question on the extent of disclosure of accountability information in the annual reports of MFSB, which is measured using a disclosure index. Table 5.3 presents information on the minimum, maximum, mean and standard deviation of the disclosure index (DI).

Table 5.3: Descriptive Statistic of the Disclosure Index

Items	Total	Mean	Median	Minimum	Maximum	Standard Deviation
Total Disclosure	110	52.566	52	27	78	9.195
Disclosure Index (%)	100	47.787	47.27	24.55	70.91	8.359

Table 5.3 shows that on average, 53 out of 110 items were disclosed representing 47.8 per cent of the total disclosure items. This provides a DI of 0.478. The range of items disclosed by MFSB is between 27 and 78 (25 and 71%). This may indicate a moderate level of accountability disclosure. MFSB4 shows the least disclosure with 27 items reported while MFSB102 has the greatest disclosure with 78 items. MFSB is a small foundation/scholarship type of MFSB while MFSB102 is a socio-economy type of MFSB.

Comparing the DI with prior studies on accountability disclosure in public sector annual reports indicates that MFSB annual reports have a relatively low disclosure index (DI). Ismail & Abu Bakar (2011) for example found a 0.75 index score in their study on Malaysian universities' (which is part of MFSB) annual reports. Coy & Dixon (2004) on the other hand, found a disclosure score of 0.66 in their analysis of the annual reports of New Zealand universities for the year 2000. They also found an index score of 0.46 for 1992. This figure is similar to the results reached in this research that is 0.478. In light of these prior findings, perhaps MFSB disclosure practices in Malaysia are 20 years behind the more developed countries such as New Zealand. Nevertheless, there are studies that found lesser DI. For example, a study on Canadian universities for the year 2000 by Nelson et al. (2003) found a DI of 0.36 and Tooley & Guthrie's (2007) study on New Zealand schools showed a DI of 0.429. It should be noted however that comparing one finding against another should be performed with caution as each research is subjected to different settings, scope, time and index.

Additionally, most MFSB disclose 40 to 50 per cent of the items in the disclosure index (refer to Table 5.4), suggesting a moderate level of disclosure among MFSB on average. One MFSB disclosed 70 to 80 per cent (i.e. MFSB102) and two MFSB (i.e. MFSB4 and MFSB43) disclosed less than 30 per cent. Notably, both MFSB4 and MFSB43 are foundation/scholarship type of organisation.

Table 5.4: Distribution of Disclosure Scores

Scores range (% of disclosure index)	No. of MFSB	% in the sample
20.01 - 30%	2	1.9
30.01 - 40%	16	15.1
40.01 - 50%	50	47.2
50.01 - 60%	32	30.2
60.01 - 70%	5	4.7
70.01 - 80%	1	.9
Total	106	100.0

5.4 Disclosure Index Results by Category

This section discusses the results for RQ1 in detail whereby the scores for each disclosure items are presented based on their respective categories, namely the Overview, Governance, Financial, Performance and Others category. The discussion focuses on items which stand out within their respective categories as well as subcategories, for example those showing highest and/or lowest disclosure scores. The results of the Overview category are presented first.

5.4.1 Overview (8 groups, 38 items)

The mean for the Overview category is 56.7 per cent (refer to Table 5.5). For this category, the content page (ADIS1) appears to be available in the annual reports of all MFSB. This is consistent with Herawaty & Hoque's (2007) findings. Additionally, under this category, six items were disclosed by more than 90 per cent of MFSB. These items are (i) content page (ADIS1) (100%), (ii) address (ADIS5) (92.5%), (iii) role/function/main activities (ADIS12) (91.5%), (iv) chairman name (ADIS18) (99.1%), (v) CEO name (ADIS19) (95.3%), and (vi) name of board members (ADIS32) (99.1%). All these items except ADIS1 are required by TC4/2007 and could thus constitute the main reason for disclosure by MFSB.

Table 5.5: Descriptive Statistics of the Overview Category

ADIS 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	6.6%
	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%

Table 5.5 (continued)

8	Business hours	2	1.9%
	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	91.5%
	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	33.0%
	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	55.7%
	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	58.5%
	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	64.2%
	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: skils and experience (know-how)	7	6.6%
	Mean for Senior Executives		**36.8%**
	OVERALL MEAN FOR OVERVIEW CATEGORY		***56.7%***

The least disclosed item under the Overview category is business hours (ADIS8) with only two MFSB reporting this item (1.9%). Conveniently, it is not required by TC4/2007. Among the reasons for the lack of disclosure of business hours by MFSB, as highlighted during the interview in Phase 2, is the difficulties in data collection/presentation (refer to Section 7.4.1.3), information is already available in the organisation's website (refer Section 7.4.2.1) and financial constraint (refer to Section 7.4.5.1).

Further, six items were disclosed at a rate of less than 10 per cent by MFSB. These items are (i) index/glossary (ADIS2) (5.7%), (ii) statutory process timeliness (ADIS3) (4.7%), (iii) public accountability timeliness (ADIS4) (6.6%), (iv) MFSB business hours (ADIS8) (1.9%), (v) main lawyers (ADIS22) (3.8%), and (vi) senior management skills and experience (ADIS38) (6.6%). One reason for the lack of disclosure of main lawyers (ADIS22) is because MFSB regard this item as not relevant to their organisation, as indicated during the interview in Phase 2 (refer to Section 7.4.1.2). Further, the disclosure of senior management skills and experience (ADIS38) (6.6%) is much lesser than the findings by Schneider & Samkin (2008) in the context of New Zealand local authorities who found that 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 (i) establishment year (ADIS9) (83%), (ii) Parliamentary Act (ADIS10) (83%), and (iii) the main activities of MFSB (ADIS12) (91.5%). The last two items are both required under TC4/2007. Disclosure on ADIS10 (83%) is substantially higher than Ismail & Abu Bakar's (2011) study on Malaysian public universities (part of MFSB) (54.5%), whereas disclosure rates of main activities (ADIS12) (91.5%) is slightly lower than that of Ismail & Abu Bakar (2011) which found that all public universities disclosed ADIS12. In all MFSB, this information (ADIS9, 10, 12) can be found in the first 10 pages of their reports. Parent ministry (in Group 3) (ADIS11) was disclosed by slightly more than half of the MFSB. The moderate level of disclosure for this item is partly because it is not among the item required to be disclosed by the TC4/2007, as indicated by the interviewees in Phase 2 (refer to Section 7.4.2.2).

The group under the Overview category with the lowest disclosure level is GROUP 1. GROUP 1 relates to the background of annual reports and has a disclosure level of 29.2 per cent. For this group, three out of four items have disclosure levels under 7 per cent. These items are (i) index/glossary (ADIS2) (5.7%), (iii) statutory process timeliness (ADIS3) (4.7%), and (iii) public accountability timeliness (ADIS4) (6.6%). Regarding the index/glossary (ADIS2), the result (5.7%) is much too low compared to Herawaty & Hoque's (2007) study of Australian government departments (50%). This low disclosure has been partly explained by one MFSB during the interview in Phase 2 in that the information is pertinent to be provided by new or unique organisations (refer to Section 7.3.6.1), implying that the information adds less value to MFSB which are not new or of less unique in its operation. Regarding the statutory process timeliness (ADIS3) and public accountability timeliness (ADIS4), one reason for the lack of disclosure was provided during the interview, i.e. MFSB has no exact information about it as the report submission is made by their parent organisation (refer to Section 7.4.1.3). It is also due to their lack of control on the timeliness of the report publication (refer to Section 7.4.6.1).

Another item to note is the ADIS6 regarding contact information. What has been found here (82.1%) is relatively higher than what was found in Nelson et al.'s (2003) study on Canadian universities (78%) and Tooley & Guthrie's (2007) study on New Zealand schools (65%).

Overall, for the Overview category, there is a satisfactory level of disclosure with more than 50 per cent disclosure scores and that all items are disclosed by at least 2 MFSB and at least 1 item is disclosed by all MFSB. Hence, it can be safely said here that users of the report may obtain a moderate level of general overview of MFSB by reading the latters' annual reports.

5.4.2 Governance (4 groups, 17 items)

The mean for disclosure for Governance is 19 per cent, which is relatively low (refer to Table 5.6). This result is consistent with the observation by Ryan & Ng (2000) that there is 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 (i) the review and/or appraisal on effectiveness of risk management (ADIS54) (77.4%), (ii) number of board meetings per year (ADIS41) (44.3%), and (iii) board of director's remuneration policy or total amount (ADIS45) (36.8%). Risk management (ADIS54) and the frequency of board meetings (ADIS41) are recommended for disclosure by listed companies by the Malaysian Code on Corporate Governance (MCCG). This suggests that 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 (ADIS54) in this study is higher than the 66 per cent level found by Herawaty & Hoque (2007). The high level of disclosure for risk management is partly due to the emphasis given by the audit committee of MFSB as expressed during the interview in Phase 2 (refer to Section 7.3.5.3), whereas the findings on a board's remuneration policy and amount (ADIS45) does not fully support Ryan et al.'s (2002) study which concluded that this information is generally revealed.

Table 5.6: Descriptive Statistics of the Governance Category

ADIS 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 method the remuneration of senior executives is determined (ADIS49). This finding is consistent with that of Herawaty & Hoque (2007) in the sense that the item is the least disclosed item under their governance category. In spite of this, their study reported that almost half of the Australian government departments disclosed this item, therefore indicating a much worse position in the case of MFSB.

In terms of groups of disclosure items (there are 4 groups under this category), on average, the group with the highest disclosure (47.2%) is GROUP 12 which is concerned with internal audit information. The two items under this group are based on MCCG recommendation. One concerns risk management (ADIS54) and the other concerns internal control (ADIS55). Information on risk management (ADIS54) shows high levels of disclosure (77.4%). This is consistent with the study by Ryan & Ng (2000) which found 13 (72%) out of 18 public agencies in Queensland disclosed this information. Interestingly, in their study, all five statutory bodies were found to have 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 show that internal control (ADIS55) has a disclosure level of only 17 per cent. The result is much less than findings by Ryan & Ng (2000) who found 83 per cent disclosure on internal control by various public agencies in Queensland. It was indicated by an interviewee in Phase 2 that disclosure of certain information reflects its importance in the organisation (refer to Section 7.3.1.2). Hence, the low level of disclosure of internal control information in MFSB reports may serve as indication of the relatively low importance attached to internal control function by MFSB, as compared to Queensland public agencies for example. However, comparing the current study's result to Ryan et al.'s (2002) study on Queensland local governments, MFSB disclosure level on internal control and hence importance attached to it is still high as the former study found a disclosure mean of only 0.48 out of 5 with a maximum score of 9.6 per cent for this item.

The least disclosed group under the Governance category is GROUP 10 which focused on information on senior management governance with a disclosure level of only 4.4 per cent. All three items under this group (i.e. ADIS47, 48 and 49) have less than 10 per cent disclosure levels. For ADIS47 which concerns CEO remuneration amounts, only 3.8 per cent of MFSB disclosed this item. This is consistent with the findings by Ryan et al. (2002) who found that only one council from three years of study (i.e. 1997 to 1999) 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 2.69 out of a possible score of 5 (54%). Results for the amount of remuneration of other senior executives (total or individual) (ADIS48) shows that 9.4 per cent of MFSB disclosed the item. This is almost half of the rate found by Schneider & Samkin (2008) in their study 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' the senior executives.

Overall, for the Governance category, there is a relatively much lower level of disclosure than the Overview category with less than 20 per cent disclosure scores. This category also appears to be the least disclosed category in the index (refer to Section 5.4.6). Additionally, there is one item that was not disclosed by any MFSB as well as no one item was disclosed by all MFSB. Hence, it can be safely said here that MFSB do not sufficiently provide governance information in their annual reports (more discussion in Section 5.4.6).

5.4.3 Financial (4 groups, 20 items)

The overall mean for the Financial category is 55.2 per cent (refer to Table 5.7). All MFSB disclosed four of the items under this category namely the (i) balance sheet (ADIS56), (ii) income statement (ADIS57), (iii) statement of chairman and a board member for the group accounts (ADIS62), and (iv) statutory declaration by the officer primarily responsible for the financial management (ADIS63). This result is similar to Dixon et al. (1991) study who found only two (out of 52) items, namely the balance sheet and operating statements are disclosed by all seven New Zealand universities across five years (1985-1989).

Additionally, another four items (not including the four items above) were disclosed by more than 90 per cent of MFSB. The items are (i) statement of changes in equity (ADIS58) (98.1%), (ii) cash flow statement (ADIS59) (99.1%), (iii) notes to the financial statement (ADIS60) (99.1%), and (iv) auditor general certificate (ADIS61) (99.1%). All these eight items are among the financial items required to be disclosed by the TC4/2007. With regards to the auditor general certificate (ADIS61), a study on internet financial reporting of Spain's city councils by Caba 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 5.7: Descriptive Statistics of the Financial Category

ADIS 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%

Table 5.7 (continued)

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 is related to financial statements' accompanying certificate and statements (GROUP14) and closely followed by audited financial statements (GROUP13) with a score of 99.7 per cent and 99.2 per cent respectively. 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 IFAC[53] to be provided in the government's annual public financial reports (IFAC, 2011). This may explain the very high disclosure level of these two groups. The results from this study are very much higher than those found by Caba Perez & Lopez Hernandez (2009) in their study on the annual public financial reports of the central government of MERCUSOR countries (Argentina, Brazil, Paraguay and Uruguay), where none of these countries include all the information in GROUP13 as proposed by IPSAS 1 and 2 of IFAC.

[53] 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.

On the other hand, financial ratios (GROUP16) is the least disclosed group with a score of only 7.5 per cent. This finding is lower than prior studies. For example, Stanley et al. (2008) found that financial ratios are commonly disclosed by Queensland local authorities whereby 68 (65%) out of 105 local authorities disclosed them. Similarly, Tooley & Guthrie (2007) found that 24 per cent of New Zealand schools reported their financial ratios. The disclosure of financial ratios is required by either the TC4/2007 or the GC6/2004 in the annual report and the annual summary report[54] respectively. The TC4/2007 requires the disclosure of debt assets ratio (ADIS72) and assets turnover ratio (ADIS75). 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 (ADIS70), liquidity ratio (ADIS71), proprietors' ratio (ADIS73) and ratio on total equity/total fixed asset (ADIS74)) plus the debt assets ratio (ADIS72) are required to be disclosed by GC6/2004 in the annual summary report. All these ratios are disclosed by less than 11 per cent of MFSB. The lack of disclosure is due to various reasons including the lack of authority to obtain the data by the report coordinator (refer to Section 7.4.6.1), lack of understanding or misunderstanding of the financial ratios among preparers (refer to Section 7.4.6.4), MFSB perception that financial ratios are not relevant to them (refer to Section 7.4.1.2) and lack of users of the information (refer to Section 7.4.4.1).

Overall, for the Financial category, the mean disclosure slightly lower than the Overview category but higher than the Governance category with more than 50 per cent disclosure scores (refer to Section 5.4.6). Additionally, four items were disclosed by all MFSB. Hence, it can be safely said here that MFSB has moderately provided financial information in their annual reports (more discussion in Section 5.4.6).

[54] 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)

5.4.4 Performance (4 groups, 20 items)

The overall mean for the Performance category is 57.6 per cent (refer to Table 5.8). This result is consistent with Wei et al.'s (2008) study which found a performance accountability disclosure score of 61 per cent (55 out of a maximum possible of 90). This category is the most disclosed category of information in the index (refer to Section 5.4.6), partly owing to the fact that performance information are perceived by MFSB as the ones that interest the public most, as highlighted by interviewees in Phase 2 (refer to Section 7.3.4.4).

Table 5.8: Descriptive Statistics of the Performance Category

ADIS 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%***

There are three items with disclosure levels above 90 per cent. These items are (i) objectives and descriptions of programmes, activities and projects (PAP) (ADIS82) (95.3%), (ii) implementation progress of each PAP (ADIS83) (94.3%), and (iii) output of PAP (ADIS89) (98.1%). The high disclosure of ADIS82 and ADIS89 is perhaps partly due to these items being required by the TC4/2007. In a study by Tooley et al. (2010) on Malaysian local government, ADIS89 is listed as among the top 20 performance items which are perceived to be very important by stakeholders. Assuming stakeholders' information requirements from the Malaysian public sector is similar across different types of entities (e.g. local government and MFSB); we may say that the high disclosure of ADIS89 has partly met the stakeholders' information requirement.

On the other hand, the least disclosed item under the Performance category is staff satisfaction (4.7%). This finding is consistent with Wei et al.'s (2008) study that found an even worse scenario whereby none of the museums in the UK and New Zealand disclosed this information in their annual reports. As pointed out by the interviewees in Phase 2 of the study, the nondisclosure of staff satisfaction is due to various reasons including the lack of data (refer to Section 7.4.1.3), data privacy issues (refer to Section 7.4.1.4) and avoiding the feeling of uneasiness among members of organisation (refer to Section 7.4.2.5).

In terms of groups, the group with the highest disclosure level is GROUP 20, which relates to performance of PAP (73.7%). The high disclosure for this group is partly contributed by the compliance of MFSB to the respective Ministry's requirement (refer to Section 7.3.4.1). This is closely followed by GROUP19 regarding the overview of PAP (73.6%). Generally, it is a relief to see information on performance (GROUP 20) is well reported except in the case of the efficiency of PAP (ADIS91) (29.2%). The scores obtained for efficiency (ADIS91) are much lower than the 69.1 per cent found by Gordon & Fischer (2008) in 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). During the interview in Phase 2, it was indicated that one reason for the nondisclosure of efficiency information is related to the difficulties in measuring the efficiency itself (refer to Section 7.4.1.3). On the other hand, a comparison between actual and target (ADIS94) is also comparatively low compared to that of Tooley & Guthrie (2007) which found that all 17 New Zealand schools reported this information. Besides this, the findings are consistent with the study by Marcuccio & Steccolini (2009) as the output measures (98.1%) are disclosed more than the input measures (80.2%). The output and input measures in Marcuccio & Steccolini (2009) are 60 per cent and 9 per cent respectively.

On the other hand, the group with the least disclosure level is the customer/staff satisfaction (GROUP18) (13%). Even the item within this group showing the highest disclosure, namely customer satisfaction (ADIS78), showed a disclosure level by MFSB of only 17 per cent. This is much lower than the findings in Wei et al.'s (2008) study where customer satisfaction scored 2.88 (out of a maximum possible score of 5), i.e. 58 per cent. In addition, the score achieved for ADIS78 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 very important information. Again, assuming the scenario is the same in other public entities in Malaysia, the results by ADIS78 need to improve substantially in order for MFSB to enhance its accountability to the stakeholders.

Overall, for the Performance category, the mean disclosure is the highest compared to the remaining four categories (refer to Section 5.4.6). Among the reasons cited during the interview in Phase 2 are that the performance of MFSB is among the issues of public concern (refer to Section 7.3.4.4) and hence MFSB should response to it by reporting the information in their annual report (refer to Section 7.3.4.5). Nevertheless, despite being the most disclosed category of accountability information, it can only be concluded that the Performance information were moderately disclosed by MFSB in their annual reports, owing to the disclosure scores of only near to 60 per cent.

5.4.5 Others (3 groups, 15 items)

This category has an overall mean of 34.6 per cent (refer to Table 5.9). Only one item under this category has a disclosure level of above 80 per cent namely statistics on staffing (ADIS96) which scored 82.1 per cent. This figure is almost similar to the findings by Herawaty & Hoque (2008) who found that this item is disclosed by 85.7 per cent of Australian government departments and is the most disclosed item under human resource practices.

Table 5.9: Descriptive Statistics of the Others Category

ADIS 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%

Table 5.9 (continued)

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 (ADIS106) with a score of 4.7 per cent. This is somewhat consistent with studies in other settings such as in the case of Joseph (2010a) who found that only 3 per cent of Malaysian local governments report this information. Additionally, the next leased disclosed item after ADIS106 is information on equal employment opportunity (ADIS98) with a disclosure level of only 7.4 per cent, partly contributed by the lack of users of that information as expressed during interview in Phase 2 (refer to Section 7.4.4.1). The low disclosure found in this study is far below the findings by Schneider & Samkin (2008) which reported a mean score of 2.1 out of 5 for this item among 82 New Zealand local authorities. Interestingly, in New Zealand schools, Tooley & Guthrie (2007) reported that this information is almost non-existent in their annual reports.

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 MFSB. The least disclosed group concerns properties or main assets (GROUP23) (19.3%). This is much lower than what was found by Tooley & 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 MFSB main assets and properties are not closely observed by the majority of the MFSB although during the interview it was indicated by MFSB disclosing this information that the reason it is disclosed is simply because it is required by the Circular (refer to Section 7.3.4.1). Overall, the mean disclosure for the Others category is higher only than the Governance category but lower than the other three categories of the index (refer to Section 5.4.6).

5.4.6 Summary of the Five Categories

This section summarizes the figures from Table 5.5 to 5.9. The disclosure levels of each category ranges from 19 per cent (Governance category) to 57.6 per cent (Performance category) with two out of five categories scoring less than 50 per cent, i.e. Governance and Others category (refer to Table 5.10). This finding is unlike the study by Ismail & Abu Bakar (2011) which found that all their disclosure categories have index disclosure scores of above 50 per cent. 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 MFSB. Despite this, it is argued that since 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 deemed necessary and appropriate to allow necessary scrutiny and more effective action of boards, as pointed out in the report by Cadbury Committee (1992). The importance of governance disclosure as described here suggests much opportunity for MFSB to pursue with greater effort towards more governance disclosure in their annual reports.

Table 5.10: Overall Mean by Category

Category	Mean	Rank	Minimum	ADIS No.	Maximum	ADIS No.
Overview	56.7%	2	2 (1.9%)	ADIS8	106 (100%)	ADIS1
Governance	19.0%	5	0 (0%)	ADIS49	82 (77.4%)	ADIS54
Financial	55.2%	3	2 (1.9%)	ADIS75	106 (100%)	ADIS56,ADIS57, ADIS62,ADIS63
Performance	57.6%	1	5 (4.7%)	ADIS79	104 (98.1%)	ADIS89
Others	34.6%	4	5 (4.7%)	ADIS106	87 (82.1%)	ADIS96

The findings suggest that MFSB reporting is not based on the decision-usefulness paradigm as financial disclosure does not appear to have been given too much emphasis comparatively (refer to Section 2.2.1 on decision-usefulness paradigm). Given that other categories of disclosure such as performance and overview are higher on their level of disclosure, it implies that the prime objective of MFSB reporting may not be simply to meet the needs of those with a commercial relationship with them (i.e. decision usefulness), rather a wider range of interested users. Hence public accountability paradigm is observed here as the reporting framework of MFSB.

Table 5.11 below shows the minimum and maximum number of items in the disclosure index that are disclosed by each MFSB according to category. It shows that there are five and one MFSB that do not disclose a single disclosure item related to governance and performance respectively. The table also shows that none of the MFSB disclose all disclosure items under a particular category.

Table 5.11: Minimum and Maximum Number of Items Disclosed by Each MFSB

Category	No. of Items	Minimum	MFSB	Maximum	MFSB
Overview	38	7 (18.4%)	MFSB4	30 (78.9%)	MFSB44
Governance	17	0	MFSB28, MFSB40, MFSB54, MFSB65 MFSB82	13 (76.5%)	MFSB37
Financial	20	6 (30.0%)	MFSB36	19 (95.0%)	MFSB51, MFSB80, MFSB84, MFSB87, MFSB92, MFSB102
Performance	20	0	MFSB43	19 (95.0%)	MFSB89, MFSB114
Others	15	1 (6.7%)	MFSB25, MFSB60 MFSB71	12 (80.0%)	MFSB102

The study also found that there is one item which was not disclosed by any of the MFSB, namely the item on how the amount and nature of remuneration of senior executives is determined (ADIS49) which falls under the governance category (refer to

Table 5.12). On the other hand, all MFSB disclosed five disclosure items namely ADIS1, ADIS56, ADIS57, ADIS62 and ADIS63.

Table 5.12: Number of Disclosure Items with 0 and 100 per cent Mean Disclosure

Mean	Frequency	Disclosure Items	
0 per cent	1 item	ADIS49	SM: how nature and amount of renumeration of senior executives is determined
100 per cent	5 items	ADIS1	Content page;
		ADIS56	Balance Sheet;
		ADIS57	Income Statement;
		ADIS62	Statement of Chairman and a Board member;
		ADIS63	Statutory declaration by the officer primarily responsible for the financial management;

5.5 Disclosure Index Results by Item Type

Out of the 110 disclosure items in the Disclosure Index (DI), 45 are required to be disclosed by the TC4/2007. These items are referred to as mandatory items and the index related will be referred to as the Mandatory Disclosure Index (MDI). The remaining 65 disclosure items in the DI which are not required by TC4/2007 will be referred to as the Voluntary Disclosure Index (VDI). The VDI includes items recommended by public sector literature and/or other disclosure guidelines (as explained in Chapter 4) for disclosure by public sector organisations to the stakeholders. The thesis provides additional analysis to determine the extent of disclosure of MDI and VDI.

5.5.1 Mandatory Disclosure Index (MDI)

Table 5.13 below shows that on average, there are 29 items (out of 45 items) disclosed which represents 65 per cent of the MDI items. This entails an MDI score of 0.6478, with a range of 0.33 to 0.91, which may indicate a relatively high level of accountability disclosure compared to the DI as discussed in Section 5.3 (DI of 0.478). The MDI score found in this study is consistent with the results by Herawaty & Hoque (2007) who content analysed the annual reports of Australian government departments and found the mean for their mandatory index is 0.58.

Table 5.13: Descriptive Statistic of the MDI

Required Items	Total	Mean	Minimum	Maximum	Standard Deviation
No. of Items Disclosed	45	29.15	15	41	4.849
Disclosure Index (%)	100	64.78	33.33	91.11	10.777

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Table 5.14 below shows the disclosure level for each of the MDI items. The table also compares the results of the MDI in this study with that of Azis (2008). Azis conducted content analysis on 49 required items extracted from the earlier version of TC4/2007 (i.e. TC15/1994) and applied them on the 2004 or 2005 annual reports of 62 MFSB. It appears that out of the 45 required items of this study, 20 items (44.4%) show an increase in the disclosure level, 12 items (26.7%) show a decrease, and 4 items (8.9%) remains at 100 per cent disclosure level and the remaining 9 items (20%) are not comparable as they are not available in Azis's (2008) index. As such, we may roughly say that the situation improved over the 2004/2005 to 2008 period.

Table 5.14: Descriptive Statistics of the MDI by Item and Category

No.	ADIS No.	Disclosure Item	Frequency (n=106)	Percentage	Azis (2008)	+/-
Overview						
1	5	Address of registered office	98	92.5%	65.0%	+
2	10	Parliamentary Act under which FSB was established	88	83.0%	87.0%	-
3	12	Role / function	97	91.5%	81.5%	+
4	15	Objectives	90	84.9%	90.0%	-
5	17	Organisation chart	89	84.0%	85.0%	-
6	18	Chairman	105	99.1%	98.0%	+
7	19	Chief Executive	101	95.3%	100%	-
8	20	External auditor	29	27.4%	11.0%	+
9	23	List of main events in the year	59	55.7%	58.0%	-
10	24	Chairman message: Overall assessment on programmes, activities and projects (PAP) of FSB	69	65.1%	94.0%	-
11	25	Chairman message: Achievement and financial status of PAP and compare with previous years	57	53.8%	66.0%	-
12	26	Chairman message: Events that influence the performance of PAP	77	72.6%	44.0%	+
13	27	Chairman message: Future prospects and corporate strategies	68	64.2%	60.0%	+

Table 5.14 (continued)

14	28	Chairman message: Growth and development of PAP	64	60.4%	60.0%	+
15	29	Chairman message: Acknowledgement to contributors of the FSB success	76	71.7%	65.0%	+
16	32	BOD: members' name	105	99.1%	100%	-
17	36	Senior management: name and designation	91	85.8%	76.0%	+
		Mean of Overview Cateogory		**75.6%**		
Governance						
18	42	BOD: meeting dates	26	24.5%	16%	+
19	43	BOD: attendance summary	18	17.0%	n/a	n/a
		Mean of Governance Category		**20.8%**		
Financial						
20	56	Balance sheet	106	100.0%	100%	0
21	57	Income statement	106	100.0%	100%	0
22	58	Statement of changes in equity	104	98.1%	100%	-
23	59	Cash flow statement	105	99.1%	100%	-
24	60	Notes to the financial statement	105	99.1%	100%	-
25	61	Auditor general certificate	105	99.1%	100%	-
26	62	Statement of Chairman and a Board member for the Group accounts	106	100.0%	100%	0
27	63	Statutory declaration by the officer primarily responsible for the financial mgmt	106	100.0%	100%	0
28	64	Comparison figures/charts: analysis on assets used	44	41.5%	5.0%	+
29	65	Comparison figures/charts: analysis on various source of finance	74	69.8%	10.0%	+
30	66	Comparison figures/charts: analysis on reserve	33	31.1%	2.0%	+
31	67	Comparison figures/charts: analysis on noncurrent liabilities	19	17.9%	2.0%	+
32	68	Comparison figures/charts: analysis on sales/receipts and gross profit margin	62	58.5%	6.0%	+
33	69	Comparison figures/charts: analysis on surplus/deficit or profit/loss	48	45.3%	3.0%	+
34	72	Debt asset ratio	10	9.4%	n/a	n/a
35	75	Assets turnover ratio	2	1.9%	n/a	n/a
		Mean of Financial Category		**66.9%**		
Performance						
36	82	Objective and description of each PAP	101	95.3%	85.0%	+
37	83	Implementation progress of each PAP	100	94.3%	85.0%	+
38	84	Problems encountered in the implementation	34	32.1%	13.0%	+
39	85	Factors (internal/external) influencing current performance	89	84.0%	n/a	n/a
40	86	Future plans	66	62.3%	n/a	n/a
41	90	Impact	76	71.7%	47.0%	+
		Mean of Performance Category		**73.3%**		
Others						
42	107	List of main assets: location	20	18.9%	n/a	n/a
43	108	List of main assets: ownership	15	14.2%	n/a	n/a
44	109	List of main assets: size (area)	20	18.9%	n/a	n/a
45	110	List of main assets: description/type	27	25.5%	n/a	n/a
		Mean of Others Category		**19.3%**		
		OVERALL MEAN FOR REQUIRED ITEMS		**64.78%**		

+ (-): the percentage of disclosure is higher (lower) in this study compared to Azis's (2008) study

Since there are some 12 items (26.7%) which show lesser disclosure levels from Azis's (2008) index, this, taken together with the 0.6478 MDI, may suggest that that MFSB still have a long way to go in complying with the TC4/2007. Perhaps more monitoring and enforcement are needed by the Treasury or respective ministry to ensure better compliance to this circular. At the same time, this finding supports what has been highlighted by prior studies on the Malaysian public sector in that there is a lack of enforcement although rules and regulations appear to be in place (e.g. Abu Bakar et al., 2011; Siddiquee, 2002).

5.5.2 Voluntary Disclosure Index (VDI)

Table 5.15 shows that on average, there are 23 items (out of 65 items) disclosed which represents 36 per cent of the VDI items. This entails to a VDI score of 0.3602, with a range of 0.17 to 0.57.

Table 5.15: Descriptive Statistic of the VDI

Other Items	Total	Mean	Minimum	Maximum	Standard Deviation
No. of Items Disclosed	65	23.42	11	37	5.680
Disclosure Index (%)	100	36.02	16.92	56.92	8.739

The results show a very low extent of disclosure for the recommended items (36%). This is unlike the results reached in the study by Herawaty & Hoque (2007) and Lim & McKinnon (1993) wherein the voluntary disclosures reached a score of 65 per cent and 55.8 per cent respectively. As suggested by Clarke et al. (2009), the low results in the present study could perhaps be due to voluntary disclosure not being subject to content regulation and audit. Low scores on voluntary disclosures may suggest that report preparers are not interested in communicating to readers the full extent of their operations and are merely focused on fulfilling their statutory role instead (Clarke et al., 2009). This should be seen as an opportunity for MFSB to further explore and improve on the areas and items that are recommended for disclosure by public sector literature or other disclosure guidelines such as the MCCG.

Table 5.16 below shows the extent of disclosure for each of the recommended items. It can be observed that for the Financial category, the disclosure mean is much lower than what was found for the full index (refer to Table 5.10 in Section 5.4.6), owing to the very low disclosure level for the four ratios which are not required by the TC4/2007. As pointed out earlier (refer to Section 5.4.3), one reason for the low level of disclosure for such ratios is that MFSB felt that liquidity ratio for example are not relevant for them as non-profit oriented organisations (refer to Section 7.4.1.2). Mean disclosure for the other categories of information under the VDI do not differ as much as the Financial category than the full index.

Table 5.16: Descriptive Statistics of the VDI by Item and Category

No.	ADIS No.	Disclosure Items	Frequency (n=106)	Percentage
Overview				
1	1	Content page	106	100.0%
2	2	Index / glossary	6	5.7%
3	3	Statutory process timeliness	5	4.7%
4	4	Public accountability timeliness	7	6.6%
5	6	Contact information	87	82.1%
6	7	Webpage	90	84.9%
7	8	Business hours	2	1.9%
8	9	Year of establishment	88	83.0%
9	11	Governing Ministry	59	55.7%
10	13	Vision / Mission	93	87.7%
11	14	Values / philosophy	34	32.1%
12	16	Client charter	35	33.0%
13	21	Main bank(s)	17	16.0%
14	22	Main lawyer(s)	4	3.8%
15	30	Minister message	16	15.1%
16	31	CEO message	62	58.5%
17	33	BOD: secretary	41	38.7%
18	34	BOD: organisation represented	76	71.7%
19	35	BOD: members' term end/start	68	64.2%
20	37	Senior management: education and qualification	19	17.9%
21	38	Senior management: skills and experience	7	6.6%
		Mean of Overview Cateogory		**41.4%**
Governance				
22	39	BOD: members' education and qualification	24	22.6%
23	40	BOD: members' skills and experience of nonexecutive director	21	19.8%

Table 5.16 (continued)

24	41	BOD: number of meetings per year	47	44.3%
25	44	BOD: meeting attendance of each individual director	15	14.2%
26	45	BOD: renumeration policy (including allowances and other entitlements)	39	36.8%
27	46	BOD: renumeration amount listed by person	2	1.9%
28	47	SM: Renumeration amount of CEO	4	3.8%
29	48	SM: renumeration amount of other senior executives (total or individual)	10	9.4%
30	49	SM: how nature and amount of renumeration of senior executives is determined	0	0.0%
31	50	FMAC: members' name	17	16.0%
32	51	FMAC: required no. of meetings	4	3.8%
33	52	FMAC: number of meetings	15	14.2%
34	53	FMAC: effectiveness of FMAC in handling financial issues	1	0.9%
35	54	IA: review / appraisal on effectiveness of risk management	82	77.4%
36	55	IA: review / appraisal of internal control systems	18	17.0%
		Mean of Governance Cateogory		**18.8%**
Financial				
37	70	Current ratio	11	10.4%
38	71	Liquidity ratio	11	10.4%
39	73	Proprietor's ratio	6	5.7%
40	74	Total equity / total asset	8	7.5%
		Mean of Financial Cateogory		**8.5%**
Performance				
41	76	Key Performance Indicators	44	41.5%
42	77	Compare targeted KPI and actual achievement	29	27.4%
43	78	Custormer satisfaction	18	17.0%
44	79	Staff satisfaction	5	4.7%
45	80	No. of complaints received on FSB	17	16.0%
46	81	No. of valid complaints resolved	15	14.2%
47	87	Input - financial resource	84	79.2%
48	88	Input - non-financial resources	85	80.2%
49	89	Output	104	98.1%
50	91	Efficiency	31	29.2%
51	92	Effectiveness	84	79.2%
52	93	Productivity	89	84.0%
53	94	Compare between actual and target performance	65	61.3%
54	95	Compare between current and previous year	85	80.2%
		Mean of Performance Category		**50.9%**
Others				
55	96	Statistics on staffing	87	82.1%
56	97	Workforce planning, staff turnover and retention	52	49.1%
57	98	Equal employment opportunity information	8	7.5%
58	99	Statistics on training and development courses/ programmes for staff	72	67.9%
59	100	Achievements/impact of staff training and development activities (general/each)	23	21.7%
60	101	Staff recognition: awards/titles/rewards	46	43.4%
61	102	Staff recognition: recipients of awards/titles/rewards	20	18.9%
62	103	Internal / external social responsibility efforts/ activities	78	72.9%
63	104	Financial information on Internal / external social resp activities	50	46.7%

Table 5.16 (continued)

64	105	Internal / external environmental protection efforts/activities	29	27.4%
65	106	Financial information on environmental issues (budget / cost)	5	4.7%
		Mean for Others Category		**40.2%**
		OVERALL MEAN FOR RECOMMENDED ITEMS		**36.01%**

5.5.3 Summary for Mandatory and Voluntary Disclosure Index

Table 5.17 summarises Table 5.15 and Table 5.16. From this table, it appears that MFSB are more concerned with disclosing the mandated items than the voluntary items due to the higher percentage of disclosure for the MDI (64.78%) compared to that of the VDI (36%). This provides a huge opportunity for MFSB to further improve their disclosure practices so as to fulfil the information needs of their diverse stakeholders. From Table 5.17 we may also say that the MDI and VDI disclosure items contributed 26.5 and 21.3 per cent respectively to the 47.8 per cent of overall extent of disclosure that was earlier found for all the items in the index as presented in Table 5.3.

Table 5.17: Contribution by the MDI and VDI to the DI

Type of Item	No. of items (A)	Percentage of disclosure (B)	Contribution towards total disclosure (D=B*A/C)	Percentage of contribution (F=D/E)
Mandatory	45	64.78%	26.5%	55.4%
Voluntary	65	36.01%	21.3%	44.6%
All Items	110 (C)		47.8% (E)	100.0%

Table 5.18 shows that in all three cases (i.e. whether the 110 items are put together as an index, or only the MDI or VDI items are included), the Performance and Overview category occupy either the first or the second place indicating their relatively high disclosure. At the same time, the Financial, Others and Governance categories occupy the last three places indicating less disclosure in these three categories. This finding is almost contradictory to prior studies such as that of Tooley & Guthrie (2007) in which the Financial category was found to be the most disclosed area of disclosure, followed by the Performance and the Overview category. The difference of results found between

this current study and Tooley & Guthrie's (2007) is partly due to the different indices used. A comparison between findings with the relevant prior literature should be undertaken with caution since the items within each category may differ from one study to the other as it largely depends on how the researcher looks at the individual item.

Table 5.18: Ranks of Categories

Category	Rank for Full DI (Rank)	Rank for Mandatory DI (Rank)	Rank for Voluntary DI (Rank)
Overview	2	1	2
Governance	5	4	4
Financial	3	3	5
Performance	1	2	1
Others	4	5	3

5.6 Summary

This chapter addressed RQ1, which is concerned with the extent of disclosure of accountability information. Overall, 106 (95.5%) annual reports were collected from MFSB. The mean score of the DI is 47.8 per cent indicating a moderate level of disclosure of accountability information. By category, the highest disclosure is found in the Performance category, followed by Overview, Financial, Others and finally Governance category, suggesting MFSB are more willing to share their performance information and less committed in exhibiting their governance issues. Disclosure levels of each category ranges from 19 per cent (Governance category) to 57.6 per cent (Performance category) with Governance and Others category scoring less than 50 per cent. By item type, the mandatory and voluntary DI shows a mean score of 64.8 and 36 per cent respectively, suggesting that MFSB are more willing to disclose the mandated items than the voluntary items. The following chapter discusses the results for RQ2, which is concerned with the factors that influence the extent of disclosure of accountability information.

CHAPTER 6
VARIABLES ASSOCIATED WITH THE EXTENT OF DISCLOSURE

6.1 Introduction

The previous chapter discussed the extent of disclosure of accountability information (which answer RQ1). This chapter proceeds to discuss RQ2, i.e. "*Do type of MFSB, board size, board composition, existence of audit committee and fiscal stress have significant associations with the extent of disclosure of accountability information in the annual reports of MFSB?*". It begins with a discussion of the descriptive statistics of all independent and control variables in Section 6.2. Section 6.3 then presents the regression results, followed by the summary of the hypotheses results in Section 6.4. This is followed by a discussion of the results for additional regression analyses involving the sub-indexes in Section 6.5. Greater discussion on each variable tested in the hypotheses is provided in Section 6.6, followed by the regression results for the robustness check in Section 6.7. The chapter then concludes in Section 6.8.

6.2 Descriptive Statistics for Independent Variables

This section discusses the descriptive statistics of the independent variables of the study which comprises of covariates and factors[55]. The next section discusses the descriptive statistics for the covariates of the study.

6.2.1 Covariates

There are three covariates in this thesis comprising of two independent variables (i.e. board size and fiscal stress) and one control variable (i.e. size of MFSB). The following is the descriptive statistics of the covariates (refer to Table 6.1).

[55] As explained earlier in Section 4.8.7.2, the term covariate and factors in this thesis refers to any continuous and categorical predictor variable in the model respectively, whether it's just a control variable or the important predictor in the research hypothesis (Grace-Martin, 2012b).

Table 6.1: Descriptive Statistics of Covariates

Descriptive Statistics	BODSIZE	FISCSTR	Total Assets
Mean	10.75	0.3249	RM9,083,826,660.04
Minimum	5	-0.97	RM3,494,440.00
Maximum	31	39.60	RM353,584,984,000.00
Mode	8	n/a	n/a
Median	9.5	-0.1031	RM254,164,159.00
Standard Deviation	4.410	3.8842	RM48,100,593,688.158

a) Board Size (BODSIZE)

Table 6.1 shows that the governance structure of the MFSB is characterized by a board of 10 to 11 directors on average, ranging from 5 to 31 with most MFSB (24.5%) having 8 members sitting on their board (median 9.5). The average board size of MFSB is consistent with the Italian local authorities (11) and the Malaysian government-linked companies (GLC) (10) in studies by Calabrò & Torchia (2011) and Mohamad et al. (2012) respectively. However, if compared to listed firms in Malaysia (7.3) and Singapore (5.5), as well as in the UAE (7.7), as found by Mak & Kusnadi (2005) and Adawi & Rwegasira (2011) in their studies respectively, the average board size of MFSB is higher. However, there are other cases with a much higher number of board members including in the case of the US banking organisations (13), and US public (15) and private (39) educational institutions as found by Mohamed (2009) and Gordon et al. (2002). The range of MFSB BODSIZE (26) is also larger compared to that of Malaysian GLC (7; minimum 5; maximum: 12) and Malaysian listed firms (9; minimum 4; maximum 13) in studies by Mohamad et al. (2012) and Mak & Kusnadi (2005). One interesting issue noted in the results is the maximum board size of MFSB (31). This is indeed a very rare case in any organisation, although an almost similar observation has been made by Gordon et al. (2002) in their study on US educational institutions.

Referring to Table 6.2 below, there are a number of outliers in BODSIZE. As such, this variable has been accordingly transformed to address the outlier issue (refer to Section 4.8.7.3).

Table 6.2: Frequency of BODSIZE

Board Size	Frequency	Per cent
5	2	1.9%
6	6	5.7%
7	8	7.5%
8	26	24.5%
9	11	10.4%
10	12	11.3%
11	12	11.3%
12	4	3.8%
13	3	2.8%
14	3	2.8%
15	2	1.9%
16	6	5.7%
17	5	4.7%
18	1	0.9%
19	1	0.9%
20	1	0.9%
22	1	0.9%
28	1	0.9%
31	1	0.9%
Total	106	100.0%

b) Fiscal Stress (FISCSTR)

Based on Table 6.1, the mean of FISCSTR is 32.49%, with the minimum and maximum values of -97% and 39.6% respectively[56]. A negative figure indicates fiscal viability while a positive figure indicates stress. This shows that on average, MFSB suffers deficits approximately at the amount of almost one-third of its revenue. The mean of MFSB FISCSTR (32.49%) is considered high compared to previous studies by Dwyer & Wilson (1989) on US municipal cities (-15.7%)[57] and a follow-up study by Smith (2004) on US cities which found a lesser percentage of fiscal stress at -32.8 per cent, thus representing fiscal viability. According to Dwyer & Wilson (1989), the ratio of more than 5 per cent is generally regarded as an indicator of potential fiscal stress.

[56] Take note that as explained earlier in Section 4.8.5, the fiscal stress is measured by the ratio of the surplus/profit (or deficit/loss) to total revenue, multiply by -1. Thus, the way to interprete the figure is that the higher the value, the more stress.

[57] Dwyer & Wilson (1989) reported a fiscal viability of 15.7%. Fiscal viability is in fact simply the opposite of fiscal stress. It is measured in a similar way as fiscal stress is measured, except that the ratio is not multiplied by -1. Hence, this current study multiply Dwyer & Wilson (1989) result by -1 in order to obtain the fiscal stress.

c) MFSB Size (SIZEMF)

The average size of MFSB is RM9.1 billion and it ranges from RM3.5 million to RM353 billion (refer to Table 6.1).

The descriptive statistics of the factors in the study are presented in the next section.

6.2.2 Factors

There are three factors in the study, namely the type of MFSB (TYPEMF), the board composition (BODCOM) and the existence of an audit committee (AUDCOM).

a) Type of MFSB (TYPEMF)

Table 6.3 shows that most MFSB fall under the research and development or education category followed by the regulatory category. There are 13 MFSB which are classified under ‘others’. These 13 MFSB are not classified into specific categories based on their nature of activity as there are only one MFSB in each category, hence it would not help in the analysis. As a result, all these 13 unique MFSB are lumped together into the ‘others’ category. An example is the Human Rights Commission of Malaysia (SUHAKAM) and the Totalisator Board of Malaysia.

Table 6.3: Frequency of TYPEMF

Types of MFSB	Frequency	Percentage
Research & development, & Education	34	32.1%
Regulatory	17	16.0%
Banking,Finance, Fund, Investment	11	10.4%
Area/regional development	10	9.4%
Socio-economy	8	7.5%
Transportation	7	6.6%
Foundation/Scholarship	6	5.7%
Others	13	12.3%
Total	106	100%

b) Board Composition (BODCOM)

The number of executive or internal directors in MFSB ranges from 0 to 4. This is consistent with the study by Calabrò & Torchia (2011) (0 to 6 members) on Italian local authorities. Most MFSB (71.7%) have only one internal member and a quarter (25.5%) of MFSB have no internal director on their board. This scenario partly echoes the CalPER[58] guideline of the so-called 'ideal' board where only the CEO should be the only employee who is a director (Bryant, 1997).

Table 6.4: Frequency of BODCOM

Board Composition	Frequency	Percentage	Percentage
No internal director	27		25.5%
At least 1 internal director			
- 1 internal director	76	71.7%	
- 2 internal directors	1	0.9%	
- 4 internal directors	2	1.9%	75.5%
Total	106	100%	100%
Mean Percentage of External Directors: 84.7%			

Furthermore, the percentage of external directors on average is 84.7 per cent. This resembles the case of Australian Commonwealth Statutory Authorities (CSA) where the nonexecutive director constitutes 91 per cent of the governing board of 25 CSAs as found by Bowrey (2008). However, compared to the common practice in the private sector, this can be considered to be high (e.g. Ho & Wong, 2001).

c) Existence of Audit Committee (AUDCOM)

Table 6.5 shows that only an approximate quarter of the MFSB have audit committees in their organisation. This is almost similar to the findings by Ho & Wong (2001) on Hong Kong listed firms (23.5%) but is much lower than prior findings on companies in developing countries such as Kuwait (44%) (Alanezi & Albuloushi, 2011), Kenya (52%) (Barako et al., 2006) and Jordan (70%) (Al-Akra et al., 2010).

[58] CalPER refers to California Public Employees' Retirement System.

Table 6.5: Frequency of AUDCOM

Existence of Audit Committee	Frequency	Percentage
Audit Committee Do Not Exists	79	74.5%
Audit Committee Exists	27	25.5%
Total	106	100%

From the three frequency tables above (Table 6.3, 6.4 and 6.5), the thesis is able to choose the reference category for the regression model. Statisticians (e.g. Field, 2009) have recommended that the reference category for factors is the one with the highest observation because using a residual category or a category with few cases undermines the interpretation of the data[59].

6.3 Regression on Disclosure Index

The multiple regression results are presented in this section. The thesis runs three regression analysis using three different disclosure indexes as found in the previous chapter as their dependent variable, namely the (i) Disclosure Index (or DI)- This refers to the complete disclosure index which include all the 110 items, (ii) Mandatory Disclosure Index (or MDI) – This disclosure index includes only the 45 items required to be disclosed by TC4/2007) (refer to Section 6.5.1), and (iii) Voluntary Disclosure Index (or VDI) which includes the remaining 65 items which are not required by TC4/2007 (refer to Section 6.5.2).

[59] By default, SPSS will take the category which is last alphabetically as reference category (Grace-Martin, 2009). So the thesis recode the variable so that that the category with highest cases comes last alphabetically.

6.3.1 Identifying the Model

Table 6.6 presents the results obtained from the regression analysis for the DI.

Table 6.6: Summary of Regression Results (DI)

Dependent Variable: Disclosure Index

	Variables	STEP 1	STEP2	STEP3	STEP 4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.003*	.001*	.001*	.000*
H_2	BODCOM	.184	.100	.085	.041**
H_3	logBODSIZE	.285	.250[a]		
H_4	AUDCOM	.001*	.002*	.001*	.002*
H_5	invFISCSTR	.135	.070	.105[a]	
	logSIZEMF	.438[a]			
	Adjusted R_2	.419	.421	.419	.409

a. Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

From the table above, step 1 shows that only two variables (TYPEMF and AUDCOM) are significant predictors of DI ($p<0.001$). The remaining variables and the control variable are not significant. As mentioned earlier in Section 4.8.7.2, since there is no stepwise analysis in GLM, the insignificant variables will be dropped manually.

Following this, step 2 involves the dropping of the most insignificant variable, logSIZEMF (p-value=0.438). This has improved the adjusted R_2 by 0.002 (0.421-0.419) but there were no additional variables that become significant. MFTYPE and AUDCOM remain significant variables while other variables remain insignificant.

Step 3 drops logBODSIZE due to it having the highest p-value (0.250) compared with other variables. Results show that the adjusted R_2 returned to the original adjusted R^2 as found in STEP 1 (0.419). Additionally, results on variables which are significant and insignificant remain as they were in step 1 and 2.

Step 4 is undertaken to further remove the insignificant variable, namely the invFISCSTR (p=0.105). Upon doing this, BODCOM, which was previously insignificant, has now become significant ($p<0.05$). TYPEMF and AUDCOM remain significant ($p<0.001$). The R^2 however is reduced slighly to 0.409. Step 4 regression confirms the key predictors for the extent of disclosure of accountability information for the annual reports of MFSB using the disclosure index method, these being the TYPEMF, BODCOM and AUDCOM, hence, the process of removing variables ends here.

6.3.2 Discussion on the Final Model

a) Strength of Effect of the Final Model

Table 6.7 shows the F test for the corrected model (step 4). It is shown to be significant at the <0.001 level. The strength of the model is moderate at partial eta^2 of 0.460 and R^2 also 0.460. As discussed earlier, when partial eta^2 and R^2 show similar results, the model is linear. This confirms the earlier test on linearity assumption (refer to Section 4.8.7.3). The proportion of explained variance as measured by the adjusted R^2 for the regression equation is 0.409. In other words, 40.9% of the variation in disclosure level is explained by these three predictors (TYPEMF, BODCOM and AUDCOM). This is consistent with the study by Gore (2004) who found an adjusted R^2 of 36% for financial disclosure in the financial reports of the US local government.

Compared to most public sector disclosure studies[60], the adjusted R^2 appears to be higher. This include studies by Arifin et al. (2012a) (24.9%), Laswad et al. (2005) (21.4 - 23.6%), Smith (2004) (7 – 19%), Giroux & McLelland (2003) (7.9%), Gordon et al. (2002) (7.8%) and Gordon & Fischer (2008) (6.8%). Caba Perez et al. (2008) who

[60] Comparisons of the adjusted R^2 can only be made in relation to public sector disclosure studies in different settings and aspects of disclosure given that there is no directly comparable study which focus on MFSB and/or accountability disclosure which uses regression.

studied internet financial reporting and found that they do not report any adjusted R^2 possibly due to the very low value found. The present study's adjusted R^2 is however, lower than two other studies namely Joseph & Taplin (2011) (48% for disclosure abundance and 56% for disclosure occurrence) and Yang (2008) (48%) which focuses on sustainability and performance reporting respectively. However, none of these studies is directly comparable to the present study due to different contexts and aspects of disclosure and as such comparison should be approached cautiously.

Table 6.7: Strength of Effect (DI)

Dependent Variable: Disclosure Index

Source	F	Sig.	Partial Eta^2
Corrected Model	9.068	.000*	.460
Intercept	2927.700	.000*	.968
TYPEMF	4.609	.000*	.252
BODCOM	4.282	.041**	.043
AUDCOM	10.488	.002*	.098
R^2			.460
Adjusted R^2			.409

*Significant at 1% level, **Significant at 5% level

TYPEMF and AUDCOM are highly significant factors for a disclosure level with a p-value of 0.0001 and 0.002 respectively. TYPEMF is able to explain 25.2% of the variance in DI. BODCOM on the other hand is moderately significant (p-value= 0.041) and accounts for small variance (4.3%) in DI. The variable AUDCOM is significant (p-value=0.002) and small variance (9.8%) in DI can be explained by this variable. The other two variables discussed earlier in the thesis hypothesis (logBODSIZE, invFISCSTR) did not help explain the disclosure level. The control variable, i.e. logSIZEMF as measured by the log of total assets is also not significant.

b) Parameter Estimates of the Final Model

Table 6.8 shows the parameter estimates (equivalent to unstandardized coefficient in regression command output) of the significant factors.

Table 6.8: Parameter Estimates (DI)

Dependent Variable: Disclosure Index

Parameter	Levels	Coefficient	Std. Error	Sig.	Partial Eta^2
Intercept		51.679	1.732	.000*	.903
[TYPEMF=1]	Transportation	-4.383	2.705	.108	.027
[TYPEMF=2]	Area/regional development	4.455	2.376	.064	.035
[TYPEMF=3]	Banking and Finance	8.217	2.454	.001*	.105
[TYPEMF=4]	Regulatory	-.549	1.919	.776	.001
[TYPEMF=5]	Foundation and Scholarship	-6.235	2.971	.038**	.044
[TYPEMF=6]	Socio-economy	7.193	2.542	.006*	.077
[TYPEMF=7]	Others	-1.175	2.184	.592	.003
[TYPEMF=8]	Education, Research & Development	0[a]	.	.	.
[BOD=0]	Do not have internal director in board	-3.325	1.607	.041**	.043
[BOD=1]	Have at least 1 internal director in board	0[a]	.	.	.
[AUDCOM=0]	Do not have audit committee	-5.349	1.652	.002*	.098
[AUDCOM=1]	Have audit committee	0[a]			

a. This parameter is set to zero because it is redundant.
*Significant at 1% level, **Significant at 5% level

Before proceeding, note that when discussing the levels or categories of a factor, estimates are relative to the omitted (or reference) category. In this thesis, the reference category for TYPEMF is education, research and the development group. It is chosen mainly because it has the largest number of cases consistent with the suggestion of Field (2009). When there are only two levels, as in the case of BODCOM and AUDCOM, it does not really matter which level becomes the reference category as interpretation is already much simpler.

Results from Table 6.8 show that not all types of MFSB (TYPEMF) are significantly different from each other in relation to their mean DI. But given that TYPEMF is a significant predictor of DI as found earlier, it means there is at least one pair of this factor which has significant difference in their mean DI. Three pairs of types of MFSB showed a significant difference between each other. In particular, the mean of DI of MFSB under the education, research and development type is significantly lower than the mean of MFSB which are under the: (i) banking and finance (by 8.217 unit at $p<0.001$), and (ii) socio-economy (by 7.193 unit at $p<0.001$) category. However, the mean DI of MFSB under the education, research and development category is significantly higher (at $p<0.05$) than that of those under the foundation and scholarhip category by 6.235 unit.

Results on board composition show that the mean DI for MFSB with no internal director is significantly lower ($p<0.05$) by 3.325 units compared to those with at least one internal director on its board (refer to Table 6.8). Similarly, the results also indicate that MFSB with and without audit committees differ significantly ($p<0.01$) in their DI. The DI is lesser by 5.349 for MFSB which have no audit committees than those with audit committees.

Additionally, although found to be insignificant, the coefficient of covariates is presented in Table 6.9 to obtain some understanding on the direction of their relationship with DI. It shows that there is a negative relationship between logBODSIZE and DI, which is similar with the hypothesized direction. InvFISCTR and logSIZEMF are also found to be in the hypothesized direction, that is in a positive relationship with DI.

Table 6.9: Coeffiecients of Insignificant Variables (DI)

Dependent Variable: Disclosure Index

Covariates	Pred.Sign	STEP 1		STEP 2		STEP 3	
		B	Sig.	B	Sig.	B	Sig.
logBODSIZE	-	-4.814	.285	-5.148	.250		
invFISCTR	+	9.430	.135	10.916	.070	9.572	.105
logSIZEMF	+	.634	.438				

c) Pairwise Comparisons of the Final Model

Pairwise comparison is similar to the post-hoc test in the common regression procedure. From Table 6.10 we can see that there are eleven pairs of MFSB types that significantly differ from each other in their mean disclosure index. In total – including those in Table 6.8) - there are fourteen pairs of MFSB types (out of 28 possible pairs) that are significantly different.

Table 6.10: Mean Difference between Different Types of MFSB

Dependent Variable: Disclosure Index

(I) TYPEMF	(J) TYPEMF	Mean Difference (I-J)	Std. Error	Sig.[a]
TRANSPORTATION	Area/regional development	-8.837*	3.308	.009*
	Banking, Finance	-12.599*	3.421	.000*
	Regulatory	-3.834	2.914	.191
	Foundation/Scholarship	1.852	3.733	.621
	Socio-economy	-11.576*	3.390	.001*
	Others	-3.207	3.138	.309
AREA/REGIONAL DEVELOPMENT	Banking, Finance	-3.762	2.956	.206
	Regulatory	5.003	2.661	.063
	Foundation/Scholarship	10.690*	3.366	.002*
	Socio-economy	-2.738	3.110	.381
	Others	5.630*	2.729	.042**
BANKING, FINANCE, FUND, INVESTMENT	Regulatory	8.765*	2.692	.002*
	Foundation/Scholarship	14.452*	3.582	.000*
	Socio-economy	1.024	3.085	.741
	Others	9.392*	2.931	.002*
REGULATORY	Foundation/Scholarship	5.686	3.225	.081
	Socio-economy	-7.742*	2.768	.006*
	Others	.627	2.502	.803
FOUNDATION/ SCHOLARSHIP	Socio-economy	-13.428*	3.629	.000*
	Others	-5.060	3.181	.115
SOCIO-ECONOMY	Others	8.368*	3.002	.006*

*Significant at 1% level, **Significant at 5% level

6.4 Hypotheses Results

Hypotheses were supported if regression p-values were less than 0.05. From Table 6.11, two hypotheses (H1 and H3) are supported and three hypotheses (H2, H4 and H5) are not supported.

Table 6.11: Hypotheses Results

	Variables	Description	Hypothesis supported/ not supported
H_1	TYPEMF	There is an association between the extent of disclosure of accountability information and the type of Malaysian Federal Statutory Bodies.	Supported (p-value < 0.001)
H_2	BODSIZE	There is a negative relationship between the extent of disclosure of accountability information in the annual reports of MFSB and the board size.	Not supported (not significant)
H_3	BODCOM	There is a positive association between the extent of disclosure of accountability information in the annual reports of MFSB and the existence of an internal member on the board.	Supported (p-value < 0.05)
H_4	AUDCOM	There is a negative association between the extent of disclosure of accountability information in the annual reports of MFSB and the existence of an audit committee.	Not Supported (significant but positive)
H_5	FISCSTR	There is a positive relationship between the extent of disclosure of accountability information in the annual reports of MFSB and the fiscal stress.	Not supported (not significant)

Before providing further discussion on each hypothesis (in Section 6.6), an additional analysis involving regression on sub-indexes, namely the MDI and VDI is provided.

6.5 Regression on Sub-indices

Additional analyses were conducted on all variables and tested against (i) the mandatory disclosure index (MDI) and (ii) the voluntary disclosure index (VDI). Prior to conducting the regression analysis on the MDI and VDI, the normality check was carried out. From the Q-Q plot, it is apparent that both indexes are normally distributed (refer to Figure 6.1, Appendix 6_1) hence regression can be conducted. The regression results for MDI is discussed below.

6.5.1 Regression on Mandatory Disclosure Index (MDI)

The first run of regression resulted in two significant variables (TYPEMF and AUDCOM) (refer to Table 6.12). The process of removing insignificant variables is repeated until all variables in the model are significant, resulting in the three variables becoming key predictors in determining the MDI. The key predictors are TYPEMF, AUDCOM and invFISCSTR. With the exception of TYPEMF and AUDCOM, this result is quite different from what has been found in the case of DI.

Table 6.12: Summary of Regression Results (MDI)

Dependent Variable: Mandatory Disclosure Index

	Variables	STEP 1	STEP2	STEP3	STEP 4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.010*	.009*	.009*	.001*
H_2	BODCOM	.501	.502[a]		
H_3	logBODSIZE	.876[a]			
H_4	AUDCOM	.006 *	.006*	.005*	.006*
H_5	invFISCSTR	.101	.085	.074	.024**
	logSIZEMF	.419	.423	.287[a]	
	Adjusted R^2	0.342	.348	.352	.351

a. Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

The model shows TYPEMF, AUDCOM and invFISCSTR significantly predicts MDI, *F* value of 7.316 (p<0.001) (refer to Table 6.13). The three key predictors (TYPEMF, AUDCOM and invFISCSTR) are based on the adjusted R^2 account for 35.1% of the proportion of variance in MDI. This is higher than the adjusted R^2 found by Arifin et al. (2012b) (20.9%) in the context of mandatory financial disclosure in Indonesian local governments. Most variance in MDI (21.3%) is explained by TYPEMF, while AUDCOM and invFISCSTR both explain small amounts of variance in MDI at 7.5% and 5.2% respectively.

Table 6.13: Strength of Effect (MDI)

Dependent Variable: Mandatory Disclosure Index

Source	F	Sig.	Partial Eta^2
Corrected Model	7.316	.000*	.407
Intercept	175.539	.000*	.646
TYPEMF	3.722	.001*	.213
AUDCOM	7.759	.006*	.075
invFISCSTR	5.263	.024**	.052
R^2			.407
Adjusted R^2			.351

*Significant at 1% level, **Significant at 5% level

Two types of MFSB (banking and finance, and socio-economy) are significantly higher in their mean DI than the MFSB in the education, research and development category by 11.725 ($p<0.001$) and 12.223 ($p<0.001$) unit respectively (refer to Table 6.14). Additionally, MFSB that have audit committees have significantly higher ($p<0.01$) mean DI than those that do not have audit committees. Regarding invFISCSTR, the results show that with every unit increase in invFISCSTR, there will be a 17.936 unit increase in the MDI.

Table 6.14: Parameter Estimates (MDI)

Dependent Variable: Mandatory Disclosure Index

Parameter	Levels	Coefficient	Std. Error	Sig.	Partial Eta^2
Intercept		56.069	4.705	.000*	.597
[TYPEMF=1]	Transportation	6.634	3.634	.071	.034
[TYPEMF=2]	Area/regional development	5.063	3.142	.110	.026
[TYPEMF=3]	Banking and Finance	11.725	3.388	.001*	.111
[TYPEMF=4]	Regulatory	4.681	2.579	.073	.033
[TYPEMF=5]	Foundation and Scholarship	-3.808	3.883	.329	.010
[TYPEMF=6]	Socio-economy	12.223	3.432	.001*	.117
[TYPEMF=7]	Others	.695	2.846	.808	.001
[TYPEMF=8]	Education, Research & Development	0[a]	.	.	.
[AUDCOM=0]	Do not have audit committee	-6.212	2.230	.006*	.075
[AUDCOM=1]	Have audit committee	[a]	.	.	.
invFISCSTR		17.936	7.818	.024**	.052

a.This parameter is set to zero because it is redundant.
*Significant at 1% level, **Significant at 5% level

Additionally, the coefficients of the insignificant variables are show in Table 6.15. It was found that all the insignificant variables for MDI (logBODSIZE, BODCOM and logSIZEMF) act in the similar direction as expected for DI.

Table 6.15: Coefficients of Insignificant Variables (MDI)

Dependent Variable: Mandatory Disclosure Index

Covariates	Pred.Sign	STEP 1		STEP 2		STEP 3	
		B	Sig.	B	Sig.	B	Sig.
logBODSIZE	-	.964	.876				
[BODCOM=0]	+	-1.584	.501	-1.571	.502		
[BODCOM=1]	(0<1)	0[a.]		0[a.]			
logSIZEMF	+	.906	.419	.889	.423	1.121	.287

a. This parameter is set to zero because it is redundant.

The next section discusses the regression results for the Voluntary Disclosure Index.

6.5.2 Regression on Voluntary Disclosure Index (VDI)

The initial run of the regression model resulted in two significant variables for predicting the Voluntary Disclosure Index (VDI) (refer to Table 6.16). Upon removing the insignificant variables one at a time, three key predictors were found to influence VDI, namely TYPEMF ($p<0.001$), BODCOM ($p<0.05$) and AUDCOM ($p<0.01$). This result is similar to that found in the earlier model predicting DI.

Table 6.16: Summary of Regression Results (VDI)

Dependent Variable: Voluntary Disclosure Index

	Variables	STEP 1	STEP2	STEP3	STEP4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.000*	.000*	.000*	.000*
H_2	BODCOM	.135	.082***	.047**	.043**
H_3	logBODSIZE	.070	.061***	.091[a]	
H_4	AUDCOM	.008*	.008*	.008*	.008*
H_5	invFISCSTR	.366	.265[a]		
	logSIZEMF	.612[a]			
	Adjusted R^2	.385	.390	.388	.376

a. Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

The model of TYPEMF, BODCOM and AUDCOM significantly predicts VDI, $F(10) = 7.663$, $p<0.001$ (refer to Table 6.17). The model predicts 37.6% of the variance in VDI and is consistent with the adjusted R^2 as found by Serrano-Cinca et al. (2009) (32.8%) on voluntary internet financial reporting. The variable TYPEMF explains the highest proportion (27.3%). This is then followed by AUDCOM and BODCOM at 7.2% and 4.2% respectively.

Table 6.17: Strength of Effect (VDI)

Dependent Variable: Voluntary Disclosure Index

Source	F	Sig.	Partial Eta2
Corrected Model	8.030	.000*	.429
Intercept	1379.064	.000*	.935
TYPEMF		.000*	.273
BODCOM		.043**	.042
AUDCOM		.008*	.072
R^2			.429
Adjusted R^2			.376

*Significant at 1% level, **Significant at 5% level

Two types of MFSB are significantly lower in their mean VDI than the education, research and development group (refer to Table 6.18). MFSB categorized under transportation and foundation and scholarship is lower by 12.095 ($p<0.001$) and 8.466 units ($p<0.01$) in their mean VDI than those in the education, research and development group. Additionally, MFSB having at least one internal director in the board and MFSB having audit committee in their organisation is significantly higher in their mean VDI than those without a director and without an audit committee by 3.445 ($p<0.05$) and 4.738 units ($p<0.01$) respectively.

Table 6.18: Parameter Estimates (VDI)

Dependent Variable: Voluntary Disclosure Index

Parameter	Levels	Coefficient	Std. Error	Sig.	Partial Eta^2
Intercept		41.801	1.860	.000*	.840
[TYPEMF=1]	Transportation	-11.464	2.905	.000*	.140
[TYPEMF=2]	Area/regional development	2.898	2.552	.259	.013
[TYPEMF=3]	Banking and Finance	4.381	2.636	.100	.028
[TYPEMF=4]	Regulatory	-3.953	2.061	.058	.037
[TYPEMF=5]	Foundation and Scholarship	-8.444	3.190	.010*	.068
[TYPEMF=6]	Socio-economy	3.784	2.730	.169	.020
[TYPEMF=7]	Others	-3.353	2.346	.156	.021
[TYPEMF=8]	Education, Research & Development	0[a]	.	.	.
[BOD=0]	Do not have internal director in board	-3.541	1.726	.043**	.042
[BOD=1]	Have at least 1 internal director in board	0[a]	.	.	.
[AUDCOM=0]	Do not have audit committee	-4.843	1.774	.008*	.072
[AUDCOM=1]	Have audit committee	0[b]	.	.	.

a.This parameter is set to zero because it is redundant.
*Significant at 1% level, **Significant at 5% level

Table 6.19 shows the coefficients of the insignificant variables in explaining VDI (logBODSIZE, invFISCTR and logSIZEMF) act in the similar direction as expected for DI.

Table 6.19: Coeffiecients of Insignificant Variables (VDI)

Dependent Variable: Voluntary Disclosure Index

Covariates	Pred.Sign	STEP 1		STEP 2		STEP 3	
		B	Sig.	B	Sig.	B	Sig.
logBODSIZE	-	-8.815	.070	-9.049	.061	-8.006	.091
invFISCSTR	+	6.108	.366	7.152	.265		
logSIZEMF	+	.445	.612				

b. This parameter is set to zero because it is redundant.

6.6 Discussion on Variables

Out of the five variables tested, two (TYPEMF and AUDCOM) remain as key predictors in all three models (DI, MDI and VDI) (refer to Table 6.20) whereas BODCOM is useful to predict DI and VDI. The variable invFISCSTR, on the other hand is useful to predict MDI only. The variable logSIZEMF is not helpful in explaining any of the models. The next section provides further discussion on each of these variables in relation to the hypotheses and the results found.

Table 6.20: Summary of Key Predictors in Regression Model

Variables	DI		MDI		VDI	
	Sig.	Partial Eta^2	Sig.	Partial Eta^2	Sig.	Partial Eta^2
TYPEMF	.000*	.252	.001*	.213	.000*	.273
BODCOM	.041**	.043			.043**	.042
logBODSIZE						
AUDCOM	.002*	.098	.006*	.075	.008*	.072
invFISCSTR			.024**	.052		
logSIZEMF						

*Significant at 1% level, **Significant at 5% level

6.6.1 Type of MFSB

The type of MFSB is found to be the main determinant for the extent of disclosure of accountability information in the annual report of MFSB (refer to Section 6.3.1). Fourteen out of 28 possible pairs of the eight types of MFSB are found to be significantly different from each other (refer to Section 6.3.2). Therefore, H_1 is supported (refer to Section 6.4). It should be noted also that the type of MFSB is also a significant predictor in determining the extent of disclosure for both the mandatory and voluntary items (refer to Section 6.5.1 and 6.5.2 respectively).

This results is consistent with results found in the context of local authorities. Such studies categorised local authorities in several ways including: (i) the types of activities performed (categorised into province or municipalities) (e.g. Marcuccio & Steccolini, 2009) - which is the most directly related to the present study, (ii) administrative structure (categorised into mayor versus manager-governed) (e.g. Giroux, 1989; Ingram & DeJong, 1987; Robbins & Austin, 1986), and (iii) voters' impact (categorised into district versus regional/city categories) (e.g. Laswad et al., 2005). It is however not consistent with a study by Joseph (2010b) who found the type of Malaysian local authorities (district-municipal-city councils) is not a significant predictor of sustainability reporting on the website. It needs to be cautioned however that the above findings by other studies are not directly comparable to the current study's findings due to the different settings, disclosure aspect and disclosure medium being studied, among others.

The results found in this study suggest the usefulness of institutional theory particularly the normative isomorphism in explaining the level of disclosure. As explained earlier (refer to Section 4.6.1), based on the normative isomorphism, disclosure level is associated with the types of MFSB as MFSB of similar types tend to imitate others within their category particularly those perceived as having superior model of reporting. Similar expression was made by interviewee during the interview in Phase 2 (refer to Section 7.3.4.3). The homogeneity within similar type of MFSB is also possible as a result of undergoing relatively similar professional trainings and activities due to their similar nature of business.

6.6.2 Board Size

As discussed in Section 4.6.2, it is expected that board size will have a negative relationship with the extent of disclosure of accountability information. However, the findings shows that the board size has no relationship with the disclosure level (refer to Section 6.3.1). There is a weak negative relationship between board size and the extent of disclosure as the results show a negative and insignificant coefficient. Hence, there is insufficient evidence to support that MFSB with less members on the governing board disclose more information than MFSB with more members. H_2 is thus not supported (refer to Section 6.4). Additionally, board size is not a significant predictor of mandatory as well as voluntary disclosure index scores (refer to Section 6.5.1 and 6.5.2).

These findings are consistent with that of Gordon et al. (2002) who found no significant negative relationship between board size and financial disclosure in the context of US higher educational institutions. One possible explanation for the findings of this study is that a few board member(s) in any particular MFSB who are relatively influential could substantially change disclosure expectations as explained by Gordon et al. (2002), resulting in the board size becoming an insignificant variable in this study. These findings are supported by the interview in Phase 2. MFSB has pointed out that board's commitment to transparency and board members representing industry are among the reasons for disclosure of accountability information (refer to Section 7.3.5.3). This implies that it is not the number of members on the governing board that matters but rather their commitment and whether they comprise of industry members.

Most private sector studies found board size to be a predictor of disclosure, whether positively (e.g. Adawi & Rwegasira, 2011; Al-Akra et al., 2010) or negatively (e.g. Cerbioni & Parbonetti, 2007) related. The difference in the findings in this study and those found in private sector studies could be partly due to the different nature of the governing board in the two contexts, as explained by interviewees in Phase 2 (refer to Section 7.4.2.5).

Overall, the results suggest that the coercive and mimetic isomorphism may not be suitable to predict the relationship between board size and disclosure level. The findings do not appear to support the argument based on the informal coercive isomorphism and mimetic isomorphism (refer to Section 4.6.2) that MFSB with greater board size are less likely to provide more accountability information because they have greater tendency to feel contented with their adoption of the formal governance structure from the private sector. There appears to be no significant difference of disclosure level between MFSB of greater and smaller board size.

6.6.3 Board Composition

Board composition was a significant variable influencing the extent of disclosure (refer to Section 6.3.1). Specifically, the results show that MFSB with a board composed of both internal and external directors will show greater levels of disclosure compared to MFSB with boards comprising of only external directors. Therefore, H_3 is supported (refer to Section 6.4). This result is consistent with those found by Adawi & Rwegasira (2011).

The influence of internal directors on increasing disclosure levels is also supported by the interview findings from Phase 2 of the study (refer to Section 7.3.5.2) where it was expressed that top management, particularly the Chief Executives, play important roles in shaping the reporting outcome including the reporting of accountability information. Top management act as the only internal director on the governing board in more than two-thirds of MFSB (refer to Table 6.4 of Section 6.2.2).

The results appear to support the usefulness of institutional theory in predicting and explaining the association between board composition and disclosure level, particularly using the coercive isomorphism concept as discussed earlier in Section 4.6.3. Based on coercive isomorphism, MFSB with at least one internal director on the board show higher levels of disclosure than those without an internal board member as the internal director is more likely to feel obliged and persuaded to respond to any formal or informal pressures and expectations to obtain legitimacy as they are more likely to be subjected to greater responsibility and scrutiny.

A close examination of the findings suggests that the board composition is also a significant predictor in determining the extent of disclosure for the voluntary index but not the mandatory index (refer to Section 6.5.2 and 6.5.1 respectively). A possible reason for this is that the internal director is more concerned with the pressures by stakeholders (the informal coercive isomorphism), and are less concerned with complying with external guidelines (the formal coercive isomorphism). This suggests that the informal coercive isomorphism is a suitable concept to explain the relationship between board composition and voluntary disclosure (refer to Section 4.6.3). At the same time, this is also consistent with the public accountability paradigm where internal directors address the stakeholders' concern by reporting more accountability information.

6.6.4 The Existence of an Audit Committee

The existence of an audit commmittee was the second most significant predictor of disclosure in this thesis, after the type of MFSB (refer to Section 6.3.1). However, the coefficient shows a positive relationship between the existence of audit committees and disclosure level whereas the expectation was otherwise, i.e. negative relationship, as discussed in Section 4.6.4. As such, H_4 which argues that the existence of audit committee is significantly associated to lesser extents of disclosure is not supported (refer to Section 6.4). Additionally, for both mandatory and voluntary disclosure, similar results were found (i.e. significant positive relationship) (refer to Section 6.5.1 and 6.5.2).

This finding is consistent with what has been largely found in the private sector setting (e.g. Barako et al., 2006; Ho & Wong, 2001). The consistent result suggests that the audit committee in MFSB play the same role as their counterparts in the private sector particularly in overseeing the organisation's reporting (Mohiuddin & Karbhari, 2010) resulting in enhanced disclosure levels. The significance of the role of an MFSB audit committee in setting the direction for the accountability reporting is also supported by the interview findings in Phase 2 of the study where the preparer would implement what has been decided by the audit committee in their meeting with regards to accountability reporting (refer to Section 7.3.5.3).

The result is however not consistent with the concept of coercive and mimetic isomorphism which was elaborated earlier (refer to Section 4.6.4), and as such the association between the existence of audit committee and disclosure level in MFSB may not be explained using the institutional theory. This suggests that the establishment of an audit committee in MFSB may not be merely due to the legitimacy-seeking behaviour nor simply to gain a positive image value as argued earlier using the institutional theory. Rather, the audit committee in MFSB plays an important role similar to their counterpart in the private sector given that the results found are consistent with those found in the private sector. This finding is quite encouraging and may be a reason for regulators to encourage or instruct the establishment of an audit committee for all MFSB and other public sector organisations (refer to Chapter 8).

6.6.5 Fiscal Stress

Fiscal stress was an insignificant variable in explaining the extent of disclosure (refer to Section 6.3.1). There appears to be a weak positive relationship between fiscal stress and extent of disclosure, and as such H_5 is not supported (refer to Section 6.4). This result is consistent with that found by Smith (2004) and Perez et al. (2008). A possible explanation for the weak relationship is that fiscal stress can act both ways (positive and negative) in its relationship with disclosure, as suggested by Smith (2001).

A negative relationship may be observed in the following cases. When MFSB face resource scarcity, they are able to conduct only a limited number of existing or new programs. Reporting of accountability information may be one of the programs which need to be sacrificed in this case; the more fiscal stress it has (more scarce resources), the less disclosure is practiced. This situation wherein budget constraints is one of the contributing factors towards less disclosure is found to exist in MFSB as expressed by interviewees in Phase 2 of the study (refer to Section 7.4.5.1). This argument is referred to by Smith (2001) as an incremental view adopted from the incremental budgeting literature. The second case of negative relationship is adopted from the reporting timeliness literature (e.g. Dwyer & Wilson, 1989), which argued that an organisation with less fiscal stress (good news) report sooner than those with more stress (bad news). This argument may be transfered to the level of disclosure hence the less stress, the more disclosure is practiced.

On the other hand, a positive relationship may also occur between fiscal stress and disclosure level as earlier discussed in Section 4.6.5 using the institutional theory. An additional explanation is that when reporting is seen as an innovation tool which may enhance efficiency, MFSB with more stress will be more likely to report more to assist them in enhancing their efficiency (Smith, 2001). Another alternative explanation of the positive relationship is that MFSB with higher stress levels are more desperate to get additional resources from the government or other stakeholders and are therefore more likely to portray themselves as capable of handling the existing resources efficiently and effectively. This explains higher disclosure levels in higher stress MFSB. Based on the interview in Phase 2, the need for further funding was stated as one reason for disclosure but this expression was made by one MFSB that has no fiscal stress (refer to Section 7.3.2.2). This perhaps explains why there is no significant relationship between fiscal stress and disclosure level as found in this study.

It should be noted that a significant positive relationship was found between fiscal stress and the mandatory disclosure index. As such, we may say that the positive relationship discussed above and those based on the concept of coercive isomorphism under the institutional theory appear to be more obvious in the case when accountability information items are mandated on MFSB (refer to Section 4.6.5).

6.6.6 The Size of MFSB

Surprisingly the size of MFSB does not help in explaining the extent of disclosure. There is a weak positive relationship between the size of MFSB and disclosure level. This results is quite unexpected as most studies on disclosure in both the public (e.g. Tagesson et al., 2011; Taylor & Rosair, 2000) or private sector (e.g. Petty & Cuganesan, 2005) commonly found size as being a significant predictor. Nevertheless, the findings found in this present study is consistent with findings by Allen & Sanders (1994), Dixon et al. (1991), Marcuccio & Steccolini (2009) and Laswad et al. (2005). A possible explanation for the surprising results is offered by Christiaens (1999) whereby he stated that the concept of size covers at the same time two diverging factors; one is the positive and the other is negative (see Christiaens, 1999, for more details) and hence may work both ways (i.e. positive and negative relationship with disclosure level).

6.7 Robustness Check or Sensitivity Analysis

Several additional tests were undertaken to check on the robustness of the findings of the study. The test is conducted either by using alternative proxies for the independent and control variables or by removing the outliers identified in the initial results. Table 6.21 below lists the tests conducted for the robustness check.

Table 6.21: List of Robustness Check

Variable	Approach to Robustness Check
BODSIZE	remove outliers
FISCSTR	use different constant
FISCSTR	measure categorically; deficit (0)/surplus (1)
SIZEMF	measure using the $\log_{10}$ of total revenue

The first robustness check, which is consistent with Mohamed (2009), involves rerunning the regression while excluding five observations which was identified in the BODSIZE boxplots as outliers (refer to Figure 4.5(b), Appendix 4_4). This involves observations with 19, 20, 22, 28, and 31 board members. The results for both the specific variable (BODSIZE) and the overall model remained unchanged where BODSIZE remain as insignificant variable and the key predictors remain TYPEMF, BODCOM and AUDCOM (refer Table 6.22, Appendix 6_2).

The robustness check also involves recomputing invFISCSTR with different constants, namely 1.98, 2.0, 2.2 and 2.4. This approach to sensitivity analysis is suggested by Garson (2012b) to note the effects which might change conclusions due to arbitrarily choosing a constant to be added to a variable prior to transformation. When the constant added is 1.98 and 2.0, the results show similar findings as were found earlier where only three variables are significant while invFISCSTR is not significant in determining DI (refer Table 6.23 and 6.24, Appendix 6_2). However, when the constant 2.2 and 2.4 are used, the invFISCSTR become significant at p-value of 0.41 and 0.35 respectively (refer Table 6.25 and 6.26, Appendix 6_2), and the variable BODCOM is no longer significant. This implies that the higher the constant chosen, the more significant the variable will become, suggesting that researchers should carefully choose the constant based on some theoretical reason as this may easily affect the significance level of the transformed variable. In this thesis, it is argued that choosing 1.97 as the constant (as in the original model) is justified theoretically, that is to remove zeros and negatives from dataset because log of zero is undefined and to make the smallest value of fiscal stress reach at least a value of 1 as emphasized by Tabachnick & Fidell (2001) and Field (2009).

Due to the sensitivity of invFISCSTR in measuring the fiscal stress of MFSB, the thesis checks the robustness of the variable using a categorical measure that is based on whether an MFSB is having a surplus or deficit in its income statement. A value of MFSB having surplus is assigned '1' while those having deficit is assigned a '0'. No change is observed from the main results (refer to Table 6.27, Appendix 6_2).

The final robustness check involves replacing the measurement of SIZEMF from the $\log_{10}$ of total assets to the $\log_{10}$ of revenue. The results reinforced the results obtained earlier (refer to Table 6.28, Appendix 6_2).

6.8 Summary

This chapter discussed the results for RQ2 that concerns the variables possibly associated with the disclosure of accountability information. It began with the descriptive statistics of all the variables included in the study which involves three covariates (board size, fiscal stress, size of MFSB) and three factors (type of MFSB, board composition and the existence of audit committee). In addition, the results of the full and the step by step regression model were presented. The final model shows that the proportion of explained variance as measured by the adjusted R^2 (and partial eta^2) for the regression equation is 0.409 resulting in a moderate level of the model's strength. Three variables, namely the type of MFSB, board composition and the existence of audit committee were significant predictors of disclosure extent.

The hypotheses were revisited to determine whether the results supported the hypotheses. Two (H_1 and H_3) out of the five hypotheses tested were supported. It was therefore concluded that 'there is an association between the extent of disclosure of accountability information and the type of MFSB'. Furthermore, it was concluded that 'there is a positive association between the extent of disclosure of accountability information in the annual reports of MFSB and the existence of an internal member on the board'.

Additional regression analyses were then carried out on mandated and voluntary disclosure items. The results of the first until the final regression models were presented. For MDI, three variables, namely the type of MFSB, existence of audit committee and the (inverse of) fiscal stress are significant in predicting disclosure extent based on the adjusted R^2 account for 35.1% of the proportion of variance in MDI. Whereas for VDI, the results were similar to the case of DI in relation to the significant variables, although the adjusted R^2 is lower at 37.6%.

The chapter proceeded with a discussion of the results of each variable tested by linking them with the theoretical perspectives of the thesis and prior studies. The results of the robustness check on the findings were then presented by using alternative proxies for three variables, namely the board size, fiscal stress and size of MFSB. Overall, the results of the robustness check reinforced the earlier results.

CHAPTER 7
REASON FOR DISCLOSURE AND NONDISCLOSURE

7.1 Introduction

As explained in Chapter 4, interviews were used to search for an answer to RQ3, i.e. "*What are the reasons for disclosure and nondisclosure of accountability information in the annual reports of MFSB?*". This chapter presents the findings of the interviews. It begins by describing the participants of the interview in Section 7.2. The chapter proceeds to discuss the reasons for disclosing accountability information in the annual reports in Section 7.3. This is then followed by discussions on the reasons for not disclosing accountability information in Section 7.4. Later, in Section 7.5, the thesis associates the findings of the interview with the theoretical framework of the thesis. The chapter concludes with a summary of the major themes of this chapter.

7.2 Interviewees

A total of thirty-two participants representing twenty MFSB were involved in the interview (refer to Appendix 7_1). While twelve MFSB (60%) were represented by one participant, eight MFSB (40%) were represented by more than one participants; four MFSB (i.e. MFSB4, MFSB13, MFSB7, MFSB56) with two participants, and another four MFSB (i.e. MFSB44, MFSB38, MFSB64, MFSB48) with three participants. Group interviews were conducted for these eight MFSB.

As emphasised in the letter requesting for the interview (refer to Appendix 4_5), all interviewees are either directly or indirectly involved in the preparation of annual reports for their respective organisations. The majority of the interviewees hold managerial posts such as division heads and directors. Several are officers who hold top posts in their respective organisations such as the Director General, Chief Finance

Officer or Bursar. The selection of participants was determined by the respective MFSB and not the researcher.

Participants belonged to various divisions including the corporate, finance, administration, publication and legal division to name a few; with the corporate division representing the highest proportion (37.5% or 12 of 32 participants). The number of years of experience of the participants ranged from 2 to 30 years. There is a good balance between genders in regards to participation with approximately 44 per cent (i.e. 14 of 32) male participants and the remaining; female (56%). For ease of use and confidentiality, the third-person masculine pronoun is used to refer to each and all participants regardless of gender in the discussion of the findings and the quotes or passages taken from the transcripts of the interviews.

7.3 The Reasons for Disclosing Accountability Information in the Annual Reports

To recapitulate, interviewees were asked questions on the motivations/reasons/incentives of disclosing accountability information. At the same time, they were shown their own scores (i.e. 0=do not disclose or 1=disclose) for each of the items in the disclosure index and the average score of all MFSB (refer to Section 4.9.4.1 and Appendix 4_8).

Several steps were involved in the process of data analysis. First, the reasons for disclosure, as provided by participants, were identified and coded. At this point, a total of 53 reasons were identified and coded (refer to Table 7.1). Secondly, similar reasons given by different participants, which were coded, were grouped together into categories. The result of this process is a total of 25 categories of reasons for disclosure (refer to Table 7.1). Combined, these first two steps can be considered consistent with the meaning categorization approach as discussed in Section 4.9.5 where long statements are condensed to simple categories. Following this, the categories were then grouped into themes that emerged from the data. These themes were then given labels that best represent all categories included under them. From this process, a total of six themes emerged, namely (i) nature of data, (ii) implication of reporting, (iii) tradition, (iv) external influence, (v) internal influence, and, (vi) awareness. Table 7.1 below presents the coded reasons for disclosure as offered by MFSB, the specific MFSB mentioning them, the frequencies, the reasons after being grouped into categories, and their respective themes.

Table 7.1: Reasons for Disclosing Accountability Information in the Annual Report

No.	Reasons for Disclosure (Coded)	MFSB mentioning them	Frequencies (No. of MFSB)	Categorised Reasons for Disclosure (No. of MFSB)	Theme (Total occurrence)
1	the issue reported is part of the core business	21,59,56,27	4	1-Data relates to MFSB's core activity (4)	Nature of Data (13)
2	the item/issue relates to organisation strategies	63,38	2	2-Data is part of MFSB's important agenda (6)	
3	the item/issue relates to organisation policy	80	1		
4	the item/issue reported is part of ISO	27	1		
5	the item/issue reported is part of KPI	78	1		
6	the item is part of organisational chart	38	1		
7	impact of the activity to the public/organisation	85,78,57	3	3-Data relates to activity that has impact to society/organisation (3)	
8	implication of reporting, e.g. increased involvement	57	1	4-Positive expectation on the occurrence of a favourable change (1)	Implication of Reporting (13)
9	to attract funding	85	1	5-Positive expectation on the chance to attract future resources (2)	
10	to attract industry attention	80	1		
11	for management and other staff	63	1	6-Positive expectation on the usefulness of the disclosed information for future references (1)	
12	drive staff towards target	44	1	7-Positive expectation on the enhancement of staff competitiveness (3)	
13	keep staff organised	44	1		
14	enhance internal competition	27	1		
15	enhance staff motivation, commitment, achievement	27,13,56,44,63	5	8-Positive expectation on the enhancement of personnel morale and commitment (6)	
16	enhance board members' motivation	13	1		
17	follow previous annual report	27,63	2	9-Continuation of MFSB's own previous reporting practices (2)	Tradition (2)
18	required by circular	13,57,63,64	4	10- Compliance to statutory requirements (7)	External influence/ push (33)
19	reminded by Auditor General to alert on TC4/2007	13	1		
20	ministry's requirement	13, 38	2		
21	guidelines by Bursa Malaysia, Central Bank	44,13	2	11-Adaptation to other external guidelines (3)	
22	guideline by international institutions	44	1		
23	follow others disclosure practice	44,21,27,85,13,57,56,48,44,38	10	12-Adaptation of the reporting practices of others (10)	
24	what society wants to know	85,13,59, 38	4	13-Anticipation of public concerns and interests (4)	

Table 7.1 (continued)

25	public concern / highlighted in Parliament	38	1	14-Response or feedback to public concerns and interest (2)	
26	address customer complaints	85	1		
27	input from ministry	13	1	15-Influence of the ministry and Federal government (5)	
28	government encourage	78,64	2		
29	ministry's annual report format	64	1		
30	emphasized by Prime Minister	64	1		
31	follow parent company practice and their comments	13	1	16-Influence of the parent company (2)	
32	parent company commitment/seriousness	13	1		
33	supplied by division	63	1	17-Information supplied by other divisions to the reporting unit (1)	Internal influence/push (7)
34	management uphold the concept of good governance and transparency	44	1	18-Commitment of management (2)	
35	input from top management	13	1		
36	input from board	13,57	1	19-Influence of board of directors and audit committee (3)	
37	board (culture) which drives for transparency	44	1		
38	input from audit committee	38	1		
39	required by internal financial procedure	13	1	20-Compliance to internal financial procedures (1)	
40	so that clients know what are our pledges to them	13,27	2	21-Enlighten stakeholders on MFSB functions, aims and activities (9)	Awareness (21)
41	to explain to the public what we are trying to achieve	44	1		
42	to let people know our function, and what they can get from our organisation	27,44	2		
43	to avoid confusion by readers, as our business operation is unique and new/rare	44	1		
44	new programme	63	1		
45	so that stakeholders know who's who	27,59	2		
46	to show the strength of our organisation	21	1	22-Demonstrate MFSB strength and commitment (6)	
47	to enhance board reputation	59	1		
48	to show personnel commitment	13,63	2		

Table 7.1 (continued)

49	to build trust and confidence by the stakeholders in the organisation	27,44	2	
50	so that public will know where we are e.g. in terms of KPI	13,27,80	2	23-Provide updates on MFSB achievements (and non-achievements) (2)
51	justify results and non-performance	27,59,21	2	24-Provide justifications (3)
52	Justify expenditures	44	1	
53	to allow better understanding of figures	80	1	25-Improve stakeholders' understanding on MFSB (1)

7.3.1 Theme One: Nature of Data

During the interview MFSB would commonly decide to disclose accountability information when;

(i) the information or data is related to the core activity of the MFSB;
(ii) the information or data is part of an important agenda of the MFSB; and/or
(iii) the information or data is related to activity that has some impact to the society/MFSB.

The above reasons suggest a common theme for reasons underlying the disclosure of accountability information that relates to the nature of the data or information. This theme is labelled in this thesis as the 'nature of data'.

7.3.1.1 Data relates to MFSB's core activity

Four MFSB (20%) highlighted that their accountability information disclosure partly arises from their organisations' important activities. For example, MFSB27 (P6) commented that they reported on environmental protection because it related to the nature of their business or organisation's activities, i.e. dealing with flora and fauna. In another situation, for example, if the MFSB's operation heavily involves the sale of products or services, information related to gross margin would certainly be considered important information required to be reported: "concerning gross margins, we certainly must report it – because that's our business. That's also the reason why we include the profit and loss" (MFSB59, P12).

One MFSB commented that it is important to report such kinds of accountability information so as to ensure stakeholders understand the types of business the MFSB is involved in.

> We report the list of main assets because it's part of our core business activities ... [and] because our business concerns assets. So if people are unaware of our assets, how can people see what are our actual business is, right? (MFSB21, P5)

7.3.1.2 Data is part of MFSB's important agenda

Accountability information is disclosed because the information or the data itself forms part of an important agenda of the organisation is the next reason emerging from the 'nature of data' theme. Six MFSB (30%) mentioned this as their reason for disclosure. For example, in one MFSB, their most recent policy is to make their organisation a sustainable organisation. Hence, programs and activities that relate to this new initiative - such as environmental conservation efforts - become an important part of the overall sustainability agenda and hence information on this is to be reported in their annual report. The following quote further explains the situation.

> We have it [i.e. issues on environmental] because we have made it a policy that our campus is a 'sustainable campus' meaning that the efforts exhausted towards this end are included in the annual report. In fact, it is also part of our agenda that any new development around campus will be incorporated into the campus' policy of sustainability. For example to reduce energy usage, how to synergise with the environment and whatnot ... we have also carried out the recycling programme. (MFSB80, P17)

Apart from being reported because it is related to an organisation's policy, accountability information is also reported if it is related to an organisation's key performance indicators (KPI) (MFSB78, P18), ISO (MFSB27, P6) or the strategy of the MFSB (MFSB63, P16). In this regard, the following response ensued: "... because inside here [i.e. in the client charter] we include all *MFSB63* strategies. So [that's why] we think the client charter is needed" (MFSB63, P16).

Another respondent highlighted that if any information or unit presented "in the organisation chart, there must be a report about it in the annual report" as these units exist in the organisation chart and reflect the importance attached to it by the organisation (MFSB38, P19). Examples given by them include risk management and internal audit unit. Accordingly, related reports or information such as that pertaining to internal control must be made available in the annual report. Given that there is a low disclosure level on internal control as found in Phase 1 of the study (refer to Section 5.4.2), this may suggest that not many MFSB regard internal control or internal audit as an important agenda.

7.3.1.3 Data relates to activity that has an impact on society/organisation

Three MFSB (15%) stated that accountability information will be reported if it relates to activities which are assessed as having a substantial impact on society or the organisation itself (MFSB85, P7). Accordingly, activities perceived as mundane by the organisation will not be reported. This situation is explained by one MFSB;

> We are a bit more careful when we want to report our achievements because we focus on our main activities that impact on the society. For activities which are too small such as total phone calls answered, [and] total emails answered i.e. the things that have little or no impact on *MFSB78* as a whole – we will not report them. (MFSB78, P18)

The next theme discovered from the interview findings is the 'implication of reporting' and is discussed next.

7.3.2 Theme Two: Implication of Reporting

During the interview, participants also highlighted that accountability information will commonly be decided to be disclosed if by reporting them, MFSB:

- (i) can expect that some favourable change will occur to the society/MFSB;
- (ii) have higher chance to attract future resources into the organisation;
- (iii) can expect that the information disclosed will be useful for future reference;
- (iv) can expect that staff competitiveness will be further enhanced; and/or,
- (v) can expect that morale and commitment of personnel is improved.

The reasons cited above fall under a common theme, which relates to the implications of reporting. The following elaborates each reason.

7.3.2.1 Positive expectation on the occurrence of a favourable change

It was maintained by one MFSB (5%) that accountability information will be reported if by doing so a favourable change or implication is anticipated. An example of the favourable change given is an increase in the level of participation in the organisation's activities among stakeholders;

> One of the aims of the bumiputra [division] is to increase the number of capable bumiputra entrepreneurs. So when they [i.e. the Bumiputra stakeholders] know we have these activities [e.g. sales carnival for Bumiputra product] through our annual report, they will approach us. Whether they are capable of joining or not depends on the criteria we set. (MFSB57, P10)

7.3.2.2 Positive expectation on the chance to attract future resources

Another reason or motivation for reporting accountability information as indicated by two MFSB (10%) during the interview is to attract future resources from external sources. The resources may be in the form of direct financial resources from the government or in terms of business deals from the industry. One participant, who is an employee of a MFSB with no fiscal stress, clarified this situation;

> Yet another matter of which we were informed of during the course [of annual report preparation] is that we have to attract the attention of the minister in order that they can easily read the report and get the point that this organisation needs 'something' [i.e. funding]. (MFSB85, P7)

This finding is somehow consistent with the argument by Likierman (1992, as cited in Coy et al., 2001) that high quality reporting can be used to influence those in power who may deal with the entity. Similar response were also received in Marcuccio & Steccolini's (2005) study where the social and environmental reporting of Italian local authorities is used as a means to obtain funds from the European Union, as it was seen as an opportunity for extra inflow. Nelson et al. (2003) recorded similar findings where increased accountability disclosure in the annual reports of Canadian universities are partly driven by the need to support fundraising including from non-governmental funding sources. Reporting may also be driven by the intention to attract the attention of the industry in order to commercialise MFSB products ultimately leading to increased business to the organisation, such as expressed below:

> That [i.e. staff recognition and awards] is part of our achievements. When we go for international exhibitions related to research, for example, and our staff receive certain awards, it shows that our research is of recognisable quality and the quality has reached a certain stage and thus our product is able to be commercialised - that's the most important factor. So the information [on staff recognition and awards] is included because we are trying to attract the attention of the industry - for the purpose of commercialising our product. (MFSB80, P17)

7.3.2.3 Positive expectation on the usefulness of the disclosed information for future references

The other reason for reporting accountability information is when it is expected to benefit members of the organisation itself, particularly management. Such information is of use as a frame of reference for current and future staff and management. Simultaneously, reporting accountability information indirectly safeguards the information and makes it possible for an organisation's members to learn about the organisation's past through its annual reports. One MFSB commented on this motivation for disclosure;

> ...[We report the information] for the management - for them to take it [i.e. information on list of assets] as a reference. [It is] For internal [use] [i.e. staff] ... it's beneficial to us for example, [for us] to know the current status of our assets. (MFSB63, P16)

7.3.2.4 Positive expectation on the enhancement of staff competitiveness

Reporting accountability information assists organisations in enhancing its staff competitiveness (MFSB27, P6). Three MFSB (15%) indicated this as one of their reasons for accountability disclosure. Reporting accountability information specifically assists in driving the staff towards achieving the organisation's targets and keeps them organised. The following quotation addresses this motivation for reporting;

> It [i.e. publishing KPI] definitely drives us to achieve what we have set out to do. It [i.e. KPI] is all about how you manage your organisation. This is one of the things that definitely drive how we structure our day-to-day operations. We put lots of emphasis on planning and effectively implementing the plan. So that

> keeps us organised and we feel that it's important for us to report such matters. (MFSB44, P15)

This finding is consistent with one of the benefits of accountability reporting as mentioned by Coy et al. (2001) which is for the staff to use the information as part of their on-going progress review.

7.3.2.5 Positive expectation on the enhancement of personnel morale and commitment

It was also expressed during the interview by six MFSB (30%) that staff motivation and commitment effectively serve as reasons motivating the reporting of accountability information. Below are a few examples testifying to this end: "we think the client charter is needed [to be disclosed]. This is to motivate ourselves [as] we will be able to understand [clearly] the actual *MFSB63*'s charter" (MFSB63, P16). Also, "it [i.e. information on staff recognition in chairman statement] is good to have so that staff know they are being appreciated ... [and hence it partly serves] as a motivation for them (MFSB13,P8).

Besides motivation for an organisation's regular staff, reporting is also a means to boost the morale of high-level personnel in the organisation such as board members. Disclosing accountability information is expected to encourage the future commitment of high-level personnel toward achieving an organisation's objectives.

> That issue [i.e. board meeting attendance summary] – I think – is a form of motivation [for them] as well. It may affect [their attendance] for future meetings ... [for example] maybe they'll try to attend [future meetings] .... (MFSB13, P9)

With regards to this, interviewees stated that the relationship between reporting accountability information and improving the commitment of high-level personnel in MFSB can be traced back to the fact that annual reports are read and assessed by people at the ministerial level who are responsible for the appointment of MFSB board members. In MFSB, board appointment is made by the respective ministers upon recommendation by MFSB management. As such, reporting relevant accountability information may contribute to increased awareness of board members concerning their duties in the organisation as it partly determines their positive image in the organisation. This scenario has been explained by an interviewee as follows;

> ... because their appointment is through the Minister of *XY*, so somehow this [i.e. the annual report] has to go to that Ministry. So if you [i.e. the board] do not comply - [for example] if there are four meetings, and you attend just one or two, you know, it would poorly reflect on their image. (MFSB13,P8)

The third theme that emerged from the interview findings is ‘tradition’, as discussed below.

7.3.3 Theme Three: Tradition

Data from the interview revealed that certain accountability information is disclosed in due to it having been previously reported in their organisation’s annual reports. This suggests that the disclosure of accountability information by MFSB is made because a particular MFSB follows certain established practices. This thesis classifies it under a theme labelled ‘tradition’.

7.3.3.1 Continuation of MFSB’s own previous reporting practices

Two MFSB (10%) reported accountability information partly because their previous annual reports have reported the information in the past (MFSB63, P16). Accountability information was present in the previous annual report and so the current report will follow suit assuming that it is the right thing to do and that it is important to report the item. The person/s preparing previous reports however, may have had their own personal interests and motivations for disclosing such information. To simply continue the practice based on it having been previously reported makes the practice somewhat motive free. Arguably, there is a degree of assumption in the merits of reporting accountability information based in this reason: "... [we have that information in our annual report] simply because we have been previously reporting this [i.e. financial management and accounts committee] – so I think it is important" (MFSB27, P6).

7.3.4 Theme Four: External influence / push

Some MFSB responded that they disclose accountability information for the following reasons:

(i) as a compliance to statutory requirements;
(ii) as an adaptation to other external guidelines and practices;
(iii) in anticipation of public concerns or interests;
(iv) as a feedback or in response to public concerns or interests;
(v) due to influence of the Federal government; and/or
(vi) due to influence of parent company.

These factors appear to relate to external influences or push and as such is categorised by this thesis under a common theme labelled 'external influence or push' theme.

7.3.4.1 Compliance to statutory requirements

Several MFSB indicated that their reasons for reporting certain accountability information are simply due to them having to follow or comply with certain external statutory requirements, as was the case of at least seven MFSB (35%). The external requirements include the Treasury circular (TC4/2007) and ministry's requirements. Among their comments are "... [we have the board of directors' attendance summary] because it's among the requirements [of the circular] ..." (MFSB13,P8), "we do it [i.e. report on list of main assets] simply because it is a requirement. Otherwise we are indifferent ..." (MFSB64, P24), and "... [we do it i.e. reporting on program's impact, because] it's the requirement by *Ministry X* ... [under their] policy division. They requested [such information]" (MFSB38, P9). With regards to the reporting of main assets, although it is a requirement under the TC4/2007 to disclose this information, it was observed in Phase 1 of the study as shown in Section 5.4.5 that less than one-quarter of MFSB disclosed it in their report.

With regards to the Treasury circular, it was stated by one MFSB (5%) that the A-G has reminded them officially, through written correspondence, of the need to follow the circular. This is expressed in the following: “the Auditor General sent a letter to us to be aware of circular 4/2007” (MFSB13,P9). Nelson et al.’s (2003) recorded similar findings in the context of Canadian universities where 5.7 per cent of respondents agreed that the increase in accountability disclosure in their annual report is due to the new government regulation. However, the percentage of respondents saying that government regulation is not important is higher (i.e. 26%) suggesting that regulations per se may not be strong enough to ‘persuade’ public sector bodies to disclose more.

7.3.4.2 Adaptation to other external guidelines

Three MFSB (15%) associated their reasons for reporting accountability information to the guidelines on best reporting practices which are provided or meant for others of which they are interested to follow. This includes reporting guidelines issued by regulatory authorities such as the Bursa Malaysia and Bank Negara (the Malaysian Central Bank) on best reporting practices for governance and financial information respectively.

> ... [we refer to] any other publications related to disclosure. [We also look at] some [guidelines on] best [reporting] practice ... for example, [those issued by] the Big Four. In relation to the disclosure of [specific issues such as] corporate governance, [and] CSR – you look at the Bursa [Malaysia]. They have some requirements – [which are meant to serve as] the minimum requirements for public listed companies. Even Bank Negara has its own in terms of financial statements for banks. (MFSB44, P14)

With regards to the reporting of accountability information related to governance, the importance of external guidelines such as the Malaysian Code of Corporate Governance (MCCG) in influencing MFSB reporting practices cannot by understated – at least at the initial stage, as highlighted by the following MFSB: "that issue [i.e. reporting the board attendance] – initially – is because of the corporate governance circular [i.e. Malaysian Code on Corporate Governance]" (MFSB13, P8).

7.3.4.3 Adaptation of the reporting practices of others

Half of the MFSB (10 MFSB) interviewed refer to the annual reports of other organisations and apply similar items in their annual reports. This can be regarded as the most commonly cited reason by the interviewees. The sample report could be from other MFSB, other public sector organisations, other similar organisations in the private sector, or similar international organisations. Examples of MFSB referring to another MFSB report include MFSB21 (refers to MFSB116), MFSB27 (refers to MFSB109) and MFSB13 (refers to MFSB5 and MFSB104). MFSB57, for example, clearly stated that they refer to other MFSB running similar operations; especially those they feel are superior. This is consistent with the result found earlier in Phase 1 (refer to Section 6.6.1) where type of MFSB influences the level of disclosure of accountability information.

There is also a tendency to look at reports of other organisations within the same jurisdiction. For example, MFSB57 looked at the reports of other agencies under the same Ministry while MFSB13 referred to report of another MFSB which is also a subsidiary of their parent companies. Besides that, some MFSB refer to reporting practices of the private sector (e.g. MFSB13, MFSB44). MFSB38 for example mentioned that they referred to PETRONAS reports particularly on CSR issues. The following is an excerpt from one MFSB that revealed its practice of referring to the private sector annual reports particularly that of public listed companies and adapts whatever is relevant to them.

> We take into account the industry practice in regards to corporate disclosure, [for example] from the perspective of the statement of corporate governance, from the practices of listed companies. (MFSB44, P14)

Besides the local publications on reporting practices, international publications have also been referred to by MFSB as benchmarks for their own reports. Selected relevant items are adapted and reported accordingly. For example, MFSB48 revealed that it referred to similar organisations at the global level namely Europe, Britain, America and Japan. Another example of adaptation of international reporting practice was revealed by one MFSB in the following;

> There are some publications from UK, some from Australia, some from US and Canada – [they] have include certain categories of information to be disclosed. Every year we review what is available and we compare [among them and with our own report] for our benchmark[ing purpose] ... [particularly] those that are relevant to us. (MFSB44, P14)

Additionally, MFSB38 shared during the interview that it refers to another public sector organisation (i.e. Institute of Integrity) as the latter has reports that include information on internal audit, internal control, risk management, board meetings and board attendance. Some MFSB also stated that they referred to more than one sample. For example, MFSB85 looked at annual reports of both local and international private sector organisations, which run similar operations.

7.3.4.4 Anticipation of public concerns and interests

Another reason for reporting accountability information is to provide the public or stakeholders with what the MFSB perceived – as information that the public are interested to know. This was indicated as the reason for disclosure by four MFSB

(20%). This finding is consistent with findings by Chatterjee et al. (2012) where infrastructure information is reported by the New Zealand local governments partly because "when people ask that [i.e. on how their money are spent], we [the New Zealand local governments] can show the report or they [i.e. the citizens] can look it up on the website" (p. 20). In the case of MFSB, if it is perceived by MFSB that the public would be most interested to know about performance, information on achievements and performance should be provided or reported in the annual reports: "[we report information on performance] because if people were to ask any questions it would mostly concern performance" (MFSB85, P7). A similar comment on public interest in performance information was made by another interviewee where he expressed that: "… as for annual report, what people are more interested to know is about the performance of the organisation" (MFSB38, P20). These comments may partly explain why the performance information category shows the highest level of mean disclosure as shown in Section 5.4.4.

Information is also disclosed to avoid future queries: "[So] we include these things in the report otherwise we may need to explain later which would be much more difficult" (MFSB59, P12). Another example of opinions concerning this issue is:

> From the stakeholder's perspective, let's say they need to know the financial stability of our organisation; it can be [partly] assessed by looking at which bank [we are using]. [The reason we think why people may be interested to know who our banks are is] because there are some banks where their financial stability - you know, can be questioned. (MFSB13, P8)

7.3.4.5 Response or feedback to public concerns and interest

In certain situations, what the public is interested in or concerned with is clear. For example, based on Parliamentary debates or news highlights, MFSB are able to draw inferences on what matters to the public. Accordingly, the respective MFSB would report such information that addresses those concerns, highlighted by two MFSB (10%) during the interview.

> We do it [i.e. preparing annual report] simply for the sake of providing as much information so that when people read, they get some picture ... [on organisational performance] which is regularly debated in the parliament. So we have to make sure such [performance] information is supplied. (MFSB38, P19)

The above comment highlighted that it is important to publish performance information, as this is among the issues that are raised in Parliamentary debate. This partly explains why the Performance category shows the highest level of disclosure compared to Other category in the index as demonstrated in Section 5.4.4 and 5.4.6.

At times, public concern or interest is inferred based on customer complaints or customer satisfaction surveys:

> When I see those things [i.e. customer complaints], that's the circumstances that allow me to assess whether certain information should be disseminated [i.e. reported] or not. I will tell them [i.e. the board], "this is the information that I am going to include [in the annual report]". (MFSB85, P7)

This reason for disclosure supports the argument by Mussari & Monfardini (2010) that disclosure may serve as a useful tool for organisations to regain lost trust from citizens as a result of prior accountability issues. In the above situation, efforts were made by one officer in charge of annual reports to disclose accountability information based on his experience in the quality assurance division as well as his educational background in quality management. According to him, the nature of this division and his educational background that emphasises on continuous improvement has indirectly shaped his working style in terms of preparing annual reports whereby he has been consistently assessing customer complaints in search of what he considers the concerns of the public and hence should be addressed in the annual report.

> It is because I focus on quality [both in my work and studies]. Because of that, I have committed to many continuous improvement processes. So [that's why] sometimes I also look at complaints – although it's other people who handles [complaints]. (MFSB85,P7)

7.3.4.6 Influence of the ministry and Federal government

Reporting accountability information, according to five MFSB (20%), may also be influenced by the commitment and seriousness of the central or federal government in transparency agenda as in the example of monitoring the annual reporting of MFSB and in providing input on their annual reports by the respective ministries. This is consistent with the study by Nelson et al. (2003) whereby government influence is one reason for increased accountability disclosure in Canadian universities' annual reports. Among the statement made by MFSB in this regard: "we emphasise on CSR because the [federal] government has encouraged that CSR be implemented ... (MFSB78, P18) and "... because there's a lot of inputs from all levels ... even up to the ministry [level]. Over here, we have many who monitor [our annual report]... [including] *Ministry X* ... that's why [we report the items]" (MFSB13,P9).

The fact that public sector report is an output of an administrative communication between the central agencies and the reporting agencies has been captured in a study by Christensen & Skarbaek (2007). According to them, this communication (between the central agencies and the reporting agencies) occurs in hidden locations away from other stakeholders. Similar observation were made by Ingram & DeJong (1987) in the case of the state government's influence on local government reporting where the state influence the disclosure practices of the local political manager in ways other than legislation; instead, the influence is made through the provision of information and assistance by the state to help with local government accounting. Furthermore, it was indicated in the interview that the degree of seriousness at the ministerial level may be due to the degree of emphasis made on a particular issue by the Premier (or Prime Minister). If the ministries focus on the issue and accordingly reported them in their annual reports, MFSB are then obliged to follow suit. This is so given the fact that ministries compile similar information for the annual reports from MFSB under their respective jurisdictions.

> Only when Najib [i.e. the Premier] includes KPI, we also include KPI as well. When Najib prioritises KPI, the ministry also prioritises KPI. In the format [of the ministry], they already include KPI so we have to follow. Our work must follow their format because they are the ones who will compile the report. (MFSB64, P25)

7.3.4.7 Influence of the parent company

The reason for disclosure may also be due to influence from the parent company of the respective MFSB, as mentioned by two MFSB (10%). The former may greatly influence the latter under their purview (i.e. their subsidiaries) to follow their disclosure practices through ‘leading by example’ and at the same time making constructive comments. The following is one remark made regarding the issue; “that matter [i.e. reporting the board attendance] ... [is] because we follow the parent company, that is, *MFSB X*. They have done it and they encouraged us to do so too ...” (MFSB13, P8).

The parent company of an MFSB examines the annual reports of MFSB and makes any necessary changes prior to submitting their reports to Parliament (MFSB, 13, P9). However, a parent company may also indirectly inspire its subsidiaries (MFSB included) to follow their disclosure practices on condition that their top management is committed towards certain disclosure practices. The comment below illustrates how the commitment of the highest ranked personnel in a parent company towards the disclosure of information pertaining to governance has greatly influenced the MFSB to do the same.

> Moreover [why we report many governance information is because], our Tan *Sri Y* – [chairman] from *MFSB X* [which is our parent company] – is very particular about the statement of corporate governance. [For example] If you look at his companies [such as] *Company Z* – all of them include [the statement of corporate governance]. (MFSB13,P8)

7.3.5 Theme Five: Internal influence / push

MFSB have also mentioned that the disclosure of accountability information in their annual reports are due to:

(i) the information is supplied by other divisions to the reporting unit;
(ii) the commitment of management;
(iii) the influence of board of directors; and/or,
(iv) their compliance with the internal financial procedures.

These reasons cited above suggest that disclosure may be made due to some internally driven (internal of the organisation) reasons or motivations. As such, the thesis categorised these reasons under a common theme labelled ‘internal influence or push’. Below are the elaborations of each reason.

7.3.5.1 Information supplied by other divisions to the reporting unit

One reason why accountability information is reported is that when compiling information to be included in the annual report, information is given or supplied by certain divisions in the organisation to the coordinator of the report. In this situation, the coordinator does not make prior decisions or provide strict instructions on what information is to be handed over to him/ her to be included in the report but leaves it to the discretion of the respective divisions to make the final decision. One MFSB (5%) indicated this as their reason for disclosure.

> Ok ... that matter [i.e. number of audit committee meetings] is a report [we received] from [the internal audit] division. So the division supplies this information...[and also] information on *MFSB63* achievements. All such information is from the divisions [and I simply compile them]. (MFSB63, P16)

7.3.5.2 Commitment of management

Two MFSB (10%) reported that their motivation to disclose accountability information is due to the commitment shown by the top management in upholding the concept of good governance and transparency. When top management subscribes to this principle, they will exhaust efforts to fulfil reporting requirements as part of their efforts towards good governance and transparency and as a result will strive to report the necessary accountability information. The following response explains the situation further:

> Because sometimes – if you go back to the [issue of trust], [it is] whether you want to uphold good governance and transparency. And if you subscribe to that, then you want to look at what would be the best disclosure - to be accountable to your mandate, your roles and your responsibility. So in this case, because we [i.e. the top management] already subscribed to it [i.e. upholding good governance and transparency], that's the reason why, on ongoing basis, we'll try as much as possible to meet the information required to be disclosed. (MFSB44,P14)

Apart from that, it was also commented by MFSB13 that inputs from the top management play a role towards reporting certain accountability information. This confirms the findings in Phase 1 as presented in Section 6.6.3 where the existence of internal directors serving on the governing board of MFSB increases the level of disclosure of accountability information in their annual reports. Apart from that, this interview finding is consistent with a study by Nelson et al. (2003) in the context of Canadian universities that increased in accountability disclosure scores due to change in policy or culture as a result of a new president.

7.3.5.3 Influence of the board of directors and audit committee

The board's commitment to transparency was also cited as one factor influencing disclosure (MFSB44,P15) by three MFSB (15%), consistent with the study by Nelson et al. (2003) on Canadian universities' annual reports. Interviewees mentioned that inputs from board members, particularly those representing the industry, have resulted in the reporting of accountability information (MFSB13,P9). On the other hand, board members who are representatives from the public sector are less demanding in terms of disclosure in the annual reports. They include representatives of various relevant government agencies including the ministries and the Treasury. Given their circumstances and positions, they are claimed (by the interviewees) to be well informed of certain information related to a particular MFSB compared to their counterparts in the industry and consequently do not demand as much information to be included in the annual reports of MFSB. The following quotation explains the situation:

> Normally [the board will give inputs during] the first draft – because the first draft is not yet final...so when they [i.e. the board members] read the draft, they will say something like - “we need input on this and that”. So they [i.e. the related division] has to conduct a study. They need to collect additional information. Our board comprises of representatives from the industry and from government. Representatives from government normally don’t have many problems [i.e. don’t require much information to be reported] because they also have the information. [But the] Industry representatives, normally when they read they are a little bit particular (MFSB57, P11).

Audit committee is cited by interviewees as influential in determining the content of annual reports:

> The audit committee - when they have their meeting - do discuss about this too .. they said [for example] “risk management - we do have that, so it means report on risk management must be included in annual report” …so this has been decided in the audit committee meeting .. we at the implementation level will just follow. (MFSB38, P19)

The above quotation partly provides an explanation for the findings in Phase 1 on how the existence of audit committee may increase the level of disclosure of accountability information (refer to Section 6.6.4). Apart from that, it also provides an explanation on why risk management information is largely disclosed as identified in Phase 1 of the study (refer to Section 5.4.2).

7.3.5.4 Compliance with internal financial procedures

One MFSB (5%) indicated that they disclose certain accountability information (e.g. impact of program) because it is required by their internal financial procedures, which were adapted from the TC4/2007. The adaptation mainly removes items that are not relevant to the MFSB as perceived by the board. Below is the MFSB comment on the adaptation: "we have our own financial procedures but it doesn't stray that far from the circular [i.e.TC4/2007]. Normally the board would say - follow [i.e. adapt] whichever is relevant to *MFSB13*" (MFSB13, P9). In this regard, indirect adaptation of TC4/2007 as internal financial procedures positively influence the disclosure of accountability information.

7.3.6 Theme Six: Awareness

MFSB have also responded during the interviews that reporting of accountability information was made in their respective annual reports to;

(i) enlighten stakeholders on MFSB functions, aims and activities;
(ii) demonstrate MFSB strength and commitment;
(iii) provide updates on MFSB achievements and/or non-achievements;
(iv) provide justifications; and/or
(v) improve stakeholders' understanding on MFSB.

These reasons suggest a common theme, which relates to the aim of creating or increasing awareness among stakeholders regarding MFSB. As such, the theme is labelled by the thesis as 'awareness'.

7.3.6.1 Enlighten stakeholders on MFSB functions, aims and activities

One of the most common reasons cited for reporting accountability information is due to it being a means for MFSB to inform or enlighten their stakeholders on MFSB roles and responsibilities as well as what MFSB can offer to their stakeholders (MFSB13, P8). Nine MFSB (45%) indicated this during the interview. In the case of the client charter, for example, MFSB highlighted that this information needed to be disclosed to ensure their stakeholders are aware of their promises, and in turn, what can be demanded or expected of them: “it [i.e. the client charter] is necessary because we would like to inform our stakeholders and customers...[on] our pledges to our customers, and what to expect from us. For us it is crucial to disclose [this information]” (MFSB27, P6).

Similarly, during the interviews it was highlighted that one of the incentives motivating them to report accountability information is to communicate to the public so that the latter is aware and better understands the organisation’s objectives and how the organisation’s activities are directed towards fulfilling these objectives. Nelson et al. (2003) found similar reasons for disclosure where Canadian universities indicated that their increased accountability disclosure was to fulfil the need for better external as well as internal communication among stakeholders, including the donors. This motivation is explained by one MFSB in the following:

> By reporting this [i.e. KPI], we can at least explain to the public, the kind of things we are doing. Secondly, what we are trying to achieve as far as our objectives are concerned and how all these things contribute towards fulfilling our mandate (MFSB44, P14).

In addition, accountability information such as glossaries is important for those MFSB having a rare or unique nature of business operations. For these unique organisations, reporting certain accountability information helps them to communicate and transfer certain knowledge to their stakeholders regarding their unique operations and, as a result, avoids unnecessary confusion. This may explain why disclosure levels for index/glossary was very low as found in Phase 1 of the study as shown in Section 5.4.1. Further, the provision of index/glossary might help stakeholders to have better grasp on their organisation:

> ... [We put in the glossary] because we are a new organisation. [And] The system that we administer - is a new one. People will get confused when they look at the terms so it's much better if the terms are included at the back [of the annual report]. (MFSB44, P15)

Accountability information is also reported to inform readers on the new programmes carried out by the organisation (MFSB63,P16). This is in line with findings by Marcuccio & Steccolini (2005) where social and environmental reporting in Italian local authorities is made to signal to their stakeholders (i.e. external or internal counterparts) that they were involved in important new activities. According to Marcuccio & Steccolini (2005) however, this often happened when the actors who initiated the social and environmental reporting felt that their job was held in low esteem (frustration). In this case, an overview of the programme is first discussed rather than directly discussing the programme's achievements: "in case there is a new programme, we are going to start our report with that programme ... [starting] with its overview and etcetera and not by straight away talking about the achievements related to the programme" (MFSB63, P16).

It is also important to let stakeholders know who is who in the organisation such as who sits on the board or at the top management post. For instance: "hat [i.e. information on board members profile including experience] is necessary so that people know who the board is. [That's why] we include it" (MFSB59, P12).

7.3.6.2 Demonstrate MFSB strength and commitment

Six MFSB (30%) also highlighted that accountability information is reported as a means to show the strength of their organisation and to build trust and confidence in stakeholders towards the organisations: "... [we include the information on workforce planning] to show the strength of our organisation from one year to the other. Otherwise it may appear as if things do not change from [for example] the 16 staff' (MFSB21, P5). Another example is as follows:

> Our stakeholders – in general - are the public. That's the reason why we need to include as much relevant information as possible to reflect that in whatever we do, we are performing our mandate, our roles, [and] responsibility to the best of our knowledge. And [also] to reflect that our vision, mission and values – are upheld. This is reflected through the annual report. It's part and parcel of putting confidence in the public that the corporation is being well-managed and well-governed that in the event of anything happening you can trust this organisation. (MFSB44, P15)

Another way to enhance the organisation's goodwill is by enhancing their board's reputation and by demonstrating the board's commitment towards good business practices. Reputation and commitment are among the motives for reporting accountability information, as indicated by one MFSB: "we have to include something [e.g. the board profile] to enhance their reputations." (MFSB59, P12) and "we have it [i.e. board attendance summary] because - to show the commitment [of the board members]." (MFSB13, P8)

In the above cases, the findings appear to support the argument by Mussari & Monfardini (2010) that public sector reporting is legitimacy-seeking behaviours where public agencies try to highlight to the authorities their potentials as well as the peculiarity of their managerial approach. It is also used as a signal on their higher level of efficiency and socially responsible behaviour. At the same time, these findings are similar to the findings by Marcuccio & Steccolini (2005) where social and environmental reporting in Italian local authorities is partly to search for external visibility. A similar reason was provided by Dirsmith & Lewis (1982) and Dixon et al. (1991) where the purpose of publishing information is to convince stakeholders that the organisation is fit for future action and to gain their positive recognition and support. It also supports the view expressed by Likierman (1992, as cited in Coy et al., 2001), that high quality reporting can serve as a public relation vehicle, that assists public sector organisations to enhance their public image and professionalism. In this regard, Coy et al. (2001, p. 25) had nicely expressed the usefulness of accountability reporting to organisations where "public esteem would be raised by their willingness to submit the institutions to this more open and on-going public scrutiny—"a spotlight upon institutions which are shy of the public's gaze". Both institutional and individual (staff) reputations could be enhanced".

7.3.6.3 Provide updates on MFSB achievements (and non-achievements)

The next reason as stated by two MFSB (10%) for reporting accountability information is to update stakeholders on the achievements of the organisation in terms of meeting financial as well as non-financial targets: "if you [MFSB] show [achievement of KPI], it's better because the public will know where you are, right?" (MFSB13, P8). Another MFSB expressed similar opinion:

> Regarding the financial perspective, we'd like to show our financial status ... we have two main items - one is government grants, the other are our internal sources. To achieve autonomy, they [i.e. the management] have aspired that by 2020 we must generate at least 30% of our internal resources. So [in the annual report], we can show how many per cent we have achieved. [For example] Last year we achieved 20%. Meaning that there's information that is very crucial that we'd like to show to the ministry or government [our achievement status]. (MFSB80, P17)

Besides updating on achievements, interestingly, accountability information is also reported in order to communicate to stakeholders the non-achievements (failure) of certain targets: "we still report if we don't achieve certain target(s). There must be reasons why we don't achieve. So, why must we hide it?" (MFSB27, P6). This opinion is consistent with what has been highlighted by the public agency in Denmark in Christensen & Skaerbaek's (2007) study where some 'inside secrets' such as problem of organisations are revealed in their report especially to gain audience confidence on the truthfulness of the report.

7.3.6.4 Provide justifications

Another reason for reporting accountability information is to provide justifications on certain issues such as expenditure or non-performance of MFSB. Three MFSB (15%) pointed out this as their driving force to report. One example of a justification made by MFSB in relation to their expenditure: "and it [i.e. the KPI] also justifies the kind of expenditures that we spend on a yearly basis [so that's why we report it]" (MFSB44, P14). Additionally, some MFSB, which are not able meet their targets, disclose accountability information such as the information on the amount of grants received for the current year and the previous years to justify to stakeholders that some activities or targets were not achieved due to a lack of financial resources. The following remark is one example of this situation:

> We get less allocation and [therefore] are unable to conduct a larger number of researches. For example, in the end of the Ninth Malaysian Plan, we receives less funding. Then [as a result], we have less research findings. [Nevertheless], we disclose this [because] we have to tell why our activity is limited. It could be in the chairman's report or DG report or activity report. (MFSB27, P6)

Similarly, the response below by one MFSB indicates that accountability information is reported to explain the problems or challenges faced by MFSB in achieving better results. This initiative implies that justifications of non-performance is among the reasons for reporting accountability information.

> If it relates to production we have to include [in the annual report on] our problems. Otherwise people wouldn't know why it [i.e. our production] is reducing. [For example] In plantation, it [i.e. the problem] relates more to farmers and weather factor such as lots of rain (MFSB59, P12).

This finding is consistent with Normanton (1971, as cited in Coy et al. 2001) who argued that to be accountable means to give reasons for, and explanations of, actions taken.

7.3.6.5 Improve stakeholders' understanding on MFSB

One MFSB (5%) identified that the reporting of accountability information is driven by the intention of the preparers to enhance stakeholders' understanding on MFSB. For example, analysis of financial performance is made and shown in the reports because providing figures per se may not give much meaning to the lay readers. This has been highlighted by one MFSB through the following:

> ... because that [i.e. analysis of financial performance] is basically our way or technique to show our [financial] status. If we don't have that, how could we show our [financial status?] ... [because] by just reading the financial statements, [lay] people won't be able to understand [much]. (MFSB80, P17)

This is important as a poorly informed public may make unjustified criticism towards public sector entities as claimed by Likierman (1992, as cited in Coy et al., 2001).

In Section 7.3, it was shown in Table 7.1 that there are 25 categorised reasons for disclosure identified from the interviews. These reasons are derived from the 53 coded reasons. Figure 7.1 above graphically shows that all these reasons can be grouped into six themes namely the 'nature of data', 'implication of reporting', 'tradition', 'external influence', 'internal influence' and 'awareness'. The most common theme is the 'external influence' where the reasons associated with it was mentioned by interviewees 33 times. This is then followed by the 'awareness theme (21 times). The third most common theme is both the 'nature of data' (13 times) and the 'implication of reporting' (13 times) theme. The 'internal influence' is the fourth common theme (7 times) while the 'tradition' theme is the least common theme with only two occurrences.

The most common reason cited is ‘adaptation of the reporting practices of others’ (refer to Section 7.3.4.3) and ‘enlightening stakeholders on MFSB functions, aims and activities’ (refer to Section 7.3.6.1) where 50 and 45 per cent of the MFSB respectively mentioned these reasons as their motivation to disclose accountability information.

7.3.7 Graphical Summary of Reasons for Disclosure

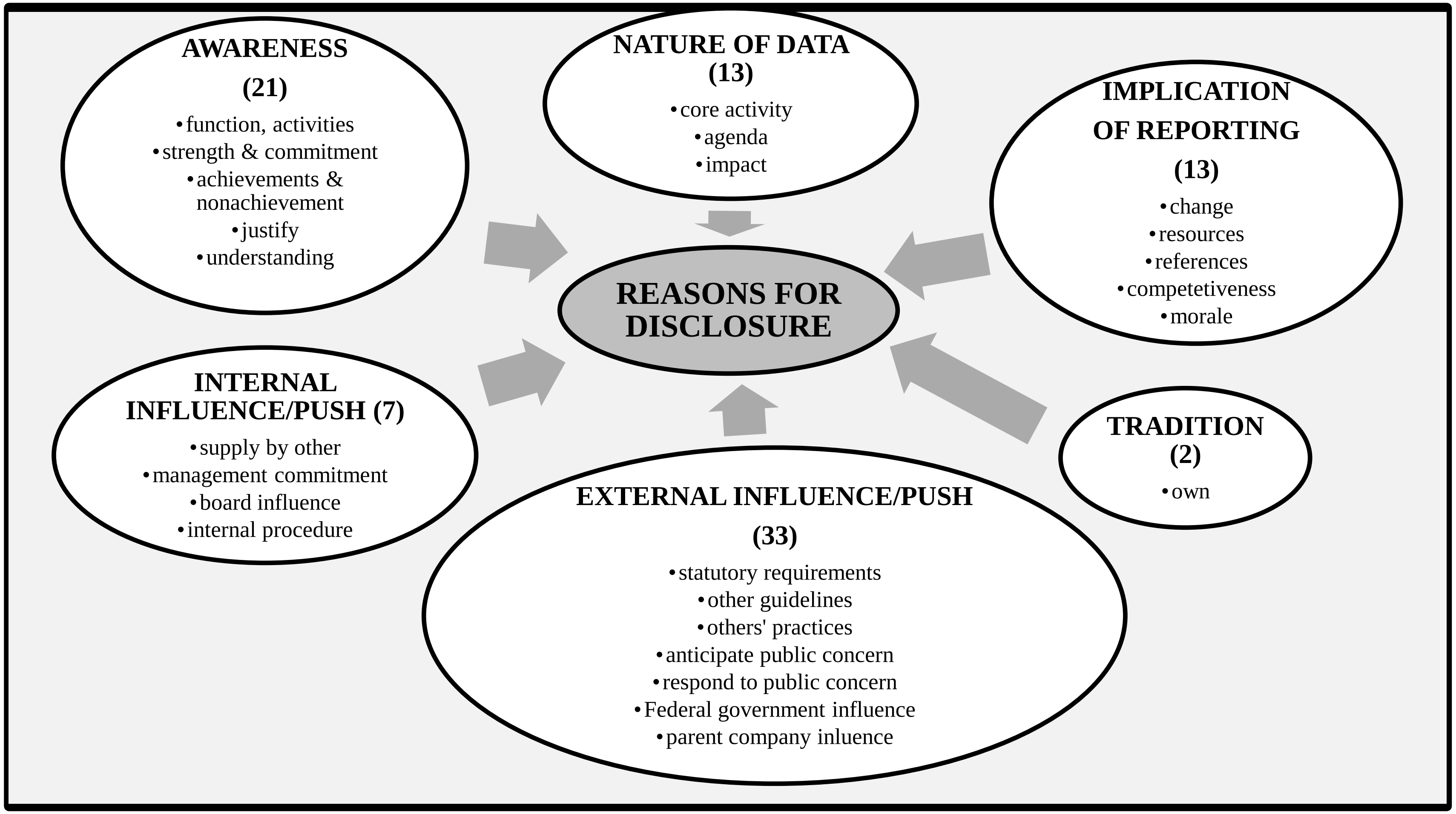

Figure 7.1: Graphical Summary of Reasons for Disclosure

7.4 The Reasons for Not Disclosing Accountability Information in the Annual Reports

In analysing the interview data on the reasons or hindrance for nondisclosure of accountability information in the annual reports, steps similar to those taken in Section 7.3 were undertaken.

From the analysis, a total of 58 reasons were extracted from the interview data (refer to Table 7.2). From there, 21 categories were identified and consequently six themes emerged from the data. The themes are: (i) nature of data, (ii) implication of reporting, (iii) tradition, (iv) demand, (v) resource, and (vi) preparer.

Table 7.2: Reasons for Not Disclosing Accountability Information

No.	Reasons for Nondisclosure (Coded)	MFSB mentioning them	Frequencies (No. of MFSB)	Categorised Reasons for Nondisclosure (No. of MFSB)	Theme (Total occurrence)
1	not important / not significant	4, 21, 85, 59, 44, 109, 64, 47, 48	9	1-Data is not significant to the MFSB or its stakeholders (12)	Nature of Data (34)
2	not the organisation's concern / focus	57, 64	2		
3	not necessary; because internal matters	38	1		
4	not relevant because do not have the item	4, 59, 44, 64, 47, 56, 48, 57,80,109	10	2-Data is irrelevant to the organisation (10)	
5	technical problem	21	1	3-Difficulties in data collection/presentation (9)	
6	lack of data	21, 64, 48,13	4		
7	no exact information	80	1		
8	information keep changing	80	1		
9	no standard information	38	1		
10	difficult to measure	48	1		
11	negative information – keep internal	21, 63, 64	2	4-Data privacy (3)	
12	confidential	57	1		
13	not useful to the organisation; only useful for other parties	59	1	5-Lack of benefit from reporting (13)	Implication of Reporting (27)
14	no difference to the MFSB whether report or not	114, 59	2		
15	redundant: already available (albeit indirectly) in the annual report or available in other mediums such as in memorandum, in another type of report or on website	21, 63, 64, 4, 13, 57, 38,56	7		
16	redundant: already available in others' medium for example supplied by parent company in their annual report or supplied in ministry's website	13, 56	2		
17	simple data is enough, as long as not misleading	109	1		
18	management assessment on implication of reporting	85	1	6-Avoiding 'harm' to operations, finances, and performance (4)	
19	may be harmful to organisation	21, 64	2		
20	avoid loss of customers	21	1		
21	some things are uncontrollable	13, 38	2	7-Avoiding misunderstandings (3)	
22	some things are unavoidable	85	1		

Table 7.2 (continued)

23	do not want to expose the organisation to the public and focus on core business only	59	1	8-Avoiding excessive exposure (4)	
24	small organisation	4, 59	2		
25	have little to offer	21	1		
26	avoid ridicule the board	59	1	9-Avoiding uneasiness among members (3)	
27	to avoid members feeling uncomfortable	80,64	2		
28	following previous practice	21, 47, 85, 19	4	10-Nondisclosure in previous annual reports (4)	Tradition (9)
29	no query from ministerial level, cabinet	4	1	11-No reporting issues raised by authorities (4)	
30	never commented by ministry	85	1		
31	not commented / endorsed by Auditor General	85, 48	2		
32	gain exemption from following circular	44	1	12-Exempted from following Treasury reporting guideline (1)	
33	limited reader / user of the specific information	21	1	13-Lack of users or readers of the information (7)	Demand (11)
34	not public / readers concern	38, 47	2		
35	people already know	85, 56	2		
36	well understood; reporting not necessary	85	1		
37	limited readers of annual report	47	1		
38	not in circular	114	1	14-Not required or requested by coordinator, management or authorities (4)	
39	not requested by management	21	1		
40	not requested by the person coordinating the annual report	64	1		
41	available upon request	109	1		
42	avoid overspending	48	1	15-Financial constraint (3)	Resource (5)
43	consume page and printing cost	38, 48	2		
44	rushing deadline	64	1	16-Time constraint (1)	
45	not relying on government money	4	1	17-Financial independence (1)	
46	lack of authority to get information because has no position in the organisation	21	1	18-Lack of authority/control by coordinators/preparers (11)	Preparer (24)
47	no authority to get information because it's other department's task	19, 21, 85, 63, 38, 94, 64	7		
48	management decide	114	1		
49	do not interfere into chairman message	19	1		
50	beyond MFSB control	38	1		

Table 7.2 (continued)

51	not aware/ don't check the circular	19, 27,94,109	4	19-Lack of awareness and commitment among preparers (6)
52	overlooked / mistakenly left out	48	1	
53	corporate division don't follow the circular	94	1	
54	no collaborative effort among divisions	94	1	20-Lack of collaboration and cooperation among MFSB units (4)
55	no team or committee	85, 94	2	
56	lack of cooperation	21	1	
57	lack of understanding of the item itself	85, 64	2	21-Lack of understanding among preparers (3)
58	implied lack of understanding	56	1	

7.4.1 Theme One: Nature of Data

MFSB mentioned during the interview that among the reasons why certain accountability information is not disclosed is that;

(i) data is not significant to the MFSB or stakeholders;
(ii) data is irrelevant to the organisation;
(iii) difficulties in data collection; and/or
(iv) data privacy.

The above reasons generally relate to the nature of the information itself and as such can be grouped into one common theme, which is labelled 'nature of data'. The following elaborates each reason under this theme.

7.4.1.1 Data is not significant to the MFSB or its stakeholders

Through the interview it was gathered from more than half of the MFSB (12 MFSB or 60%) that it is unnecessary to disclose some of the accountability information because the data is not important or significant to the organisation itself (MFSB4,P1). Accountability information will not be reported if the information is not the concern or focus of that particular organisation (MFSB64,P25). For example, some viewed that the attendance of board members in meetings is not an issue of concern in their organisation as their Act has already taken good care of this provision and therefore disclosure is unnecessary. The following comment was made by one MFSB related to their nondisclosure of the board of directors in board meetings:

> Their [i.e. board members] attendance is conditioned by our Act [where] ... unless the quorum is filled, the meeting may not be conducted. [And] Most of the time, the quorum is filled. Meaning that, every organisation in the board – always makes sure that their representative attends the meeting. So, if it's not the member who came, the alternate member will come. So our concern is – as long as the quorum is filled – [that] should be fine. And just to let you know – if for three consecutive times, an organisation does not attend the board meeting by not sending their representative(s) – we can request for the termination of appointment – [and] that is stated in our Act. (MFSB57, P11

Sometimes, information is not reported simply because it pertains to internal affairs. Reporting such matters externally is seen as unnecessary: "regarding rewards [to staff], we don't include it in the report - because it pertains to internal affairs" (MFSB38, P20).

7.4.1.2 Data is irrelevant to the organisation

Among the reasons for nondisclosure is the lack of relevance of the information to the organisation as argued by 10 MFSB (50%). Some items are irrelevant because the organisation does not possess the item in their organisation as in the example of certain assets or properties. Several organisations, due to their nature, do not own properties. The following comment was made by one MFSB that is not allowed to own properties. As such, any accountability information related to properties is regarded as irrelevant to this organisation and hence results in nondisclosure.

> Our regulation doesn't allow us to buy any properties such as land, [and] buildings. All that we have including farms, plantations and properties – all these are owned by *Company L* – and we [only] manage them. So that's why we do not disclose things related to properties - because they are not ours. (MFSB59, P12)

Another example is in the case of financial ratios, which have a very low disclosure level in MFSB annual reports as presented earlier in Section 5.4.3. There was a response saying that financial ratios such as liquidity ratio are not relevant for MFSB as they are commonly known as a useful analytical tool for the private sector only (MFSB48, P32).

> We are statutory bodies where each of our budget is approved by MOF [i.e. then Ministry of Finance]. They give [money] to us, and that is the amount that we spent. So the whole thing is about spending the money … and not how much profit you get. (MFSB56, P28)

Another MFSB also pointed out the same reason for nondisclosure: "we follow the guidelines – wherever relevant and necessary. Concerning the board of directors, financial assistance, and whatnot – we have none [of that, and that's why we do not disclose them in our report]" (MFSB4, P2). Similarly, in the case of the nondisclosure of the main lawyers of MFSB, it was expressed during the interview that the item is not relevant to the organisation as no external service is acquired from private legal firms. One large MFSB explained that since they have their own legal unit, their lawyers are in fact their internal officers (MFSB109, P23) while another MFSB expressed that any legal matters are handled by the legal unit of their Ministry (MFSB48, P30). In both cases, the information on main lawyers is regarded by the MFSB as irrelevant for disclosure. This partly explains the result found in Phase 1 regarding the lack of disclosure of information on main lawyers (refer to Section 5.4.1).

7.4.1.3 Difficulties in data collection/presentation

Almost half of the MFSB interviewed (9 MFSB or 45%) raised issues related to the difficulty in data collection and presentation including the insufficient availability of data (MFSB21,P5), lack of accuracy in data (MFSB80, P17), constantly changing data (MFSB80, P17), non-standardized data (MFSB38,P20) and technical issues in measuring data (MFSB48,P30). An example of this is the statutory timeliness information. One MFSB (MFSB13, P8) mentioned that their nondisclosure is because they have no exact information about it as the agency submitting the report to the Ministry/Parliament is their parent company. This may partly provide explanation for the lack of disclosure of statutory timeliness as found earlier in Phase 1 (refer to Section 5.4.1). Similarly, in the case of information on staff satisfaction, it was explained by one interviewee that: “it is not reported because the data is not available. No such survey on staff satisfaction was done although it had been done once before” (MFSB64, P24). This partly provides an explanation on the very low disclosure level found on staff satisfaction in Phase 1 earlier (refer to Section 5.4.4).

Another respondent (MFSB38, P20) mentioned that non-standardization or complexity of data is among the reason for their nondisclosure of accountability information. The example given here is on business hours, which is one of the two least disclosed item in the index (refer to Section 5.4.1). According to them, there is no standard operating hours for their business as it varies among branch locations. For example, branches which are located in those states in Malaysia with Fridays and Saturday as their weekend while Sundays is a working day (e.g. Kelantan, Terengganu and Kedah) will have different working hours than the rest, as even their Thursday working hours is less by one hour. In addition, if the office has counters, the office hours and the counter hours may also vary. These issues complicate the presentation and their report may appear cluttered if this information is included.

In Phase 1, we noted the low level of disclosure on efficiency information as shown in Section 5.4.4. One of the reasons given for nondisclosure of performance or efficiency information is due to the difficulties in measuring data as illustrated below:

> ... there are no specific numbers [to be used as a benchmark]. So in what way is efficiency measured? Maybe in one year – there seems to be less activities for example, only 15 activities. But those activities – their 'weight' may be heavy in a sense. [So I felt] Maybe - the quantitativeness issue [to measure efficiency] – needs to be looked into [and deliberated upon to allow efficiency and performance to be carefully measured]. (MFSB21, P30)

A similar observation was made by Christensen & Skaerbaek (2007) where interviewees indicated that preparing public sector annual report in Denmark is a frustrating process due to changes in data as well as measurement difficulties. The example given is that five-year analysis of profit and loss is not possible or appropriate and as such key ratios and unit costs for example keep on changing due to changes in activities as a result of changes in political, financial and professional priorities. It was also expressed that only 30 per cent of their activities can be appropriately measured.

7.4.1.4 Data privacy

The final reason pertaining to the 'nature of data' theme is the issue of privacy or secrecy. This was mentioned as a reason for nondisclosure by three MFSB (15%). It was indicated that negative information such as problems faced by organisations in carrying out their programs or activities are not suitable to be reported in annual reports. Such information should be treated as internal information and accordingly should be kept and addressed only internally (MFSB21,P5). As a result, sensitive information such as staff satisfaction is not reported (MFSB64,P25). According to MFSB64, their organisation is yet to be as 'strong' as those organisations reporting their staff satisfaction information in facing the consequences of reporting should there be low level of staff satisfaction as will be later discussed in Section 7.4.2.5. Annual reports, according to a few MFSB, should be used to highlight achievements and not problems. The following response illustrates their view:

> For us, we don't have to show to external people the problems we are having - simply because it's not suitable. When people look at annual reports, they want to know about achievements only. So we don't have to tell our problems and whatnot. [At least] That's what we thought. Because problems is for *MFSB63* [i.e. internal], whatever it is, we will solve it internally. [In fact] I think even other agencies don't disclose their problems. (MFSB63, P16)

Another issue arises from the confidentiality of the information (MFSB57,P10). MFSB considers compensation or remuneration of senior management, for example, is confidential data and is therefore not disclosed.

7.4.2 Theme Two: Implication of Reporting

According to several MFSB, sometimes accountability information is not disclosed in their annual reports because MFSB;

(i) do not find any benefit from the reporting of the information;
(ii) want to avoid 'harm' to their operations, finances and performance;
(iii) want to avoid misunderstandings;
(iv) want to avoid excessive exposure; and

(v) want to avoid uneasiness among members.

The above reasons appear to focus on post-event issues. As such, the thesis grouped them under a common theme named the ‘implication of reporting’ theme.

7.4.2.1 Lack of benefit from reporting

More than two-thirds of the MFSB interviewed (i.e. 13 MFSB or 65%) explained that their reason for not reporting accountability information partly arises from the lack of benefit of reporting certain information to their organisations. In some cases, reporting the item either does not make any difference to the organisation (MFSB114,P4), or it only benefits other parties (MFSB59,P12). In this case, the organisation will choose not to disclose that particular information. The following comment illustrates how the decision of nondisclosure is influenced by the fact that the information does not benefit the reporting MFSB but rather other parties: “to us – even if we disclose [information on external auditor] – it’s more like marketing to the external auditor – so we thought that it’s not very relevant information to be included in the annual report” (MFSB59, P12).

In addition, according to the interviewees, nondisclosure of certain information is because there already exists sufficient information which makes disclosing such information redundant (MFSB21,P5). The same information is already available albeit indirectly. Sometimes, accountability information is already available elsewhere in other medium(s) of reporting such as in memorandums to the ministry (MFSB13,P9) or in the organisation’s website (MFSB57,P10). For example, information on business hours (ADIS8) is already available on the MFSB website and therefore is not useful to be reported in annual reports (MFSB38, P20). This explains why business hours is among the least disclosed item of the index as presented earlier in Section 5.4.1. Other times it is available in the reports of other related organisations as in the case whereby the information has already been supplied by the parent company in their annual report (MFSB13,P9) or in the relevant ministry's website (MFSB56,P28). The following comment is an example of nondisclosure due to the availability of similar information in other organisational mediums:

> Actually, we have another report...FMP [i.e. Financial Management and Planning Committee] report. It's an internal report for board members. [This report is] Sufficient, because that [i.e. the board] is the highest in *MFSB57*. And further, because that report is also viewed by the ministry. (MFSB57, P10)

In addition, one MFSB expressed the view that there is no use reporting too much information in the annual report. The MFSB maintains that as long as it is not meant to mislead the readers, not showing or disclosing certain information or analysis is a non-issue. Below is the response of the concerned MFSB made in relation to their nondisclosure of comparative financial analysis;

> Some of them [i.e. the figures of previous years], we actually have. The only thing is that – we didn't disclose the analysis. But to us, [this is just fine as long as] it's not something that's misleading; except that you [read: we] don't have [read: show] the comparison. [And it's] Not [presented] in a way that [i.e. we] misleads the public. (MFSB109, P23)

7.4.2.2 Avoiding 'harm' to operations, finances and performance

The next reason that falls under this 'implication of reporting' theme is to avoid potential harm to an organisation's operations and performance. This was indicated during the interview by 4 MFSB (20%). Based on data collected from interviews, management's assessment on the implications of reporting certain information plays a role on the decision to include or exclude that particular information (MFSB85,P7). If the assessment shows that reporting a particular piece of information would harm the organisation, the MFSB would choose not to report the information. This is consistent with the argument by Lee & Fisher (2004) that potential loss of competitive advantage may lead to reduce the level of disclosure. Potential harm or loss of competitive advantage may include loosing potential business partners or customers (MFSB21,P5), the organisation being taken over by other parties or negative impact on future funding (MFSB64,P25). The following comment is from MFSB that fear disclosure might affect their opportunities for future projects and therefore opt to not disclose the information (on problems encountered).

> [Imagine] If the stakeholders read [the problems encountered by organisation], [they would say] “Uh, there are so many problems in *MFSB21*, so how are we going to get involved with them”. So [that’s why] normally they [i.e. the unit heads] will only disclose [information] concerning what has already been resolved [instead of current unresolved problems]. (MFSB21, P5)

There are also MFSB who shared that their disclosure of certain accountability information is made reluctantly, as by doing so, they are actually putting themselves at risk; risk of losing future funding and risk of losing their assets. This is in line with the findings by Christensen & Skaerbaek’s (2007) whereby the New South Wales public agency cautioned that their social and environmental reporting should not result to a resource reduction, given that there are 28 agencies competing for the same fund. The following comment provide an example of MFSB not disclosing information for fear of losing their assets and future funding.

> As for departments and agencies, we are at risk if we disclose whatever assets we have because we are statutory bodies, and not private entities. People [i.e. the government] can take it away when they know about it. Even now, there are many things they already want from us [to the extent] that we are already getting tired [of the request] to the extent that we said “Oh, it’s so tiring ... just entertain them [i.e. by fulfilling their request]”. For example, they want our complex, they want our subsidiaries. And all these are actually [the impact of them knowing our assets] based on the data that we provide [in the annual report]. But this [i.e. requirement to disclose] is in the circular [so we have no choice]. If they know that we have lands here and there they would think “Oh, *MFSB64* has already got lots of money so there’s no need to provide them additional budget [read: grant or funding]”. So it’s risky for us [to disclose certain information]. (MFSB64, P25)

In Christensen & Skaerbaek (2007), a similar observation was made on the Danish public sector agency where the reporting agency explicitly decided to exclude data on material it felt might be disruptive to the agency. Similarly, a study found that in the case of New South Wales public agencies, the aggregated instead of the individual agencies performances are reported mainly to avoid users to adversely using the performance information to harm the individual agencies' interest.

7.4.2.3 Avoiding misunderstandings

Nondisclosure may also be due to trying to avoid misunderstanding among stakeholders towards the organisation. Three MFSB (15%) described this as their hindrance from disclosure. Misunderstanding may occur when the failures or non-performance are a result of certain uncontrollable (MFSB13,P9) or unavoidable circumstances (e.g. flood, cuts in government budget, etc.) (MFSB85,P7). In this respect, if it is anticipated that the disclosure of the failures (non-achievements) or non-performance would wrongly and/or adversely impact on the public perception of the respective MFSB, they may then choose to exclude reporting such information. The following is from one MFSB who believes that the nondisclosure of KPI achievements by some MFSB is to avoid such misunderstandings:

> ... [They] don't want people to know that they haven't achieved [the KPI] because [for] certain KPI involves costs – that is financial costs. So [for example], in the years where we [read: they] get additional grants maybe the achievement would be better [than those years without grants]. [Take for example,] the maintenance unit. Let's say they want to repair the roof which is part of the KPI to maintain buildings - but when it comes to allocation – there was no allocation for that. (MFSB38, P9)

In the above case, according to MFSB38, it will not be fair for any MFSB to be judged against its KPI, because, to achieve the KPI, they rely on allocations from the government. Whereas for that year there have been no allocations for that particular activity (i.e. maintenance). Hence, KPI achievements are not reported for that year.

Another example of this situation is when the attendance of the board of directors is not disclosed because their absence is for genuine reasons such as attending other similarly important meetings. Hence, to avoid public misunderstanding, such information is not reported:

> Their [i.e. board members'] attendance is quite good but they sometimes have many other places that they need to attend. They have many other commitments so this is what we do not want to disclose to people, because it will show to the public – the indirect stakeholders - what is happening [although the reason for nonattendance is justified]. (MFSB85, P7)

This finding is consistent with the argument made by Likierman (1992, as cited in Coy et al. 2001) that reporting is a vicious circle. If reporting is poor, it may lead to unjustified criticisms on public sector entities by a poorly informed public and to defensiveness on the part of the entity as a result. In the above case, MFSB disclose accountability information to avoid such possible occurrences.

7.4.2.4 Avoiding excessive exposure

One-fifth of the MFSB (4 MFSB) stated that their nondisclosure of certain accountability information is partly to avoid excessive exposure. A few MFSB acknowledge that due to their small size or operation, they prepare only a very simple and straightforward annual report so as to avoid exposing themselves to the public (MFSB4, P1). The content of their annual report therefore only focuses on their core business:

> We ourselves are a subsidiary of one [government] agency – we are not a proper federal agency. We are a subsidiary of *Agency M*. We are low profile. [Whereas for] *Agency A* – they have their own reports – of which I can see - are very detailed. For us – just as long as what we are doing is there, our activity is there – that would be fine. Things like assets – there's no need to include them. (MFSB59,P12)

In addition, it is also out of fear of not being able to fulfil customer requests that disclosure was not made (MFSB21,P5). MFSB argued that they had little to offer to the readers and thus it is safer to avoid comprehensive disclosure than to expose their inability to provide sufficient supply in the future.

7.4.2.5 Avoiding uneasiness among members

The final reason for nondisclosure under this theme is to avoid the feeling of uneasiness among members of the organisation. This was the response of three MFSB (15%). This finding is consistent with the argument by Normanton (1971, as quoted by Ryan et al., 2002b) where information that may cause embarrassments can be omitted from annual report as they are the ones who decide on its content. For example, in this study, disclosing the qualifications and education of the board of directors - which is practiced in the corporate world – may ridicule the board (MFSB59,P12). It was expressed that the disclosure of this information may not be appropriate in the context of MFSB due to the different natures of the board of directors in these two types of organisation (i.e. the MFSB and private corporations), which may justify the difference between the results found between MFSB and many private sector disclosure studies regarding the influence of board size and disclosure level (refer to Section 6.6.2). The difference lies among others, in their nature of appointment, responsibilities and rewards to name a few. The following comment elaborates this matter further:

> [The difference is that] Board of directors [in MFSB] are appointed by the minister - that's one. Being the board member [of MFSB], is unlike the corporate [sector] ... whereby in the corporate sector, they are paid ... [I mean] they are well paid ... [whereas] over here [in MFSB], it's just kind of a token. So if we were to have so much requirements for a board [such as disclosure of their education and qualification], then we might make them feel it's not worth being a board member of the MFSB. Based on that, if we [require to] disclose too many things [about the board members], we are afraid that they become uncomfortable [and hence not interested to serve as board members]. (MFSB80, P17)

Another example of nondisclosure due to avoidance of uneasiness among members of the organisation is in the case of staff satisfaction information. It was expressed that disclosing this information may "embarrass the management particularly when the information shows that staff are not satisfied" (MFSB64, P25); this partly explains the result on low disclosure level found regarding staff satisfaction information as presented in Section 5.4.4 of Phase 1.

7.4.3 Theme Three: Tradition

MFSB mentioned during the interview that certain accountability information is not disclosed because;

(i) it has not been disclosed in previous annual reports;
(ii) there had been no issues raised by any authorities on the nondisclosure of the item in previous reports; and/or
(iii) MFSB gain exemptions from following the Treasury reporting guideline.

Generally, these three reasons relate to the notion that MFSB do not disclose accountability information because they are simply following certain established practices. As such, these reasons are classified into one common theme labelled in this thesis as 'tradition'. The following section explains these three reasons further.

7.4.3.1 Nondisclosure in previous annual reports

Four MFSB (20%) emphasised that they do not report certain accountability information because the item has not been reported in previous annual reports (MFSB85,P7). In other words, MFSB are just following what traditionally have been done (or rather have not been done) previously. Here is one such comment to this effect: "once we have read the first one [i.e. the previous annual report], and then to do the next one, we enter 'auto-pilot' [i.e. simply follow the same format] after that" (MFSB19, P3). The same comment is made by another MFSB when asked on why comparison figures on reserves and noncurrent liabilities are not provided: “I’d say mainly because ... we just follow the same format as previously (MFSB47, P27).

7.4.3.2 No reporting issues raised by authorities

This reason is related to the previous reason. One-fifth of the MFSB (4 MFSB) informed that they take it as a form of endorsement of their reporting practices if the relevant authority, to whom the annual reports are submitted - such as the A-G or the respective ministries - never raise comments on particular disclosure issues or items. In the subsequent years following the non-commentary, the same reporting practices will be followed. For example, a few MFSB expressed that since the A-G has not commented on the nondisclosure of accountability information items related to an organisation’s finances, it implies that nondisclosure of these items is a nonissue and thus they can continue reporting on their financial aspects the same way until such a time a comment is made. They confidently expressed that the fact that the A-G has reviewed and approved their financial reports (with the nondisclosure of certain financial-related items) implies that their annual reports – particularly concerning financial items - has met the necessary statutory requirements. No further disclosure is thus needed in the coming years although the item is explicitly required by the circular. Below are their comments;

> This [i.e. the financial report] has been endorsed by the Auditor General Department [in previous years]. So let’s say if their [i.e. the accounts unit] financial report doesn’t follow the requirements, normally the Auditor General would return it back to them [i.e. the accounts unit]. (MFSB85, P7)
>
> What we get from the Audit General [i.e. the financial statement], that is what we present in the annual report – that’s it, because almost every year, it [i.e. the situation] is the same. [Nevertheless,] If they request the thing [i.e. the information] from us, we’ll [certainly] do it. (MFSB48, P32)

Similarly, according to some MFSB, lack of query and comments from those at the ministerial level as well as in the Cabinet and Parliament implies that they have met the necessary requirements set by these parties. One MFSB, with a very low level of disclosure, makes the following comments as justification for their low levels of reporting:

> From my experience since 1999 until now, so far all the annual reports that we prepared, the JPM [i.e. Prime Minister's Department] never queried. The Cabinet also do not say anything. Even the Parliament – when we submit the annual report - they don't say anything [related to nondisclosure]. That's what I've experience so far. (MFSB4, P2)

In short, the MFSB felt that as long as there are no comments or queries from the authorities who read or monitor their annual reports, it implies that their annual report s are of an acceptable standard and no further disclosure is necessary.

7.4.3.3 Exempted from following Treasury reporting guideline

One unique reason for nondisclosure that was revealed during the interview process pertains to exemptions from following the circular awarded to certain MFSB. This situation is found in one of the interviewed MFSB (5%), namely MFSB44. They indicated that their operations resemble a corporation more so than a statutory body. According to them, since their inception they've been exempted by the Treasury from following the circular (i.e.TC15/1994 or TC4/2007). The reason for this, according to them, is that they are adapting a much higher level of reporting guidelines based on local and international guidelines and best reporting practices. Accordingly, their benchmark of reporting is not the circular but those guidelines and samples of best reporting practices. The circular, therefore, has not traditionally been adopted by them. As a result, some items in the circular are not reported. Furthermore, certain accountability information applicable to many MFSB is also not included in the reports of this organisation. The following quote elaborates their peculiar situation:

> We didn't want to basically follow directly the format and the structure of it [i.e. the circular]. [It is] Because concerning our disclosure – what we intended was a lot more than that. So right from the beginning, we basically went back to the Treasury to basically get ourselves exempted from that [requirement]. And we started off with a very detailed disclosure right from the start. The justification [for the exemption requested and granted] was that our disclosure was above the minimum disclosure required under the circular [i.e. TC15/1994]. And it [i.e. the exemption] is also [applied] as [it was] advised by our auditors, to make sure that we are not caught in any technicalities, as far as the circular's requirements are concerned, since our financial statements are quite different to all other financial statements that were prepared under that circular at that time. (MFSB44,P14)

7.4.4 Theme Four: Demands

The fourth theme that emerged from the data is labelled 'demand'. MFSB indicated that they are not disclosing information of which:

(i) there is a lack of users or readers who are interested to know about it; and/or
(ii) not required nor requested by the coordinator, management or authorities.

7.4.4.1 Lack of users or readers of the information

The first reason under this theme is that there is a lack of people who will use this information. Seven MFSB (35%) stated this as their reason for nondisclosure of some accountability information. During the interviews, it was gathered that certain accountability information is not considered useful by the public or by those who benefit from annual reports. They are neither concerned nor interested in such information and as a result such information is not disclosed by MFSB in their reports, consistent with findings by Chatterjee et al. (2012) in their study on the infrastructure reporting among New Zealand local governments. The following comment illustrates this:

> The human resource information related to equal opportunity employment - we do not report according to age [for example] – because that's too detailed. So we just mention the number of our [staff] capacity as at 31st December – and that's it ... because people are not interested to know about that. In the annual report, people are more interested to know about performance. (MFSB38, P20)

In addition, some information is not disclosed as certain MFSB feel that the information may benefit only a very small group of people and thus only that group of people would be using such information. Others may not find it useful or relevant: “actually such information – we do have in the system – but ... because our assets are specific – specific to specific customer – [whereby] not everyone can think of what they can do to develop the *x* land” (MFSB21, P5). Similarly, in the case of financial ratios, it was stated that information on financial ratios are not presented in their reports as it is perceived that the information is of no use or relevance to their stakeholders – due to the non-profit oriented nature of MFSB (refer to Section 7.4.1.2) - and hence no users for the information (MFSB48, P32). This partly explains the low disclosure level for financial ratios as found in the quantitative phase (refer to Section 5.4.3). Christensen & Skaerbaek (2007) in their interview found similar scenario in the context of New South Wales public agency where the preparers doubt whether there are people who see the need of reporting the performance information. To a greater extent, Steccolini (2004) concluded in her study on Italian local government annual reports that they have no significant role in communicating to external users.

Furthermore, certain information is not disclosed because certain MFSB feel that people are already aware of such information by means of the nature of the organisation. Below is an example of a comment which shared this opinion:

> This one [i.e. CEO remuneration] is no problem [i.e. not an issue] you know ... because DG [i.e. Director General] is [at the salary scale of] BU4, so you know the scale because we [i.e. Malaysian civil servants] use such a scheme. So you already know [what the salary is for those at the salary scale of] BU4, BU5, [and] BU6. [That’s why] There’s no need to disclose this. (MFSB56, P28)

The example below illustrates a situation wherein nondisclosure is due to the fact that MFSB opined that the fact has been well understood by readers and thus does not require any disclosure. The information they are referring to is the Parliamentary Act for which the MFSB is established.

> We don't show the [Parliamentary] Act [of which we are established] because firstly, as a government body – they [i.e. readers] already know our Act. I think it's already understood. If you ask me, it's not that I think it's not important, but I think it is understood ... our statute is under *Act X* ... and this will remain as the statute and will not change [forever]. So basically that's why I didn't disclose the item [i.e. Parliamentary Act]. (MFSB85, P7)

Furthermore, to a larger extent, lack of disclosure of accountability information is because MFSB feel that there are no readers of the annual report itself: "[It is] not useful [to disclose the analysis of financial performance] because I don't see anyone reading the annual reports of statutory bodies. Who are the readers? [I am saying this because] They [read: We, the MFSB] don't have shareholders, right?" (MFSB47, 27). The comment above compares MFSB with corporations. The latter, according to the above interviewee, has many interested readers of annual reports especially shareholders who are keen to know whether the company is doing well or otherwise financially.

7.4.4.2 Not required or requested by coordinator, management or authorities

One-fifth of MFSB (4 MFSB) argue that items are not included if it is not required by the circular (MFSB114,P4). Example is information on the parent ministry of the MFSB. Since there is no requirement by TC4/2007 for MFSB to disclose which federal ministry serves as their governing ministry, this information is not disclosed by some MFSB. This may partly explain the results found in Phase 1 regarding disclosure levels of parent ministry information which shows only slightly more than half of MFSB disclosing this information (refer to Section 5.4.1). Chatterjee et al. (2012) found a similar reason for the non-reporting of infrastructure information in annual reports of

New Zealand local governments where lack of legislative requirements is one reason for the nondisclosure. Besides the lack of requirement in the circular, top management may also become a factor for nondisclosure. This can happen when higher management fail to understand the need of including certain accountability information, and accordingly, do not demand and encourage their subordinate(s) to include such information in their reports. Lack of directives and emphasis by top management may not only lead to nondisclosure but may also make it difficult for the coordinating person, who understands the importance and need of reporting the accountability information, to get the needed information from his/her colleagues. The lack of managerial support in public sector report preparation has also been observed in other studies such as Christensen & Skaerbaek (2007). This predicament observed in this present study is reflected in the example below which was made in relation to the interviewee's difficulty to solicit the cooperation of various divisions in supplying the required data to be included in the annual report:

> ... I don't know... maybe after *Mr. A* came in, [if] he thinks that [information] is necessary [that would make it much easier for me to get the information I wanted] - because he has served quite some time in the ministry [so, I would expect that he may be able to see the importance of disclosing the information]. [If that happens then] I would have a strong reason to force them [i.e. the other staff] to include [that information]. (MFSB21, P5)

Furthermore, nondisclosure may also be because it was not requested by the person coordinating or compiling the annual report, as indicated in the following comment: "we have [the KPI] ... just that we don't show it in our annual report ... [because] we depend on the request of people who are in charge of the annual report" (MFSB64, P25). It was also specifically stated by one MFSB that although some of the information is not disclosed in the annual report, they are always willing to provide it to anyone should there be a request made: "... you [i.e. the readers] are not given the figures for previous years [in the same report] ... but then if anyone would like to know the previous years' figure, we are all ready to give them the [previous years'] report" (MFSB109, P23).

7.4.5 Theme Five: Resources

Some MFSB have also responded that the nondisclosure of accountability information in their annual reports is partly related to the resources that they either have or don't have. Resource constraints may be in terms of either financial or time constraints. On the other hand, their financial independence from government funds is also a reason for nondisclosure. These resources-related reasons are categorised under the 'resources' theme in this thesis.

7.4.5.1 Financial constraint

It was revealed from the interview that cost is one factor that influenced three MFSB (15%) regarding their decision to disclose or not disclose certain accountability information. According to them, more disclosure may mean more printing costs as a result of more pages to be printed. An example is the inclusion of information for business hours (ADIS8) particularly for those MFSB having a number of branches nationwide and those having different office and counter hours (MFSB38,P20). This explanation partly clarifies why business hours information is rarely being disclosed by MFSB (refer to Section 5.4.1). They are limited by restrictive budgets, which lead to limited publications of their annual report. This situation shows that there exists a negative relationship between fiscal stress and disclosure level where when the budget is restricted, there will be less disclosure (refer to Section 6.6.5). Below is the concern expressed by one MFSB on how budget can influence the nondisclosure of information on the profile of board members in their annual report:

> ... for example, if you want to describe the education level of board members, [you must understand that] our board of directors is not few. There are more than

> 10 of them, with a maximum of 20 actually. [So] Let's say we were to fulfil all the 20 [positions], then [it means] we need to describe [the education background of] each of them. That may consume many pages. Actually before we send to printing, we already know - for a certain number of pages this is the cost [that we may incur]. So we try to keep the page numbers within a certain range so that the printing cost is within the budget. Otherwise, I might overspend. (MFSB48, P32)

This finding supports the findings by Chatterjee et al. (2012) that lack of space in annual reports to report infrastructure information is one reason for its nondisclosure. It also confirms the concern expressed by Dixon et al. (1991) that financial constraint forms part of the problem of insufficient accountability information. Coy et al (2001) raised a similar concern where according to them cost-benefit consideration is something that needs to be acknowledged beside the arguments advanced in support of comprehensive reporting given that accountability reporting is virtually without limits. Nelson et al. (2003) and Coy et al. (2001) however further argued that only the one-time start-up cost is substantial for accountability reporting; once the systems are in place, the costs of increased accountability information is minimal. In fact, for some organisations which have the information readily available as they are required for internal purposes, their cost of reporting accountability information is much lower

7.4.5.2 Time constraint

Time constraints was also highlighted by one MFSB (5%) as a challenge to reporting consequently resulting to nondisclosure of accountability information. Compiling information consumes time while the deadline for submission given by the respective authorities (e.g. Ministry of Finance through the circular) is relatively short. Below is one comment that illustrates how a tight deadline may result in nondisclosure: "there is data which is difficult to acquire and takes time to obtain. We are sometimes rushing towards the deadline [to the extent] that we can't get the data within the allotted period" (MFSB64, P24). Similar finding was revealed in Chatterjee et al.'s (2012) study where the lack of local governments' resources in regard to time (or time pressure) was highlighted by interviewee (i.e. preparer) as one reason for the nonreporting of most of the financial and nonfinancial infrastructure information in the New Zealand local governments' annual report.

7.4.5.3 Financial independence

One MFSB (5%) revealed that since their organisation is not relying financially on government support, therefore there is no reason for them to follow the circular including reporting the required information: "it is not necessarily for us to follow the guideline [including to reporting the required information]. In the case of many other MFSB, they have to follow the instruction [guideline], because they receive grants from the government" (MFSB4, P2).

7.4.6 Theme Six: Preparers

This theme refers to circumstances when nondisclosure is due to the internal issues revolving the preparers themselves. It especially arises during the preparation process of the annual report. The reasons mentioned by MFSB which fall under this theme are:

(i) the lack of authority by the coordinators of the preparation of the annual report;
(ii) the lack of awareness and commitment among preparers;
(iii) the lack of collaboration and cooperation among MFSB units; and/or
(iv) the lack of understanding among preparers.

7.4.6.1 Lack of authority/control by coordinators/preparers

It was gathered from the interview that more than half of the MFSB (i.e. 11 MFSB; 55%) regarded the lack of authority by the person charged with obtaining accountability information from the respective personnel as one reason for their nondisclosure. This may be due to the person holding an inferior position compared to those from whom he/she must collect the necessary information making it difficult for the person to perform his/her task. The following explanation is from a person experiencing such difficulties:

> ... because we are of the same level [i.e. we are head of the units]. Unless [the higher level manager such as] *Mr. A* [i.e. the new senior manager] says to the head units directly – "You need to do the graphs" [then only then will it perhaps work]. [So it is mainly] because we [i.e. me and staff in other units] are of the same grade. So if I talk to them [it's kind of not obliged on them] ... [they can easily argue by saying,] "If I don't give, what are you going to do?" Of course it is ridiculous for me to report this to *Mr. A* [i.e. the top management] about such small matters. It won't look professional. (MFSB21, P5)

A similar situation is the case of nondisclosure of financial content. Some MFSB claim that anything related to financial information is supplied by the finance or accounts unit or to a certain extent the external auditor (MFSB19,P3). They (i.e. the interviewees) are mere recipients of such information and thus will report accordingly to what has been given to them by the former and no amendments will be made to anything related to financial performance (MFSB63,P16). In other words, it was implied that they have no authority to ensure the accountability information related to financial matters is disclosed. As a result, they have no clue or idea on why certain financial information is excluded although required by the circular: "on the analysis of the items [i.e. the ratios], it's not my duty. This [i.e. the analysis] is prepared by the finance department and whether the finance unit discloses this or not [it all] depends on them" (MFSB85, P7). The quantitative phase results presented Section 5.4.3 regarding the very low disclosure level of financial ratios may be partly explained by this interviewee's expression.

In another instance, one MFSB indicated a similar scenario, but in the case of the statement of the chairman. The statement of the chairman is solely prepared by the chairman and is thus what he/she decides to include in his/her message is beyond their control and authority despite clear requirements by the circular to disclose specific things in the chairman message.

> I think that's one thing; that's my principle. If it's the chairman message, you [i.e. the chairman] do it, [and] I don't do [prepare] it. Because we [i.e. the readers] would like to hear what he says. If he doesn't follow the guideline there's nothing much we can do. (MFSB19, P13)

The lack of authority is also implied in the case of another MFSB which shared that some of the content in the annual report is solely decided by the management and they [i.e. the preparer / the interviewee] simply follow what they have been instructed. The following comment was made in relation to the nondisclosure of client charter in the organisation's report: "it depends on the management. I don't really have the answer [on why client charter is not reported here]" (MFSB114, P4).

The lack of control is also part of the reason for the lack of disclosure as indicated by one interviewee (MFSB38, P20). The example given is related to the information on public accountability timeliness. This information was said to have not been provided as the timeliness of their publication is not solely determined by them. Some external parties, such as the A-G has caused some delay to the publication when reviewing or auditing the MFSB accounts. This could help in explaining the very low level of disclosure on public accountability timeliness as found earlier in Section 5.4.1.

7.4.6.2 Lack of awareness and commitment among preparers

Six MFSB (30%) mentioned during the interview that the lack of awareness and commitment among preparers is one reason for nondisclosure. A few MFSB mentioned that they are not aware that certain items are required to be reported by the TC4/2007: "we report [our events] but not together at one place [as required]. I didn't know that it is mandatory [to list the events]" (MFSB27, P6). This comment relates to the requirement to disclose the list of main events carried out throughout the year. This finding supports the claim by Mussari & Monfardini (2010) that standards and guidelines need to be explained in order for public agencies to adhere to them. The lack of awareness may sometimes be because MFSB have not thoroughly reviewed the circular which partly relates to their lack of commitment. One interviewee, for example, asked the interviewer to show where exactly in the circular that particular requirement is mentioned: “is it there in the circular that they ask for 5 years comparison? Can you show me where is it exactly in the circular?” (MFSB109,P23).

The fact that some MFSB have not read the circular thoroughly has also been explicitly declared by one MFSB, as stated in their comment;

> Thank you for doing this research because then we can also improve our annual report – because we never thought of checking – [I mean] really checking the guideline. [Now that] You [have] raise[d] this issue, then maybe we should really look at that [guideline] again. (MFSB19, P3)

In addition, one MFSB indicated that nondisclosure is due to them having overlooked or mistakenly left out the item. “it’s good that you highlight this ... only then did I realise that we didn’t include that information. [I would say] Probably - we overlooked it, or mistakenly left it out” (MFSB48, P30).

Furthermore, while answering the interview questions another MFSB implicitly demonstrated their ignorance of the circular itself. This is reflected when they accepted the interviewer’s offer to provide them a copy of the circular that the interviewer brought to the interview scene (MFSB109,P23). Ignorance of the circular has also been indicated by another MFSB as follows: “... and the corporate division is also not aware of the existence of circular guidelines. They thought they can just prepare [as they wish]” (MFSB94, P22). This MFSB complained that the corporate division of his organisation does not refer and follow the circular in preparing their annual report and, according to him, is far behind other MFSB. Some of these instances suggests a lack of commitment among preparers in reporting activity. The same observation was made by Christensen & Skaerbaek (2007) in the case of the preparation of Denmark public sector annual reports where reporting agencies complete this reporting responsibility as a routine matter in which they have little passion or real interest.

7.4.6.3 Lack of collaboration and cooperation among MFSB units

The lack of collaborative efforts within the organisation is identified as hindrance towards disclosure by four MFSB (20%). For example, reports are prepared separately by each unit and are then simply combined to form the annual report. There was no synchronisation or editing process involved to ensure certain standards are met. Consequently, some accountability information would be missed out which did not solicit any reformatory actions. This occurred in at least one MFSB, as expressed below:

> The other issue or reason on why in the 2008 report there were some items left out – was because at that time, [in] MFSB94, there was no specific committee established to take charge of the report. At that time, what happened was – for example, HR [i.e. human resource unit] would prepare for the HR section, the finance unit prepared the finance section, faculty prepares their report and so on. Then all submit and straight away combine all [without anyone integrating or coordinating the whole report]. (MFSB94, P22)

Another MFSB indicated that the decision on the content of the annual report is made by only one person. There was no team or committee established in making the critical decision process, as shared below:

> When preparing the annual report, I'll sit down and brainstorm myself – [on] what is it that I would like to deliver to those reading it. Here, from my experience, the input [read: the content of the annual report] is basically everything that comes from my 'head'. I have to take the responsibility. So I feel - it's a bit challenging because you [read: I] need to crack your [read: my] head - alone (MFSB85, P7).

Besides collaboration issues, there were also issues reported concerning the lack of teamwork and cooperation. Since annual reports involve almost all departments in an organisation, mutual cooperation is needed to ensure accountability information is properly disclosed. An example of this situation is explained by one MFSB as follows:

> These [i.e. the information in the annual report] are basically provided by each unit. So if the information is not provided [by them], and even after I asked they still don't cooperate [there's nothing much can be done]. I – as the working committee - have done my best and have asked them to pass it over [to me]. (MFSB21, P5)

7.4.6.4 Lack of understanding among preparers

Three MFSB (15%) suggested that the lack of understanding among preparers is a factor for nondisclosure. They have either explicitly (MFSB64,P26) or implicitly (MFSB56,P28) demonstrated their lack of understanding of certain items in the circular or in the index which is tantamount to them not reporting it. Among the common misunderstandings observed during the interview concerned financial ratios. A possible reason for their misconception of financial ratios is their lack of sufficient accounting knowledge. As a result, some gave an out-of-context response on why financial ratios are not disclosed. Below is an example of a response of one MFSB when asked whether she had asked the finance or accounts department to provide financial ratios to be reported in the annual report.

> For the Department of Engineering, yes. Normally we will ask when they did their maintenance [work], how many machines are out, [and] how many machines are in – we have that [information]. But for Finance [Department] – we don't have it [i.e. ratios]. The ratios that we take are from a centralised manner like this [note: she was showing some items in the annual report which are not financial ratios] – if this is what you really mean by ratio, for example medicines – we did mention a few things like how many reduced and increased [in medicine distribution]. (MFSB85, P7)

Following this response, it was obvious why many MFSB fail to report their financial ratios as found in Phase 1 (refer to Section 5.4.3). When the person in charge of preparing the annual reports does not understand certain terms used in the circular concerning the items required to be disclosed, it is then hopeless to expect that those items will be disclosed in their report. The above response actually comes from a person who is the person solely in charge of deciding the content of the annual report for his organisation. This lack of understanding among preparers may arise partly due to the lack of explanation in guidelines particularly the TC4/2007, as suggested by Mussari & Monfardini (2010).

7.4.7 Graphical Summary of Reasons for Nondisclosure

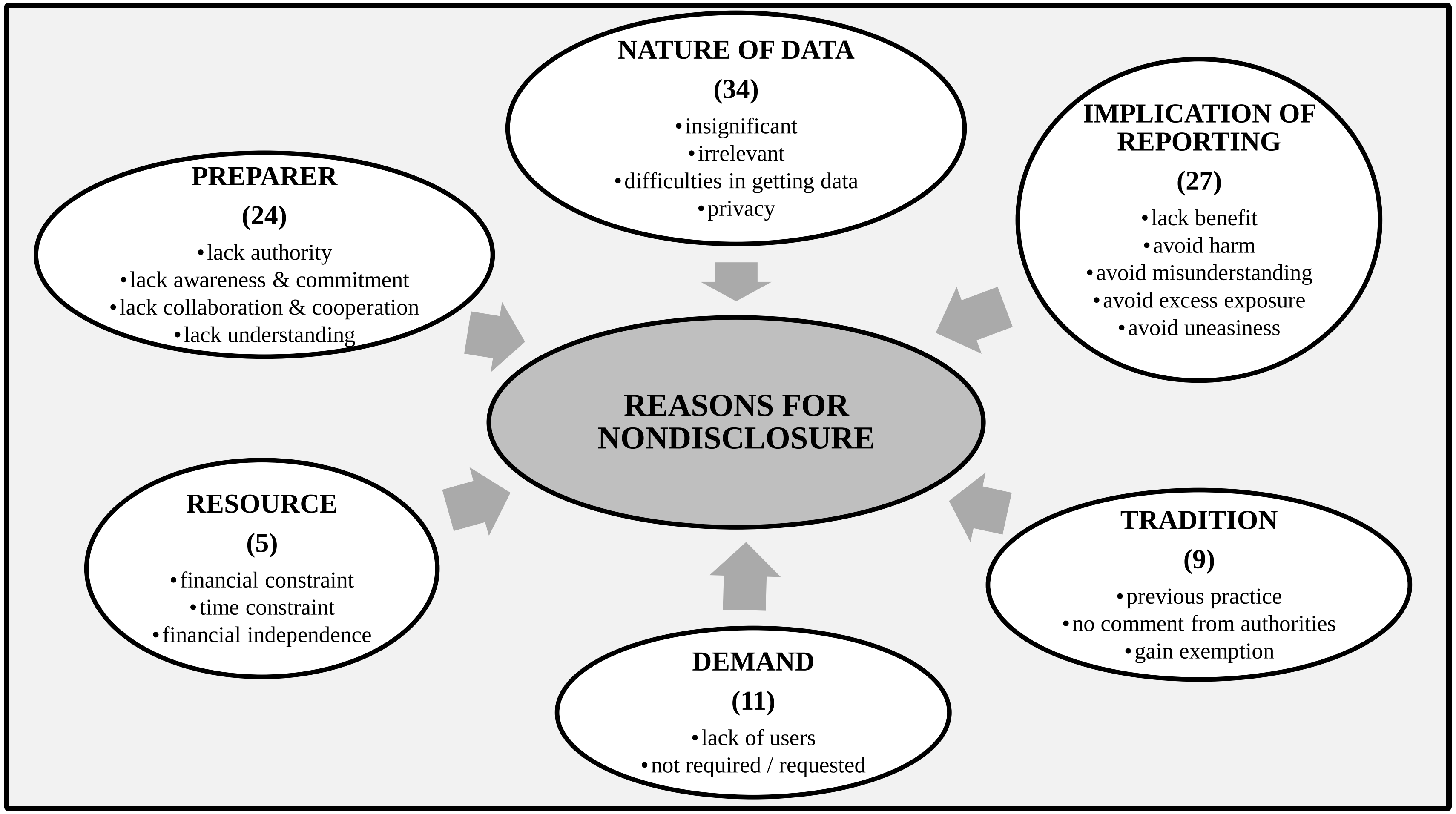

Figure 7.2: Graphical Summary of Reasons for Nondisclosure

Six themes emerged from the interview findings. They relate to the reasons for the nondisclosure of accountability information (refer to Figure 7.2). The themes are 'nature of data', 'implication of reporting', 'tradition', 'demand', 'resource' and 'preparer'. These themes were derived from the 58 coded reasons and the subsequent 21 categorised reasons for nondisclosure as identified from the interview (refer to Table 7.2 in Section 7.4). The 'nature of data' is the most common theme for nondisclosure where its associated reasons were indicated 34 times by interviewees. The least common theme is the 'resource' theme with only five occurrences. The second, third, fourth and fifth most common theme is 'implication of reporting' (27 times), 'preparer' (24 times), 'demand' (11 times) and 'tradition' (9 times) theme respectively.

The most common (categorised) reason cited is the 'lack of benefit from reporting' (refer to Section 7.4.2.1) where 65 per cent of the MFSB indicated this as their reason for the nondisclosure of accountability information. This is followed by the (categorised) reason that 'data is not significant to the MFSB and its stakeholders' with 60 per cent occurrence during the interview (refer to Section 7.4.1.1).

Table 7.3 below summarizes all the themes for disclosure and nondisclosure of accountability information in the annual reports of MFSB as gathered during the interview. It is interesting to note that at least three themes that emerged from the disclosure and nondisclosure appear to match each other, namely theme one, two and three where the emerging themes are the 'nature of data', 'implication of reporting' and 'tradition' respectively. It can therefore be safely concluded that in considering whether to report or not report certain accountability information, MFSB will look carefully at the nature of the data, the implications of reporting such information and prior reporting practices.

Table 7.3: Summary of Themes for Disclosure and Nondisclosure

THEME	REASONS FOR DISCLOSURE	REASONS FOR NONDISCLOSURE
Theme 1	Nature of Data (13)	Nature of Data (34)
Theme 2	Implication of Reporting (13)	Implication of Reporting (27)
Theme 3	Tradition (2)	Tradition (9)
Theme 4	External influence / push (33)	Demand (11)
Theme 5	Internal influence / push (7)	Resource (5)
Theme 6	Awareness (21)	Preparer (24)

7.5 Linking the Findings and the Theoretical Perspectives

This section revisits the theoretical perspectives of the study, namely the public accountability paradigm and three isomorphisms under the institutional theory to ascertain if they can help explain the reporting practices of MFSB. Several reasons for disclosure and nondisclosure appear to be consistent with the the public accountability paradigm and the isomorphisms.

a) Public Accountability

It is evident that disclosure of accountability information in MFSB annual reports is partly driven by the public accountability paradigm. One example is when MFSB quoted that accountability information is disclosed to allow stakeholders to obtain understanding about their organisations, for example on their objectives and operation (refer to Section 7.3.6.1). This is in line with the argument by Coy et al. (2001) that annual reports driven by the public accountability paradigm should enable all stakeholders to obtain a comprehensive understanding of an entity's objectives and performance.

Another example of the consistency of the findings with the public accountability paradigm is when some MFSB refer to guidelines which are not imposed on them in finding the benchmark for best reporting practices, for example for items related to governance, financial and CSR (refer to Section 7.3.4.2). They referred to guidelines issued by various bodies (e.g. Bursa Malaysia, the Central Bank and the Securities Commission) on listed companies as well as the annual reports of international organisations which have similar operation to theirs and consequently adapt these guidelines or practices accordingly. These initiatives demonstrate MFSB commitment towards fulfilling their public accountability role. It is thus consistent with the public accountability paradigm which emphasis on the premise of 'right to know' by the society instead of the concept of the utility or usefulness of decisions (Coy et al., 2001).

Section 7.3.4 shows that MFSB reporting is consistent with the public accountability paradigm where their objective or reason for reporting is not only to serve the higher hierarchical authority but also to address the wider range of stakeholders or the society.

b) Coercive Isomorphism

There is evidence of coercive isomorphism in the reporting process of MFSB. This is reflected in the case where MFSB disclose accountability information due to their compliance to statutory requirements particularly the TC4/2007 (refer to Section 7.3.4.1). The coercive isomorphism is further reinforced by the A-G official reminder to MFSB to be alert and comply to the Circular. Respective ministries have some role in this coercive pressure through the enforcement of their disclosure policy on the respective MFSB under their ministry (refer to Section 7.3.4.1). On the other hand, MFSB that receive less reminders from the A-G or their parent ministry is little concerned on the disclosure in annual reports, do not report as much (refer to Section 7.4.3.2). This scenario is consistent with the explanation of coercive isoorphism by DiMaggio & Powell (1983) where they stated that this isomorphism occurs due to the regulative and political influences which stem from pressures exerted on organisations by other organisations upon which they are dependent for resources or support.

An informal coercive isomorphism was also observed. For example, some MFSB stated that disclosure is made as a response to public concern raised during Parliamentary debates, news highlights, as well as those gauged from customer satisfaction survey or complaint form (refer to Section 7.3.4.5). This is consistent with the informal coercive pressure as tauted by Mussari & Monfardini (2010) where public expectations serve as a force for MFSB to disclose information, albeit potentially only as ritualistic conformity and to gain legitimacy. On the other hand, some other MFSB do not disclose information because according to them, there are no demands for the information from stakeholders (refer to Section 7.4.4.1). Sometimes it is not required or requested by the top management and coordinator of the report (refer to Section 7.4.4.2). These two contradicting groups of MFSB (those disclose and do not disclose) may explain some variance in the level of disclosure as found in Chapter 4 and further enforced that coercive isomorphism exists in some MFSB.

c) Normative Isomorphism

The normative isomorphism is also evident from the interview. It is maintained here that MFSB of similar ministries follow a similar reporting model due to the shared norm within the ministry. The shared norm exists within ministries as the ministries seriously monitor their respective MFSB reporting practice by providing many inputs and comments to MFSB to improve the disclosure (refer to Section 7.3.4.6). Some ministries also expect that their MFSB annual report should contain certain accountability information as such information is compiled from the respective MFSB annual report to be reproduced in their own reports. This represents homogeneity among MFSB within same ministries. This supports the notion brought by normative isomorphism, of which the disclosure of accountability information becomes a shared norm among the members in the field.

Further, there are also professional networks among MFSB within the same ministry as indicated during the interview (e.g. by MFSB85,P7). It was disclosed that one ministry, on top of providing a reporting guideline to its MFSB, conducts a biannual course for its agencies' staff who are involved in preparing annual reports. Again, here we can expect homogeneity in the reporting practice among MFSB of the same ministries represented by the normative isomorphism, consistent with DiMaggio & Powell's (1983) argument that this type of isomorphism may occur due to professional network among members where professional staff undergo relatively uniform training, and then carry the ideas they learnt to the different organisations which employ them (Pollitt, 2001). Further, the imitation is driven by their conviction that the model they are following are superior (Beckert, 2010). On the other hand, when ministries are not so concerned about the reporting practice, their MFSB similarly, will not be disclosing as much information (refer to Section 7.4.3.2).

d) Mimetic Isomorphism

There are evidences that MFSB mimiced the reporting practices of other organisation. For example, MFSB responded that their disclosure of a particular accountability information is after referring to the annual reports of other MFSB (refer to Section 7.3.4.3). MFSB take the approach of imitating others as they are left with much uncertainty, where the expected reporting form and its aims are not well understood and ambiguous, consistent with DiMaggio & Powell (1991). No reporting model or sample provided by authority such as the Treasury. Hence, consistent with DiMaggio & Powell (1983), the imitation process appears to serve as a medium for MFSB to reduce the uncertainty at less cost as well as to enhance or maintain their legitimacy. This process of imitation represents the concept of mimetic isomorphism or homogeneity among some MFSB.

7.6 Summary

This chapter addresses the RQ3 of the thesis which attempts to understand the reasons for disclosure and nondisclosure of accountability information in MFSB annual reports. Interviews were conducted with a total of 20 MFSB, which were represented by 32 personnel who are directly or indirectly involved in the annual report preparation.

In understanding the reasons for disclosure, six themes emerged representing 53 coded reasons and the subsequent 25 categorised reasons. The most common theme being the 'external influence'. This was then followed by the 'awareness' theme. The 'nature of data' and 'implications of reporting' theme both occupy the third place, and they are followed by the 'external influence', 'internal influence' and finally the 'tradition' theme. It was also found that the 'adaptation of the reporting practices of others' was the most popular reason for disclosure. The next popular reason is 'enlightening stakeholders on MFSB functions, aims and activities'.

With regards to the nondisclosure, 58 reasons for nondisclosure were coded from the interview. They were then further categorised into 21 reasons and from there, six themes emerged with the 'nature of data' being the most common theme for nondisclosure. The least common theme is the 'resource' theme. The second, third, fourth and fifth most common theme were 'implication of reporting', 'preparer', 'demand' and 'tradition' theme respectively. At the same time, the most common (categorised) reason for nondisclosure provided is the 'lack of benefit from reporting'.

The next common reason being the ‘data is not significant to the MFSB and its stakeholders’.

The thesis then presented some evidences of the link between the interview findings and the public accountability paradigm as well as the coercive, normative and the mimetic isomorphism.

CHAPTER 8
IMPLICATIONS AND CONCLUSIONS

8.1 Introduction

The previous chapter discussed the findings of the interviews that explore the reasons for disclosure and nondisclosure of accountability information (i.e. RQ3). This chapter concludes the thesis by first summarizing the results and findings obtained for RQ1, RQ2 and RQ3 in Section 8.2. Section 8.3 then discusses the implications of the results and findings to the practice, the policy makers and regulators, as well as implications on theory. The strength of the thesis is then elaborated in Section 8.4, followed by the limitations of the thesis and suggestions for future research in Section 8.5 and 8.6 respectively. Section 8.7 offers concluding remarks that sum up the thesis.

8.2 Summary and Conclusions

This section provides the summary of results and findings for all the three RQs of the study.

8.2.1 Research Question 1: Extent of Disclosure

The first objective of the study was to determine the extent of disclosure of accountability information in the annual reports of MFSB. To achieve this objective, a content analysis was conducted on the 2008 annual reports of 106 MFSB using a disclosure index referred to as ADIS. The ADIS consisted of 110 items divided over 5 categories.

The main results revealed that MFSB provided a moderate level of disclosure in their annual report (i.e. 47.8%) with a disclosure level that ranged from 25 to 71 per cent. The results also showed that (i) MFSB4, a small foundation, exhibited least disclosure

(25%), while MFSB102, categorised as a socio-economic MFSB exhibited the greatest disclosure (71%), (ii) the most disclosed category was Performance (57.6%), followed by overview (56.7%), Financial (55.2%), Others (i.e. human resource, socio-environmental and main assets) (34.6%), and Governance (19%), (iii) all MFSB disclosed five disclosure items, namely contents page, balance sheet, income statement, statement of chairman and board member, and statutory declaration by the officer primarily responsible for the financial management, and, (iv) none of the MFSB disclosed information on how the nature and amount of renumeration for senior executives is determined.

It was revealed that (i) the 45 disclosure items in Mandatory Disclosure Index (MDI) showed only 64.78 per cent disclosure, which was higher than the scores of the entire ADIS, and, (ii) the 65 disclosure items in the Voluntary Disclosure Index (VDI) exhibited only 36 per cent disclosure, which was lower than the overall ADIS score.

To sum up, there is a moderate level of disclosure of accountability information in the MFSB annual reports. In addition, the extent of disclosure largely varies accross MFSB and categories, and the mandatory items appear to be disclosed more than those of voluntary.

8.2.2 Research Question 2: Variables Associated with Extent of Disclosure

The second objective was to examine whether certain set of variables have significant association with the extent of disclosure of accountability information in MFSB annual reports. Using the institutional theory and public accountability paradigm, five variables, namely MFSB type, board size, board composition, audit committee existence and fiscal stress were hypothesized as having influence on the disclosure levels with MFSB size as the control variable.

Using the stepwise regression approach under the GLM method, the key findings are: (i) the strength or the predictability power of the final regression model is moderate at 0.46 and 0.409 as measured by the partial eta^2 or (and R^2) and adjusted R^2 respectively; (ii) three factors are significantly associated with the extent of disclosure namely the MFSB type, board composition and audit committee existence. The details are:

a. MFSB type and audit committee existence are highly significant whereas board composition is a moderately significant variable;
b. the disclosure level of MFSB under the category of education, research and development were significantly lower than those categorised under the banking/finance and socio-economy type. At the same time, their disclosure level is significantly higher than the foundation/scholarship type of MFSB;
c. the disclosure level of MFSB having no internal directors was significantly lower than those having at least one internal director in its board; and
d. MFSB without audit committees had significantly lower disclosure level than those with audit committees.

(iii) Two out of five hypotheses are supported namely H_1 and H_3, hence;

a. There is association between the extent of disclosure of accountability information and the type of MFSB;
b. There is a positive association between the extent of disclosure of accountability information in the annual reports of MFSB and the existence of an internal member on the board; and
c. H_2, H_4 and H_5 were not supported.

Similar to RQ1, the RQ2 was also applied on both the MDI and VDI. For MDI, the final regression model's prediction power was 0.351 for adjusted R^2. Three variables, namely MFSB type, audit committee and fiscal stress found to have a significant influence on the MDI. This result differs from the result for the ADIS except for MFSB type. For VDI, the prediction power of the final regression model was much lower than ADIS and MDI, i.e. at 0.376 adjusted R^2. The same three variables, namely MFSB type, board composition and audit committee, which were found to have significantly influenced the ADIS, also had a significant association with the VDI.

To conclude, the model is more useful in predicting the extent of disclosure of accountability information in MFSB annual reports than in predicting the disclosure levels of either mandatory or voluntary items only. In addition, although there are three factors shown to be significant in influencing disclosure level, only two hypotheses are supported.

8.2.3 Research Question 3: Reasons for Disclosure and Nondisclosure

The third objective of the thesis was to identify the reasons behind the disclosure and nondisclosure of accountability information in MFSB annual reports. Based on the results obtained from RQ1, semi-structured interviews were conducted with 32 preparers and/or managers of annual reports in 20 MFSB. Using the meaning categorization approach to coding, a total of 53 and 58 reasons were discovered for disclosure and nondisclosure respectively. After categorisation, the reasons reduced to 25 and 21 which was later grouped into common themes.

Six themes emerged relating to the reason for disclosure. The themes were related to the nature of the data for reporting, implication of reporting, traditions and practices in preparing reports, external influences on MFSB, influence from stakeholders within MFSB, and creating awareness for MFSB stakeholders. Among the most commonly cited reason for disclosure being to adapt others' reporting practices and to enlighten stakeholders on MFSB functions, aims and activities.

The reasons for nondisclosure were also diverse. Similarly, six themes emerged from the interview of which three of them are similar to the themes for disclosure, namely data for reporting, implication of reporting and traditions and practices in preparing reports. The next three themes are related to the demand of the information, resources to report, and preparers of annual reports. The two most common reasons indicated for nondisclosure being lack of benefit from reporting and that data is not significant to the MFSB and its stakeholders.

In conclusion, there are numerous reasons for both disclosing or not disclosing accountability information. Nevertheless, these reasons actually fall within certain issues or themes thus indicating common concern among MFSB with regards to their reporting practice.

8.3 Implications and Recommendations

Implications of the study may be derived from both the process of conducting the research as well as from the results and findings of the study. The discussion begins with the implications and recommendations for MFSB.

8.3.1 MFSB

a) *Improving the accessibility of annual reports*: During the data collection process, difficulties in obtaining the annual reports of some MFSB was experienced (refer to Section 4.8.2 and 5.2). Not all MFSB provide their annual reports online. Further, the process of acquiring the hardcopy reports was generally not time and cost-effective as not all MFSB are sufficiently cooperative. Hence, it is hereby emphasised that there is a great need for the management of MFSB to take more serious efforts in ensuring greater accessibility of their reports to those interested. By doing so, may demonstrate their commitment towards greater accountability and transparency.

b) *Establishing network among MFSB of similar type*: The classification of MFSB made by this study, which was based on the nature of their main activities as discussed in Section 4.6.1, may be very useful for MFSB in certain ways. By knowing which fellow MFSB are of similar groupings as their own may enable them to team up with each other either formally or informally and exchange ideas, experience and expertise. There could be many common issues faced – for example those related to management, accounting and reporting practices - that networking such as this can help to clarify and provide solutions to.

c) *Applying the ADIS for future reporting:* The disclosure index developed (i.e. ADIS) is very useful for MFSB to continuously evaluate their own standing in terms of reporting. This is evident during the face-to-face interview where several MFSB expressed their interest in getting the copy of ADIS as well as their own score as found by this study. Their plan is to follow the index closely for their future reporting cycles. This might be one success story of this study as it enhances MFSB awareness on what could be good reporting practices, which may consequently motivate them to improve their reporting status.

d) *Disclosure benchmarking among MFSB:* It has been earlier explained that during the interview, participants were shown the MFSB average disclosure score. This provides an opportunity for benchmarking among MFSB. Besides comparing their own scores with the 'industry' best practice, it may eventually become a source of encouragement for them to improve their own scores. Eventually, it is hoped that wide gap between the most disclosed and least disclosed MFSB as shown in Section 5.3 is able to be reduced from year to year in the future.

e) *Addressing public demand and concern on certain information by MFSB*: There appears to have been some form of secrecy on the remuneration amount of CEO and senior executives as well as on how renumeration is determined. This was reflected in both the quantitative (refer to Section 5.4.2) and qualitative phase of the study (refer to Section 7.4.1). There has been evidence of public uproar and dissentment over the excessive pay received by public sector senior executives. An example of this is the case of the Chief Executive Officer of the Islamic Pilgirmage Fund (an MFSB) whose monthly pay has been raised to RM85,000 from RM70,000, plus a RM700,000 bonus in 2011 (Nantha, 2012). It is recommended here that it is crucial for MFSB to change their 'secretative' practice to a more transparent one especially on issues that has clearly raised public concern. Information such as this must be made available to the stakeholders in their future reports to avoid further public dissentment.

f) *Demonstrating corporate-style management and reporting practices*: The next implication relates to the governance disclosure which scored the lowest compared to the other four groups of information (refer to Section 5.4.6). Given that MFSB generally adopt corporate-styled management, it is reasonable to expect their governance as well as disclosure of governance information to be parallel to what the corporate sector recommended as good governance reporting practice as included in the MCCG. That however, is not the case. Therefore, the study argued that MFSB must undertake more initiatives to identify and disclose such information. By disclosing governance information, it will demonstrate to stakeholders that governance is in fact an important agenda in MFSB and not merely lips service.

g) *Determining the optimum board size of each MFSB*: The insignificant result of board size on disclosure level (refer to Section 6.3.2) may bring rise to the need of questioning board functionality in relation to board size. Individual MFSB may need to reassess the role of the governing body in their organisation in promoting public accountability. There is also a need to relook into policies on placing too many members on MFSB governing board given that the results showed a negative insignificant association, suggesting that the number of directors on the board may not have significant impact on public accountability in MFSB. Cost-benefit analysis may be conducted on MFSB governing boards to determine the appropriate and effective number of members on the board so as to avoid using public funds to support an ineffective function.

Given the benefits of the implications above, it is part of the researcher's plan to conduct a one-day gathering with all MFSB to present the findings of this study and its implications and recommendations for MFSB.

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8.3.2 Policy Makers and Regulatory Authorities

The policy makers and regulatory authorities may include the National Audit Department, the Accountant General Department, the ministries, the Parliament and the Treasury which is under the Ministry of Finance. Below are the implications and recommendations.

a) *Increasing the accessability of annual reports*: It is contended here that there should be some form of regulation or requirement by the policy makers or regulators in ensuring that annual reports of MFSB are more publicly available, both on their websites and the hardcopies. It is important as the public has the right to know where and how their money are spent. Authorities should draft a requirement imposed MFSB to upload their most current (or more) and the previous annual reports on their respective websites. They should also be required to be more responsive to public requests for hardcopies or annual report CDs. These measures may help avoid public scepticism concerning the performance of MFSB and possibly may improve public confidence in them.

   At the same time, the policy makers and regulators can play their part by making the reports accessible through them. It is suggested here that they, such as the A-G, make it mandatory for all MFSB to submit the latter's annual reports to them. The hardcopies of the annual reports should be placed in the former's library collections and hence will be made accessible for any interested researchers or public. Whereas the softcopies should be published on their websites. This approach echoes the

Bursa Malaysia initiative in the context of private sector where the annual reports of public listed companies can be easily accessed by researchers on either Bursa's library or website.

b) *Enhancing understanding of item and the need for disclosure among MFSB*: From the interview, it was reflected that the nondisclosure was sometimes attributed to the lack of understanding by MFSB on the importance of certain items and the need of disclosing them. It also implies the lack of importance attached by report preparers on the MFSB public accountability. For example, in the case of information of board members' attendance and rewards to staff as discussed in Section 7.4.1.1. Another situation was in the case of the low level of disclosure on financial ratios (refer to Section 5.4.3) where their responses implies their lack of appreciation on the need for financial analysis, hence could explain why many operate on deficits. Hence, it is strongly suggested here that training, briefings and workshops to be conducted by the authorities such as the Treasury, the Accountant General Department or their parent ministries to help enhancing the MFSB understanding and awareness on these items, why they should be reported and how to go about reporting them.

c) *Enhancing the disclosure of mandatory items*: The study also found results which showed that approximately two-thirds of the mandatory disclosure items (MDI) were disclosed (refer to Section 5.5.1). At the same time, there also appear to be a reduced disclosure concerning these items over a number of years as reflected in the comparison conducted with earlier study by Azis (2008). This needs to be looked into as it may reflect the reduced level of accountability. Here, it is proposed that policy makers develop several mechanisms to penalise non-complying MFSB whenever necessary as the current circular appears to be rather non-obligatory in nature. This will be part of the enforcement process of the government rules and directives which is unfortunately rather poor in Malaysia as noted by prior studies (Abu Bakar et al., 2011). Monitoring of MFSB disclosure is argued here to be crucial, otherwise, the TC4/2007 may not serve its purpose. One reasonable approach that can be done by the authorities to address this is by introducing a detailed checklist to assess the compliance of each MFSB to the TC4/2007. Based on this checklist, MFSB can be asked to indicate if the item has been disclosed or otherwise; if it is disclosed, then provide the location in the report (e.g. page numbers) in the report, if otherwise, provide the reasons or justifications. This is important so as to avoid penalising MFSB which may have genuine reasons for nondisclosure, as indicated during the interview. Acceptable reasons may include the irrelevance of the data to their organisation (refer to Section 7.4.1.2), lack of authority or control on certain information (refer to Section 7.4.6.1) and being exempted from following the TC4/2007 (refer to Section 7.4.3.3). This will hopefully help MFSB achieve greater accountability. Nevertheless, it was also highlighted by one large MFSB during interview that they had been assessed by the Implementation and Coordination Unit (ICU) of the Prime Minister's Department on their level of compliance with the TC4/2007. This is a positive way forward as disclosure is said to be able to be improved if there is intense scrutiny (Allen & Sanders, 1994). It is however noted that assessment by the ICU involved only a handful of MFSB. Hence, it is contended here that more of that assessments should be conducted in the future and to include more MFSB of various natures and sizes.

d) *Sustaining the improvement in disclosure*: The improvement of almost half of the 36 comparable mandatory items from nondisclosure to disclosure (refer to Section

5.5.1) indicates a positive development of disclosure among MFSB. Encouragements and recognition is therefore argued as necessary to sustain this kind of improvement in disclosure practice, not only for mandatory items but also for overall disclosure. Among the approaches that can be undertaken by authorities is by organising annual report competitions among MFSB and give away awards and certificates. Several categories can be developed and competed. Examples include the ‘best in compliance’, ‘overall highest disclosure score’ based on certain comprehensive checklist such as ADIS, ‘best governance reporting’, ‘best financial reporting’, ‘best performance reporting’, ‘best socio-environmental reporting’, and also ‘best in design’. The list of award recipients should be widely announce so that others can emulate as far as possible the exemplary reports. This may consequently create a positive and healthy disclosure environment among MFSB. Also, the recognition of external bodies through competition and awards may lend additional credibility to the annual report itself.

e) *Revising the TC4/2007 to include voluntary items*: Most of the voluntary items in ADIS are based on the disclosure recommendations by the public sector literature, hence suggesting the importance and the need of disclosing these items by public sector organisations. Therefore, it is strongly recommended here that the TC4/2007 be reviewed and revised by the Ministry of Finance to incorporate some of these previously voluntary items. By doing this, MFSB in particular and government in general will be closer with the international public sector reporting practice and with their own pledge to be committed towards transparency and accountability. In fact, prior studies such as Allen & Sanders (1994) established that standard assessment activities, such as revising the Circular in this context, has been identified as a contributing factor towards greater disclosure. The inclusion of these items also could possibly help in increasing their disclosure level which was very low as shown in Section 5.5.2.

f) *Monitoring disclosure and accountability of low-disclosed type of MFSB*: Regression results have provided evidence on the association between the type of MFSB and their disclosure level. It is recommended that authorities monitor more closely those types of MFSB showing relatively low disclosure levels such as the foundation/scholarship group of MFSB (refer to Section 6.3.2). Their lack of disclosure should not be taken for granted. Despite the fact that they are giving scholarships and disbursing their money to the public, they are in fact still using public funds and resources although one of these MFSB justified their lack of disclosure by mentioning that they are not using public funds and the moneys given to the scholarship recipients are from contributions of specific individuals or entities (refer to Section 7.4.5.3). This is debatable since it is well-known that those individuals or entities mentioned by them[61] are heavily or substantially funded by the public purse. As a matter of fact, no MFSB should be spared from fulfilling their accountability obligations to the public even for the so-called self-sustaining MFSB, as their initial start-up cost are funded with public money and it is normally given free to them. The importance of closely monitoring these low disclosure type of MFSB also rests in the fact that low diclosure may be a signal of other internal issues. In light of the above, additional cautionary actions are recommended to be carried out by authoritative bodies on these MFSB in order to promote greater disclosure and accountability.

[61] No names can be mentioned here due to the confidentiality issue.

g) *Revising policy on board composition*: The results from the regression tests suggest that MFSB with at least one internal director are generally higher in their disclosure scores compared to those MFSB not represented by internal members on their board (refer to Section 6.3.2). Given that there a quarter of MFSB are without an internal director (refer to Section 6.2.2), this may compromise the level of disclosure and hence accountability function of MFSB. It is thus recommended that policy makers should consider formulating a policy for MFSB to have at least one internal director on their board. Formulating this policy is justifiable as it is backed by proper empirical research.

h) *Requiring the establishment of audit committee in MFSB*: Results from RQ2 also found that audit committees were significanlty associated with disclsoure levels (refer to Section 6.3.2). MFSB with audit committees showed higher disclosure than those without one. Accordingly, it is proposed that policy makers develop governance mechanism for establishing audit committees in all MFSB as it has shown to have some bearing towards promoting greater public disclosure. For MFSB with no audit committee after the policy is formulated, they should be required to disclose the reasons for this in their annual report. The empirical evidence brought forth by this thesis justifies this initiative to policy makers and regulators in the public sector.

It is also planned that these implications and recommendations will be communicated to the respective authorities such as the Treasury and the National Audit Department so that the benefit of this study can materialise.

8.3.3 Theory and Knowledge

This implication pertains to the contribution of this study on theory and knowledge development.

a) *Usefulness of the MFSB classification*: The classification of MFSB based on the nature of their activities endeavoured by this thesis (refer to Section 4.6.1) appears to be very useful as it acts as a significant explanatory variable capable of explaining the differences in the levels of disclosure among MFSB. Future research can adopt this categorisation to conduct analysis on various other dependant variables, such as financial performance, or the quality of performance reporting.

b) *Usefulness of public accountability paradigm*: It was revealed from this study that the public accountability paradigm is suitable for application in various stages of this study in order to understand the issues under research (refer to Section 5.4.6, 6.6.3 and 7.5). This study has also shown an example on how this paradigm can be used together with other theories – in this context, the institutional theory - in one study. Future investigations can thus incorporate this paradigm either by its own or with other complementing theories as part of their theoretical perspectives.

c) *Usefulness of coercive isomorphism*: This thesis demonstrates that coercive isomorphism is useful in both the quantitative and qualitative phase of the study. In the quantitative phase, it was useful in understanding the association between the board composition and the extent of disclosure of accountability information as explained in Section 4.6.3, 6.6.3. The presence of coercive isomorphism in MFSB reporting practice was confirmed from the interview findings as explained in Section 7.5. The usefulness of applying coercive isomorphism in these contexts provide a new contribution to the public sector as well as governance literature that can be emulated by future studies. However, with regards to the audit committee, the results do not appear to support the coercive isomorphism as hypothesized. It is argued that there is a possibility that the coercive isomorphism might be useful if the characteristics instead of the existence of audit committee is tested against the disclosure level, which is beyond the study's scope.

d) *Usefulness of normative isomorphism*: Similar to coercive isomorphism, the normative isomorphism appears to be useful in understanding both the quantitative as well as the qualitative phase of the study. As discussed in Section 4.6.1, the association between the type of MFSB and the extent of disclosure can be explained using this isomorphism. In Section 7.5, the isomorphism was apparent during the interview. As such, future public sector studies may adopt this isomorphism in trying to understand the difference in the disclosure practice among organisations of different nature of activities.

e) *Usefulness of mimetic isomorphism*: The study does not appear to support the mimetic isomorphism in its attempt to determine the factors influencing the extent of disclosure. The qualitative phase nevertheless provides some evidence that mimetic isomorphism does actually exist, as discussed in Section 7.5. This isomorphism can be said to be less useful compared to the coercive and normative isomorphism in understanding MFSB reporting practice.

f) *Usefulness of GLM:* GLM command was successfully used by this study in analysing the association between the independent and dependant variables (refer to Section 4.8.7.2). Given the limited number of studies using this command despite its great benefits, it is strongly recommended that more research in the future employ the GLM command to their quantitative research. Currently, this method is popular in medical schools while those in the business schools or specifically in accounting field are less familiar with it.

g) *Possible alternative theory*: Although the results and findings from both the quantitative and qualitative phase to some extent appear to support the public accountability paradigm and institutional theory, it is maintained here that there are also reasons for disclosure and nondisclosure which were based on rationality, or what has been described as techno-economic forces by Abrahamson (1996). The thesis finds that overall, the interview findings are consistent with the concept of managerial fashion proposed by Abrahamson (1996) which combines both the technical/rational explanations of the adoption of management practices and the 'institutional' ones. Examples of techno-economic forces is when informants/interviewees claimed that budget constraint (refer to Section 7.4.5.1), time constraint (refer to Section 7.4.5.2) and lack of collaboration and cooperation among units (refer to Section 7.4.6.3) as their reasons for the nondisclosure. In light of this, future studies might consider this alternative explanation as their theoretical lens.

Based on the above, future research may make use of a similar or alternative theoretical framework to further understand this field. The GLM will hopefully be an emerging trend for future quantitative research.

8.4 Strengths of the Thesis

The thesis has several strengths worth mentioning. The first strong point of the thesis is that in the quantitative phase, almost all the MFSB (95.5%) were investigated (refer to Section 5.2). This rate can be regarded as sufficient to generalize the findings across MFSB regarding disclosure of accountability information. As for the qualitative phase, nearly 20 per cent of MFSB (20 MFSB) and a good number of participants (i.e. 32) willingly involved in the interview (refer to Section 7.2), providing the thesis with rich interview data from different types of MFSB.

The next strength of the thesis is that although the results showed that not all independant variables were significant, the R^2 of 0.406 was relatively higher compared to many of the previous studies where their R^2 were normally not more than 30 per cent except very few (refer to Section 6.3.2), thus implying a relatively more useful model.

The third strength is related to the instrument used (i.e. the disclosure index) for RQ1. The instrument was carefully and rigorously developed and took into account various sources including government circulars, prior research, and etcetera (refer to Section 4.8.3). The index was pretested (refer to Section 4.8.8), checked for validity (refer to Section 4.8.3) and reliability by field experts (refer to Section 4.8.9). The strength of the index enhanced the usefulness of the results obtained. It also increased the possibility that the index will be applied by future research in different settings both locally and internationally.

Fourthly, the dual approach to research used by this thesis has minimized the presumptions by the researcher on the reasons for disclosure and nondisclosure of accountability information on the results found in the quantitative phase (refer to

Chapter 5 and 6). This is because the real preparers of the reports and/or the MFSB managers have been asked concerning the motivations or impediments that prevent the disclosure of certain accountability information (refer to Chapter 7). Many prior studies focused on the quantitative phase and were rather presumptious in their explanation of the results.

Finally, the thesis shows how institutional theory and public accountability are useful in partly explaining the MFSB disclosure level, factors influencing it and reasons for disclosure and nondisclosure (for example, see Section 4.6, 6.6 and 7.5). Many previous public sector disclosure studies were not supported with a carefully constructed theoretical framework that leads to better understanding of the issue.

8.5 Limitations of the Thesis

No study is without limitations. Nevertheless, it must be noted that necessary measures have been undertaken to ensure the present study is conducted in the best possible manner. This study's limitations are explained below. In the section following this (Section 8.6), what future research can do to address some of these limitations are presented. It must be acknowledged however that not all limitations can actually be overcome by conducting more research.

(i) As explained earlier in Section 4.8.2, this study relates to the 2008 annual report. This year represents only a year after the TC4/2007 was published and implemented (i.e. year 2007), hence the results found for RQ1 and RQ2 may be influenced by the adjustment or learning process by MFSB in familiarising themselves to the new circular.

(ii) The next limitation of this study is the issue of coding of the interview findings. Although the coding process was conducted in the best possible manner, it is acknowledged that the qualitative nature of the data makes it rather subjective. Due to the research limitations in terms of financial and human resources, only one interviewer and coder was present during the interview and coding process.

(iii) Other limitations of the study are related to the attributes of governance. As most earlier research related to governance attributes such as board size, board composition and audit committee pertain to the private sector context, the results of this theses may not be directly comparable. The preciseness of data on audit committee is also a limitation of the study as it is solely based on the annual reports.

(iv) Additionally, this study focused on the disclosure level and not quality. The disclosure level is based on the score obtained from items in the index and the scoring system, and in turn, is binary, i.e. disclose or not to disclose. The quality of disclosure was not addressed. Moreover, greater disclosure does not necessarily imply better quality disclosures (Ho & Wong, 2001).

(v) This thesis focused solely on annual reports as a disclosure medium (refer to Section 1.2) while other mediums of disclosure were not assessed. This might discriminate MFSB which focus more on other mediums such as websites in disseminating their accountability information.

(vi) The items included in the index - based on certain considerations - are presumed to be the information needs of MFSB stakeholders. However, notably, it could be also that few of these items are not representing the stakeholders' actual needs for information.

(vii) The use of software to analyse qualitative data was argued by a group of literature as having some positive influences on the quality, rigour and trustworthiness of a particular research (Welsh, 2002). Thus, should there be more time and financial resources, the thesis might have resorted to softwares such as NVivo.

8.6 Suggestions for Future Research

This thesis has paved the way for future researchers to further investigate the issue of the disclosure of accountability information. Among the suggestions are:

(i) To address the first limitation, an opportunity for future research is to replicate this study with a matched sample to a later year (i.e. after 2008) in order to remove or reduce any effects arising from the adjustment or learning period. Future studies may also replicate this study for RQ1 and RQ2 on year(s) prior to the issuance of TC4/2007 (i.e. before 2008) and compare those results with results from 2009 to determine if there is any difference in disclosure pre and post TC4/2007. This will help identify the impact of the TC4/2007 on MFSB disclosure, if any. Alternatively, a longitudinal study which involves annual report analysis of more than a year's annual reports to map the changes over time for an individual or a group of MFSB can also be conducted.

(ii) For the second limitation, future research may include more than one interviewee in the interview settings as well as more than one coder to sit together during the coding process. This may reduce subjectivity in the findings although not removing it altogether.

(iii) With regards to the third limitation, future research may follow the study by Ho & Wong (2001) where data on the existence of an audit committee was collected directly from the companies through a postal survey although for other variables, it was taken from annual report. This study opted against this approach due to resource constraints and that it may affect the sample size as studies on the Malaysian public sector often receive a low response rate.

(iv) As for the fourth limitation, future research may want to use a different scoring approach in order to differentiate the quality of disclosure.

(v) The fifth limitation can be addressed by future research that examines other disclosure mediums such as websites and press releases. This is to take into consideration the claim by Christensen & Skaerbaek (2007, p. 102) that "annual reports are only part of the burgeoning growth of accountability acquittals required under New Public Management".

(vi) Future studies may be interested to conduct a survey on the perceived usefulness of the items in the disclosure index (ADIS) among various stakeholders. This may be able to address the sixth limitation of the current study.

(vii) To allow a more comprehensive insight on public sector disclosure both in Malaysia and other countries, future research may apply the disclosure index (ADIS) developed by this research 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. Applying the index to other government entities in and outside Malaysia may also allow a comparison of the disclosure levels not only across the different forms of government entities but also between different countries. This can also be applied to the statutory bodies at the state level in Malaysia.

(viii) Other suggestions for future research is to include other variables such as the ministry under which MFSB is governed. This is because the parent ministry's influence was mentioned by interviewees as one reason for their disclosure (refer to 7.3.4.6).

(ix) Future research may conduct interviews with government regulatory bodies and authorities such as the A-G and Treasury to obtain insights on the reasons for disclosure and nondisclosure of accountability information as in addition to compliance and noncompliance to TC4/2007 from their perspectives. As explained earlier, interviews in this thesis involved only the MFSB managers and/or preparers of annual reports to understand their motivation and/or reluctance towards disclosure.

In short, this thesis has paved the way for future researchers to further investigate the issue of the disclosure of accountability information. The above suggestions for future research are expected to allow stakeholders of government bodies to gain greater insights into the disclosure practices of the public sector.

8.7 Concluding Remarks

It is hoped that this thesis is able to provide valuable input for the relevant authorities to formulate relevant policies on disclosure requirements or improve the current policies particularly for 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 thesis contributes towards the knowledge and literature on public sector reporting.

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Appendix 4_1 List of Malaysian Federal Statutory Bodies

No.	MFSB	Abbreviation
1	Academy of Science Malaysia	ASM
2	Agricultural Bank Of Malaysia	AGROBANK
3	Armed Forces Fund Authority	LTAT
4	Bank Kerjasama Rakyat (M) Bhd.	BRAKYAT
5	Bintulu Port Authority	LPBINTULU
6	Central Bank Of Malaysia	BNM
7	Central Terengganu Development Authority	KETENGAH
8	Companies Commission Of Malaysia	SSM
9	Construction Industry Development Board	CIDB
10	Cooperative College Of Malaysia	COOP COLLEGE
11	Council Of Trust For The Bumiputera	MARA
12	East Coast Economic Regional Development Council	ECERDC
13	Employees Provident Fund	EPF
14	Ex-Armed Forces Authority	PERHEBAT
15	Farmers' Organization Authority Of Malaysia	LPP
16	Farmers' Association Education Foundation	YPMADA
17	Federal Agricultural Marketing Authority	FAMA
18	Federal Agriculture Marketing Authority	FELDA
19	Federal Territory Islamic Religious Council	MAIWP
20	Fisheries Development Authority Of Malaysia	LKIM
21	Forest Research Institute Of Malaysia	FRIM
22	Golf Subang Corporation*	GOLFSUBANG
23	Hajj Pilgrim's Fund Board	LUTH
24	Human Rights Commission Of Malaysia	SUHAKAM
25	Inland Revenue Board Of Malaysia	IRB
26	Institute of Language And Literature Malaysia	DBP
27	Intellectual Property Corporation Of Malaysia	PHIM
28	Iskandar Regional Development Authority	IRDA
29	Johor Port Authority	LPJOHOR
30	Johor Port Authority (Tanjung Pelepas)*	LPJOHOR-TG.PELEPAS
31	Kedah Regional Development Authority	KEDA
32	Kemaman Port Authority	LPKEMAMAN
33	Kemubu Agricultural Development Authority	KADA
34	Klang Port Authority	LPK
35	Kuantan Port Authority	LPKUANTAN
36	Kumpulan Wang Persaraan (Diperbadankan)	KWAP
37	Labuan Corporation	LABUANCORP
38	Labuan Offshore Financial Services Authority	LOFSA
39	Langkawi Development Authority	LADA
40	LGM Properties Corporation	LGMPC
41	Malacca Port Board*	LPM
42	Malaysia Deposit Insurance Corporation	PIDM
43	Malaysia External Trade Development Corporation	MATRADE
44	Malaysia Health Promotion Foundation	HEALTHPROMO

Appendix 4_1 (continued)

45	Malaysia Highway Authority	LLM
46	Malaysia Land Survey Board*	JURUKUR
47	Malaysia Pepper Board	MPB
48	Malaysia Productivity Corporation	MPC
49	Malaysia Technical University of Malacca	UTeM
50	Malaysia Tourism Promotion Board	LPPM
51	Malaysia University of Pahang	UMP
52	Malaysia University of Perlis	UniMAP
53	Malaysia University of Sabah	UMS
54	Malaysia University of Sarawak	UNIMAS
55	Malaysia University of Terengganu	UMT
56	Malaysian Agricultural Research And Development Institute	MARDI
57	Malaysian Cocoa Board	KOKO
58	Malaysian Examinations Council	MPM
59	Malaysian Handicraft Development Corporation	KRAFTANGAN
60	Malaysian Industrial Development Authority*	MIDA
61	Malaysian Institute Of Accountants	MIA
62	Malaysian Institute of Road Safety Research	MIROS
63	Malaysian National News Agencies	BERNAMA
64	Malaysian Palm Oil Board	MPOB
65	Malaysian Pineapple Industry Board	NANAS
66	Malaysian Qualifications Agency	MQA
67	Malaysian Rubber Board	LGM
68	Malaysian Timber Industry Board	MTIB
69	Muda Agricultural Development Authority	MADA
70	National Academy of Arts, Culture and Heritage*	ASWARA
71	National Art Gallery Trustee Board	SENILUKIS
72	National Film Development Corporation Malaysia	FINAS
73	National Higher Education Fund	PTPTN
74	National Population And Family Development Board Malaysia	NPFDB
75	National Saving Bank	BSN
76	National Sports Council	MSN
77	National Tobacco Board	LTN
78	National University of Malaysia	UKM
79	North Corridor Implementation Authority	NCIA
80	Northern University of Malaysia	UUM
81	Penang Hindu Endownment Fund Board	WAKAFHINDU
82	Penang Port Commission	SPPP
83	Penang Port Commission (Teluk Ewa)*	SPPP-TELUK EWA
84	Penang Regional Development Authority	PERDA
85	Perbadanan Pengurusan Sisa Pepejal Dan Pembersihan Awam	PPSPPA
86	Putrajaya Corporation	PUTRAJAYACORP
87	Perwira Asset Authority Malaysia	PPHM
88	Perwira Niaga Authority Malaysia	PERNAMA
89	Railway Asset Corporation	RAC

Appendix 4_1 (continued)

90	Raja-Raja And The Yang Dipertua-Yang Dipertua Negeri Higher Studies Scolarship Fund	Biasiswa Raja-raja
91	RRIM Consult Corporation	RRIMCONSULT
92	Rubber Industry Small Holders Development Authority	RISDA
93	Skills Fund Development Corporation	PTPK
94	SME Corporation Malaysia / SMIDEC	SMECORP
95	Social Security Organisation	SOCSO
96	South East Johore Development Authority	KEJORA
97	South Kelantan Development Authority	KESEDAR
98	Stadium Merdeka Corporation	PSM
99	Sultan Idris Education University	UPSI
100	Suruhanjaya Koperasi Malaysia	SKM
101	Suruhanjaya Perkhidmatan Air Negara	SPAN
102	Teachers Provident Fund Board	KWSG
103	Tin Industry (Research And Development) Board	TIMAH
104	Totalisator Board Of Malaysia	TOTALISOR
105	Tun Razak Foundation	YTR
106	Tunku Abdul Rahman Foundation	YTAR
107	Universiti Darul Iman Malaysia	UDM
108	Universiti Malaysia Kelantan	UMK
109	Universiti Pertahanan Nasional Malaysia	UPNM
110	Universiti Sains Islam Malaysia	USIM
111	Universiti Tun Hussein Onn Malaysia	UTHM
112	University Malaya Medical Centre	PPUM
113	University of Malaya	UM
114	University of Science Malaysia	USM
115	University of Technology Malaysia	UTM
116	University Putra Malaysia	UPM
117	University Technology MARA	UiTM
118	Yayasan Pelajaran Mara	YPM

*Excluded as population or sample of the thesis.

Appendix 4_2 Disclosure Index or Checklist and Its Sources

Category	Subcategory	No.	Disclosure Item	Main Source
Overview	BACKGROUND OF ANNUAL REPORT	1	Content page	Herawaty & Hoque (2007)
Overview	BACKGROUND OF ANNUAL REPORT	2	Index/ glossary	Herawaty & Hoque (2007), Gandia & Archidona (2008)
Overview	BACKGROUND OF ANNUAL REPORT	3	Statutory process timeliness: annual report submission to Minister/Parliament	Lim & McKinnon (1993)
Overview	BACKGROUND OF ANNUAL REPORT	4	Public accountability timeliness: annual report publication	Coy et al. (1994)
Overview	ACCESS INFORMATION	5	Address of registered office	TC4-2007, Gandia & Archidona (2008)
Overview	ACCESS INFORMATION	6	Contact information (Telephone/fax/email)	Lim & McKinnon (1993), Gandia & Archidona (2008), Tooley & Guthrie (2007), Nelson et al. (2003)
Overview	ACCESS INFORMATION	7	Webpage	Herawaty & Hoque (2007)
Overview	ACCESS INFORMATION	8	Business hours	Lim & McKinnon (1993)
Overview	BACKGROUND OF STATUTORY BODIES	9	Year of establishment	Gray & Haslam (1990)- implicit (history)
Overview	BACKGROUND OF STATUTORY BODIES	10	Parliamentary act under which SB was established	TC4-2007
Overview	BACKGROUND OF STATUTORY BODIES	11	Governing ministry	Review of MFSB annual report
Overview	BACKGROUND OF STATUTORY BODIES	12	Role/ function/ main activities	TC4-2007
Overview	COMPANY OBJECTIVES AND PHILOSOPHY	13	Vision and Mission	Ryan et al. (2002)
Overview	COMPANY OBJECTIVES AND PHILOSOPHY	14	Values/ethics/philosophy	Schneider & Samkin (2008)
Overview	COMPANY OBJECTIVES AND PHILOSOPHY	15	Aims/ goals/objectives	TC4/2007, Ryan et al. (2002b)
Overview	COMPANY OBJECTIVES AND PHILOSOPHY	16	Client charter	Lim & McKinnon (1993)
Overview	CORPORATE INFORMATION	17	Organisation chart	TC4-2007
Overview	CORPORATE INFORMATION	18	Chairman: name	TC4-2007
Overview	CORPORATE INFORMATION	19	Chief Executive: name	TC4-2007
Overview	CORPORATE INFORMATION	20	External auditor	TC4-2007
Overview	CORPORATE INFORMATION	21	Main bank(s)	Review of MFSB annual report
Overview	CORPORATE INFORMATION	22	Main lawyer(s)	Review of MFSB annual report
Overview	CORPORATE INFORMATION	23	List of main events in the year	TC4-2007
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	24	Overall comments on programmes, activities and projects (PAP) of MFSB	TC4-2007
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	25	Achievements and financial status of PAP of MFSB & compare with previous years	TC4-2007
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	26	Events that influence the performance of PAP of MFSB	TC4-2007
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	27	Future prospects and corporate strategies	TC4-2007
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	28	Growth and development of PAP	TC4-2007
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	29	Acknowledgement to contributors of the SB success	TC4-2007
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	30	Minister message	Review of MFSB annual reports
Overview	CHAIRMAN AND CEO MESSAGES Chairman message (Tooley & Guthrie, 2007)	31	Chief executive message	Herawaty & Hoque (2007)
Overview	BOARD OF DIRECTORS	32	BOD: members' name	TC4-2007
Overview	BOARD OF DIRECTORS	33	BOD: secretary	Lim & McKinnon (1993)-implicit
Overview	BOARD OF DIRECTORS	34	BOD: organisation represented	Lim & McKinnon (1993)-implicit
Overview	BOARD OF DIRECTORS	35	BOD: members' term end/start	Lim & McKinnon (1993)-implicit
Overview	SENIOR EXECUTIVES	36	Senior management: name and designation	TC4/2007, Herawaty & Hoque (2007)
Overview	SENIOR EXECUTIVES	37	Senior management: education and qualification	Schneider & Samkin (2008)

Appendix 4_2 (continued)

		38	Senior management: skils and experience (know-how)	Schneider & Samkin (2008)
Governance	BOARD OF DIRECTORS Governance	39	BOD: members' education and qualification	MCCG
		40	BOD: members' skills and experience of nonexecutive director	MCCG
		41	BOD: number of meetings per year	MCCG
		42	BOD: meeting dates	TC4-2007
		43	BOD: attendance summary	TC4-2007
		44	BOD: meeting attendance of each individual director	MCCG
		45	BOD: renumeration policy or total amount	Ryan et al. (2002b)
		46	BOD: renumeration amount listed by person	MCCG
	SENIOR MANAGEMENT Governance	47	SM: renumeration amount of CEO	Ryan et al. (2002b)
		48	SM: renumeration amount of other senior executives (total or individual)	IFAC 2001, Schneider & Samkin (2008)
		49	SM: how nature and amount of renumeration of senior executives is determined	Herawaty & Hoque (2007)
	Financial MANAGEMENT AND ACCOUNT COMMITTEE	50	FMAC: members' name	TC10-2008
		51	FMAC: required number of meetings	TC10-2008
		52	FMAC: number of meetings	TC10-2008
		53	FMAC: effectiveness of FMAC in handling financial issues	TC10-2008
	INTERNAL AUDIT	54	Review and/or appraisal on effectiveness of risk management	MCCG, Herawaty & Hoque (2007), Ryan & Ng (2000)
		55	Review/appraisal of internal control systems	MCCG, Ryan et a. (2002),Ryan & Ng (2000)
Financial	AUDITED Financial STATEMENTS	56	Balance sheet	TC4-2007, Caba Perez & Lopez-Hernandez (2009), Stanley et al. (2008), Tooley & Guthrie (2007)
		57	Income statement	TC4-2007, Caba Perez & Lopez-Hernandez (2009), Stanley et al. (2008), Tooley & Guthrie (2007)
		58	Statement of changes in equity	TC4-2007, Caba Perez & Lopez-Hernandez (2009)
		59	Cash flow statement	TC4-2007, Caba Perez & Lopez-Hernandez (2009), Stanley et al. (2008), Perez et al. (2008), Tooley & Guthrie (2007)
		60	Notes to the financial statement	TC4-2007, Caba Perez & Lopez-Hernandez (2009), Tooley & Guthrie (2007)
	ACCOMPANYING CERTIFICATE AND STATEMENT	61	Auditor general certificate	TC4-2007, Perez et al. (2008)
		62	Statement of Chairman and a Board member for the Group accounts	TC4-2007
		63	Statutory declaration by the officer primarily responsible for the financial mgmt	TC4-2007
	ANALYSIS OF Financial Performance	64	Comparison figures/charts: on assets used	TC4-2007
		65	Comparison figures/charts: on various source of finance	TC4-2007
		66	Comparison figures/charts: on reserve	TC4-2007
		67	Comparison figures/charts: on noncurrent liabilities	TC4-2007
		68	Comparison figures/charts: on sales/receipts and gross profit margin	TC4-2007

Appendix 4_2 (continued)

		69	Comparison figures/charts: on surplus/deficit or profit/loss	TC4-2007
	Financial RATIOS (Stanley et al., 2008), (Tooley & Guthrie, 2007)	70	Current ratio (Current assets/Current liabilities)	GC6-2004
		71	Liquidity ratio (Liquid assets/Current liabilities)	GC6-2004
		72	Debt asset ratio (Total debt/Total assets)	TC-2007, GC-2004
		73	Proprietor's ratio (Total equity / total liability)	GC6-2004
		74	Total equity/total fixed asset	GC6-2004
		75	Assets turnover ratio	TC4-2007
Performance	KEY Performance INDICATORS	76	Key Performance Indicators	DAC2-2005
		77	Compare targeted KPI and actual achievement (in figure/percentage)	Wall & Martin (2003)
	CUSTOMER/ EMPLOYEE SATISFACTION INDICATOR	78	Customer satisfaction	Tooley et al. (2010), Wei et al. (2008)
		79	Staff satisfaction	Wei et al. (2008)
		80	No. of complaints received on MFSB	Lim & McKinnon (1993)
		81	No. of valid complaints resolved	MAMPU (2002)
	Overview OF PROGRAM/ACTIVITIES/PROJECTS (PAP)	82	Objective and description of each PAP	TC4-2007
		83	Implemetation progress of each PAP	TC4-2007
		84	Problems e ncountered in the implementation	TC4-2007
		85	Factors (internal/external)influencing current performance	TC4-2007
		86	Future plans	TC4-2007
	Performance MEASURES ON PAP	87	Input: Financial resources	Tooley et al. (2010), Smith (2004)
		88	Input: Non-financial resources applied to a PAP	Tooley et al. (2010) , Marcuccio & Steccolini (2009), Smith (2004)
		89	Output	Tooley et al. (2010) , Marcuccio & Steccolini (2009), Smith (2004)
		90	Impact	TC4/2007, Tooley et al. (2010) , Marcuccio & Steccolini (2009)
		91	Efficiency	Tooley et al. (2010) , Marcuccio & Steccolini (2009), Gordon & Fischer (2008), Smith (2004)
		92	Effectiveness	Tooley et al.(2010)
		93	Productivity	MPC (2008)
		94	Compare between actual and target performance	Tooley et al.(2010), Tooley & Guthrie)
		95	Compare between current and previous year	Tooley et al.(2010), Smith (2004)
Others	HUMAN RESOURCE	96	Statistics on staffing (e.g.total staff, vacancies)	Herawaty & Hoque (2007)
		97	Workforce planning, staff turnover and retention	Herawaty & Hoque (2007)
		98	Equal opportunity employment (e.g. staff by race/gender/age)	Coy & Dixon (2004), Tooley & Guthrie (2007), Ryan et al. (2002b), Schneider & Samkin (2008), Tooley & Guthrie (2007)
		99	Statstics on training and development courses/programmes for staff	Herawaty & Hoque (2007), Scheneider & Samkin (2008)
		100	Achievements/impact of staff training and development activities (general/each)	Tooley et al. (2010)

Appendix 4_2 (continued)

		101	Staff recognition through awards/rewards/titles	Herawaty & Hoque (2007)
		102	Staff recognition: Names of awards/titles/rewards recipients	Herawaty & Hoque (2007)
	SOCIO-ENVIRONMENTAL	103	Internal/external social responsibility efforts/activities	Joseph (2010)
		104	Financial information on social responsibility issues (budget/cost)	Joseph (2010)
		105	Internal/external environmental protection efforts/activities	Joseph (2010)
		106	Financial information on environmental issues (budget/cost)	Joseph (2010)
	PROPERTIES/ MAIN ASSETS Tooley & Guthrie (2007)	107	List of main assets: location	TC4-2007
		108	List of main assets: ownership	TC4-2007
		109	List of main assets: size (area)	TC4-2007
		110	List of main assets: description/type	TC4-2007

*the highlighted cells contains mandatory items

Appendix 4_3 General Linear Model

GLM is basically a mathematical relation between a single (for univariate GLM) or more than one (for multivariate GLM) criterion variable and one or more predictor variables (Aron et al., 2009, p. 612). The GLM model can be stated in symbols as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + ... + e$$

The principle of GLM is that any subject's score on a particular criterion variable is the sum of several influences (Aron et a., 2009, p.613) namely (i) some fixed influence that is the same for all individuals (the constant, a), (ii) influence of variables you have measured on which subject vary (the weighted influence of several variables, b), and (iii) other influences that vary among individuals but are not or cannot be measured (the error, e).

Traditionally, there have been two distinct statistical camps – one dealing with continuous variables (the correlation camp), and one dealing with categorical variables (the ANOVA or experimental camp) (McNeil et al., 1996, pg. 4; Thompson et al., 2008; Field, 2009, p.349). This notion that there are two camps died with Cohen's (1968) article, if not with Cronbach's (1957) presidential address. Cohen's (1968) seminal article was primarily responsible for bringing the GLM to the attention of social science researchers (Stevens, 2009, p. 158). According to Cohen (1968), in essence, all statistical analyses are correlational and are part of a global general linear model (Thompson, 2008, p. 98). The difference between the analyses (e.g. between ANOVA and regression) are only in the form of output and not in their underlying analysis or mathemathical computation (Meyers et al., 2006, p. 295; Park, 2009).

More specifically, the Big Four test (t tests, ANOVA, correlation and multiple regression) are all special cases of GLM and therefore systematically related (Aron et al., 2009, p. 612; Thompson, 2009, p. 362) (refer to Figure 4.4). The most general technique is multiple regression, of which bivariate correlation and prediction are special cases. At the same time, the ANOVA is also a special case of multiple regression. Finally, the t test can be derived from either bivariate correlation/prediction or the ANOVA. Based on the figure, we can say that MLR is therefore basically the same thing as GLM. Specifically, MLR is the univariate case of the parametric GLM (Thompson, 2009, p. 216).

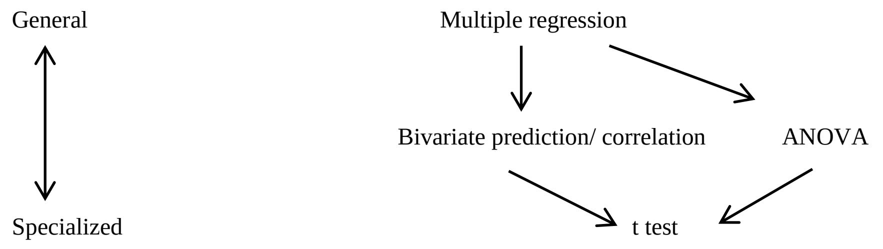


Figure 4.4: The Relationships Among the Four Major Statistical Techniques

Given the fact that GLM is an umbrella concept of most statistical analyses, this explains why some statisticians agreed that mastering GLM concepts is like being in Oz with ruby slippers (e.g. Thompson, 2009, p.217) and students who understand the GLM understand the big picture of statistics (Grace-Martin, 2012c, p. 5; McNeil et al., 1996). So why then statistical software such as SPSS still keep the regression and ANOVA procedure while incorporating the General Linear Model (GLM)? (Hendersen, 1998). This situation has been well-explained some authors (e.g. McNeil et al., 1996, p. 294) where they said it is largely due to the development or progress (or rather the lack of it) of IT in that particular era when the statistical analyses was developed. For example, Tatsuoka (1975, p.1-2, as quoted in Thompson, 2009, p.359-60) explained that ANOVA was invented due to the the incapability of computer program at that time to perform calculations needed for MLR. At that time, the MLR (which is essentially what the [univariate] GLM is) has in fact been used by the originator of ANOVA (i.e. R.A. Fisher) to test for multi-group significance as evidenced in his early writings. We can still see the ANOVA functions alongside with MLR and GLM procedure in statistical softwares until now. Some argued that many researchers until now were generally taught MLR and ANOVA in a very different contexts and many textbooks teach ANOVA in an entirely different way to regression (Field, 2009, p.349) leading them to still believe on the myth that ANOVA and correlation test are two different things where in fact they are both subsets of GLM (McNeil et al., 1996, p.297; Meyers et al., 2006, p.295). Many do not realise that in fact all conceivable designs in ANOVA, ANCOVA or regression could be handled by a single GLM procedure, differing from design to design only in minute technical detail (Tatsuoka, 1975).

Appendix 4_4 Testing Assumptions and Conditions of Regression

Table 4.13 : Contingency Table of Factors

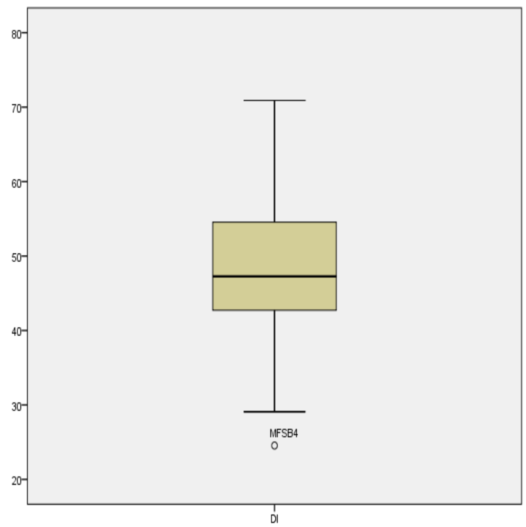
Dependent Variable:DI

TYPEMF	BODCOM	AUDCOM	Mean	Std. Deviation	N
Transportation	Have at least 1 internal director	Audit Committee Do Not Exists	41.9481	4.99114	7
		Total	41.9481	4.99114	7
	Total	Audit Committee Do Not Exists	41.9481	4.99114	7
		Total	41.9481	4.99114	7
Area/regional development	Do not have internal director	Audit Committee Do Not Exists	50.6061	8.14808	3
		Audit Committee Exists	45.9091	5.78542	2
		Total	48.7273	6.94131	5
	Have at least 1 internal director	Audit Committee Do Not Exists	50.4545	4.95156	4
		Audit Committee Exists	61.8182	.	1
		Total	52.7273	6.64943	5
	Total	Audit Committee Do Not Exists	50.5195	5.86480	7
		Audit Committee Exists	51.2121	10.05495	3
		Total	50.7273	6.74608	10
Banking, Finance, Fund, Investment	Do not have internal director	Audit Committee Do Not Exists	50.0000	.	1
		Audit Committee Exists	60.4545	4.49977	2
		Total	56.9697	6.82323	3
	Have at least 1 internal director	Audit Committee Do Not Exists	53.6364	.	1
		Audit Committee Exists	59.0909	5.11574	7
		Total	58.4091	5.11382	8
	Total	Audit Committee Do Not Exists	51.8182	2.57130	2
		Audit Committee Exists	59.3939	4.74559	9
		Total	58.0165	5.29803	11
Regulatory	Do not have internal director	Audit Committee Do Not Exists	56.3636	.	1
		Total	56.3636	.	1
	Have at least 1 internal director	Audit Committee Do Not Exists	45.6061	7.12487	12
		Audit Committee Exists	48.1818	6.92343	4
		Total	46.2500	6.93834	16
	Total	Audit Committee Do Not Exists	46.4336	7.44550	13
		Audit Committee Exists	48.1818	6.92343	4
		Total	46.8449	7.15182	17
Foundation/Scholarship	Do not have internal director	Audit Committee Do Not Exists	32.2727	6.57653	4
		Total	32.2727	6.57653	4
	Have at least 1 internal director	Audit Committee Do Not Exists	49.0909	11.57084	2
		Total	49.0909	11.57084	2
	Total	Audit Committee Do Not Exists	37.8788	11.32052	6

Appendix 4_4 (continued)

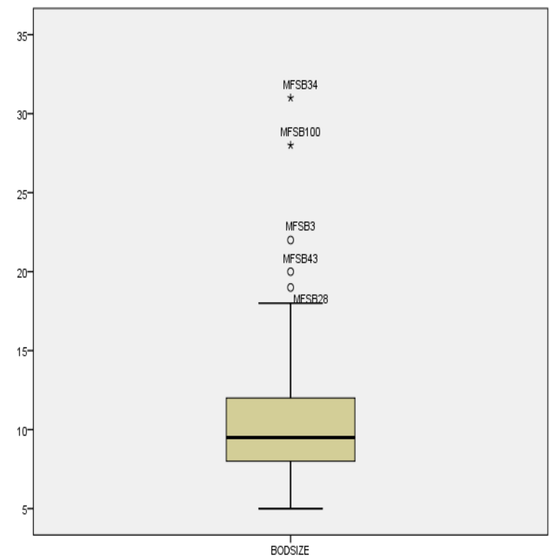
		Total	37.8788	11.32052	6
Socio-economy	Do not have internal director	Audit Committee Do Not Exists	50.0000	.	1
		Total	50.0000	.	1
	Have at least 1 internal director	Audit Committee Do Not Exists	51.1364	4.83188	4
		Audit Committee Exists	62.1212	7.73173	3
		Total	55.8442	8.12874	7
	Total	Audit Committee Do Not Exists	50.9091	4.21528	5
		Audit Committee Exists	62.1212	7.73173	3
		Total	55.1136	7.80424	8
Others	Do not have internal director	Audit Committee Do Not Exists	43.5065	5.87821	7
		Total	43.5065	5.87821	7
	Have at least 1 internal director	Audit Committee Do Not Exists	42.0000	7.93569	5
		Audit Committee Exists	54.5455	.	1
		Total	44.0909	8.75280	6
	Total	Audit Committee Do Not Exists	42.8788	6.50762	12
		Audit Committee Exists	54.5455	.	1
		Total	43.7762	7.02069	13
Research & Development, & Education	Do not have internal director	Audit Committee Do Not Exists	43.8636	2.01578	4
		Audit Committee Exists	41.8182	11.57084	2
		Total	43.1818	5.50732	6
	Have at least 1 internal director	Audit Committee Do Not Exists	46.0079	5.24200	23
		Audit Committee Exists	55.0909	4.43502	5
		Total	47.6299	6.15253	28
	Total	Audit Committee Do Not Exists	45.6902	4.93178	27
		Audit Committee Exists	51.2987	8.79609	7
		Total	46.8449	6.20719	34
Total	Do not have internal director	Audit Committee Do Not Exists	43.6797	8.32936	21
		Audit Committee Exists	49.3939	10.68971	6
		Total	44.9495	9.01131	27
	Have at least 1 internal director	Audit Committee Do Not Exists	45.9875	6.35345	58
		Audit Committee Exists	56.4069	6.92627	21
		Total	48.7572	7.95353	79
	Total	Audit Committee Do Not Exists	45.3740	6.95274	79
		Audit Committee Exists	54.8485	8.22831	27
		Total	47.7873	8.35932	106

(a) DISCLOSURE INDEX



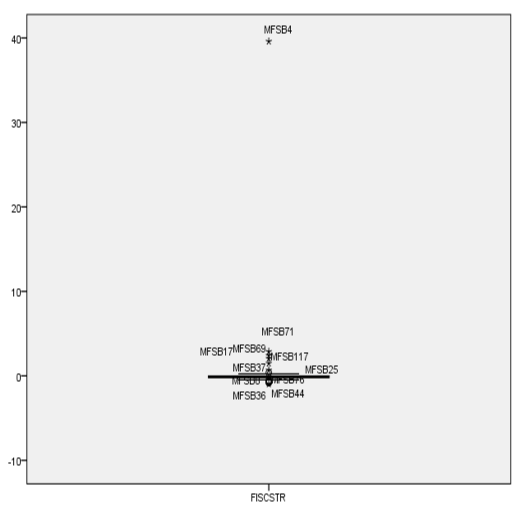
Original mean: 47.7873; 5% trimmed mean: 47.7749

(b) BODSIZE



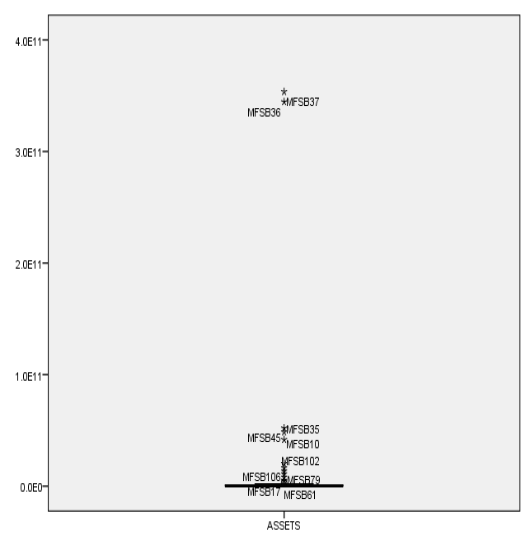
Original mean: 10.75; 5% trimmed mean:10.31

(c) FISCSTR



Original mean: 0.3249; 5% trimmed mean: -0.1073

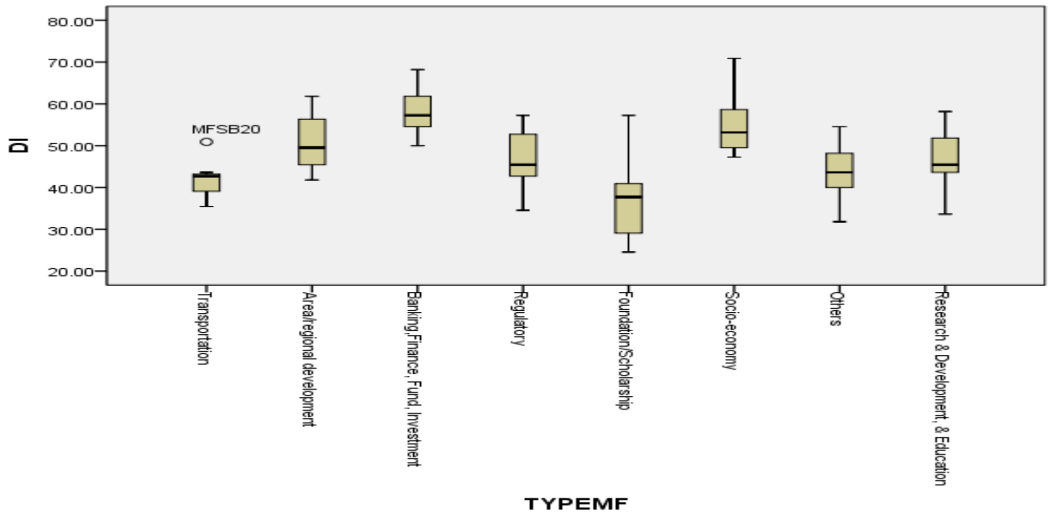
(d) SIZEMF



Original mean: 9.08E9; 5% trimmed mean: 1.22E9

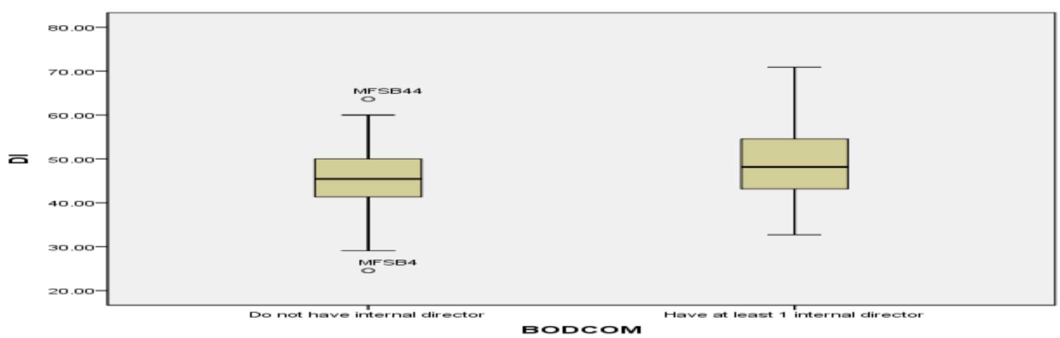
Figure 4.5 : Boxplots to Identify Outliers of Covariates

(a) TYPEMF



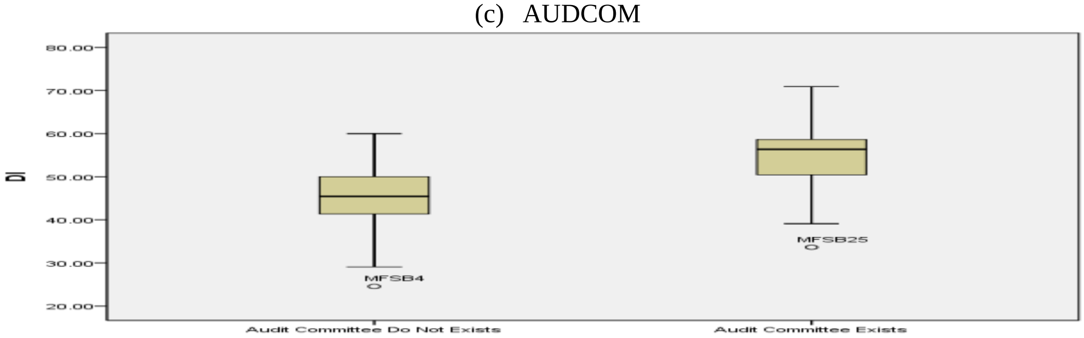
Transportation- Original mean: 41.9481;5% trimmed mean: 41.8110

(b) BODCOM



Board composed of at least one internal director- Original mean: 44.9495; 5% trimmed mean: 45.0318

(c) AUDCOM



Audit Committee Does Not Exist: Original mean: 45.3740; 5% trimmed mean: 45.5434
Audit Committee Exist: Original mean: 54.8485; 5% trimmed mean: 55.0954

Figure 4.6: Boxplots to Identify Outliers of Factors

Table 4.14 : Skewness, Kurtosis and Shapiro-Wilk Test (Test on Normality)

Variables	Levels	Skewness	Kurtosis	Shapiro-Wilk	
				Statistics	Sig.
DI		.050	.114	.993	.894
TYPEMF	Transportation	.653	1.153	.934	.584
	Area/regional development	.527	-.921	.938	.533
	Banking, Finance, Fund, Investment	.539	-.195	.956	.727
	Regulatory	.111	-1.089	.943	.361
	Foundation/Scholarship	.884	1.385	.932	.597
	Socio-economy	1.229	1.482	.870	.150
	Others	-.214	-.446	.964	.811
	Research & development, & Education	-0.038	-.352	.975	.603
BODSIZE		1.92	5.161	.825	.0001*
BODCOM	Do not have internal director	-.177	.334	.975	.734
	Have at least one internal director	.269	-.220	.982	.346
AUDCOM	Do not have audit committee	-.272	.315	.985	.481
	Have audit committee	-.628	.987	.954	.272
FISCSTR		10.035	102.291	.129	.0001*
SIZEMF		6.868	47.309	.177	.0001*

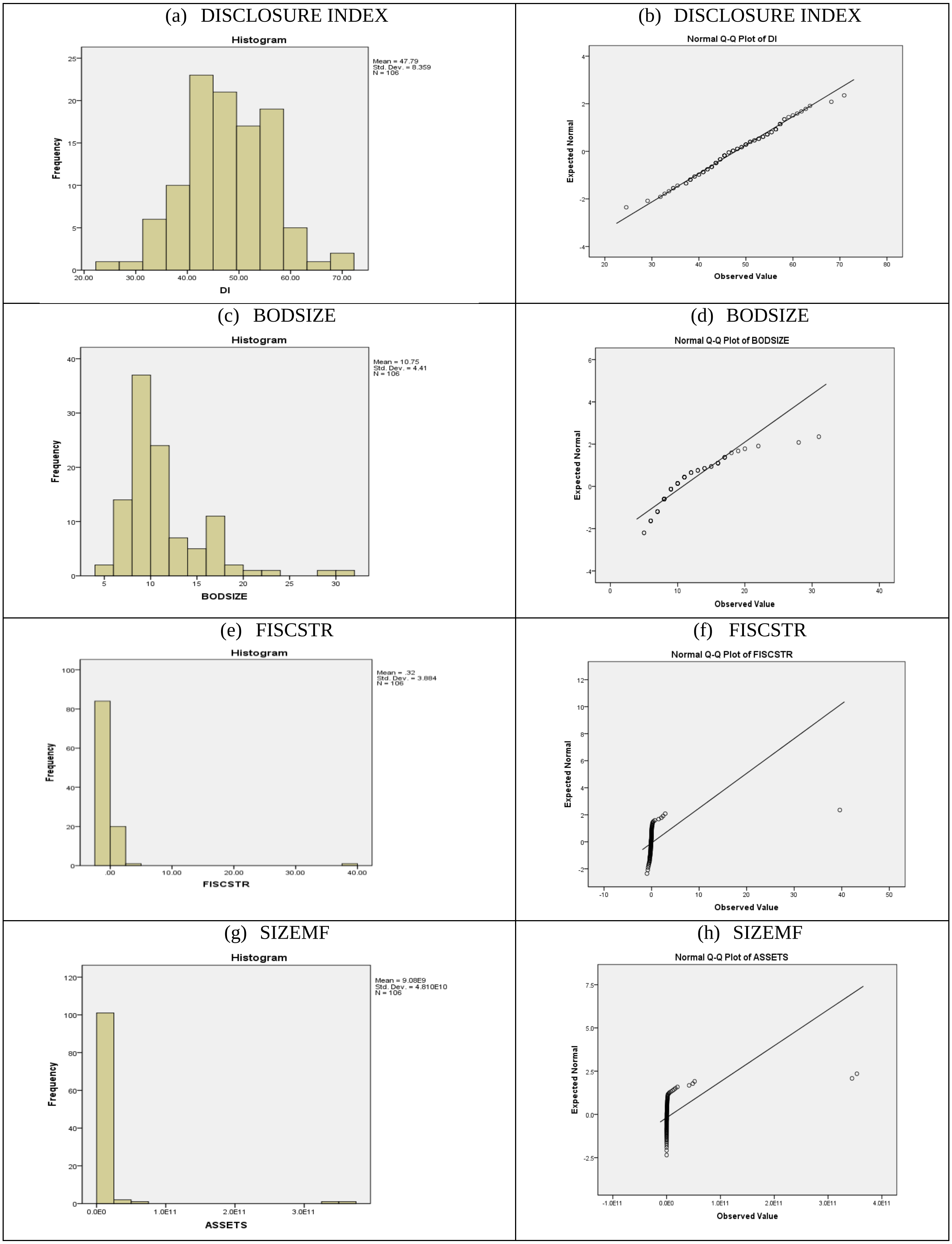
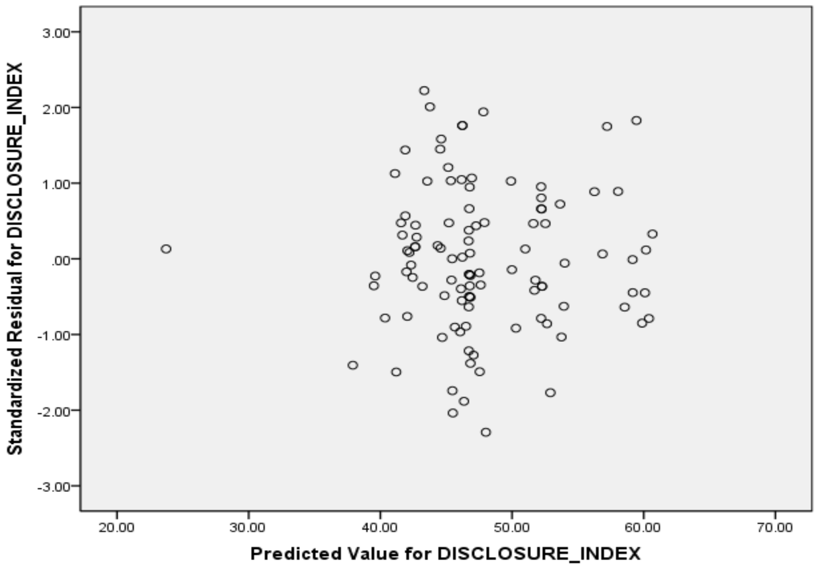


Figure 4.7: Histograms and Q-Q Plots (Test on Normality)

(a) Before transformation



(b) After transformation

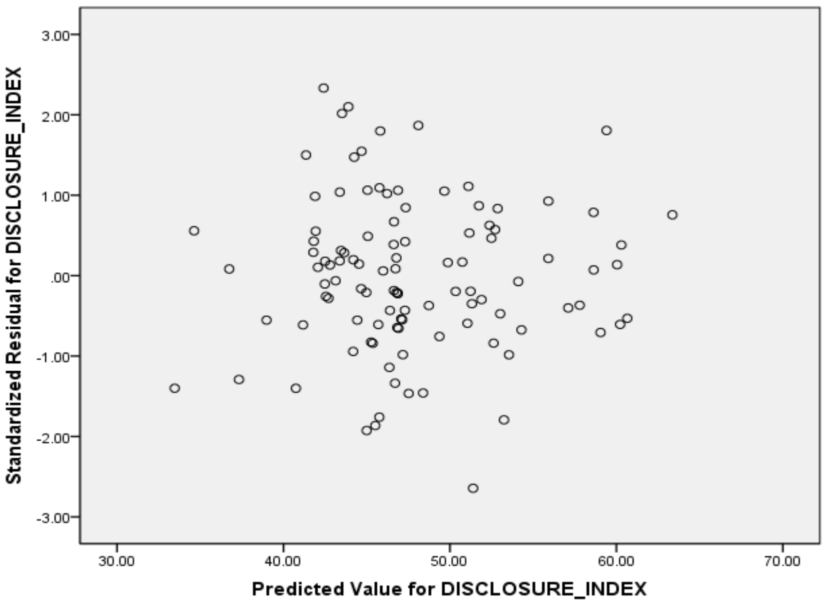
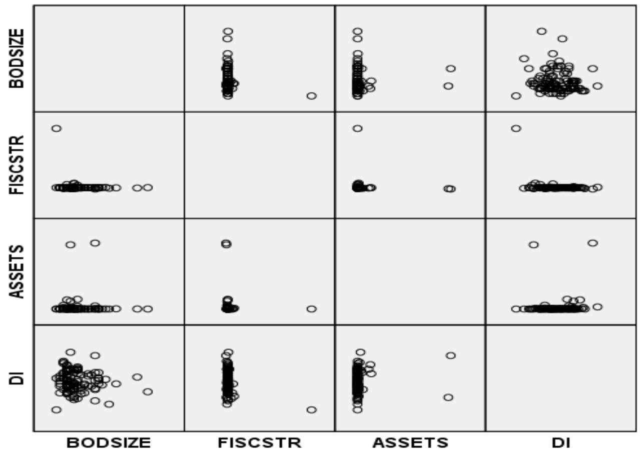


Figure 4.8: Residual Analysis (Simultaneous Test on Normality, Linearity and Homoscedasticity)

(a) Before transformation



(b) After transformation

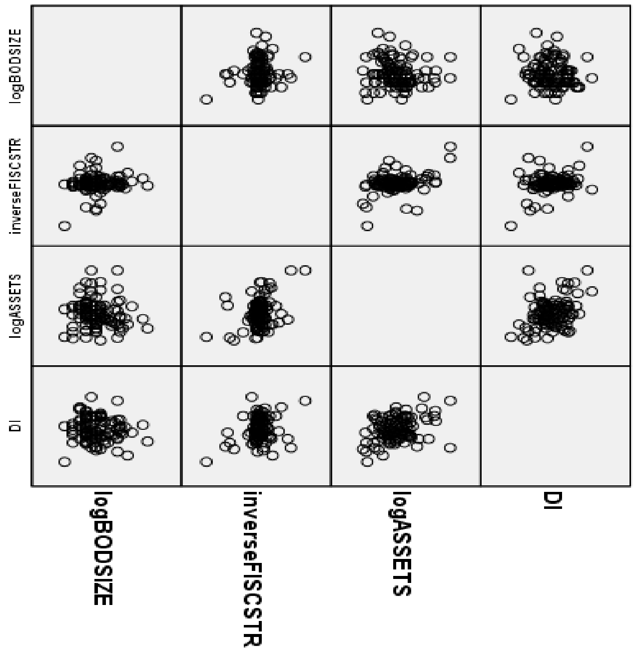


Figure 4.9: Matrix Scatterplots (Test on Linearity)

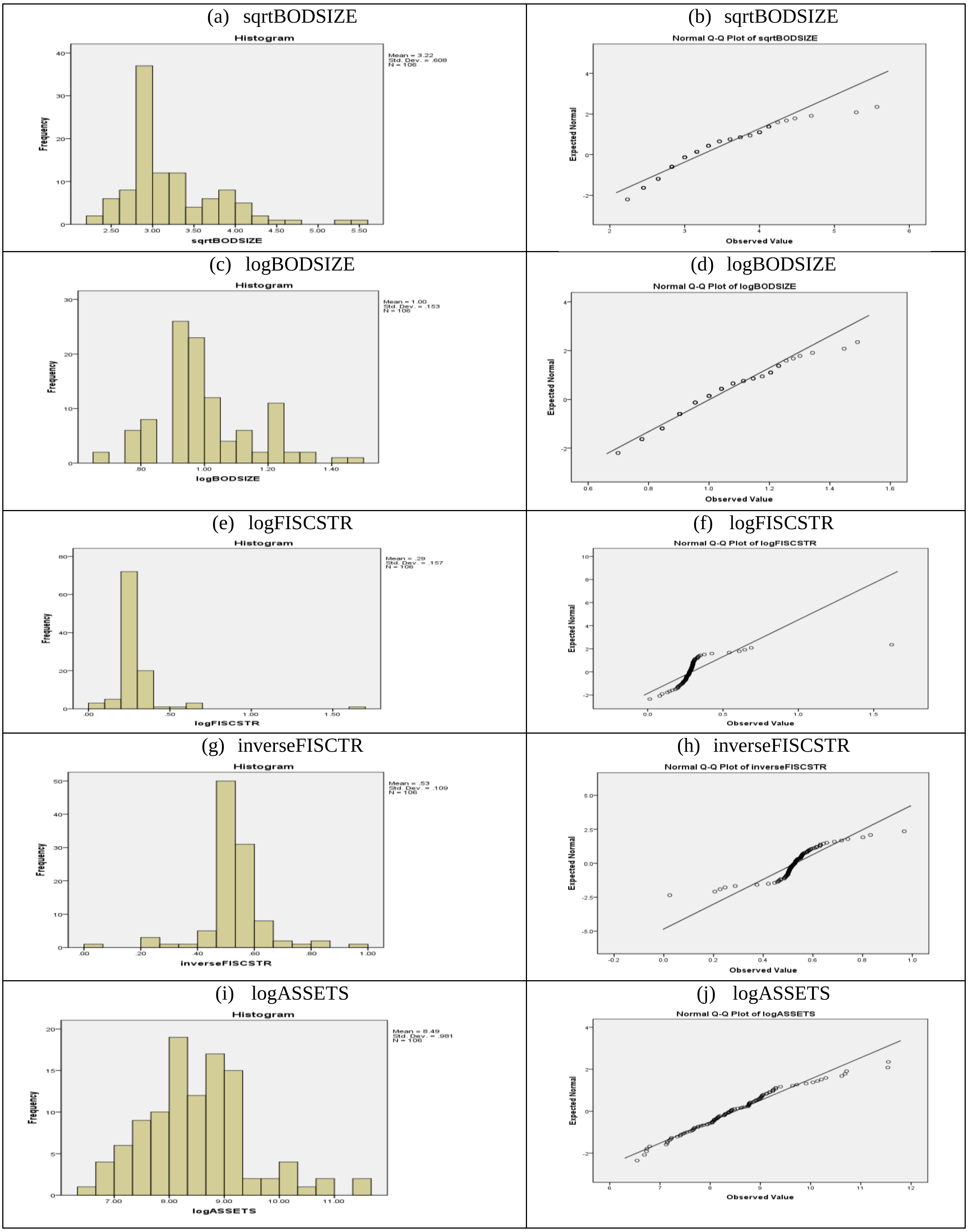


Figure 4.10: Histograms and Q-Q Plots - Normality Test (after transformation)

Table 4.16 : Levene's Test on Homogeneity of Variances

	Levene Statistic	Sig
TYPEMF	.732	.645
BODCOM	.000	.985
AUDCOM	.314	.577

Appendix 4_5 Letter Requesting Participation in Interview

LETTERHEAD IIUM

Ref.: NBAB/PHD/INTW/[*MFSB Code No.*] Date: 26 May 2011

[*Name of the Head of MFSB*]
[*Designation of the Head of MFSB*]
[*Postal Address of the MFSB*]

Dear Dato'/ Prof./ Dr./ Encik,
REQUEST FOR PARTICIPATION IN INTERVIEW

I am an academician at the Kulliyah of Economics and Management Sciences, International Islamic University Malaysia (IIUM), currently pursuing a PhD in Accounting at the Faculty of Business and Accountancy, University of Malaya (UM) under the supervision of Dr. Zakiah Saleh. The research for my PhD studies involves an examination of the disclosure in the annual reports of Malaysian federal statutory bodies.

To gather important information to assist my research, interviews will be conducted with relevant officers in the federal statutory bodies. The purpose of the interview is to obtain information on the reasons underlying the reporting or non-reporting of accountability information in the annual reports. The interview session is concerned with the experiences and perceptions and is NOT an assessment of the officer's skills or knowledge. I would therefore be extremely grateful if your organisation could assist in this study by permitting me to interview you or your officer(s) who is(are) involved in the preparation of the annual reports.

I understand that time is valuable to your organisation and because of that, the interview will be conducted in the minimum time possible. Additionally, I would like to emphasize that anonymity is guaranteed. All information provided will be treated with confidentiality and analyzed in a collective manner, with no dislcosure of any individuals or organisations.

I look forward to your positive response. A reply form and self-addressed envelope are enclosed with this letter. Alternatively, you may want to reply through email or telephone. It is highly appreciated if the reply is made within two (2) weeks upon receiving this letter. A formal letter will be sent later to confirm the date and details of the interview, upon receiving your favorable response.

Should you have any query, please do not hesitate to contact me using the correspondence details as provided below.

Thanking you in advance for your contribution and co-operation.

Yours sincerely,

____

Nur Barizah Abu Bakar
Department of Accounting
Faculty of Economics and Management Sciences
International Islamic University Malaysia
P.O. Box 10, 50728, Kuala Lumpur.
Email: nurbarizah@iiu.edu.my or nur.barizah@gmail.com
Mobile: 019-288 4540 / Office: 03-6196 4698

Appendix 4_6 Reply Form

REPLY FORM

Ref.: NBAB/PHD/INTW

Nur Barizah Abu Bakar
Academic Trainee
Department of Accounting
Faculty of Economics and Management Sciences
International Islamic University Malaysia
PO Box 10, 50728, Kuala Lumpur.
Email: nur.barizah@gmail.com / Mobile: 019-2884540

Date: ______________________

REPLY TO REQUEST FOR PARTICIPATION IN INTERVIEW

We hereby ***agree / disagree*** that interview be conducted with officer(s) from our organisation regarding your doctoral research on the disclosure in the annual reports of Malaysian federal statutory bodies.

The interviewee(s) selected is(are):

Name	Designation	Department
1. ____	____	____
2. ____	____	____
3. ____	____	____

(Note: In case interviewees selected are more than 3, kindly provide their details on a separate sheet)

Please contact _________________________ (*name*) at ____________________________ (*contact*) for further arrangements.

Thank you.

____

Name:

Designation:

Organisation:

Appendix 4_7 Participation Information Statement

PARTICIPATION INFORMATION STATEMENT

Disclosure of accountability information in the annual reports of Malaysian federal statutory bodies

What is the purpose of the study?
The purpose of this study is to gather opinions about the reasons underlying the reporting or non-reporting of accountability information in the annual reports of federal statutory bodies (FSB) in Malaysia. Subsequent to analysis of FSB annual reports, a few issues arose which need clarification. The interview also aims to determine why certain types of accountability information are being widely reported and others are not.

Who is conducting it?
This study is being conducted by Nur Barizah Abu Bakar under the doctoral program of the University of Malaya (Department of Financial Accounting & Auditing, Faculty of Business & Accountancy). The study is jointly funded by the Public Service Department, Ministry of Higher Education, International Islamic University Malaysia and University of Malaya.

What is your role?
The study involves obtaining information from the top executives and/or relevant officers who are directly involved in annual reporting activities. Permission will be sought from individual participants for the interviewer to use a voice recorder in addition to transcribing the answers to the particular questions. It is envisaged that no more than 40 minutes will be required of the interviewee.

Structure of the interview
Four (4) main questions will be asked in two parts of the interview.
Part 1: This part addresses the role of annual reports as an accountability tool, the process involved in the preparation of annual reports and the adoption of the guideline on the preparation of annual report.

Part 2: The primary interview issue will be addressed here. The purpose is to understand the reason/ motivations/ incentives/ problems/ challenges for disclosure/ nondisclosure of accountability information in annual reports of FSB.

Consent to Participate
Participation in the interview process is completely voluntary; you are not obliged to participate – and if you do participate – you can ask the interview to be stopped at anytime.

Confidentiality
1. Nur Barizah is the only person involved in the research.
2. Confidentiality of all documentation/interview material is preserved.
3. Resulting reports and papers will conceal the identity of the federal statutory bodies and any personnel interviewed.
4. Once collated, a copy of the information will be distributed to the interviewed personnel.

For additional information, kindly contact Nur Barizah Abu Bakar by email at nur.barizah@gmail.com

Appendix 4_8 Interview Guide

1. REPORTING OF ACCOUNTABILITY INFORMATION IN ANNUAL REPORT

Would you agree that all federal statutory bodies (FSB) such as your organisation should report...

"a broad range of information about their organisation including its objectives, financial, performance, governance, human resource, social and environmental as well as other information which may be useful for stakeholders to obtain a comprehensive understanding of the FSB and to assess the accountability of FSB as well as for FSB to show their accountability to its stakeholders"

Do you agree or disagree with the above and why?

2. ANNUAL REPORTS AND PROCESS INVOLVED IN PREPARING ANNUAL REPORTS

2A

It has been said that annual report is the main medium of discharging accountability to the stakeholders. Do you agree or disagree and why?

Related issues that may be included in the discussion:

- What is(are) the main aim(s) of your organisation's annual reporting?
- Who is(are) the main/ target user(s)/reader(s) of the organisation's annual reports?
- Do your organisation consider other medium(s) (besides annual reports) as the main medium in discharging accountability to stakeholders? If yes, what is(are) the medium(s)?
- To what extent do you think your annual reports are accessible to the stakeholders? What is(are) the efforts taken to enhance public accessibility to your annual reports?

2B

What are the activities or processes involved in preparing your annual reports?

Related issues that may be included in the discussion:

- Who or which units/divisions are main player(s) in the annual report preparation in your organisation?
- Does accountant(s) play significant role?
- Is there any reference made to samples of others' annual reports?
- Is there any specific guideline (internal/external) followed in preparing your annual report?
- How decisions are made with regards to what type of information to be disclosed in annual report?
- Is there any pressure from other organisation(s) that have impacted your annual reporting practice?
- Do you regard the annual reporting practices or the disclosure policies of your annual report is constant over time? If yes, why do you think there was no considerable changes? If no, why do you think the changes took place?

3. TREASURY CIRCULAR N0.4/2007

To what extent do you follow the guideline in the Treasury Circular no. 4/2007 (TC4/2007) in preparing your annual report?

Related issues that may be included in the discussion:

- Are you familiar with the TC4/2007? (prior to the interview)
- Do you think the TC4/2007 is relevant to your organisation?
- Do you think the TC4/2007 is useful for your organisation in preparing your annual report?
- To what extent do the Treasury/other bodies guide you in adopting the guideline?
- How do you regard the Circular? Mandatory or voluntary or anything else?
- Is(are) there any penalty imposed on your organisation or other FSB that you are aware of?
- Do you think you need to get more guidance in adopting the guideline?

4. REASONS FOR REPORTING/NOT REPORTING ITEMS IN THE DISCLOSURE CHECKLIST

In relation to accountability information (in Question 1), this research has identified certain items that can be considered as ‘accountability information’ ***(please refer to the disclosure checklist)***. Many of the items are extracted from the TC4/2007, while others are based on either past researchs (where the researchs identified what items should be included in public sector annual reports) or a review of several FSB annual reports.

4A In relation to those ‘accountability information’ extracted from the TC4/2007 (as identified in the checklist under the ‘source’ column): • What are the reasons/ motivation/ incentives for you to disclose these items? • What are the reasons/ hindrance/ challenges/ problems for you to not disclose these items?
4B In relation to those ‘accountability information’ derived from other sources besides the TC4/2007 (as identified in the checklist under the ‘source’ column): • What are the reasons/ motivation/ incentives for you to disclose these items? • What are the reasons/ hindrance/ challenges/ problems for you to not disclose these items?

CLOSING

Are there any other comments_you would like to make in regards to the matters raised in the interview?

Please note that a copy of the interview transcript as well as the conclusion made from the interview will be sent to each interviewee for validity check and to corroborate findings. This is part of the research process to ensure the credibility and authenticity of the interview data.

Appendix 4_9 Participant Consent Form

Nur Barizah Abu Bakar
Doctoral Candidate
Department of Financial Accounting and Auditing
Faculty of Business and Accountancy
University of Malaya

PARTICIPANT CONSENT FORM

Disclosure of accountability information in the annual reports of Malaysian federal statutory bodies

I, ____[name]

____[organisation]

- freely choose to participate in this study.
- free to withdraw from the interview without compromise at any time.
- free to refuse to answer any question at any time.
- agree to allow the interviewer to use digital voice recorder to assist in the provision of a true and accurate record of the interview.
- understand that this interview will be kept strictly confidential.
- understand that excerpts of this interview may be made part of the final research report, but under no circumstances will my name or organisation be included in this report.
- have read and understand the Participant Information Statement, and any questions I have asked have been answered to my satisfaction. I have been given a copy of the Participant Information Statement to keep.
- hereby agree to participate in this research study.

Signature : _______________________

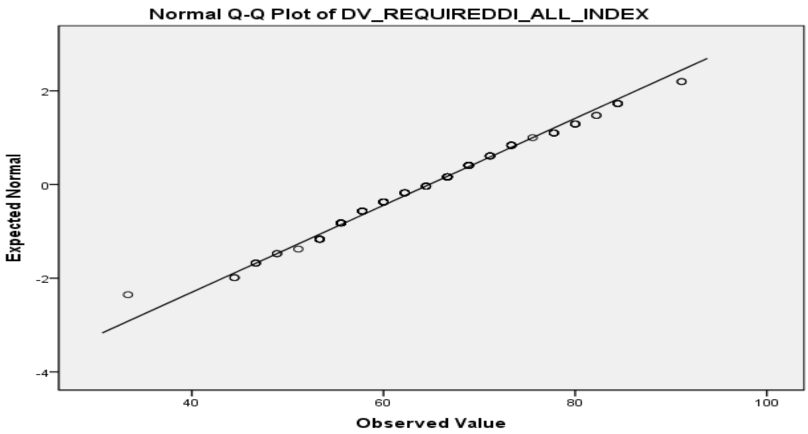
Name : _______________________________________

Date : _________________________

Please send me a summary of the findings of this research project: YES NO

Appendix 6_1 Testing Assumptions and Conditions of Regression-MDI and VDI

(a) Mandatory Disclosure Index



(b)Voluntary Disclosure Index

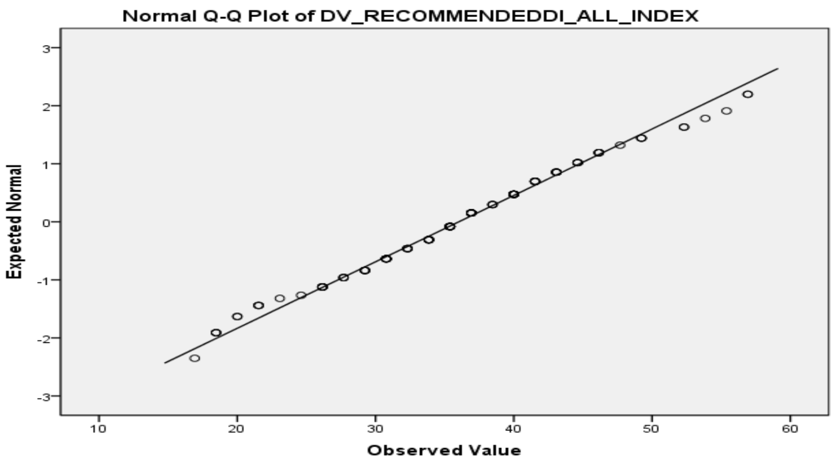


Figure 6.1: Q-Q plots of MDI and VDI (Test on Normality)

Appendix 6_2 Robustness Check

Table 6.22: Summary of Regression Results – Remove Outliers in BODSIZE

Dependent variable: DI

	Variables	STEP 1	STEP2	STEP3	STEP 4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.017**	.003*	.001*	.000*
H_2	BODSIZE	.960[a]			
H_3	BODCOM	.199	.171	.085	.041**
H_4	AUDCOM	.001*	.001*	.001*	.002*
H_5	FISCSTR	.111	.195	.105[a]	
	SIZEMF	.570	.378[a]		
	Adjusted R^2	.414	.418	.419	.409

a.Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

Table 6.23: Summary of Regression Results – Constant 1.98 for invFISCSTR

Dependent variable: DI

	Variables	STEP 1	STEP2	STEP3	STEP4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.003*	.001*	.001*	.000*
H_2	BODSIZE	.284	.249[a]		
H_3	BODCOM	.184	.100	.085	.041**
H_4	AUDCOM	.001*	.002*	.001*	.002*
H_5	FISCSTR	.134	.069	.104[a]	
	SIZEMF	.438[a]			
	Adjusted R^2	.419	.421	.419	.401

a.Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

Table 6.24: Summary of Regression Results - Constant 2 for invFISCSTR

Dependent variable: DI

	Variables	STEP 1	STEP2	STEP3	STEP4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.003*	.001*	.001*	.000*
H_2	BODSIZE	.283	.248[a]		
H_3	BODCOM	.185	.101	.085	.041**
H_4	AUDCOM	.001*	.002*	.001*	.002*
H_5	FISCSTR	.131		.102[a]	
	SIZEMF	.438[a]			
	Adjusted R^2	.419	.421	.419	.409

a.Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

Table 6.25: Summary of Regression Results – Constant 2.2 for invFISCSTR

Dependent variable: DI

	Variables	STEP 1	STEP2	STEP3	STEP4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.003*	.001*	.001*	.001*
H_2	BODSIZE	.273	.240[a]		
H_3	BODCOM	.190	.104	.088[a]	
H_4	AUDCOM	.001*	.001*	.001*	.001*
H_5	FISCSTR	.109	.056	.087	.041**
	SIZEMF	.439[a]			
	Adjusted R^2	.421	.423	.421	.409

a.Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

Table 6.26: Summary of Regression Results – Constant 2.4 for invFISCSTR

Dependent variable: DI

	Variables	STEP 1	STEP2	STEP3	STEP4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.003*	.001*	.001*	.001*
H_2	BODSIZE	.264	.232[a]		
H_3	BODCOM	.195	.107	.090[a]	
H_4	AUDCOM	.001*	.001*	.001*	.001*
H_5	FISCSTR	.092	.048*	.076	.035**
	SIZEMF	.439[a]			
	Adjusted R^2	.422	.425	.422	.411

a.Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

Table 6.27: Summary of Regression Results - Use Surplus/Deficit for FISCSTR

Dependent variable: DI

	Variables	STEP 1	STEP2	STEP3	STEP4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.003*	.003*	.002*	.000*
H_2	BODSIZE	.432			
H_3	BODCOM	.182	.176	.142	.041**
H_4	AUDCOM	.002*	.001*	.001*	.002*
H_5	FISCSTR	.343	.352		
	SIZEMF	.222	.211	.190	
	Adjusted R^2	.410	.413	.413	.409

a.Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

Table 6.28: Summary of Regression Results - Log_{10}(Revenue) for SIZEMF

Dependent variable: DI

	Variables	STEP 1	STEP2	STEP3	STEP4
		Sig.	Sig.	Sig.	Sig.
H_1	TYPEMF	.015*	.001*	.001*	.000*
H_2	BODSIZE	.272	.250[a]		
H_3	BODCOM	.192	.100	.085	.041**
H_4	AUDCOM	.002*	.002*	.001*	.002
H_5	FISCSTR	.124	.070	.105[a]	
	SIZEMF	.688[a]			
	Adjusted R^2	.416	.421	.419	.409

a.Most insignificant variable and thus removed in the next step.
*Significant at 1% level, **Significant at 5% level

Appendix 7_1 Profile of Interview Participants

No.	MFSB	Interviewee	Position	Division	Length of service	Gender
1	MFSB4	P1	Assistant Secretary	Administrative	15	Male
		P2	Administrative officer	Administrative	12	Male
2	MFSB19	P3	Head of Division	Publications & Knowledge Management	2	Male
3	MFSB114	P4	Assistant Director	Public Relation	5	Female
4	MFSB21	P5	Public Relations officer	Corporate Affairs	2	Female
5	MFSB27	P6	Head of Division cum Research officer	Research & Corporate Planning	16	Female
6	MFSB85	P7	Head of Division	Corporate Affairs	18	Female
7	MFSB13	P8	Director	Finance	15	Female
		P9	Finance officer	Finance	14	Female
8	MFSB57	P10	Asistant Director cum Secretariat	Public Relation & Corporate Communication, Director General Office	2	Female
		P11	Secretariat	Public Relation & Corporate Communication, Director General Office	8	Female
9	MFSB59	P12	Manager	Administrative & Human Resource	9	Male
10	MFSB44	P13	General Counsel cum Corporate Secretary	Legal	6	Female
		P14	Chief Financial Officer	Finance	6	Male
		P15	Chief Operating Officer	Operation	6	Male
11	MFSB63	P16	Assistant Director	Strategic Planning	2	Female
12	MFSB80	P17	Bursar	Bursary	30	Male
13	MFSB78	P18	Principal Assistant Director	Administrative	11	Female
14	MFSB38	P19	Head of Division	Corporate Service	28	Male
		P20	Assistant Director	Corporate Service	9	Female
		P21	Assistant Director	Corporate Service	13	Male
15	MFSB94	P22	Bursar	Bursary	3	Male
16	MFSB109	P23	Head of Division	Corporate Development and Policy	9	Male
17	MFSB64	P24	Deputy Director	Planning & Corporate Affairs	10	Female
		P25	Assistant Director	Planning & Corporate Affairs	7	Female
		P26	Deputy Director	Planning & Corporate Affairs	25	Male
18	MFSB47	P27	Senior Manager	Finance & Accounts		Female
19	MFSB56	P28	Director General	Administrative	27	Female
		P29	Head of Division	Publication & Library	28	Female
20	MFSB48	P30	Curator	Publication	6	Male
		P31	Assistant Curator	Publication	7	Male
		P32	Accountant	Finance	n/a	Female