

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

Chapter 4 reports the findings of the MAD index applied to the disclosures of accountability items in public universities' annual reports as well as questionnaire analysis on the uses of such reports. This chapter provides the summary and conclusion of this study. It also elaborates on the implications of these findings and suggests ways to improve the situation as well as provides recommendation for further research issues.

5.2 SUMMARY AND CONCLUSION

This study provides empirical evidence on the current practice of universities' annual reporting in Malaysia. Evidence from international developments' framework and prior studies related to disclosures of universities annual reports, it has been assumed that the objective of external reporting of public universities is to satisfy the public accountability as well as decision usefulness requirements. The study also identifies the current uses of the annual reports by asking the users of the annual reports.

For the purpose of examining the current practice of annual reporting and to answer the questions as to what extent the current annual reports satisfy the public accountability requirements, a Modified Accountability Disclosure Index (MAD) outlined by Coy et al. (1994) is adopted. Annual reports of Malaysian IPTA were examined against items as specified under the MAD index. Additionally, to provide answer on the current uses of the annual reports, the users' response on the questionnaire was analysed.

The findings of this study have revealed an overall lack of quantity and quality of accountability disclosures especially on service performances in Malaysian public universities' annual reports. The study also suggests that external reporting of Malaysian universities still has a long way to go if it is to extend public accountability beyond the minimum, which is recommended by regulation. The questionnaire analysis further provides evidence on the current

situation of universities annual reports. The evidence illuminates the questions on qualitative characteristics and disclosures that users require in the annual reports and their opinion on the current annual reports. The questionnaire analysis also revealed that the use of the annual reports is largely for decision-making despite the emphasis on accountability framework. The existence of expectation gaps of 0.70 and 0.60 in terms of both qualities and disclosures of the annual reports indicate that the current annual reports are still lacking in satisfying the users requirements.

Overall, the results of both analyses implied that annual reports of Malaysian IPTA are lacking in terms of its quality and quantity for the purpose of both public accountability and for decision usefulness paradigm.

5.3 IMPLICATIONS OF THE STUDY

Firstly, this study adds to the small number of study on public universities in Malaysia.

This study provides useful feedback to regulators of the public universities. Based on the findings, the non-compliance of the Treasury Circular is evident. In Malaysia, preparation and submission of universities' annual reports are required by Statutory Bodies Act 1980. The Treasury Circular, however, supplements the Act with guidelines on the minimum disclosures requirements that emphasises on the public accountability. But empirical evidence shows that many IPTAs' annual reports were disclosing less information than the minimum disclosure requirements. Most IPTA also failed to disclose information that is being required under the Treasury Circular. Additionally, one IPTA was obviously did not comply with the Circular by failing to provide its financial statements in the annual reports. Thus for the education regulator, it would be beneficial if they were to investigate the extent of compliance to Treasury Circular.

Additionally, this study highlights the necessity and relevance of the Treasury Circular to the public universities. Based on the analysis, there are still further improvements that can be made on the contents of the annual reports to satisfy the public accountability requirements. Information on service

performance, for example should be given priority in universities' annual reports. This information, however, is not required in the Circular.

One of the important implications of this study is the appropriateness of using accounting standards that are established under MASB that is largely directed to companies. In countries like USA, different accounting standards are set for governments' entities, which include public universities. The Government Accounting Standard Board (GASB) establishes these standards whereas the Financial Accounting Standard Board (FASB) introduces standards for private sectors. Empirical evidence had shown that Malaysian IPTAs' annual reports lack disclosures on their prime activities such as teaching, research and service. One reason that might contribute to the lack of reporting on these aspects is due to no clear or accepted framework for reporting such information. Thus it is considered timely for either the education regulators or accounting standard setters to introduce more appropriate accounting standards to cater for public universities.

Furthermore with the corporatisation of the public universities, the annual reports may be used as a marketing tool as well as instruments to display the public accountability obligation to the external parties in order to compete for public and private funds. By displaying more relevant information, public universities would be able to show that they can live by the same accountability rules as other recipients of public and private funding and also to demonstrate that they are efficient and effective users of scarce resources (Coy et. al, 2000).

Consequently, this study also implies the failure of Malaysian IPTA to demonstrate their stewardship roles. The information as presented in the annual reports lack evidence on the efficiency and effectiveness of the service they provide. Most IPTAs' annual reports do not include comparative figures to assess the financial and educational progress of the universities throughout the years or in comparison with other institutions in providing education by using public fund.

Interestingly, this study also put a question on the corporate governance of the public universities. In demonstrating the accountability for the use of scarce public resources, a governance system must be in place to provide reasonable assurance of the quality and good stewardship in the core functions

of teaching, research and public service. The external reporting is one of the dimensions of the governance in the public universities with the function to show how the top management of the public universities demonstrates its financial accountability for the stewardship of public money and its performance in the use of the resources. The lack in quality and quantity of information in the annual reports might lead to implication that the universities are not being properly run.

It was also revealed that the current uses of the annual reports are largely for decision making by the users despite emphasis on accountability approach in the Treasury Circular. However in this situation, view from Coy et al. (2000) seem to provide enough evidence on the reason to continue to uphold the public accountability approach in public universities' annual reporting. Coy et al. (2000) stated that public accountability paradigm would include importance features of stewardship perspective as well as accommodating the decision-usefulness perspective. Therefore, it is highly recommended for both accounting and education regulators to emphasis on the public accountability approach for public universities' external reporting. Furthermore, the duty to be public accountable is more significance in governmental financial reporting than the business enterprise financial reporting.

Interestingly, the study revealed the non-existence of future plans information of the public universities. Treasury Circular has specified the need to report on the actual performance of the institutions in relation to their expected performance. Thus service performance evaluation, for example should be relate to stated intentions in budget and plans. Overall the annual reports did not have any variance analysis of the expenses incurred and incomes received by the IPTA. Thus annual reports of IPTA should be displaying information of this nature to display their efficiency and effectiveness in providing the service.

This study also shed some light on the current situation surrounding one international university that is established in Malaysia. It is highly recommended that requirement to submit annual reports to MOE should be extended to this university as it is also a recipient of government grant and has the same characteristics of the other public universities. The only exception of the

university is that it is established under the Company Act and not under the University and College Act like the other universities, so as to enable it to use English as its medium language

Finally, this study also put a question on the effort of the universities to improve the quality, timeliness and distribution of their annual reports. Evidence has shown that some IPTA do tends to disclose more information and try as much as possible to comply with the Circular requirements. But others seem to be in total ignorance of the Circular. In the case of distribution of the annual reports, one IPTA actually did not distribute its annual reports to its own management whereas other IPTA have consistently done so. Therefore, it will be left to the universities to consider the appropriateness and the necessity of the Circular as a guide for them to ensure a high quality of external reporting.

5.4 LIMITATIONS OF THE STUDY

The MAD index was originally outlined for a study of New Zealand universities. Some of the accountability items identified under this study might not be relevant or suitable for Malaysian universities. Additionally it was developed from the researchers subjective judgements about the items to include and weights attach to them. The application of the MAD index to Malaysian universities also exposed the results of this study to subjective judgements.

Furthermore the questionnaires were not meant to identify the users but only to identify the uses of the annual reports. Due to time constraint, researcher could not establish a more comprehensive study that could identify the actual users of universities annual reports in Malaysia. The questionnaires were mainly distributed to parties that have been identified in many prior studies. A subjective selection was made to choose only a few groups of the identified users to participate in the questionnaires. Important groups such as potential students and students who are the largest service recipients of the universities are ignored. Dixon et al. (2002) had revealed that their expectation gap was the highest among the recipients of the annual reports. Thus it would be beneficial to identify the actual requirements of the students from the annual reports.

5.5 RECOMMENDATIONS FOR FUTURE RESEARCH

This study provides the empirical evidence on the current practice and uses of the universities annual reporting. A further research can be carried out in order to identify variables that influence the quality of external reporting of public universities in Malaysia. Variables such as the size of the universities, how many years the universities have been established and the type managements could be the potential influence on the level of universities' disclosure.

A comprehensive research could also be done in identifying the potential and actual users of the annual reports. This would provide an indication whether universities' annual report in Malaysia do have the same audiences as other countries.

It would also beneficial to study the quality of disclosure of annual reporting of private universities in Malaysia. A comparison can be made between these two types of universities in order to identify any differences in factors that influence their external reporting.

A descriptive study can also be done to investigate to what extent the Treasury Circular guidelines are followed by the public universities in regards to their annual reports' preparation.

5.6 CONCLUSION

This study was conducted in order to provide useful insight into the universities' annual reports, which are rarely being examined. With the corporatisation in placed, the findings of this study will provide useful feedback to all parties that involve in the establishment of the public universities. The preparers of the annual reports of public universities would be of interest to incorporate the recommendations and comments from this study and the overseeing bodies like the MOE would be interested to know to what extent the current regulations satisfy the objective of the public universities' external reporting.