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**AN INVESTIGATION INTO THE PERFORMANCE REPORTING
PRACTICES AND ACCOUNTABILITY OF MALAYSIAN LOCAL
AUTHORITIES**

**A Thesis Presented in Partial Fulfilment of the Requirements for the Degree of
Doctor of Philosophy
in
Accountancy
at Massey University, (Wellington), New Zealand**

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2010

ABSTRACT

Within the context of New Public Management (NPM), the research aims to investigate the practices of annual reporting of performance-related information and accountability of Malaysian local authorities and whether such practices meet the local authorities' stakeholders' expectations of information necessary for assessing and monitoring the performance of local authorities. The aim is to make recommendations about the future direction of external performance reporting of Malaysian local authorities. To achieve this and associated aims, the research addresses the following research questions: (1) What do stakeholders of Malaysian local authorities understand by the term 'accountability' with regards to local authorities? (2) What type of information do the stakeholders expect and consider necessary for assessing and monitoring the performance of local authorities? (3) How important is it for each informational item to be disclosed in annual reports of local authorities to the stakeholders? (4) What type of information items do expert stakeholders agree is necessary for assessing and monitoring the performance of local authorities and what is the importance of such items for disclosure? (5) How can the information and its importance for disclosure, as agreed by the experts, be organised as a disclosure index for assessing the extent and quality of information disclosure? (6) What is the extent and quality of disclosure of information within the annual reports of Malaysian local authorities? (7) Does the information being disclosed in the annual reports meet the expectations of stakeholders? (8) To what extent is accountability being discharged through annual performance reporting of local authorities?

The research employs a questionnaire survey, a Delphi exercise (a means of seeking consensus of expert opinions), and a content analysis of annual reports. Both descriptive and analytical approaches are employed to support the analysis of the results. The findings of the research indicate that despite a strong interest amongst stakeholders for greater accountability of Malaysian local authorities, a standard definition and scope of accountability has not emerged. The need to give an account has been recognised by the stakeholders with an emphasis on performance reporting within the context of NPM. The findings also show that the extent and quality of annual reports of Malaysian local authorities is relatively low in that the information disclosed lacks detailed information and is insufficient for the assessment and monitoring of the performance of such authorities. Further, the findings suggest the discharge of accountability by local authorities through external annual performance reporting should and could be improved.

The findings contribute to our understanding of accountability as interpreted by key stakeholders of local authorities located within the context of a developing country. In addition, the findings contribute to the body of literature that documents aspects of NPM, namely performance reporting, accountability for performance and public accountability. With regards to Malaysia specifically, the findings could potentially assist public sector administrators and will be of significance to policy makers interested in improving the performance management of Malaysian public entities, particularly that of local authorities.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my gratitude to many people I have encountered in the course of undertaking this research and completing this thesis.

First and foremost, I am highly indebted to my supervisors Professor Jillian Hooks and Associate Professor Stuart Tooley, whose knowledge, experience and determination deserve a substantial credit in my work. I must thank them for their continuous supervisory guidance, support and encouragement throughout the course of this research.

My gratitude goes to all the questionnaire participants, the Delphi panel members, the management and staff of the local authorities involved, for their cooperation and participation in the research.

I am obliged to the Universiti Kebangsaan Malaysia (UKM) and the Government of Malaysia, particularly, the Ministry of Higher Education for granting study leave and financial support. The support from the Faculty of Economics and Business including the School of Accountancy of the UKM is kindly acknowledged.

I am always grateful for the support and guidance of Professor Paul Dunmore (Professor of Accounting Research of the School of Accountancy, Massey University), especially during the initial stage of my PhD journey and the development of the thesis. A special thank you goes to members of the School of Accountancy, Massey University for their friendship and moral support. My thanks are also due to Nikki Batten for her administrative support and Hana Craig for her help in proofreading.

Last but not least, my heartfelt gratitude to my parents who continuously encourage and inspire me with their love and prayers. Also my very special thanks to my brother and sisters and their families, as well as to my best friends for their unlimited support and care. This thesis is dedicated to these important people in my life.

Norida
Wellington, 2009

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LIST OF ABBREVIATIONS

AS	Actual Score
CIPFA	Chartered Institute of Public Finance and Accountancy
FRS	Financial Reporting Standards
KPI	Key Performance Indicators
LA	Local Authority
MBS	Modified Budgeting System
MLAs	Malaysian Local Authorities
MPS	Maximum Possible Score
MRT	Middle-Range Thinking
NPM	New Public Management
TC	Treasury Circular
WI	Weighting for Importance
WS	Weighted Score