PUBLIC SECTOR ENTITIES' REPORTING OBJECTIVES, USERS, AND INFORMATION CONTENTS: AN EXPLORATION OF PREPARERS' AND STANDARD SETTERS' PERSPECTIVES

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Abstract

This study examines the views of preparers and standard setters in New Zealand on the objectives, users, and information content of financial reports for public sector entities (PSEs). The study uses a mixed methodology of quantitative and qualitative data and employs the decoupling dimension of institutional theory to understand its findings. A survey was sent to 233 public sector entities. A total of 108 responses were received from preparers. Further, six in-depth interviews with standard setters were also conducted. The results show that preparers view compliance and accountability as the core objectives for financial reports, while standard setters see accountability as the main objective but also stress the need for decision-useful information. The preparers identified the Office of the Auditor-General, the Government/Crown, and the Auditor as important users, while standard setters see the general public as the main users. The results indicate that preparers focus on providing accountability information, with standard setters agreeing with this view but also highlighting the importance of decision-useful information. The study found no differences between central and local government PSEs in terms of objectives but observed differences in the importance of information content based on the entity type. Large PSEs were found to have different accountability objectives to those of small PSEs, but no difference in information content between large and small PSEs was observed. The study provides valuable insights into the views of New Zealand preparers and standard setters on PSE financial reporting.

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List of Abbreviations

GPFRs	General-Purpose Financial Reports
IPSASB	International Public Sector Accounting Standard Board
PSEs	Public Sector Entities
OECD	Organization for Economic Cooperation and Development
CAANZ	Chartered Accountants Australia and New Zealand
IFRS	International Financial Reporting Standards
PBEs	Public Benefit Entities
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
GASB	Governmental Accounting Standards Board
IT	Institutional Theory
IMF	International Monetary Fund
CEOs	Chief Executive Officer
CFOs	Chief Financial Officer
OAG	Office of the Auditor-General
LGNZ	Local government New Zealand
SOLGM	Society of Local Government Managers
ARRs	Annual Report Readers
IIPs	Infrastructure Information Providers
SS	Standard-Setter
NZASB	New Zealand Accounting Standard Board
NZAuASB	New Zealand Auditing and Assurance Standards Board
FMA	Financial Market Authority
KPMG	Klynveld Peat Marwick Goerdeler
MBIE	Ministry of Business Innovation &Employment
PwC	PricewaterhouseCoopers International Limited
ESG	Environmental, Social, and Governance

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Chapter One: Introduction

This chapter offers an overview of the thesis structure and content. In Section 1.1, it introduces the background of financial reporting and the objectives of the study. Section 1.2 delves into the research motivation, discussing the identified knowledge gap in prior studies, and highlighting the significance of public sector financial reporting. Moving on to Section 1.3, it explores the background of New Zealand's public sector entities (PSEs) and their accounting standards reporting framework. The research questions are presented in Section 1.4, outlining the specific inquiries that guide the study. In Section 1.5, it provides a summary of the research findings and discusses their implications. Finally, Section 1.6 outlines the organizational structure of the remaining chapters within the thesis.

1.1 Background and objectives of the study

Financial reporting has gained significant attention in academia and public policy in recent years, with an increasing number of scholars and regulators focusing on the reporting practices of public and private sector entities (Ball, 2012; Bisogno et al., 2022; Redmayne et al., 2021). Financial information plays a crucial role in all economic decision-making processes. As explained by Rossi et al. (2014), the primary purpose of financial reporting is to provide comprehensive information that enhances accountability and supports organizations in their decision-making. Financial reports communicate an entity's financial position to stakeholders and therefore, it is crucial that they are of high quality and provide decision-relevant information about the entity's economic activities (Beest et al., 2009).

There is a growing body of research addressing the utilization of financial report information by investors and other users in the private sector (Bandara & Falta, 2021; Davern et al., 2019;

Fontes et al., 2016; Habib et al., 2019; Handley et al., 2018; Joshi et al., 2016; Morris et al., 2014). However, there are few studies investigating the objectives and information contents of financial reports from PSEs (Brusca & Montesinos, 2006, 2013; Carini et al., 2019; Davern et al., 2019; Ehalaiye et al., 2018). Research in this area is important as it will highlight the differences between private and public sector financial reporting and contribute to our understanding of the latter, which has been understudied in comparison to private sector financial reporting.

Although few studies in the public sector have provided some insights into how citizens use financial information in their voting decisions (Brusca & Montesinos, 2006), and the intended objectives of public sector consolidated financial reporting (Carini et al., 2019; Ellwood & Newberry, 2016; Santis et al., 2018), they have not fully explored the issues pertaining to the objectives, core users, and information contents of general-purpose financial reports (GPFRs) from the perspectives of preparers and standard setters. Given the important role of preparers and standard setters in the public sector financial reporting ecosystem (Cordery et al., 2019; McVay & Szerwo, 2021; Poljašević et al., 2021), it is important to gain insights into their perceived and practical reporting practices (Dye et al., 2015; Poljašević et al., 2021; Troshani et al., 2018). Despite the valuable insights provided by extant studies, there is still a need for more research to fully understand the perceived prioritised objective, primary users, and the leading information contents of GPFRs in the public sector based on the perspectives of preparers and standard setters, and whether these perspectives are congruent or diverge significantly.

In practical terms, this study differs from prior studies by addressing critical gaps in the extant literature. Beginning with the debate around the prescribed and perceived objectives of financial reporting especially within the public sector (Barton, 1999; Blann, 2010; Kober et al., 2010; Rutherford, 1992; Walker, 2003). Public sector financial reporting objectives have been the subject of extensive research and discussion over the years. Early studies by Rutherford (1992) and Walker (2003) provided foundational insights into the objectives of public sector financial reporting. Their discourse raised questions regarding the clarity of public sector reporting objectives in the context of government entities, considering their unique reporting requirements (A. Barton, 1999; Blann, 2010; Kober et al., 2010). Some of these studies argue that the primary objective of public sector financial reporting is accountability (Barton, 1999; Ellwood & Newbury, 2006; Kober et al., 2010; Murphy et al., 2013). Yet, others have considered the imperative of decision usefulness as a more valid objective for reporting in the public sector (Lennard, 2007; Murphy et al., 2013). However, it is still unknown in the literature whether these objectives are perceived equally in terms of importance by public sector report preparers and standard setters.

Indeed, scholars have sought to deepen the debate around the conceptual framework for public sector financial reporting. For example, Ellwood and Newberry (2016) attempted to address issues concerning the conceptual framework of public sector financial reporting. Their study probed whether the underlying principles of the conceptual framework align with its intended purpose (p.233). One issue that emerged from their work was the ambiguity surrounding the precise definitions and interpretations of accountability and decision usefulness as foundational objectives. This lack of clarity raises concerns about the framework's perceived applicability and, in some respects, the prioritized importance from the preparers of the reports. Relatedly, Oulasvirta (2021) argues that the broad objectives of financial reporting within the public sector present several challenges. Despite the IPSASB's efforts to explain mutual interfaces and clarify that the information presented in general-purpose financial reports serves both accountability and decision-making purposes, the study suggests that financial reporting objectives should originate from the information needs of stakeholders and their representatives (Oulasvirta, 2021). In this sense, there might be auxiliary objectives for preparing public sector financial reporting based on perceived motives of the preparers beyond the prescribed objectives.

Taken together in the light of extant studies on public sector objectives, it seems that while prior studies have offered us useful and valuable insights into the conceptual rationalization of the objectives of public sector financial reporting, there remains a significant absence of empirical evidence to confirm what preparers perceive as the core objective of public sector reporting. One reason for this may be due to the fact that most prior studies were normative in nature, with limited empirical data to affirm extant of the theorizations (Rutherford, 1992; Walker, 2003). This is where the current study makes a significant departure from the extant literature. Specifically, this study, based on empirical data from the preparers of public sectors reports, attempts to address the objectives of PSEs' financial reports. In this regard, the aim is to identify how the objectives prescribed in the conceptual framework are considered by the preparers. Although accountability and decision usefulness are the two ex-ante objectives for PSEs reporting (IPSASB, 2014), it might as well be that the motive for preparing such reports from the perspective of preparers might differ (Daniels & Daniels, 1991; Mack & Ryan, 2006; Taylor & Rosair, 2000), akin to other theoretical reasoning (Boxenbaum & Jonsson, 2017; Bromley et al., 2012; Goddard et al., 2016; Meyer & Rowan, 1977). Furthermore, the potential departure in the perceived objective of PSE reporting could differ across reporting entities based on their nature (Blann, 2010; Grossi & Steccolini, 2015; Hong, 2017). This is because reporting entities across central and local governments, and/or large and small entities would probably consider different factors as their perceived leading objective for reporting (Laswad

& Redmayne, 2015). Thus, a matter of empirical exercise.

Another important value addition of this study is its response to the pressing calls made by (e.g., Santis et al., 2018; van Helden & Reichard, 2019; Walker, 2009) for more comprehensive investigations into under-explored aspects of public sector financial reporting practices, particularly with regard to the users, purposes, and fundamental decision-making processes associated with public sector reports. Extensive prior evidence has demonstrated the critical role of public sector financial information in facilitating effective decision-making (Krambia-Kapardis et al., 2016; Santis et al., 2018). For instance, Krambia-Kapardis et al. (2016) sought to identify information gaps and differing expectations between users and preparers of public sector financial reports in Cyprus. However, their study fell short of elucidating the rationale behind the prioritization of certain users over others. Krambia-Kapardis et al. (2016) study like most prior studies, while valuable, left numerous crucial questions unanswered. Specifically, they failed to address questions directly related to (i) who, from the perspective of preparers, are deemed the primary users of public sector financial information, and (ii) whether differences in entities' objectives for financial reporting influence the hierarchy of information users they prioritise. This study seeks to address these issues by providing answers to these inquiries. To initiate this exploration, the study attempts to identify the perceived primary users of public sector information, and the factors that underlie their prioritization, objectives as well as the information content of public sector financial reports.

Furthermore, this research augments the literature by delving into the unique context of New Zealand's public sector financial reporting. While numerous studies have investigated the information requirements of diverse users of public sector financial reports (Ehalaiye et al., 2018; Krambia-Kapardis et al., 2016; Laswad & Redmayne, 2015; Walker, 2003, 2009), there exists limited or no documented evidence concerning the distinct categories of public sector information users and their preferences within the New Zealand context. Laswad and Redmayne (2015) assessed the utility of financial reports by scrutinizing various sections comprising these documents. In contrast, the current study concentrates on evaluating the significance of information content within financial reports with respect to enhancing accountability and facilitating decision-making. This study aims to bridge this gap by examining the perceptions of both preparers and standard setters of New Zealand’s public sector regarding potential disparities in the objectives and information content of their financial reports based on entity size and/or type. This inquiry assumes significance because entities of varying sizes and types may have distinct accountability and performance expectations from their stakeholders, potentially influencing their financial reporting practices and choices (Laswad & Redmayne, 2015).

Additionally, it is worth noting that prior studies have been criticized for the theoretical frameworks they employed, which were deemed potentially limiting in comprehending the full spectrum of public sector financial reporting practices (Cohen & Karatzimas, 2017; Santis et al., 2018). For example, Cohen and Karatzimas (2017) employed neo-institutional theory to evaluate the Greek Government's effectiveness in providing higher-quality financial information for users, without considering the decoupling effect of the theory. In contrast, this study adopts the decoupling perspective of the institutional theory to examine the perceptions of individuals responsible for financial report preparation and implementation oversight regarding the information content contributing to accountability and decision-making in financial reports (Boxenbaum & Jonsson, 2017; Bromley et al., 2012; Goddard et al., 2016). This theoretical lens offers a broader perspective, shedding light on the divergence within organizational practices stemming from institutional influences (DiMaggio & Powell, 1983a;

Meyer & Rowan, 1977). Moreover, this study provides evidence of shifts in reporting practices within the public sector in the post-transition era of the change from cash to accrual reporting regimes.

Finally, in addition to the theoretical lens, this study employs a robust methodological approach that combines both qualitative and quantitative techniques. In contrast to Laswad and Redmayne (2015), who exclusively relied on surveys to investigate preparers' perceptions of public sector financial report usefulness, reporting frameworks, and utilization for management decisions, the present study uses a combination of surveys and interviews to gather insights from preparers and standard setters regarding financial reporting objectives, users, and information content. This multifaceted approach ensures a more comprehensive and nuanced understanding of the subject matter, enriching the overall research landscape. Importantly, no prior study has considered the combined perceptions of preparers and standard setters together. Therefore, in addition to the methodological approach, the unit of analysis employed in this study (i.e., preparers and standard setters), provide incremental insights, as well as a comprehensive empirical account of the information usefulness and users of public sector financial reports.

In summary, the overarching aim of this study is to comprehensively investigate various aspects of financial reporting within Public Sector Entities (PSEs) in the New Zealand public sector. In this regard, the study seeks to accomplish the following objectives:

i. Examine the primary objective that is perceived by PSE preparers and standard setters as the leading purpose guiding their reporting practices.
ii. Determine the core users of general-purpose financial reports as perceived by PSE preparers and standard setters.

iii. Investigate whether the information content of PSEs' general-purpose financial reports varies among different types of PSEs (local vs. central government) and their respective sizes (small vs. large).

To accomplish these objectives, the study has formulated three research questions (as outlined in section 1.4), with a primary focus on gaining insights into the objectives of PSEs' financial reports, identifying the core users of these reports, understanding the content they contain, and assessing the significance of this information. It explores the objectives, key stakeholders, and the information presented in the GPFRs of PSEs. It also investigates how preparers consider the needs of various stakeholders when preparing GPFRs, and whether some stakeholders are prioritised over others. Moreover, it compares the views of preparers and standard setters on the objectives and target audience of financial reporting in the public sector with the expectations in the conceptual framework.

1.2 Research Motivation

The present study is motivated by several factors. Firstly, it is stimulated by the several unknown issues with respect to the objectives and utilization of public sector financial reports by both internal and external stakeholders (Australian Accounting Standard Board, 2021; Santis et al., 2018; van Helden & Reichard, 2019). While previous studies have shed light on certain aspects of public sector reporting practices, there remain significant unexplored areas. Santis et al., (2018) aptly called for further inquiry into key questions still in need of empirical answers in this respect such as (i) who the primary users of public sector financial reports are, (ii) how public sector financial reports facilitate stakeholders' decision-making, and (iii) how the role of public sector reports might evolve giving the level of prominence they have gained over the years. These critical inquiries underscore the necessity for comprehensive investigations into broader public sector reporting practices, which this study is motivated to address.

Moreover, there is a compelling demand for the development of theoretical explanations concerning the intricate interplay among the components of financial reporting within the public sector, such as objectives, users and their needs, and the information contained therein (van Helden & Reichard, 2019). The ongoing debate on the objectives, key stakeholders, and the information contents of public sector reports in contrast to what is perceived by preparers, and accounting standard setters (Benjamin & Stanga, 1977; Brusca et al., 2013; Brusca & Montesinos, 2006; Cohen & Karatzimas, 2017; Ehalaiye et al., 2021; Kober et al., 2010, 2013; Laswad & Redmayne, 2015; Mack & Ryan, 2006; Murphy et al., 2013; Patton, 1992), is a significant motivator for this research. Considering the pivotal role that financial statements play in broader economic management within the public sector, and the expectations set forth by the conceptual framework for their preparation, empirical insights into these matters will undoubtedly enhance our understanding of how best to leverage them effectively.

Additionally, this study is motivated by the need to document further insights into the perspectives of preparers and standard setters regarding public sector financial reports in New Zealand, given the critical role that the public sector plays in fostering economic growth and development (Ball, 2012; Cuadrado-Ballesteros et al., 2020; Sahamies et al., 2022). The unique focus on New Zealand provides valuable contributions to the literature by addressing gaps that exist (Cordery & Simpkins, 2016; Ehalaiye et al., 2021; Redmayne et al., 2021). Notably, there is limited or no documented evidence regarding the distinct categories of public sector financial report objectives, users, and their preferences, as well as information content specific to the New Zealand context. This study aims to bridge this critical gap by examining the perceptions of both preparers and standard setters within New Zealand's public sector financial reporting landscape. It explores objectives, users, information content, and potential differences or consistencies among public sector entities based on entity type and size. Ultimately, the motivation behind this research is to enhance our understanding of the significance of public sector financial reporting practices, given its substantial contributions to the economy.

The findings of this study provide insights on the perspectives of preparers, standard setters, and regulatory bodies in New Zealand. These insights may be generalised to other jurisdictions that have similar structures and arrangements such as have adopted IPSAS and require public sector entities to provide general purpose financial reports. Hence, this study offers a comparative framework and encourages further research in other contexts, fostering a more comprehensive knowledge of public sector reporting practices.

1.2.1 The knowledge gap in the objective, users, and information content in financial reports of PSEs

Studies have examined various aspects of PSE financial reporting practices (e.g., de Aquino et al., 2020; Ellwood & Newberry, 2016; Hepworth, 2017; Oulasvirta, 2021; van Helden & Reichard, 2019; Zeff, 2016), yet several issues remain unknown. These studies have tried to determine the objectives of General-Purpose Financial Reports (GPFRs) and the differences between public and private sector reporting practices (Ehalaiye et al., 2018; Laswad & Redmayne, 2015). Other prior studies have examined the information provided in financial reports from different and very broad perspectives (e.g., Brusca & Montesinos, 2006; Ehalaiye et al., 2018; Laswad & Redmayne, 2015; Pro-active Accounting Activities in Europe, 2009; Robbins, 1984). These studies often focus on the components that make up the financial reports with limited depth in understanding the perception of preparers regarding core users and the crucial information that PSEs GPRF should contain. In some respects, prior studies have dedicated most of their effort toward attempting to understand financial reporting practices, especially the objectives (Carlin, 2005; Ives, 1987; Lennard, 2007; Murphy et al., 2013; Rutherford, 1992; Walker, 2003). For instance, Murphy et al. (2013) used a financial reporting conceptual framework to examine accountability as a core objective of financial reporting. The present study, however, departs from the traditional approach by using primary data sources, such as surveys and interviews, to empirically evaluate the objectives of financial reports.

In addition, despite the efforts of multiple studies to determine the users of public sector financial reports (Brusca & Montesinos, 2006; ButterWorth et al., 1989; Coy et al., 1997; Krambia-kapardis & Clark, 2010; Mack & Ryan, 2007), the conclusions from these studies are often inconsistent and sometimes conflicting. For example, some studies such as (Brusca & Montesinos, 2006; Mack & Ryan, 2007) identified a wide range of users, while others, such as Laswad and Redmayne, (2015), found that managers were the main users of these reports based on the perceptions of those who prepared them. This lack of consensus regarding the user group of public sector financial reports highlights the ongoing debate surrounding this topic and raises questions about the reliability and accuracy of the information contained in these reports. It also suggests that there is a need for further research and analysis to definitively identify the primary users of public sector financial reports and their needs and expectations in terms of the information they require.

In light of this, it is important for those responsible for preparing and distributing public sector financial reports to carefully consider the potential users of their reports. The reports' contents and format should be planned accordingly, in order to effectively meet users' needs and expectations. It is anticipated that those preparing financial reports for PSEs will abide by the principles outlined in the conceptual framework(IPSASB, 2014). However, it is also possible that other, unintended users could be the target audience of the financial report preparers. These considerations raise important questions that require empirical investigation, such as: what is the objective of the preparers, which users are they focusing on, and what information do they consider relevant for these users? Addressing these questions will provide valuable insights into the preparation and dissemination of PSE financial reports.

Financial information is used by a diverse range of users with differing requirements. The International Public Sector Accounting Standards (IPSAS) conceptual framework categorizes the users of general-purpose financial reports as "service recipients", "resource providers", and their respective representatives. However, despite being noted as important users in previous studies (Rutherford, 1992; Sutcliffe, 2003), other users such as internal managers, intermediate users, media, and analysts, may not be captured by the conceptual framework. These users rely on the information provided by reporting entities for decision-making purposes, such as determining funding or holding the entities accountable if they do not fulfil their obligations.

Despite prior research identifying the diverse needs of financial information users (Gassen & Schwedler, 2010; Laswad & Redmayne, 2015), it remains unclear if the information provided by PSEs meets the objectives outlined in the IPSAS conceptual framework, which focuses on accountability and decision-usefulness, or if the reports are simply prepared for compliance purposes (Ehalaiye et al., 2018; Mautz, 1981; Walker, 2003). Additionally, it is uncertain if the conceptual framework overlooks any crucial users that the preparers may already be catering to. Rutherford (1992) highlights the importance of considering individual user expectations when classifying their information needs, which could enhance the accuracy of financial reporting. There is a prevailing assumption that preparers have their users in mind when preparing financial reports. Finally, it is yet to be determined if the perspectives of standard setters on the objectives, core users, and contents of public sector financial reports align with the IPSAS conceptual framework. Their perspectives thus require further empirical evaluation.

Given the current state of the literature, there is a need for further empirical examination of the users, information contents, and perceptions related to PSE financial reporting. The present study aims to address this gap by exploring the objectives, primary users, and information contents of PSEs' GPFRs, based on the perspectives of both preparers and standard setters.

1.2.2 Significance of public sector financial reporting

The focus of many studies has been on private sector financial reporting (Armstrong et al., 2010; Daske et al., 2008; Hope et al., 2006; Houqe et al., 2012; Yip & Young, 2012). This has overshadowed the importance of public sector reporting despite the significant influence that governments have on economies (Ball, 2012; Brusca & Montesinos, 2009; Ehalaiye et al., 2018; Rossi et al., 2014; van Helden & Reichard, 2019). The public sector, particularly in New Zealand, plays a crucial role in shaping government policies and driving economic growth. It is thus imperative to evaluate its performance through accurate and comprehensive reporting practices.

Measuring the economy, efficiency, and effectiveness of the public sector in achieving its set goals requires in-depth information about its operations. This highlights the significance of public sector reporting in evaluating government policies and assessing their outcomes. Moreover, the quality of reporting practices in the public sector is critical in determining the transparency and accountability of government dealings. Despite the extensive focus on private sector financial reporting, public sector reporting should not be neglected as it plays a crucial role in evaluating government performance and shaping the future of an economy. In New

Zealand and other countries, it is vital to prioritize the improvement and implementation of robust reporting practices in the public sector to ensure accurate and reliable information about government operations.

New Zealand's public sector is distinctive and enjoys a high degree of trust from its citizens, as evidenced by a 2017 OECD survey, which showed that citizens in New Zealand were generally more satisfied with public sector institutions compared to other OECD countries (OECD, 2017). This high level of trust from citizens could be a result of effective reporting practices within the public sector, and in turn, could increase the pressure to maintain and improve these practices. The trust that the public sector enjoys has the potential to influence the financial reporting behaviour of PSEs in New Zealand. It is thus crucial to re-evaluate the reporting objectives, core users, and information content that PSEs focus on in their efforts to preserve and retain this trust. A focus on accurate and transparent reporting can help maintain the public sector's high level of trust and credibility, while also providing stakeholders with the information they need to assess the performance of PSEs. New Zealand serves as a valuable case study for this research. The country is consistently ranked among the highest in terms of public sector efficiency and is widely recognized as a leader in financial reporting practices, particularly within the public sector (OECD, 2017). This makes it an important setting to examine the objectives, primary users, and information content of financial reports produced by PSEs.

The goal of this study is to provide valuable insights into the financial reporting practices of PSEs in New Zealand, which can be beneficial not only to the country but also to other countries that seek to benchmark their own practices against the successes recorded in New Zealand. The expected outcome of this study is to gain a deeper understanding of the motivations and priorities behind the financial reporting practices of PSEs in New Zealand, which can inform best practices and drive improvements in financial reporting across the public sector globally.

1.3 Brief Background of New Zealand Public Sector Entities (PSEs)

New Zealand has a multi-sector structure consisting of both for-profit entities (private sector) and public benefit entities (not-for-profit and public sector entities). Public benefit entities encompass a broad range of entity types, including charities, clubs, and non-commercial public sector entities. These entities exist to provide services and benefits to society and can be found in both the public and private sectors in New Zealand (CAANZ, 2017). The present study specifically focuses on PSEs, which are non-commercial entities within the PBEs and include central and local government entities. This study examines the financial reporting practices of government-owned and operated entities that play a crucial role in delivering public services and shaping the direction of the country.

As noted by Redmayne et al. (2021), PSEs are organizations that exist primarily to provide goods and services to the public for the public good, rather than for profit. This means that PSEs are focused on meeting the needs of society and typically do not generate profits from their activities. The Auditor-General's report on setting financial reporting standards for the New Zealand public sector supports this concept by explaining that PSEs are reporting entities whose primary purpose is to provide goods and services for the benefit of communities or for social purposes, and their investors do not expect a financial return on their investment (Controller and Auditor-General, 2009). These characteristics highlight the unique nature of PSEs and the importance of accurate and reliable financial reporting in ensuring that they meet their public mandates effectively.

The evolution of financial reporting in New Zealand's public sector entities has undergone several noteworthy changes in the past four decades. Laswad and Redmayne (2015) have highlighted the following key transformations: (i) the pre-accrual era where the cash basis was in operation until the late 1980s; (ii) the accrual-based accounting and sector-neutral standards era that was in operation from the early 1990s until 2007; (iii) the modified IFRS era that was in effect from 2007 to 2012; and (iv) the IPSAS-based standards and multi-tier public sector reporting framework that is currently in place (Carlin, 2005; Ellwood & Newberry, 2007). According to Carlin (2005), the reforms in New Zealand's public sector started in the late 1980s and gradually moved towards an accrual accounting system through the State Sector Act 1988 and the Public Finance Act 1989, which established a legal framework for accountability between departmental heads and their ministers. Ellwood and Newberry (2007) confirm that the changes that began in the 1980s were in line with the Public Finance Act 1989.[1]

It is thus clear that the New Zealand public sector has undergone significant changes since the transformation began. Carlin (2005) and Ellwood and Newberry (2007) highlight the drive to adopt accrual accounting in order to improve efficiency in government business as the main driving force behind the reforms seen in the New Zealand public sector. Additionally, it is important to note that the Public Finance Act is not the only legislation that sets requirements for the use of public resources or financial reporting in New Zealand, but it is widely recognized as having paved the way for the most significant changes in the public sector reporting landscape.

[1] The core intent of the Act was to ensure that the public sector resource management process was enhanced for better service delivery. Specifically, the purpose of Act as noted under Section 1A is to consolidate and amend the law governing the use of public financial resources. Additionally, it "specifies the minimum financial and non-financial reporting obligations of ministers, departments (including departmental agencies, interdepartmental executive boards, and interdepartmental ventures), Offices of Parliament, Schedule 4 organisations, and Schedule 4A companies" (Public Finance Act, 1989, Section 1A (d)).

The transformations in New Zealand's public sector financial reporting structure over the past four decades have resulted in the establishment of the External Reporting Board (XRB). This organization oversees and regulates the reporting system in New Zealand and provides guidelines for all reporting entities, including PSEs, to follow in fulfilling their financial reporting obligations.[2] The XRB plays a key role in developing the framework for PBEs to prepare their financial reports. The current financial reporting system in New Zealand operates on a multi-tiered reporting structure, in which accounting standards are applied to an entity type and its respective tier based on predetermined criteria (Bradbury, 2020; Cordery & Simpkins, 2016; External Reporting Board, 2015).

1.3.1. New Zealand Accounting Standards Framework

New Zealand operates a multi-standard and multi-tiered structure for accounting standards, with different requirements for for-profit entities (private sector) and PBEs (not-for-profit and public sector). The multi-tiered approach involves establishing different accounting requirements for each tier of reporting entities, based on factors such as their economic significance, size, public accountability obligations, and the separation of ownership from the governing body of the entity. This approach aims to balance the cost of preparing financial reports with the benefits, taking into consideration the nature and size of the reporting entity.

The current accounting framework in New Zealand was established in April 2012 and updated in December 2015 by the External Reporting Board (XRB). The purpose of this framework is to establish a system of financial reporting that is suited to both the for-profit sector and public

[2] Other key strategic objectives of the XRB generally involve: (i) maintaining and enhancing existing standards; (ii) influencing the international standard setters board; and (iii) enhancing constituency engagement and support including undertaking user needs.

benefit sector. The framework outlines a multi-tiered approach, consisting of up to four tiers, to determine the appropriate accounting requirements or standards for each entity. The tier assignment is based on the size, public accountability obligations, and the relationship between owners and the governing body of the entity. The aim of this approach is to balance the cost and benefits of preparing financial reports, in accordance with the nature and size of the entity. The XRB's accounting framework mandates that financial reports are prepared based on the relevant conceptual framework for each sector. For-profit entities must comply with International Financial Reporting Standards (IFRS). PBEs must comply with a statutory requirement to prepare financial reports following International Public Sector Accounting Standards (IPSAS).

Additionally, the XRB considers international convergence and harmonization with Australia when establishing accounting requirements for each tier. This ensures that the financial reporting system in New Zealand remains relevant and in line with international best practices.

The accounting standard framework and standard-setting process in New Zealand have been the subject of numerous studies, with the goal of improving the system. Bradbury (2020) highlighted the importance of using research outcomes to inform the standard-setting process and acknowledged the role of the External Reporting Board (XRB) in utilizing empirical insights to meet its objective of producing accounting standards that meet the specific needs of users. Cordery and Simpkins (2016) analysed the impact of the standard-setting structure and the forces driving standard-setting decisions in New Zealand, noting that changes in the standard-setting process are linked to political forces and standard-setting strategy. Studies commissioned by the XRB, such as those conducted by Ehalaiye et al. (2017) and Laswad et al. (2016), offer insight into the XRB's strategy for improving standards to meet the needs of users. The McGuinness Institute (2021) conducted an ongoing study of the environmental reporting component in entities' annual reports and found that few entities choose to use the voluntary international framework, possibly due to the abundance of available frameworks.

Table 1.1 Summary of New Zealand's Reporting Environment as Prescribed by the XRB

Panel A. For Profit Entities

Tier	Entity type	Standards
Tier 1	Any entity with *public accountability* or a large for-profit public sector entity with total expenses > $30million.	NZ IFRS
Tier 2	Any entity that has no public accountability and is not a large for-profit public sector entity with total expenses ≤$30million that elects to be in Tier 2.	NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR)

Panel B. Public Benefit Entities (Both Not-for-Profit and Public Sector Entities)

Tier	Entity type	Standards
Tier 1	Any entity that has public accountability or is a large PBE with total expenses > $30million.	PBE Standards based on IPSAS
Tier 2	Any entity with no public accountability which is not large with total expenses of greater than $30 million but less than $2 million that chooses to be in Tier 2.	PBE Standards Reduced Disclosure Regime (PBE Standard RDR) based on IPSAS
Tier 3	Any entity with no public accountability and with a total expense of ≤ $ 2 million that chooses to be in Tier 3.	PBE simple format reporting - Accrual (SFR-A)
Tier 4	Any entity that has no public accountability, is allowed by law to use cash accounting, and chooses to be in Tier 4.	PBE simple format reporting - Cash (SFR-C)

Source: (External Reporting Board, 2015)

The preceding discussion provides an overview of the key developments and reforms that have taken place within the New Zealand public sector over time. It highlights the various entities that make up the public sector landscape and the structure of New Zealand PBEs. Additionally, it outlines the accounting reporting framework that is applicable to these entities. It is important to note that the discussion is not intended to be exhaustive or comprehensive but rather provides a summary of the most important issues related to the progression of reforms within the New Zealand public sector. Readers who require a more in-depth understanding of these topics are encouraged to consult relevant official publications and guidance.

1.4 Research Questions

Building upon the background information provided on the New Zealand public sector reporting environment, this study aims to examine the fundamental issues related to the objectives, core users, and information content of PSEs. To achieve this goal, a set of research questions has been developed, drawing on the ongoing debate and insights gleaned from the literature and reporting framework for PSEs. It is important to note that this study seeks to contribute to the ongoing discourse and understanding of the reporting environment for PSEs in New Zealand, and to provide useful information and insights for stakeholders and practitioners.

An important issue in the debate surrounding financial reporting is the heterogeneity of users, which can lead to the creation of a preferential hierarchy in the preparation of financial reports (Brusca & Montesinos, 2006; Laswad & Redmayne, 2015; Mack & Ryan, 2007). While it is generally expected that preparers of financial reports consider all users as important, this may not always be the case in practice, particularly if users are not equally valued based on their influence on the reporting entity. Some users may be given higher priority over others, leading to the possibility of a biased financial report.

The conceptual framework for financial reporting states that a GPFR does not cater to the specific needs of each individual user, but instead provides financial information that will enable users to make informed decisions about the reporting entity (IPSASB, 2014). This framework aims to provide financial information that is useful for a broad range of users, rather than being tailored specifically to the needs of any one group of users.

> *GPFRs prepared to respond to the information needs of service recipients and resource providers for accountability and decision-making purposes may also provide information useful to other parties and for other purposes. For example, government statisticians, analysts, the media, financial advisors, public interest and lobby groups and others may find the information provided by GPFRs useful for their own purposes. Organizations that have the authority to require the preparation of financial reports tailored to meet their own specific information needs may also use the information provided by GPFRs for their own purposes—for example, regulatory and oversight bodies, audit institutions, subcommittees of the legislature or other governing body, central agencies and budget controllers, entity management, rating agencies and, in some cases, lending institutions and providers of development and other assistance. While these other parties may find the information provided by GPFRs useful, they are not the primary users of GPFRs. Therefore, GPFRs are not developed to specifically respond to their particular information needs.* (IPSASB, 2014)

Additionally, previous research has demonstrated that the needs of financial report users are diverse and varied (Cascino et al., 2014; Patton, 1992), making it challenging to satisfy all of their needs in a single report. This heterogeneity of user needs highlights the difficulty in preparing a financial report that can be useful to all users, as it must cater to a wide range of perspectives and decision-making requirements. Despite these challenges, it is the responsibility of preparers to ensure that the financial report provides useful information to all its users to the best of their ability.

A significant body of literature has investigated financial reporting by public sector entities (PSEs) from different perspectives, such as entity type (local or central government) (e.g., Alijarde, 1997; Hong, 2017; Mack & Ryan, 2007; Oulasvirta & Turala, 2009), or size (large or small PSEs) (Laswad et al., 2005). However, there is a lack of research that has compared the perceptions of standard setters and preparers regarding financial reporting for PSEs, taking into account their entity type or size. It is possible that there may be differences in the expectations of standard setters and preparers regarding financial reporting, depending on the unique characteristics of the reporting entity.

In New Zealand, the reporting requirements for entities in the public sector are largely based on the size of the entity. Empirical insights into the differential reporting practices among PSEs based on entity type or size would therefore be valuable. The objective of this research is to illuminate the differences or consistencies in the objectives, core users, and information content of financial reports in the public sector, based on entity type or size. The research questions in this study are focused on two broad groups of actors in the PSE space: preparers and standard setters. The research aims to validate the assertions made regarding the differences or consistencies in financial reporting among PSEs based on entity type or size, and the questions associated with establishing their empirical answers.

Research Question 1:

As perceived by financial report preparers and standard setters:

a. What are the objectives of PSEs' general-purpose financial reports?
b. Who are the core users of PSEs' general-purpose financial reports?
c. What are the information contents of PSEs' general-purpose financial reports?

Research Question 2:

As perceived by PSEs financial report preparers and standard setters what is the importance of public sector financial reports information contents for accountability and decision-usefulness?

Research Question 3:

With respect to RQ 1 and RQ 2 are there any significant differences among PSEs based on:

i. type (local vs central government), and

ii. size (small vs large)?

1.5 Summary of Research Findings and Implications

This study has uncovered crucial discoveries that hold substantial implications for the purpose, target users, and information disclosed in the financial reports of PSEs in New Zealand.

First, the results of this research highlight a disparity in the perspectives of those who prepare financial reports with regards to the objectives and intended users of public sector financial reports. Additionally, there is a varying perception of the significance of the information included in these reports. This suggests a potential disconnect between the expectations of standard-setting bodies and the practical judgement of those preparing the financial reports with respect to public sector financial reporting.

Second, the findings showed no distinction in the perception of financial reporting objectives between local and central government entities. However, there were differences in the perception of the significance of information items based on the entity type. Conversely, the results indicate a clear distinction in the financial reporting objectives between small and large entities, but no difference in the perceived importance of the information content. This implies that while financial reporting objectives remain uniform regardless of entity type, the perception of the importance of the information disclosed in the financial reports may vary. On the other hand, the results suggest that the size of the entity affects the financial reporting objectives but does not have any impact on the perceived significance of the information presented in the financial reports.

Third, the results show a significant difference in opinion between those who prepare financial reports and standard setters regarding the primary users of PSE financial reports. This suggests that the perception of preparers with regards to the users of these reports is shaped by the requirement to comply with regulations. This further highlights a discrepancy between the prescribed users specified in the conceptual framework and the actual users whose needs are met by the financial reports produced by PSEs.

In conclusion, the results of this research have important implications for the field of public sector financial reporting. This study highlights the potential for a disparity between the perspectives of those who prepare financial reports and the expectations of standard-setting bodies. The findings offer valuable insights that can inform the work of preparers, standard setters, and other stakeholders. Additionally, the results provide practical implications for financial report preparers, as they indicate the need to better align their perspectives with the requirements and expectations of standard setters. Overall, this study offers valuable contributions to the understanding of public sector financial reporting and the role of preparers in this process.

1.6 Structure of the Thesis

The following sections of this thesis are organized as follows:

1.6.1 Chapter Two: Literature Review and Hypothesis Development

This section presents a comprehensive overview of previous studies that have explored financial reporting issues, beginning with a succinct summary of financial reporting. It provides a comprehensive survey of the prescribed users of public sector financial reports and the reports' objectives as outlined in the conceptual framework. A comparison between the conceptual frameworks for the public and private sectors is also accomplished. This section also summarizes prior research findings regarding the users of GPFRs and provides a discussion of the information content of public sector financial reports, as well as financial reporting practices based on entity type (central government and local government). Additionally, the chapter discusses and formulates of the study's hypotheses, derived from the research questions and the literature review as well as the chapter summary.

1.6.2 Chapter Three: Theoretical Framework

This section provides a thorough explanation of the theoretical framework. It begins with an examination of institutional theory and its connection to public sector accounting and summarizes the reforms in the public sector financial reporting environment through the lens of institutional theory. The chapter continues with an in-depth exploration of the conceptualization, dimensions, and application of institutional theory in public sector accounting research from the perspectives of various scholars. Finally, the chapter concludes with the theoretical justification of the study.

1.6.3 Chapter Four: Research Methodology and Methods

This section outlines the methodology and research design employed in the study. It details the sampling procedure, including the choice of research method, followed by a description of the process of creating the research instruments, survey administration, and interview design. Additionally, this section provides information on the data analysis process. The section concludes with details on the ethical approval procedure that was followed.

1.6.4 Chapter Five: Results - Survey of PSEs Financial Report Preparers

This chapter presents the results of the survey administered to the preparers of PSE financial reports. The chapter starts with a description of the sample characteristics and demographics of the respondents. It then provides an overview of the descriptive statistics of the survey questions, followed by a discussion of the results of the reliability test. The results are presented and analysed to provide insight into the perceptions and opinions of the preparers.

1.6.5 Chapter Six: Hypothesis Test

This chapter focuses on the discussion of the study's hypotheses and the associated findings. The first set of results reported is a comparison between local and central government PSE financial report preparers. The chapter begins with an examination of whether there are differences in the perceptions of preparers of central and local government PSEs with regards to the objectives of financial reports. This is followed by a comparison of the perceptions of preparers of local and central government regarding the information content provided in PSE financial reports. The chapter then examines the results and findings of the comparison testing to determine if there are any differences between large and small PSEs in relation to the objectives and information content in financial reports.

1.6.6 Chapter Seven: Results - Interviews of PSE Reporting Standard Setters

The chapter then presents a comparison between the views of standard setters and preparers, highlighting any similarities and differences in their perspectives on the objectives, users, and information content of PSE financial reports. This is followed by a discussion of the key insights gained from the interviews with standard setters, including their views on the challenges and opportunities in the current public sector financial reporting environment, and their recommendations for future improvements. Overall, this chapter provides valuable insights into the perspectives of accounting standard setters and their role in shaping the future of public sector financial reporting in New Zealand.

1.6.7 Chapter Eight: Conclusions, Implications, Contributions, and Limitations of the Study

This chapter synthesizes the key findings from the previous chapters and presents a comprehensive conclusion to the research study. The conclusions are based on the empirical evidence gathered through the survey questions and interviews, and they offer insights into the current state of public sector financial reporting in New Zealand. The implications of the findings for public sector accounting practice and policy makers are also discussed in this chapter. The limitations of the study, such as its scope and sample size, are acknowledged and suggestions for future research directions are provided. Ultimately, this chapter provides a comprehensive and well-rounded conclusion to the research, highlighting its contribution to the field of public sector accounting and financial reporting.

Chapter Two: Literature Review and Hypothesis Development

2.1 Introduction

This section provides a comprehensive review of prior literature on financial reporting issues related to public sector entities financial reporting and stakeholders. The review begins with a general overview of financial reporting in section 2.2. Section 2.3 then goes on to discuss the objectives of financial reporting in both the public and private sectors. Section 2.4 specifically addresses the objectives of financial reporting in the public sector. In section 2.5, the various users of public sector General Purpose Financial Reports (GPFRs) and their utilization of financial reports are analysed. Section 2.6 provides a thorough comparison of the reporting frameworks of the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS). The use of public sector financial reports by various stakeholders is discussed in detail in section 2.7, followed by an examination of the information contained in public sector financial reports in section 2.8. Section 2.9 explores the differences between central and local governments in terms of financial reporting. Finally, the study's hypotheses are presented in section 2.10 and chapter concludes summary presented in section 2.11.

2.2 Financial Reporting

Financial reporting is how an entity communicates its financial position. It is a crucial aspect of accounting and business communication (Bloomfield, 2008), encompassing the categorization, recording, and dissemination of financial information in accordance with Generally Accepted Accounting Principles (GAAP). Essentially, financial reporting is the structured process of providing an overview of an entity's economic activities over a specific period. This process entails the gathering and analysis of financial data, which is used to inform the investment decisions of both current and potential investors (Deegan, 2016).

The discourse surrounding entities' financial reporting practices continues to be a topic of discussion in the accounting field. Despite this, the fundamental concept and implementation of financial reporting remains unchanged, with only slight variations in interpretation based on the goals of stakeholders and the purpose of the report. Al-Dmour et al. (2018) highlight that financial reporting serves as a means to resolve conflicts between stakeholders such as managers and owners. At its core, financial reporting has two main objectives: accountability and decision-making. Its ultimate goal is to provide high-quality financial information that reflects the economic activities of reporting entities, thereby promoting accountability for the resources under their control and enabling informed decision-making (Beest et al., 2009). Through financial reporting, entities provide accounting information that allows resource providers to receive stewardship information and monitor how the resources committed to the entity have been utilized.

Financial reports provide information on the performance of a reporting entity's economic resources and obligations, and any changes in these resources. This information is valuable to stakeholders in making informed decisions on the allocation of resources provided to the entity (External Reporting Board, 2018). Beest et al. (2009) emphasize the significance that stakeholders place on entities' financial reports and the impact it has in convincing capital providers and other stakeholders to invest in these entities. Additionally, financial reporting not only serves the purpose of communicating the economic state of an entity, but it also provides benefits to the entity by attracting more investment. Similarly, GPFRs serve as a means for public sector entities to communicate their accountability responsibilities, such as the effective use of available resources (Biancone et al., 2016; Jorge, 2021). The information contained in financial reports enables stakeholders to assess a reporting entity, making them a primary source of information that enables entities to fulfil their accountability obligations and provide information to support decision-making.

2.3 Objectives of Financial Reporting in the Private and Public Sectors

The International Public Sector Accounting Standard Board (IPSASB) issued its Conceptual Framework for Financial Reporting in 2014, which provides specific recommendations for public sector entities in the preparation and presentation of General-Purpose Financial Reports (GPFRs). This framework addressed the calls for separate reporting frameworks between the public and private sector. The primary objective of financial reporting according to the IPSASB framework is to provide information for accountability and decision-making purposes.

In 2018, the International Accounting Standards Board (IASB) also issued a revised Conceptual Framework for Financial Reporting, replacing the previous framework issued in 2010. This framework provides guiding principles for private sector entities in preparing and presenting GPFRs, with the objective of providing useful financial information to existing and potential investors, lenders, and creditors for decision-making purposes.

Both the IPSASB and IASB conceptual frameworks thus provide important guidelines for financial reporting in the public and private sectors, respectively, with the goal of improving the quality and usefulness of financial information for decision-making purposes (Beyer et al., 2010; External Reporting Board, 2018; Kober et al., 2012).

The conceptual framework for financial reporting serves as a cornerstone for accounting standards, providing a comprehensive foundation for the proper reporting of financial information. It is comparable to the constitution of financial reporting and provides a clear and standardized benchmark for financial reporting practices (Gore & Zimmerman, 2007).

The distinction between public and private sector reporting objectives is a key aspect of the conceptual framework, as each sector has its own unique set of objectives that dictate the scope and purpose of their financial reporting. To fully understand the interrelatedness of these objectives, it is necessary to delve into each sector's specific objective and examine the intent of the standard setters. This allows for a deeper appreciation of the differences and similarities between public and private sector reporting frameworks.

The interrelatedness of the public and private sectors and their reporting frameworks is an important factor to consider when examining the conceptual framework. Understanding the relationships between these two sectors and how they affect financial reporting can provide valuable insights into the broader financial reporting landscape. Furthermore, the distinct objectives of each sector provide a clear insight into the purpose and intent behind financial reporting and highlight the importance of adhering to established accounting standards.

2.4 The Objectives of Public Sector Financial Reporting

The objective of financial reports for public sector entities is to provide transparent and reliable information on the financial activities and performance of the government to its stakeholders, including citizens, taxpayers, creditors, and other interested parties (External Reporting Board, 2018; Grossi & Steccolini, 2015). These reports should present a comprehensive picture of the entity's financial position, performance, and cash flows, including the revenue collected, expenditures incurred, assets and liabilities held, and any other financial transactions undertaken. This information is critical for decision-making, accountability, and ensuring that the government is using its resources efficiently and effectively. The financial reports should comply with relevant accounting standards and provide accurate and timely information that is accessible to all stakeholders.

2.4.1 Accountability

The International Public Sector Accounting Standards Board (IPSASB) places accountability at the centre of financial reporting in the public sector. Governments and public sector entities have a fundamental responsibility to provide accountability, or stewardship, to those who provide them with funding and to the citizens they serve. This responsibility entails providing information about how resources are managed and used to carry out their duties (IPSASB, 2014).

The government of any society has an obligation to be transparent and accountable to its citizens for the taxes it collects and the services it provides. It must clearly explain how these funds are used to achieve both short-term and long-term goals and give fund providers a clear understanding of the purpose and benefits of their investments. This accountability is crucial in maintaining public trust and ensuring responsible management of resources in the public sector.

Accountability within a strong and effective framework highlights the importance of information sharing and collaboration, emphasizing the principles of transparency. It is an interactive process between an agent and a forum, where the agent has an obligation to report to the forum (Schillemans, 2016). The process of accountability is centred on the need to provide a reckoning or a report on financial performance that reflects the responsibilities and duties of the entity.

This process is crucial in establishing trust and demonstrating the responsible management of resources and duties. It provides a clear understanding of the entity's performance and allows for regular assessment of its actions and decisions. By requiring the entity to provide a report on its financial performance, accountability underlines the importance of transparency and the need to provide clear and concise information to stakeholders.

Several authors have approached the concept of accountability from different perspectives. Previous studies have defined accountability as the relationship between the provider of information, the accountor, and the user of the information, the accountee (Bovens, 2007; Coy et al., 2001; Ijiri, 1983; Ives, 1987; Lennard, 2007; Murphy et al., 2013). This relationship is established between two parties, with one party having the responsibility to provide the information in line with the demand and needs of the other, thereby creating a covenant of stewardship and responsibility.

According to Ives (1987) accountability is the responsibility to defend one's actions and to justify them with facts and evidence. This view suggests that financial reporting serves as a medium for rendering accountability and as a mechanism for justifying an entity's actions (or lack thereof) with respect to how it has allocated its resources. Bovens (2007) argues that accountability is a specific social relation, defined as a relationship between an actor and a forum. In this relationship, the actor has an obligation to explain and justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face consequences (Bovens, 2007), all of which highlight the structure of accountability in the public sector.

This understanding of accountability is the underlying reasoning for its importance in financial reporting, particularly within public sector entities, where the need to hold actors accountable is constantly increasing. For example, a comparative study between the United Kingdom and New Zealand by Ellwood and Newberry (2007) examined the forms of accounting in the public sector and found that accountability was the core driver for the adoption of accrual accounting in the public sector. This highlights the crucial role that accountability plays in the demand for and the production of financial reports in the public sector across jurisdictions.

Attempts have been made to distinguish the accountability objectives of financial reporting between the public and private sectors (Barton, 1999; Blann, 2010; Grossi & Steccolini, 2015; Ives, 1987). The study of Ives (1987) specifically highlights the differences in accountability intentions between the two sectors, pointing out that the nature of resource providers and services rendered in the public sector set it apart from that of the private sector. This distinction is driven by the unique characteristics of resource providers and organizations within the public sector.

Blann (2010) highlights the importance of public accountability in the financial reporting objectives of government entities. The unique elements of the public sector reporting environment, such as the role of the annual budget as a legal appropriation of public funds, emphasize the need for detailed and transparent information. The nature of government operations differs significantly from the private sector, requiring different accountability expectations. Public sector entities are funded through taxes, which increases the level of accountability to citizens. This accountability expectation is a key consideration in the conceptual framework of public sector financial reporting and prior research has emphasized it as a major objective of public sector financial reporting (Barton, 1999; Ellwood & Newbury, 2006; Kober et al., 2010). In summary, public accountability is a critical aspect of government financial reporting and drives the need for transparency and detailed information in public sector financial reporting.

Emphasising that public sector entities have distinct characteristics, such as varying legal forms, ownership structures, funding sources, and control mechanisms, which significantly impact upon their administrative procedures, human resource management strategies, and decision-making processes (Grossi & Steccolini, 2015). These unique features shape the accountability objective of the public sector entities' financial reporting and distinguish them from the private sector in terms of structure and practices.

Furthermore, the assessment of assets and liabilities represents a notable difference between the public and private sectors. Caruana (2021) point out the difficulty in determining the value of assets and liabilities for financial reporting purposes in the public sector context. The adoption of private sector concepts and techniques would only complicate the provision of accountable information in the financial reports of public sector entities. This highlights the need for a specifically tailored and fitting framework for the conceptualization and measurement of assets in public sector reporting, to ensure transparent reporting by public sector entities and reinforce accountability mechanisms through these financial reports.

To summarize, accountability represents a crucial link between the government and its citizens, as it entails the government reporting on the use of resources in pursuit of specific goals. The concept of accountability embodies the idea of stewardship, in which one party, holding a sense of responsibility, provides an explanation of its duty fulfilment to the other party. The differences between the public and private sectors, with their unique features and characteristics, continue to be a subject of debate and further accentuate the distinctions between the two (Grossi & Steccolini, 2015).

Furthermore, accountability in the public sector is of great significance as public resources are meant to serve the common good and ensure the welfare of citizens. Effective accountability mechanisms are crucial to ensure that the government is held responsible for its actions and decisions, promoting transparency, and maintaining public trust. The public sector financial reporting system plays a critical role in this context, providing information about the government's performance, outcomes, and its use of resources. It is crucial for this system to be well-designed, comprehensive, and transparent in order to meet the accountability needs of citizens and other stakeholders.

2.4.2 Decision usefulness

The objective of decision usefulness complements accountability in the IPSASB Conceptual Framework. The IPSASB acknowledges that government accountability plays a critical role in facilitating the decision-making process of resource providers by providing financial reporting (IPSASB, 2014). This perspective, as reflected in the conceptual framework, highlights the importance of financial information being useful to its users in making informed decisions about funding and future obligations. Additionally, the provision of useful financial information also helps service recipients evaluate the quality and satisfaction level of government-provided services. The results of this evaluation can impact upon the government's performance and result in consequences such as sanctions or rewards.

For several decades, scholars have been discussing the validity of decision usefulness as a fundamental objective in the Conceptual Framework (Lennard, 2007; Murphy et al., 2013; Rutherford, 1992; Walker, 2003).On the one hand, the argument is based on the belief that decision usefulness encompasses all the information required for evaluating stewardship (Murphy et al., 2013). Conversely, Lennard (2007) argues that stewardship should be given greater prominence in public sector financial reporting, with decision usefulness serving a secondary role.

Murphy et al. (2013) maintains that regardless of the views of standard-setters on stewardship, accountability remains a critical component of accounting. They refer to this concept as the "living law of accounting", which encompasses the historical foundation upon which the discipline of accounting was built.

Additionally, several studies have sought to differentiate the decision usefulness objective between the public and private sectors (Dillon et al., 2010; Grossi & Steccolini, 2015). The unique operational contexts of these sectors provide the foundation for their differences, leading to distinct decision-relevant information being presented in their respective financial reports (Dillon et al., 2010). This distinction highlights the impact of the operational environment on the decision-making objectives of financial reporting in the public sector versus those in the private sector.

Grossi and Steccolini (2015) also emphasize that public sector financial reports serve a diverse range of stakeholders with varying needs and characteristics, necessitating the provision of comprehensive information to meet their decision-making objectives. In contrast, private sector financial reports are primarily used by a more homogeneous group of users. This underlines the significance of considering the requirements of multiple stakeholders when preparing financial reports in the public sector.

2.5 Users of Public and Private Sector GPFRs

The IPSASB emphasizes that the objectives of financial reporting, namely accountability and decision usefulness, are aimed at fulfilling the information needs of users of GPFRs in accordance with the conceptual framework (External Reporting Board, 2015). The conceptual framework broadly categorizes GPFR users into two groups: "service recipients" and "resource providers", as well as their respective representatives.

The GPFRs are designed to address the information needs of both service recipients and resource providers as specified in the conceptual framework (External Reporting Board, 2015). These two categories of GPFR users can sometimes overlap, such as in the case of citizens and residents who provide resources in the form of taxes while also receiving government services like healthcare.

While GPFRs primarily cater to service recipients and resource providers, they may also provide information to other parties, such as government statisticians, financial advisors, and public interest groups. However, there are organizations with the authority to require public sector entities to prepare financial reports that meet their specific needs, including regulatory and oversight bodies, audit institutions, legislative subcommittees, central agencies, budget controllers, entity management, rating agencies, lending institutions, and providers of development and other assistance.

GPFRs are an essential tool for the accountability of public sector entities, serving the decision-making needs of their resource providers, such as lenders, creditors, and donors. The information provided in GPFRs helps these stakeholders assess whether to continue providing resources for the ongoing and future activities of the entities. Additionally, representatives of service recipients and resource providers, such as legislative bodies or their representatives, use GPFRs to inform their decision-making processes (Yamada, 2007). The GPFRs therefore play a crucial role in ensuring the transparency and accountability of public sector entities.

The information needs of service recipients serve as a basis for evaluating the entity's use of resources in terms of economy, efficiency, and effectiveness. It helps them understand the utilization of resources and the potential for future services. Similarly, the information needs of resource providers, such as lenders and donors, provide insight into how an entity is using the resources and if it is achieving its goals. Lenders require financial information to assess the entity's liquidity and the feasibility of payment and repayment periods. Donors, on the other hand, need financial information to ensure the entity is using the resources as intended. The overarching goal of the public sector conceptual framework is to support GPFR users in holding public entities accountable for the resources they receive and the services they provide. According to the IASB's conceptual framework for private entities, the primary users of GPFRs are current and potential investors, lenders, and creditors (External Reporting Board, 2018). These users rely on GPFRs to make decisions regarding buying, selling, or holding equity and debt instruments, providing or settling loans, and exercising their right to vote or influence management's resource usage.

The decisions made by these users are influenced by their expected returns, such as dividends, principal and interest payments, or market price increases, which are in turn dependent on their assessment of the entity's net cash inflows and the efficiency of management's resource stewardship. To meet the needs of these users, reporting entities must provide financial reports that include information on the entity's economic resources and changes therein, claims against the entity and changes in those claims, and the effectiveness of management's performance in utilizing these resources (External Reporting Board, 2018). It is important to note that even though the management of the reporting entity can access the financial information internally, the GPFRs still hold value for them. Additionally, other stakeholders such as standard setters and the general public may also find the information provided by the GPFRs useful, even though it is not specifically intended for their use (External Reporting Board, 2018).

2.6 Comparison of Public and Private Sectors Entities' Conceptual Frameworks

A comparison of the conceptual frameworks for public and private sector entities highlights that both frameworks aim to guide the preparation of GPFRs and enhance the quality of financial reports produced by entities in both sectors. These frameworks are tailored to meet the specific information needs of a designated group of users. Table 2.1 provides a clear comparison of the similarities and differences between the two frameworks. Ultimately, the primary objective of both frameworks is to provide a systematic approach for the preparation and presentation of financial reports that meet the information requirements of users in both the public and private sectors.

Table 2.1 Comparison of IPSAS and IFRS Conceptual Frameworks

	IPSAS	IFRS	Similarities/Differences
Date of Issue	2014	2010 First Issue (2018 Revised Version)	Currently, there is no updated version of the IPSAS Conceptual Framework available.
Objectives	The purpose of the IPSAS conceptual framework is to furnish public sector entity users with relevant information for accountability and informed decision-making.	To supply financial information that is beneficial to current and prospective investors, lenders, and other creditors for making informed decisions regarding the provision of resources to the reporting entity.	Both the public and private sector entities' conceptual frameworks aim to supply relevant and valuable financial information to support decision making for their respective user groups. In terms of differences, specific emphasis is made about accountability by the public sector conceptual framework. In particular, the study by (Baskerville & Grossi, 2019) elucidate these differences to include: 1. IPSAS and IFRS objectives are motivated by different philosophies with the core emphasis of “stewardship” and “accountability” for IPSAS, while decision usefulness of reported information is the focus of IFRS. 2. Accountability in the public sector mostly operates within jurisdictional boundaries while the decision usefulness of IFRS is for multinational comparison. 3. For comparability, IPSAS is focused on intra-entity comparability while IFRS is focused on inter-entity comparability.
Users	The IPSAS Conceptual Framework broadly categorises public sector GPFR users into: (a) **Resource Providers** - such as: i. Taxpayers, ii. Donors,	The conceptual framework lists the following as the main users of financial information: i. Existing investors, ii. Potential Investors, iii. Lenders, and	IPSAS categorises its users into Resource Providers and Service Recipients, while IFRS gives a direct description of its users as a collective group of resource providers such as (existing and potential investors, lenders and other creditors). There are similarities between the two conceptual

	IPSAS	IFRS	Similarities/Differences
	iii. lenders, iv. Creditors, and v. International governmental organisations and their representatives (Parliament and Legislators) (b) **Service Recipients -** such as: i. Citizens, ii. Residents, and iii. Taxpayers and their representatives (Parliament, and Legislators)	iv. Other creditors.	frameworks in terms of resource providers in the public sector which may be similar to lenders and creditors in the private sector. The differences are in the service recipients such as: i. Citizens, and ii. Residents and some of the resource providers such as: i. Taxpayers, ii. Donors, and iii. International governmental organisations.
Type of Financial Report	General purpose financial reports	General purpose financial reports	The same type of financial reports in principle.

2.7 Prior Studies on Users of Public Sector Financial Information

Scholars have attempted to understand users and their information needs in relation to the public sector conceptual framework (Brusca & Montesinos, 2006; ButterWorth et al., 1989; Coy et al., 1997; Krambia-Kapardis et al., 2016; Mack & Ryan, 2007). Despite the increasing number of studies in this area, there remains a significant gap in our understanding of the users of public sector financial reports. For example, Coy et al. (1997) conducted a study to examine the recipients of annual reports of Tertiary Education Institutions in New Zealand after the government reforms in the public sector. The study found that the majority of recipients were affiliated with the institutions, including internal citizens, other tertiary institutions, and advisory committee members. However, the response rate was low among media, analysts, and students. Coy's study highlights that there is the need to consider both internal and external recipients of public sector annual reports.

Brusca and Montesinos (2006) conducted a study to examine the importance of citizens as users of financial reports in 143 Spanish cities and the relationship between financial reporting and voting behaviour. Despite the challenges faced by citizens in accessing financial reports, the results revealed that the electoral outcomes were influenced by financial information. This could suggest that the limited availability of reports affects the utilization of the information provided in annual reports in this region. In a study conducted in Cyprus, Krambia-Kapardis et al. (2016) evaluated the alignment of public sector financial information with the expectations and needs of its users. The study aimed to understand whether the content and quality of public sector financial reports were in line with what users required for their decision-making processes. The results showed that while the reports produced by the central government, local governments, and semi-public sector entities provided some level of satisfaction to users, the reports produced by central government departments and services were found to be lacking in detailed information compared to those produced by local governments or semi-public organizations. This suggests that users have expectations regarding the information provided in financial reports. In conclusion, the study identified gaps between users' expectations and the quality of information provided to meet their needs. In New Zealand, Laswad and Redmayne (2015) conducted a study to examine the perception of PSE preparers regarding the users of their financial reports. They aimed to determine the extent to which the preparers are influenced by the financial reports' users in tailoring the reports and accounting policies. The study found that management is perceived as the primary user of PSE financial reports, which highlights the internal use of financial reports for decision-making purposes. This conclusion provides empirical evidence of the use of financial report information for decision-making within organizations.

In conclusion, despite the growing importance placed on public sector financial information, the identification of its actual users remains elusive. Furthermore, even when users are identified, there is still much that is unknown about their specific needs and how they use the information presented in the reports. The existing literature highlights the fact that users and their needs are not universal, but rather vary depending on time and jurisdiction, pointing to a diversity of financial information needs and usage patterns among users.

2.8 Information Content of Public Sector Financial Reports

Scholars have investigated both the financial and non-financial aspects of financial reports, as evidenced by several studies (Cohen & Karatzimas, 2017; Ehalaiye et al., 2018; Gomes et al., 2022; Krambia-Kapardis et al., 2016; Laswad & Redmayne, 2015). In particular, these studies have focused on the usefulness of the financial information disclosed by public sector entities (Ehalaiye et al., 2018; Gomes et al., 2022; Laswad & Redmayne, 2015), the quality of the financial reporting by PSEs (Cohen & Karatzimas, 2017; Krambia-Kapardis et al., 2016), and the utilization and perceived value of additional information by users (Ehalaiye et al., 2018).

In general, the financial reports are expected to provide high-quality information that supports accountability and decision-making for their intended users. However, as highlighted by Krambia-Kapardis et al., (2016), users of central and local government financial reports in Cyprus were dissatisfied with the information quality. To address this, efforts have been made to improve the quality of financial reporting information, leading to the implementation of various initiatives in public sector financial reporting practices. Cohen and Karatzimas (2017) conducted a study on the impact of accounting reforms on the quality of information reported by public sector entities in Greece. The study found that the adoption of a modified cash-based accounting system did not necessarily result in improved information quality, which is consistent with prior research (Kober et al., 2010; Lapsley et al., 2009). The authors attribute this to the implementation process of the reform in Greece, which was driven by the country's desire to align with international trends and influenced by mimetic and coercive isomorphic pressures, rather than a focus on enhancing the quality of financial reporting.[3]

A recent study by Mir et al. (2019) in the Indonesian public sector context found that despite the transition from cash to accrual accounting, the information disclosed in financial reports is still underutilized for effective decision-making. This raises concerns about the understanding of the information needs of users by financial report preparers. Additionally, the perceived quality of the information disclosed by preparers remains an issue of concern, leading to an expectation gap in the quality of financial reports produced by PSEs.

[3] Isomorphic pressures have been widely debated as the underlying forces behind shifts in reporting regimes. These pressures are classified as mimetic, coercive, and normative isomorphisms, each playing a distinct role. For a comprehensive understanding of these concepts, a thorough exploration of each is provided in chapter three.

The debate over the relevance and usefulness of financial report information is a common topic in the accounting literature, with scholars examining the perspectives of both preparers and users (Ismail, 2022; Laswad & Redmayne, 2015). Some studies, such as Laswad and Redmayne (2015), have evaluated the usefulness of financial information for internal decision-making within public sector entities in New Zealand. Their findings suggest that financial performance information is considered valuable for managers in assessing performance and allocating resources. However, it is not clear how well this aligns with the information needs of users as perceived by financial report preparers. In a focused study on the perception of crucial information in public sector financial reports by preparers in Malaysia, Ismail (2022) found that preparers believe that accrual accounting information is useful for managing assets and liabilities, evaluating cash flow needs, and making optimal resource allocation decisions.

This improves our understanding of the usefulness of accrual accounting information for decision-making in the public sector. However, important questions remain regarding the types of information deemed most critical and by whom, and these require further investigation. It is important to note that financial reports from PSEs should contain comprehensive and accurate information to aid decision-making for users. However, the validity of this claim has not been fully established in the literature. There seems to be a difference between the expectations of preparers and users regarding the contents of financial reports from PSEs (Krambia-Kapardis et al., 2016). This study aims to address these gaps in the literature and provide clarity on the content of financial reports from PSEs.

Santis et al. (2018) reviewed the literature on public sector consolidated financial statements, using 724 articles from three databases. They found that previous research argued that usefulness in financial reporting involves facilitating decision-making and enhancing accountability for various users. They also found that there were gaps in the literature on the users, uses, and decision-making processes supported by these statements. They suggested that further research could help to define the objectives and rules for preparing these statements.

Relatedly, IPSASB (2014) and van Helden and Reichard (2019) reviewed the literature on the use of financial information in the public sector, focusing on the users, their needs, and the perceived usefulness and actual use of this information. They analysed 30 articles from a special issue by Public Money and Management in 2016, which focused on the use of financial information by politicians. They found that users have diverse needs and interests in financial information and suggested that users could be involved in designing financial documents tailored to their specific needs and interests. They also found that there was a gap in the literature on the practical utilization of financial information by users, such as citizens, politicians, and managers, and the theoretical interrelations among users' needs, usability, and actual usage. They suggested that further research is needed to address these issues and to understand the perceptions of both users and preparers of public sector financial reports.

In conclusion, while previous studies have attempted to address the issue of the information content in financial reports from PSEs, there is limited evidence on the information content and items that are deemed necessary to fulfil the accountability and decision-making needs of users as perceived by preparers and standard setters. This study aims to address this gap by exploring both preparers and standard setters' perspectives on the information items that should meet the accountability and decision-making needs of users of PSE financial reports.

2.9 Differences Between Central and Local Government

Several authors have found differences between central and local government in terms of accountability competencies, administration, decision-making processes, structure, and functionality (Hong, 2017; Oulasvirta & Turala, 2009; Soverchia, 2012). Hong (2017) argues that these differences stem from the varying accountability mechanisms in place, such as elections and management systems, which result in different ways of functioning for central and local government (Hong, 2017). These accountability mechanisms shape the policymaking process and hold bureaucrats accountable for their roles.

Elections serve as a key accountability mechanism for citizens, allowing them to directly hold elected officials accountable for their actions. In contrast, management systems are internal arrangements within public organizations. These two accountability mechanisms can help explain differences in the public service activities of PSEs in central and local governments. They can also be used to assess the performance of PSEs based on the actions of elected officials and their discharge of duties at both levels of government (Oulasvirta & Turala, 2009). Understanding these mechanisms can provide valuable insights into how public services are delivered and how their performance can be improved. Therefore, this study argues that there are factors that influence the accountability and decision-usefulness of the information provided by PSEs in central and local governments. By comparing these two objectives on the information presented in PSE financial reports, this study aims to contribute to the literature on public sector accountability and decision-usefulness and to provide practical implications for improving public service delivery.

2.10 Hypothesis Development

2.10.1 The Objectives of Public Sector Financial Reporting

The objectives of financial reporting by PSEs serve as a foundation for both preparers and users to evaluate information that facilitates accountability and informed decision-making. Despite the guidance provided by IPSASB, there has been much debate in the field regarding the suitability and practical application of the objectives to public sector financial reporting (Ellwood & Newberry, 2016; Laughlin, 2008, 2012; Murphy et al., 2013; Rutherford, 1992; Walker, 2003; Yamada, 2007). According to Walker (2003), it is important to clarify and differentiate each of the financial reporting objectives and the information relevant to specific entities and users. Laughlin (2008) also posits that for the objectives of financial reporting to be effectively achieved, the information provided by the reporting entities should be comprehensive and cater to all user groups to ensure accountability.

Yamada (2007) compared the financial reporting objectives of the United States Governmental Accounting Standards Board (GASB) and the Japanese Institute of Certified Public Accountants (JICPA) and found that both organizations aim to provide users with information that supports accountability and informed decision-making. The structure and purpose of GPFRs in the public sector, as outlined by the IPSASB conceptual framework, have been the subject of much debate. While the framework aims to provide information for accountability and decision-making purposes, some argue that its objectives should be more specifically tailored to meet the needs of each user group (Laughlin, 2012). Additionally, the growing prominence of IPSAS in the global public sector has raised concerns about its compatibility with IFRS (Ellwood & Newberry, 2016). Despite these debates, studies have shown that the general goal of GPFRs in the public sector is to enhance the transparency, comparability, and consistency of financial information (Bisogno et al., 2015; Grossi & Steccolini, 2015; Krambia-Kapardis et al., 2016; Laswad & Redmayne, 2015; Murphy et al., 2013). Santis et al. (2018) reviewed the literature on the development of public sector consolidated financial statements. They found that research could help define the objectives and the appropriate rules for the preparation of these statements.

While the objectives for financial reporting by public sector entities have been widely discussed in the literature, researchers have also noted a distinction between practices of central government and those of local government (Hong, 2017; Kloot & Martin, 2001). Hong (2017) and Kloot & Martin (2001) argue that the institutional structures and accountability roles of central and local governments differ, and that these differences in the activities of PSEs can explain the variations. The present study posits that given these differences in entity type and size, it is likely that there are disparities in the objectives for financial reporting, particularly with regards to accountability and decision-usefulness.

Additionally, researchers have explored the relationship between entity size and accessibility of financial information. For example, Laswad et al. (2005), found that entity size did not have a significant impact on financial reporting practices or disclosure. However, a study by Vermeer and Styles (2019) in the United States, which examined the online financial reporting practices of local governments, revealed that smaller entities tended to have lower availability and accessibility of financial information compared to larger entities. This disparity in financial information accessibility could potentially be due to factors such as technology set-up costs or financial constraints faced by smaller entities. Hence, it can be argued that entity size may play a role in financial reporting practices and accessibility of financial information.

The present study aims to fill this gap in the literature by exploring the extent to which the objectives of financial reporting align with the IPSASB's conceptual framework, from both preparers and standard setters' perspectives. Additionally, the study will examine if there is a relationship between entity type or size and the objectives of financial reporting and assess any possible differences in the information content of financial reports. The results of this study will contribute to a better understanding of the objectives and practices of PSE financial reporting and provide valuable insights for stakeholders and decision-makers. The following hypotheses are therefore posited:

H_{1a}: There is no significant difference between the perceptions of preparers regarding the objectives of financial reporting by central and local governments PSEs.

H_{1b}: There is no significant difference between the perceptions of preparers regarding the objectives of financial reporting by large and small PSEs.

2.10.2 Information Content of Public Sector Financial Reports

Public sector financial reporting plays a crucial role in demonstrating the core obligation of government as represented by public sector entities, which is to ensure accountability and stewardship to both the providers of public resources and the recipients of goods and services (IPSASB, 2014). According to IPSASB, (2014), accountability involves sharing information and fostering collaboration between these two parties (i.e., PSEs and resource providers/service recipients), reflecting the importance of transparency in the process. Similarly, Schillemans (2016) views accountability as an interactive process in which an agent is responsible for reporting back to the forum that provided the agent with work resources. The process of accountability is based on the fundamental need to provide an account or reckoning (in the form of reports) for the responsibilities and duties that an entity has been entrusted with in the discharge of its functions.

Furthermore, public sector financial reporting is therefore critical to fulfilling the obligation of government to provide transparency and accountability in the use of public resources, and to ensure that those resources are being used in the best interests of both the providers and the recipients of goods and services. By providing clear and accurate financial reports, public sector entities can demonstrate their stewardship and foster trust in their operations, enhancing the overall effectiveness of the public sector. As per Schillemans, (2016), various studies have characterized accountability as a relationship between an accountor, who is responsible for providing the information, and an accountee, who uses and requires the accounting information (Bovens, 2007; Coy et al., 2001; Ijiri, 1983; Ives, 1987; Lennard, 2007; Murphy et al., 2013). This relationship is established between two parties, with one party taking the responsibility of providing the account in line with the demands and needs of the other. This creates a covenant of stewardship and responsibility.

It is worth noting that accountability has distinct differences between the private and public sectors. As Ives (1987) observes, the resource providers and the nature of services offered in the public sector make it different from the private sector. The system of accountability therefore varies among the sectors. Accountability is an association that builds between two parties, with one party responsible for giving an account in line with the demands and needs of the other. This creates a covenant of stewardship and responsibility. However, it is important to note that accountability in the public sector is multifaceted. This complexity arises from the fact that different stakeholders require different types of accountability information. In fact, it has been noted that there are variations in the level of accountability between central and local government (Kloot & Martin, 2001), leading to differences in accountability roles across entities.

These differences in accountability roles highlight the need for a more tailored approach to financial reporting in the public sector. To effectively serve its purpose, financial reporting should be tailored to the specific needs of different stakeholders, taking into account the unique requirements of each entity within the public sector. This approach recognizes the importance of accountability in the public sector, while also acknowledging the diverse nature of accountability demands across different stakeholder groups. While there is no single consensus on the role of accountability in financial reporting, it is therefore clear that a tailored approach is required to meet the unique demands of the public sector. By recognizing the different levels of accountability and varying needs of stakeholders, financial reporting can effectively contribute to achieving accountability in the public sector. In essence, financial reporting can play a crucial role in providing transparency, supporting good governance, and enabling stakeholders to hold public sector entities accountable for their actions and use of resources.

The literature on public sector financial reporting reveals that different users have different information needs and expectations, and that these needs and expectations vary across different levels of government. However, there is a lack of empirical evidence on how financial information is actually used by various stakeholders, and how the usability and usefulness of this information are related to the users' needs. To answer these questions, this study will draw on the theoretical framework of van Helden and Reichard (2019), who reviewed the literature on the use of financial information in the public sector. This study will also build on the findings of Krambia-Kapardis et al. (2016) who highlighted the varying information needs of users at different levels of government, and Komutputipong and Keerasuntonpong (2019), who revealed that government entities prioritize stakeholders differently based on their varying needs and expectations. This study will contribute to the literature by providing empirical insights into the public sector financial reporting practices, and the theoretical interrelations among preparers and standard setters.

As the literature on this subject shows, public sector accountability involves many aspects and challenges such as the size, diversity, and interests of the stakeholders, and the usefulness of the financial information provided by the reporting entities. Therefore, financial reporting in the public sector needs to be flexible and responsive to the specific needs of different stakeholders. By delivering timely and relevant information, financial reporting can enhance accountability in the public sector.

This study builds on the existing literature and examines whether there are differences in the accountability information provided by central and local government financial reports in New Zealand. The study is motivated by the findings of previous research that suggest that the information needs and expectations of stakeholders vary across different levels of government. The study proposes the following hypothesis:

H_{2a}: The perceptions of central and local government preparers regarding the accountability information presented in annual reports are not significantly different.

H_{2b}: The perceptions of large and small PSEs preparers regarding the accountability information presented in annual reports are not significantly different.

This study aims to compare the accountability information disclosed in the financial reports of central and local government entities in New Zealand, and to examine whether there are significant differences in the information provided by these entities. By testing this hypothesis, the study hopes to add to the existing literature on public sector financial reporting and to shed light on the diverse needs of different stakeholder groups. The concept of decision-usefulness is not clearly defined in accounting literature, but the IPSASB conceptual framework provides some guidance on what it entails. According to the framework, the information presented in financial reports should be decision-useful and should meet the accountability criteria, such as providing information on the costs, efficiency, and effectiveness of past service delivery activities, the amounts and sources of cost recovery, and the resources available to support future activities of the reporting entity. In other words, the users' ability to make informed decisions on matters such as funding, loans, and services depends on the accountability of the entities to both their resource providers and service recipients (IPSASB, 2014).

The literature on financial reporting in the public sector suggests that decision-usefulness is a key concept that guides the presentation of financial information. Decision-usefulness can be understood as the ability of financial information to provide relevant, reliable, and timely information that helps users to make informed decisions. In other words, financial information should be presented in a way that assists users in evaluating past performance, assessing current financial position, and making projections about future actions. Decision-usefulness is closely related to accountability, as both concepts aim to provide information that meets the needs of various stakeholders. However, there is an ongoing debate on whether decision-usefulness alone can serve as an objective of financial reporting by PSEs, as proposed by the IPSAS conceptual framework. Scholars have different views on this issue, with some arguing that decision-usefulness encompasses all the information needed for stewardship assessment, while others advocating for a greater emphasis on accountability (stewardship) representation, with decision-usefulness playing a supplementary rather than a substitute role, (Laughlin, 2008, 2012; Murphy et al., 2013).

This study aims to contribute to this debate by examining the perceptions of preparers and users of public sector financial reports regarding the decision-usefulness and accountability of the information provided. The study also seeks to explore whether there are differences in the perceptions of preparers and standard setters across different levels of government and different sizes of PSEs. The primary objective of general-purpose financial reports (GPFRs) in the public sector is a matter of debate, as some scholars argue for decision-usefulness while others advocate for accountability. Some scholars suggest that GPFRs should provide decision-useful information if they cannot meet the accountability needs of users (Laughlin, 2008, 2012), while others argue that accountability is the foundation of accounting, and that decision-usefulness is a sufficient criterion for regulators (Murphy et al., 2013). Several studies have examined the usefulness of financial information from public sector entities (PSEs) to internal and external decision makers (Bergmann, 2012; Brusca & Montesinos, 2006; Jorge et al., 2019; Pajković et al., 2023; Poljašević et al., 2021; Tooley & Hooks, 2010), but there are still gaps in the literature, especially regarding the perceptions of how information in financial reports is used for decision making.

Decision-usefulness is highly valued as a criterion for evaluating the quality and satisfaction of government-provided services (Brusca and Montesinos, 2006). Therefore, it is worth investigating empirically how users of public sector financial reports use the information provided for this purpose. Previous studies have demonstrated how financial report information is used for various purposes, but there are still unknown issues, particularly regarding the differences in the perceptions and usage of information by users at different levels of government and different sizes of PSEs. This study investigates whether there is a difference in how central government users versus local government information provided in PSEs financial reports, as well as users in large versus small PSEs. By doing so, this study will contribute to the ongoing debate on the value of financial information in decision-making and shed light on the perceptions of report preparers regarding the decision-usefulness of the information in their entity’s financial reports. The third hypothesis is thus proposed:

H_{3a}: The perceptions of central and local government PSEs preparers regarding the decision-useful information presented in their reports are not significantly different.

H_{3b}: The perceptions of large and small PSEs preparers regarding the decision-useful information presented in their reports are not significantly different.

To test these hypotheses, this study will use a mixed-methods approach, combining quantitative and qualitative data collection and analysis. The quantitative data will be obtained from a survey of PSEs preparers, while the qualitative data will be obtained from semi-structured interviews with standard setters. The survey will measure the perceptions of PSEs preparers and on the objectives, users and the information content presented in PSE financial reports. The interviews will provide more in-depth insights into the perception of standard setters regard the objectives, users and the information content presented in PSE financial reports as well as other aspect of reporting. The data analysis will use descriptive and inferential statistics, as well as thematic analysis, to answer the research questions and test the hypotheses.

2.11 Chapter Summary

This chapter examines the existing research on financial reporting. It starts with a comprehensive overview of the subject and then moves on to examine the conceptual framework and prior studies on the objectives of financial reporting. Additionally, the prescribed users of financial reports according to the conceptual framework and literature are analysed to determine if they are indeed the actual users of public sector reports. The chapter also compares the conceptual frameworks of the public and private sectors and provides a thorough examination of the information content of financial reports. The discussion concludes with a focus on financial reporting practices based on entity type, specifically central and local government as well as the hypothesis being tested in the study.

Chapter Three: Theoretical Framework

3.1 Introduction

This section explores the theoretical framework and hypotheses of the study, which aims to understand the perceptions of financial report preparers and standards setters on the objectives, users, and information presented in the financial reports of public sector entities (PSEs) in New Zealand. Sections 3.2 and 3.3 explore Institutional Theory and its conceptualisation, the three dimensions: coercive, normative, and mimetic isomorphism, and how they impact upon organizational practices and change is discussed in Section 3.4. While Section 3.5 focuses on the application of Institutional Theory in public sector accounting research, specifically examining the influence of decoupling on the financial reporting environment and perceptions of financial reporting practices as well as the theoretical justification. The chapter concludes with a summary in section 3.6.

3.2. Overview of Institutional Theory and Public Sector Accounting

Studies have extensively employed Institutional Theory to analyse changes and advancements in public sector reform implementation (Brusca et al., 2016; Goddard et al., 2016; Gomes et al., 2015; Mezias & Scarselleta, 1994). According to Goddard et al. (2016), Institutional Theory provides a comprehensive framework for understanding the adoption of innovations by institutionalized organizations in the public sector. This theory helps to explain how organizations adapt to changes and how these changes are perceived by the preparers and standard setters of public entities' financial reports. In particular, Institutional Theory can be effectively used to study the attitudes and opinions of these key stakeholders towards financial reporting reform.

The use of Institutional Theory as the theoretical framework for this study is informed by previous research that has explored the institutional impact of changes in public sector financial reporting, specifically the implementation of IPSAS (Brusca et al., 2016; Burns & Scapens, 2000; Dillard et al., 2004; Gomes et al., 2015). Scholars have emphasized that Institutional Theory offers a comprehensive understanding of how organizations function within their broader environment (Burns & Scapens, 2000; DiMaggio & Powell, 1983; Scapens, 1994). This perspective is based on the notion that organizational operations and structures are often shaped by pressures both within and outside the organization.

To examine this topic, the decoupling perspective of Institutional Theory can be leveraged to gain a deeper understanding of public sector financial reporting. This includes exploring the objectives, stakeholders, and information included in the general-purpose financial reports of public sector entities. The subsequent sections will delve into the conceptualization and dimensions of Institutional Theory and its application to public sector accounting in previous research. In accordance with (Meyer & Rowan, 1977), this study posits that the decoupling perspective can provide valuable insights into the reporting practices of public sector entities.

3.3. Conceptualisation of Institutional Theory

IT has been widely used as a basis for understanding organizational transformation and change in scholarly research (Brusca et al., 2016; Burns & Scapens, 2000; Carpenter & Feroz, 2001; DiMaggio & Powell, 1983; Goddard et al., 2016; Mnif Sellami & Gafsi, 2019; Scapens, 1994). DiMaggio and Powell (1983) established the foundational perspective for understanding organizational pressures for adopting change. They posited that organizations respond to pressures that make them adopt procedures that are socially acceptable at a given time. The structuration of organizations, driven by state actors and professional bodies, was also a key aspect of their argument. This foundational understanding has evolved into the concept of Institutional Theory, providing an explanation for organizational operations.

Carpenter and Feroz (2001) acknowledge the significance of DiMaggio and Powell (1983)[4] contributions in conceptualizing Institutional Theory. They propose that Institutional Theory can be understood as an organization's response to pressures from their institutional environment, which leads them to adopt structures and procedures that are socially acceptable and deemed as appropriate organizational choices. The study by Carpenter and Feroz (2001) provides further support for the idea that pressures from both within and outside an organization influence its choice of procedures and structural operations and drive the organization's attempts to conform to socially acceptable norms in its environment.

Burns and Scapens (2000) extended the views of Scapens (1994) by conceptualizing Institutional Theory through the lens of institutionalized routines and their impact on organizations. They believed that these routines, defined as repetitive sequences of rules and habits imposed on an institution, create a pattern that becomes socially accepted over time and influences the organizational environment. In their view, these institutionalized routines exert pressure on the organization and shape its operations.

Brusca et al. (2016) provides an understanding of the role of Institutional Theory in accounting practices. They argue that while Institutional Theory can be utilized to promote a perception of rationality and efficiency, thus reinforcing the legitimacy of the accounting system, its implementation is not necessarily aimed at improving internal performance or efficiency. Instead, the primary goal is to comply with external requirements. This perspective builds upon

[4] DiMaggio and Powell (1983) explain that structured organisational fields provide a context in which individual efforts to deal rationally with uncertainty and constraint often lead in the aggregate, to homogeneity in structure, culture, and output.

the work of earlier researchers such as Burns and Scapens (2000) and Scapens (1994), who investigated the impact of accounting innovations and reforms on the practices of adopting institutions and nations. These studies have demonstrated that Institutional Theory can play a significant role in shaping the way accounting is performed and perceived.

Likewise, Mnif Sellami and Gafsi (2019) bring forth a contemporary viewpoint on the relationship between Institutional Theory and institutional pressures in organizations. They posit that Institutional Theory is linked to the impact of institutional demands on organizational practices and the strategic decisions of countries striving for legitimacy through the adoption of internationally recognized models. Their conceptualization of Institutional Theory is rooted in a comprehensive analysis of 110 countries' institutional and economic factors relevant to the adoption of IPSAS. This study highlights the important role that Institutional Theory plays in shaping the way organizations respond to institutional pressures and the strategies that countries adopt in order to achieve legitimacy.

Overall, Institutional Theory offers a comprehensive perspective on the motivations behind organizational change. It has the power to shed light on how normative pressures impact on organizations, both from external sources, such as the state, and internal sources. These pressures drive organizations to adapt or succumb to acceptable forms of coercion in order to gain legitimacy. As a result, organizations may realign their objectives to meet the demands of internal and external pressures.

The following section investigates the various dimensions of Institutional Theory and their categorisations, providing a more in-depth understanding of the subject.

3.4 Dimensions of Institutional Theory

The concept of Institutional Theory encompasses several dimensions, which can be broadly categorized into key areas: isomorphism, decoupling, and legitimacy. These dimensions provide a comprehensive framework for understanding the motivations behind organizational change and the ways in which organizations respond to pressures.

3.4.1 Isomorphism

Isomorphism is a well-researched concept in the field of Institutional Theory, where it is considered as the leading strand. As described by DiMaggio and Powell (1983), isomorphism refers to the pressure exerted on organizations to conform to the norms and standards of their environment. This leads to the restriction of organizational processes and creates a homogenization effect among units facing similar external conditions. The authors highlight that this phenomenon is driven by the desire of organizations to be seen as legitimate and acceptable in the eyes of their stakeholders. In summary, isomorphism is a constraint on organizational behaviour that promotes conformity and uniformity among similar organizations.

DiMaggio and Powell (1983) further identified three mechanisms that drive the isomorphic process in organizations. These mechanisms, namely coercive, normative, and mimetic, influence institutional practices and encourage organizations to adopt similar practices as their peers. Coercive isomorphism arises from political relationships and power dynamics, as organizations strive to maintain legitimacy in the eyes of their stakeholders (Boxenbaum & Jonsson, 2017; Brusca et al., 2016; DiMaggio & Powell, 1983). Normative isomorphism is linked to the professionalization of an industry or sector (Brusca et al., 2016; DiMaggio &

Powell, 1983; Mnif Sellami & Gafsi, 2019), while mimetic isomorphism results from organizations' attempts to mitigate uncertainty by imitating successful peers (Boxenbaum & Jonsson, 2017; Cohen & Karatzimas, 2017; Goddard et al., 2016). These three mechanisms work together to shape organizational behaviour and encourage isomorphic tendencies.

Several studies have explored the impact of isomorphism on firms' governance and processes (Boxenbaum & Jonsson, 2017; Brusca et al., 2016; Carpenter & Feroz, 2001; Cohen & Karatzimas, 2017; Goddard et al., 2016; Mnif Sellami & Gafsi, 2019; Zucker, 1987). These studies have evaluated DiMaggio and Powell (1983) conceptualization of isomorphism. Specifically, Cohen and Karatzimas (2017) describe how isomorphic pressures result in countries adopting systems that align with their expectations and norms. These key studies provide a deeper understanding of how isomorphism influences organizational behaviour and decision-making processes.

Coercive Isomorphism

Coercive isomorphism plays a central role in state legitimization as an institutional approach, yet it is regarded as deinstitutionalizing from the perspective of the organization-as-institution approach. This is because the use of sanctions implies the presence of alternative options. The resource dependency perspective provides a valuable lens for understanding the behaviour of individuals within an organization and how they acquire financial resources from their environment (Carpenter & Feroz, 2001). In this view, coercive isomorphism is seen as a means of addressing the challenges associated with securing resources from external sources.

Frumkin and Galaskiewicz (2004) examine the mechanisms of isomorphism outlined by DiMaggio and Powell (1983), acknowledging that these mechanisms are intertwined, but arise from distinct conditions. They specifically connect coercive isomorphism to the environment of the organizational field. Similarly, Brusca et al. (2016) supports this understanding of isomorphism, associating coercive isomorphism with external pressures like laws, sovereign institutions, and more dominant organizations. This highlights the significance of the broader contextual factors that shape organizational behaviour.

Likewise, Goddard et al. (2016) view isomorphism as a trend where organizations within the same domain adopt similar forms and processes to attain legitimacy. This conformity may be a result of coercive pressures from other organizations and society. Boxenbaum and Jonsson (2017) provide a similar perspective, describing isomorphism as pressures that drive organizational behaviour, particularly in the form of coercive pressures that stem from power dynamics and politics. These pressures can take the form of demands from the state or other influential entities to adopt specific structures or practices to avoid penalties. Mnif Sellami and Gafsi, (2019) further explore the isomorphism process and highlight how it arises from the legitimization of practices and resource dependence. They note that coercive isomorphism can be driven by external forces, such as international donor or lending organizations, which often require high-quality financial statements as a precondition for their financial aid. This highlights the power dynamics at play in the isomorphism process, where these external actors exert influence over organizations.

Mimetic Isomorphism

Furthermore, the concept of isomorphism has been studied by Zucker (1987), who sees mimetic isomorphism as a process where organizations adopt the successful elements of others during periods of uncertainty. Mimetic isomorphism, according to Brusca et al. (2016) and Carpenter & Feroz (2001), is a result of organizational uncertainty in decision-making. On the other hand,Frumkin and Galaskiewicz (2004) view mimetic isomorphism as internal processes within the field, helping to explain the roles and structures of organizations. These mechanisms, as described by DiMaggio and Powell (1983), overlap and intermingle but stem from different conditions, with normative isomorphism linked to professionalisation and mimetic isomorphism arising from a response to uncertainty.

Additionally, Goddard et al. (2016) assert that mimetic isomorphism occurs when organizations intentionally copy one another in response to uncertainty, while normative isomorphism takes place when organizations adopt the norms and values of other organisations indirectly as a result of professionalisation. The authors emphasize the importance of understanding isomorphism as it sheds light on the connection between external factors and organizational practices, such as accounting and accountability.

Furthermore, Boxenbaum a Jonsson, (2017) view mimetic isomorphism as a response to uncertainty, where organizations often imitate those peers that are perceived as successful or influential. They emphasize that under conditions of uncertainty, organizations tend to imitate others viewed as more successful. The reason behind this external mimetic pressure can be traced back to market globalization, openness to foreign trade, and increasing competition, which drives countries to adopt "best practices" such as international accounting standards (Mnif Sellami & Gafsi, 2019).

Normative Isomorphism

Zucker (1987) characterizes normative isomorphism as the transmission of cultural norms, values and beliefs from external sources such as professional associations. This process occurs when organizations perceive that the adoption of certain norms and practices is necessary for achieving legitimacy and recognition within the wider community.

Similarly, Boxenbaum and Jonsson, (2017) discuss normative isomorphism as arising from social pressures to conform to perceived proper courses of action or moral obligations. They highlight that normative pressures can come from the wider organizational environment and can influence an organization's decision to adopt certain practices or structures. These normative pressures play a key role in shaping an organization's identity and legitimacy.

Carpenter and Feroz (2001) see normative isomorphism as a result of institutional pressures that promote socially endorsed innovations within organizations. These pressures stem from factors such as the environment, ideology, motivation, competence, professionalism, and nature of political competition. Mnif Sellami and Gafsi (2019) describe normative isomorphism as originating from professionalization, including education, training, and the presence of professional networks, which contribute to the creation, development, and diffusion of professional standards. Brusca et al. (2016) also note that normative isomorphism occurs when organizations have the opportunity to comply with a model that is considered successful and widely accepted.

In conclusion, isomorphism is a concept that encompasses the various forces that shape and influence organizational structures and practices. These forces drive organizations to adopt similar patterns of operation to those of other organizations, resulting in conformity and standardization. Interested parties exert these isomorphic forces through powerful, replicating, and standardizing means which shape not only the organization but also the surrounding environment and professions within society. The study of isomorphism is a crucial aspect of institutional theory, as acknowledged by numerous scholars.

3.4.2 Decoupling or loose coupling

Decoupling is a concept that falls under the realm of institutional theory, and it is viewed in different ways by various scholars (Boxenbaum & Jonsson, 2017; Bromley et al., 2012; Fogarty, 1996). Boxenbaum and Jonsson (2017) describe it as the phenomenon where organizations adopt new structures or appearances that appear to align with prevalent norms, without necessarily incorporating the associated practices or behaviours. This type of behaviour can be driven by institutional pressures, leading organizations to present a façade of conformity to avoid negative scrutiny or to maintain control over the scrutiny process.

Bromley and Powell (2012) broaden the scope of decoupling to include forms beyond the commonly understood policy-practice gap, where sub-units or practices within an organization may be weakly tied to its core functions and adopted structures. This results in loose coupling, as described by Fogarty (1996), where the actual accomplishments of an organization deviate from what its structures suggest it should achieve. Similarly, Goddard et al. (2016) view loose coupling as the separation between the symbolic display for external legitimacy-seeking purposes and the actual operating-level practices and actions within organizations.

Overall, decoupling, also known as loose coupling, refers to the idea that when organizations are faced with external factors that do not align with their internal practices or norms, they may agree to adopt a specific set of practices and structures in order to avoid scrutiny. This allows them to maintain some level of independence and control over their internal processes, while still being able to adapt to external pressures as necessary. It is a way for organizations to balance the need for flexibility and adaptation with the need for stability and consistency in their operations.

3.4.3 Legitimacy

Another dimension of Institutional Theory refers to Legitimacy Theory, which explores how organizations seek to attain legitimacy from external forces that shape their operations. This theory posits that organizations aim to be perceived as desirable, proper, and appropriate within the social norms, values, beliefs, and definitions of the society in which they operate. Scholars have used different contexts to examine the ways in which organizations attempt to attain legitimacy and how they respond to external influences. For instance, Suchman (1995) defines legitimacy as "a widespread perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". This highlights the crucial role that social norms play in shaping the legitimacy of organizations and the need for their actions to be aligned with these norms in order to be deemed appropriate and acceptable within the society they operate in.

According to Goddard et al. (2016), legitimacy is a crucial factor in the successful adoption and implementation of innovations by organizational actors. The authors argue that legitimacy is key to obtaining both legitimate acceptance and improved efficiency. In this sense, organizations' practices and structures serve as a vehicle for change and acceptance. Legitimacy is viewed as a social agreement between companies and their stakeholders, as described by (Bui et al., 2020; Dube & Maroun, 2017; Giannarakis et al., 2017). It represents the perceived alignment between the actions of the organization and the norms and values of the environment in which it operates. Kouloukoui et al. (2019) argue that legitimacy theory provides insight into the changes that occur within organizations, including changes to disclosure mechanisms. The authors emphasize that societal norms, values, and beliefs play a significant role in shaping organizational practices and structures, and ultimately, in determining the perceived legitimacy of these practices and structures. In this way, legitimacy theory sheds light on the dynamic relationship between societal expectations and organizational behaviour, and how organizations strive to maintain a sense of legitimacy through aligning their actions with societal norms and values.

3.5 Application of Institutional Theory in Public Sector Accounting Research

The overview of Institutional Theory and its dimensions, as described by various authors, provides a theoretical framework for understanding how organizations are influenced by pressures from within and outside their boundaries. These pressures, identified as coercive, mimetic, and normative, drive organizational practices and structures in different ways. In the context of public sector accounting research, several studies, such as those by (Bromley & Powell, 2012; Brusca et al., 2016; Frumkin & Galaskiewicz, 2004; Goddard et al., 2016; Gomes et al., 2015), have utilised Institutional Theory to analyse the impact of accounting innovations and changes in the public sector. For instance, Gomes et al. (2015) conducted a study on public accounting reform in Portugal, focusing on the adoption of IPSAS from the perspective of different stakeholders. The study employed Institutional Theory in order to understand the context of changes in firms' processes along with the stimuli and content of reform through the adoption of IPSAS. Gomes et al. (2015) found that the driving force behind the changes was institutional pressure from professional groups and public accounting regulators, along with support for the reform from political forces and financial institutions (IMF).

In a similar vein, Brusca et al. (2016) conducted a study on the state of adoption and harmonization of IPSAS in Latin America and globally. They analysed the context and impact of introducing accrual accounting into the public sector through IPSAS in Colombia and Peru. Their findings revealed that isomorphism was a key factor in a firm's adoption of accounting standards, and that the government in these countries was motivated to modernize their accounting systems to enhance transparency and improve the quality of financial reporting. The authors argue that the consideration of IPSAS is the main means to achieve legitimization of the process and gain international recognition and prestige.

Goddard et al. (2016) investigated the perceptions and practices surrounding the implementation of reforms in the public sector of developing countries in the post-colonial era through the lens of institutional theory. By examining the perspectives of three sectors - central government, local government, and non-governmental organizations - the study sought to understand the influence of coercion from entities such as the IMF on organizational practices. The findings suggest that legitimacy played a crucial role in shaping accounting practices across the sectors studied, with a particular emphasis on the challenges faced by central government organizations in conforming to the reform process. The study highlights the heterogeneity of responses to institutional pressures such as isomorphism, legitimacy, and loose coupling, as demonstrated by the varying perceptions and practices of accounting across the different sectors studied.

Frumkin and Galaskiewicz (2004) investigated the vulnerability of government organizations to institutional pressures, comparing them to for-profit and non-profit organizations. The findings revealed that government organizations are equally exposed to institutional forces, although the differences between the sectors may be insignificant. The study highlights those different types of organizations, including for-profit, non-profit, and government, exhibit varying levels of susceptibility to institutional pressures, such as regulation, accreditation, oversight, and funding bodies. However, the study found no clear-cut differences between non-profit organizations and both government and for-profit organizations.

The summary of the studies highlights that Institutional Theory, and its various dimensions effectively explain the practices of public sector entities. However, there remains a lack of empirical research on the perception of financial information preparers in the public sector regarding the impact of Institutional Theory on their work, specifically in terms of decoupling. While these studies have provided insight into the innovations, changes, and reforms affecting accounting systems in public sector organizations, there is still a gap in understanding the effects of institutional theory on public sector entities through decoupling.

3.5.1 Theoretical Justification

The theoretical perspective that informs this study is institutional theory. This perspective is chosen because it provides a useful lens to examine the research problem and to address the research questions. Previous studies have used the institutional theory as the major theoretical lens employed to explain changes and progression in reform implementation of public sector entities (Brusca et al., 2016; Goddard et al., 2016; Gomes et al., 2015; Mezias & Scarselleta, 1994). As affirmed by Goddard et al. (2016) "Institutional Theory" is a powerful theory when it comes to explaining the adoption of innovations by institutionalized organizations". This implies that institutional theory provides a good understanding of organisational changes and can also explain how organisations adapt and react to these changes in the public sector. Essentially, institutional theory can be appropriately used for studying the information needs of users of public entities' financial reports.

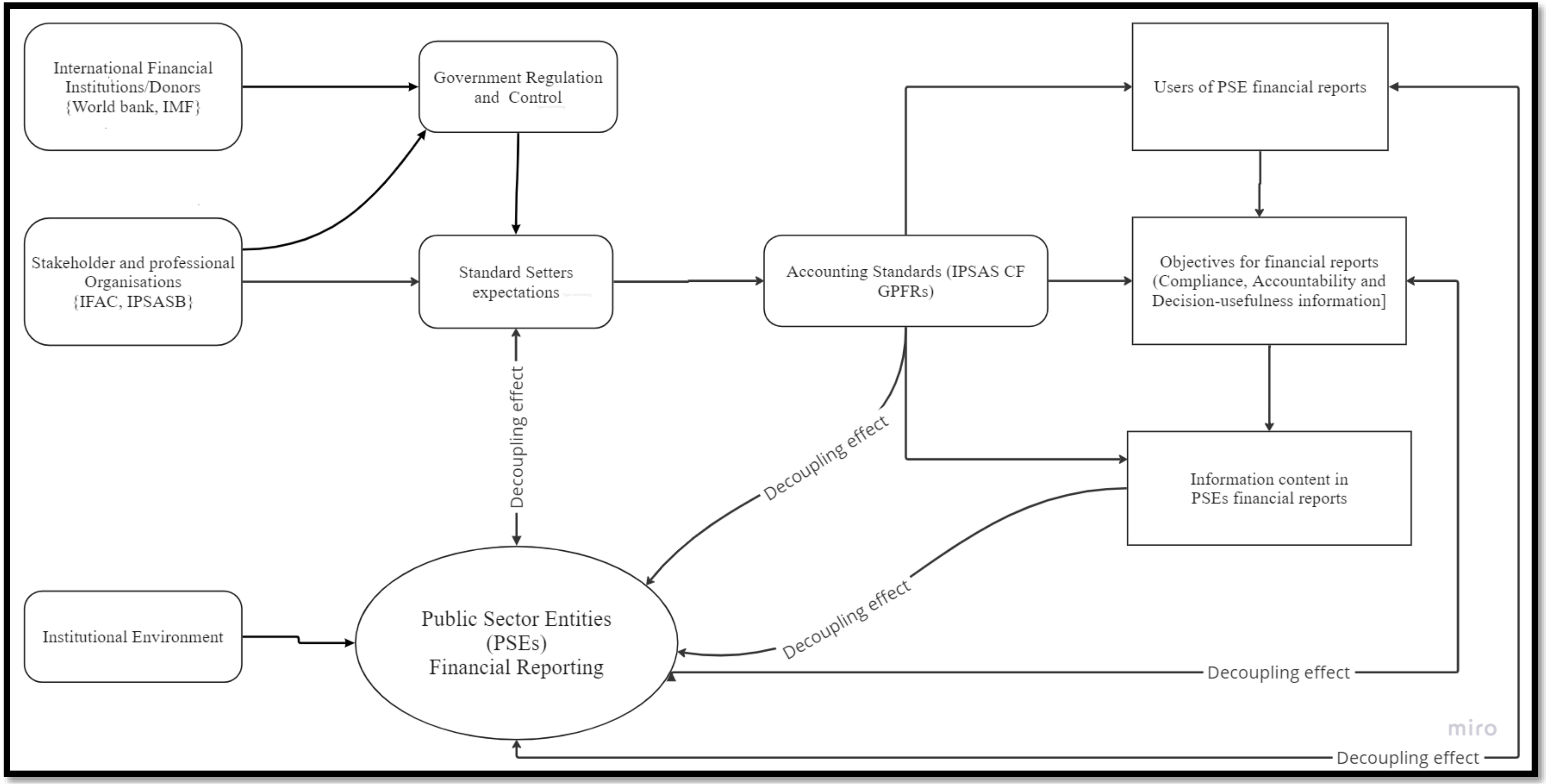
The choice of the theoretical framework for this study builds on prior works that have examined the institutional effect of adoption and implementation of public sector reforms (Brusca et al., 2016; Burns & Scapens, 2000; Dillard et al., 2004; Gomes et al., 2015). Several scholars argue that IT gives a better understanding of how organisations operate within the context of their environment (Burns & Scapens, 2000; DiMaggio & Powell, 1983; Scapens, 1994). This argument builds on the view that organisations operation and structure are driven sometimes by pressures internal and external to the organisations. This essentially leads to differences in the way institutional theory is conceptualized by scholars. key point from the summary of the studies above is that institutional theory and its dimensions are appropriate in explaining public sector entities' practices. However, the studies have yet to empirically examine public sector entities objectives, users and information contents of financial reports using the lens of institutional theory, such as decoupling. Hence, taken together, these studies have examined different dimensions of institutional theory to provide an understanding of innovations, changes, and reforms that affect accounting systems in public sector organisation but with gaps in terms of the knowledge related to how public sector entities are impacted by the institutional theory through decoupling.

Arguably, PSE financial report preparers and standard setters represent a system of an organizational structure. The organisational structure is made of many components, including financial reporting as an accounting activity. Based on the decoupling philosophy, one can argue that financial reporting activity could be disconnected between preparers and standard setters in the organisational structure, in terms of what is expected of such a reporting activity and what is actually practiced (Fogarty, 1996; Meyer & Rowan, 1977).

This study argues that decoupling could be present between the prescribed objectives, users (as per the conceptual framework and influenced by external forces) information content and actual objectives, users and information content of financial reports in the public sector. Generally, the presumption here is that in comparison to actual practices and standard setter’s views of PSEs financial reporting in terms of objectives, who their information users are, financial reports information content and who the PSEs preparers perceive could be decoupled (i.e., dissociated from the prescribed users as per the conceptual framework and standard setters' perspectives).

Hence, the study attempts to investigate whether decoupling exists between these two expectations i.e., the expectation of the standard setters of the objectives, who the users are, and information contents of financial reports and the actual practice of PSEs regarding the users that the reports are addressed to and what preparers perceive as the objective, users, and information contents of financial reports. Thus, from a theoretical angle, decoupling could be argued to provide useful insights into the link between prescribed and actual practice within PSEs. Figure 1 provides a visual representation of this idea.

Figure 1. Influence of Decoupling and Isomorphism on PSEs' Financial Reporting Environment



Source: Author

3.6 Chapter Summary

This chapter provides an overview of the theoretical framework of the study, which focuses on institutional theory and public sector accounting changes. It explores the various perspectives and dimensions of institutional theory as reviewed by scholars, particularly in relation to public sector accounting research. The justification for theoretical angle employed. In the next chapter, the research methodology and method utilized in this study are presented, including the sampling process, data collection methods, research instruments used, and procedures followed in the administration of the research design and instruments. Finally, the chapter concludes by discussing the ethical considerations involved in the data collection process.

Chapter Four: Research Methodology and Methods

4.1 Introduction

This chapter outlines the methodological approach used to address the research questions and provides a comprehensive overview of the research design, data collection methods, and data analysis techniques. The chapter is structured as follows. First, in Section 4.2, we discuss the sample used in the study, providing a detailed description of the participants and their characteristics. Next, in Section 4.3, we describe the research questions that guide the study and provide a clear explanation of their relevance to the field of study. Section 4.4 details the research methods employed in the study, including the questionnaire and interview used for data collection, and provides a rationale for their selection. In Section 4.5, we provide a thorough overview of the questionnaire design, including its format, content, and administration, as well as the steps taken to ensure its validity and reliability. Section 4.6 focuses on the interview process, outlining the procedures followed for participant recruitment, interviewing, and data recording. In Section 4.7, we discuss the ethical considerations that were taken into account throughout the study, including informed consent, privacy, and confidentiality. Finally, in Section 4.8, we summarize the key points presented in the chapter, emphasizing the importance of the methodological approach and its relevance to the overall research project.

Overall, this chapter offers a comprehensive account of the research methodology employed in the study, providing readers with a clear understanding of the study's design, data collection and analysis methods, and ethical considerations.

4.2 Sampling

In this study, the sampling procedure plays a critical role in determining the subset of the population that will be examined. By selecting a representative sample, the study aims to draw accurate and reliable conclusions that can be generalized to a broader population of interest. The study sample was drawn from the population of financial report preparers working within New Zealand's public sector PSEs, which includes key stakeholders such as Chief Finance Officers, Finance Heads/Accountants, Chief Executive Officers of the selected organizations, and standard setters, including New Zealand accounting standards setters, New Zealand Accounting Standard Board.

To ensure a comprehensive and representative sample, the sampling structure was based on specific parameters. By using the following parameters, the study aimed to select a diverse range of PSEs that are representative of the population of interest:

1. **PSEs** are defined as "reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided to support that primary objective rather than for a financial return to equity holders''(CAANZ, 2017, p. 15 Appendix A (2)).
2. PSEs that are categorised as Tier 1 PBE and thus have "**Public Accountability**" (CAANZ, 2017, p. 30 Appendix E (BC29)).
3. PSEs having **expenses of more than $30million** as described in Table 1B.
4. The sample of PSEs is restricted to **central government departments and local governments only** to ensure a more homogeneous focus on core government and public sector entities.

The sample for this study was drawn from the central government departments and local government councils that have individuals serving as Chief Executive Officers and Chief Financial Officers or Heads of Finance/Accounting Units. This sample was selected to ensure that the study captured a representative group of preparers within a specific section of the public sector. A total of 233 PSE preparers were initially contacted by letter to participate in the research. Out of the total, 108 preparers (46.4%) agreed and actively participated in the survey, while four individuals declined to participate. Eight letters were returned due to the organization being disestablished or merged with other PSEs.

To provide a comprehensive overview of the study's sample, the list of PSEs that participated in the survey is included as Appendix A. This information provides a clear understanding of the organizations and individuals that were involved in the study and allows for the study's results to be contextualized and analysed accurately.

Overall, the sampling procedure in this study is designed to ensure that the sample is both comprehensive and representative, allowing the study to draw conclusions that are generalizable to the broader population of financial report preparers working within New Zealand's PSEs.

4.3 Research questions

As outlined previously, the primary objective of this study is to investigate financial reporting practices within the public sector. To achieve this objective, the study aims to capture the views of preparers and standard setters, particularly on various aspects of financial reporting, including the objectives, users, and information contents of financial reports produced by PSEs. Additionally, the study aims to assess whether there are any evident differences between the financial reporting practices of central and local government PSEs, particularly with regards to their objectives, users, and information contents. Furthermore, the study also seeks to determine the difference between PSEs based on the entity size (large and small), based on their expense's threshold in their financial reports and also determined by the XRB for the reporting entity as described in Table 1B in chapter two.

The study also examines whether there is a decoupling effect between the perception of preparers and standard setters in relation to the conceptual framework governing financial reporting, particularly with regards to the objectives, users, and information content of financial reports produced by PSEs. By exploring these research questions, the study seeks to provide valuable insights into financial reporting practices within the public sector, and to identify any areas where improvements can be made. Ultimately, the study aims to contribute to the development of more effective and efficient financial reporting practices within the public sector, leading to greater transparency, accountability, and trust among stakeholders.

Research Question 1:

As perceived by financial report preparers and standard setters:

a. What are the objectives of PSEs' general-purpose financial reports?
b. Who are the core users of PSEs' general-purpose financial reports?
c. What are the information contents of PSEs' general-purpose financial reports?

Research Question 2:

As perceived by PSEs financial report preparers and standard setters what is the importance of public sector financial reports information contents for accountability and decision-usefulness?

Research Question 3:

With respect to RQ 1 and RQ 2 are there any significant differences among PSEs based on:

i. type (local vs central government), and

ii. size (small vs large)?

4.4 Research Methods

To collect research data for this study, a mixed method approach was employed. The study utilized both interviews and survey to capture the views of the research participants. Specifically, a survey method was used to collect data from preparers of PSEs' annual financial reports. The survey method, executed via questionnaire, was selected for its empirical capabilities in studying phenomena that require participants to provide their responses on the subject under investigation. The survey method is widely used in behavioural accounting and business studies to obtain information about processes and activities related to people and institutions (Fink, 2011; Hair et al., 2020).

The benefits of using surveys for data collection include the ability to collect data from a large number of participants, which increases the study's statistical power and enhances the generalizability of the findings. Additionally, surveys can be conducted in a structured and standardized manner, which reduces the potential for bias and enhances the reliability of the data collected. However, to gain a more in-depth understanding of the research topic, this study also utilizes interviews to collect data from key standard setters. Interviews are particularly well-suited to exploring complex issues and gaining a more understanding of participants' views and experiences.

By utilizing a mixed method approach, this study was able to capture a comprehensive understanding of financial reporting practices within the public sector. The combination of surveys and interviews provided a robust dataset that allowed for in-depth analysis of the research questions and enabled the development of evidence-based recommendations for improving financial reporting practices within the public sector.

According to Fink (2011), the survey approach is a useful method for gathering information on a subject, as it allows respondents to describe, compare, or explain their knowledge, attitudes, and behaviours. As such, the survey method enables the collection of both quantitative and qualitative data to address various research questions. This method has been widely used by researchers in accounting studies, including those examining information disclosure and users' financial information needs (Ehalaiye et al., 2018; Laswad & Redmayne, 2015; Pro-active Accounting Activities in Europe, 2009).

Similarly, this study employs a survey approach to collect data from PSE financial report preparers in order to address the research questions of the study. This method will allow the collection of both quantitative and qualitative data that can be analysed to gain insights into the objectives, users, and information content of PSE financial reports.

The survey approach has several advantages, including the ability to collect data from a large number of participants, the potential for standardized and structured data that can be analysed quantitatively, and the flexibility to ask both closed- and open-ended questions. However, the survey approach also has some limitations, such as the potential for response bias and the need for careful design of the survey instrument. The survey approach is a valuable tool for collecting data in accounting research, and its use in this study will help to answer the research questions and contribute to the broader understanding of financial reporting practices within the public sector.

In addition to other methods, interviews were utilized in this study to gain a comprehensive understanding of standard setters' knowledge and opinions on the objectives, primary users, and information contents of financial reports. Interviews are a flexible and valuable qualitative research method for collecting data on complex or sensitive issues through open-ended questions that allow for in-depth exploration of individuals' experiences and perspectives. The benefits of using interviews in this way have been extensively discussed in previous literature (Collis & Hussey, 2021; Hair et al., 2020), and their ability to provide rich insights into the phenomenon under study is widely acknowledged.

Several studies (Bracci et al., 2021; Brusca et al., 2018; Davern et al., 2019; Do Céu Gaspar Alves, 2010) have utilized interviews to explore the diverse perspectives of financial reporting in the public and private sectors by various stakeholders. In this study, I employed semi-structured interviews to collect data from standard setters, with the aim of gaining insights into their perspectives on financial reporting. This approach allowed me to gather rich and detailed data through open-ended questions while maintaining some structure and consistency in the data collection process. By focusing on standard setters, I was able to gain a unique and specific understanding of their perspectives on financial reporting.

4.4.1 Research instruments

As noted above, the study relies on the use of interviews and questionnaires as the primary methods for data collection. These instruments were carefully designed based on well-developed construct-related questions to effectively gather the necessary information to explain the phenomenon being investigated.

Specifically, the questionnaire was developed in accordance with the existing literature on the various constructs being analysed in the study. Furthermore, consultation with both industry and academic experts in the subject area was sought to ensure that the questionnaire was comprehensive and covered all relevant aspects of the constructs being studied. This approach aimed to ensure that the data collected was reliable, valid, and of high quality, providing a robust foundation for analysis and interpretation. The questionnaire was administered using Qualtrics an online platform, which is a widely used method in survey research (Ehalaiye et al., 2018; Laswad & Redmayne, 2015) due to its numerous benefits. These benefits align with the objectives of this study, making it an appropriate choice for data collection.

The online survey method is particularly advantageous for this study, given the large number of public sector entities and their geographical spread across New Zealand. It has been associated with several benefits, including speed and low cost of data gathering. It is also well-suited to participants as it ensures their anonymity, which eliminates potential researcher bias (Alessi & Martin, 2010; Ball, 2019; Van Selm & Jankowski, 2006). However, there are potential issues with using the online survey method, such as the difficulty of follow-up when questions are open-ended, and the possibility of a low response rate, both of which could threaten the research findings. On balance, the use of the online survey method in this study represents a practical and effective way to collect data from a geographically dispersed sample in a cost-effective and timely manner. While potential limitations exist, steps were taken to mitigate these issues and ensure that the data collected is of high quality and can be used to draw valid conclusions.

Although the researcher acknowledges the potential for issues to arise in our study, steps were taken to minimize their impact by adhering to the standards of a high-quality survey. For example, we prioritized clarity in our questions, obtained ethical consent for conducting the research, and included an informative introductory page. To ensure the validity and reliability of our data, we followed a systematic questionnaire design process recommended by (Hair et al., 2020). In doing so, we believe that our questions were carefully developed and optimized for producing high-quality data for analysis. The questionnaire was designed with clear and concise questions that effectively explored the perceived objectives, primary users, and information content of PSE financial reports, providing a valid basis for investigation.

The questionnaire distribution process began by inviting prospective respondents to participate in the survey through a personalized email and letter of invitation, containing a link to the survey. The invitation was carefully crafted to, first, solicit the support of the prospective participant and their willingness to participate before providing the link. These survey invitations were sent via email and post between November 2020 and May 2021, spanning a seven-month period. Once a participant agreed to participate, they could access the survey by clicking on the link provided in the letter of invitation.

The questionnaires were sent to the heads of all New Zealand public sector entities (PSEs), as well as their senior accounting officials, such as CEOs, CFOs, and Heads of Finance. This targeted approach is important as the issue under investigation would be best addressed by members of the senior leadership team or their delegated staff. These teams are responsible for financial stewardship and compliance with the financial accounting reporting framework in the public sector, making them a crucial group of respondents in the study. The core objective of this study is to understand the influence of perceived PSE financial report users on preparers' reporting activities and preferences for disclosed information. By eliciting the opinions of senior leadership and financial officers in the public sector PSEs, this study can gather the required information to achieve its objectives.

The study utilized a well-developed questionnaire, consisting of question items designed using a six-point scale with a range of 0 to 5. The six-point scale is a commonly used rating scale format in surveys, where respondents rate items on a scale of six indicating the extent of importance of a particular statement (Ismail, 2022; Nkundabanyanga et al., 2021). This approach allows respondents to provide responses, and valuable insights into their opinions and attitudes towards the subject of the study.

4.4.2 Pretesting and pilot testing of questionnaire

Hair et al. (2020) propose a systematic procedure for pretesting and pilot testing survey instruments to ensure the reliability of data associated with each stage of research. Pretesting involves several procedures to assess the overall structure of the questionnaire, including determining the nature of the pre-test and selecting individuals to review the questionnaire. Pretesting also involves obtaining feedback on question completion instructions, question sequencing, and the difficulty of responding to questions. The examination of initial data helps to identify any limitations of the preliminary questionnaire. Subsequently, revisions to instructions, sequence, wording, and length of questions may be made as required. The study further recommends pilot testing as the best approach in developing a high-quality questionnaire.

To assess the reliability and validity of questions and improve the questionnaire, the study followed the guideline proposed by Hair et al. (2020) and conducted both pretesting and pilot testing. For the pretesting, the questionnaire was sent to two educators with experience in public sector financial reporting in New Zealand. They provided feedback on the validity and reliability of the questionnaire and identified any errors. Based on their feedback, the questions were improved and corrected as necessary.

In the pilot testing stage, the questionnaire was sent to a preparer of PSE annual financial reports and an auditor working in New Zealand's public sector. These participants were chosen for their relevant experience in preparing and auditing annual financial reports in the public sector. They were asked to provide comments on the questionnaire's structure, testing for clarity and understandability, and to suggest inputs on areas not covered by the questionnaire that could benefit the study. Based on their feedback, the questions were refined and corrected to address any difficulties or ambiguities and to include additional areas of interest.

Overall, the pretesting and pilot testing stages helped to validate the questionnaire's reliability and improve its validity, ensuring that the study obtained high-quality data from the survey respondents.

4.5 Questionnaire Design

4.5.1 Structure

The questionnaire structure is a crucial aspect of the study, and it is presented below. The questionnaire begins with an introductory section that provides an overview of the research aims and objectives. This section also includes an invitation to the study's participants, assurance of participants' confidentiality, and a statement indicating that the research has received approval from Massey University’s Human Ethics Committee.

Following the introduction, the questionnaire presents question items that focus on how PSEs distribute their financial reports to their users (see Appendix B for complete questionnaire). Participants are provided with three communication medium options - print, online, and both - from which they can select their preferred choice. This question seeks to understand how users access the financial reports of PSEs. The subsequent question items address the research questions directly. These questions are designed to investigate the perceived objectives, primary users, and information content of PSEs' financial reports. The six-point scale uses a range of 0 and 5 to evaluate the participants' responses to these questions. The subsequent questions pertain to the research questions under investigation.

How does your entity disseminate its annual financial reports, in print, online, or both?

What are PSEs' objectives for preparing annual reports?

Research Question 1(a) seeks to investigate the objectives of PSEs in preparing annual reports, aiming to identify the primary reasons for the preparation of such reports in the public sector. This question is critical as it helps to establish the core purpose of PSEs' annual reports in PSEs and provides insight into the expectations and goals of financial reporting in the public sector. By understanding these objectives, the study can provide a better understanding of the role of financial reporting in the public sector and how PSEs meet the needs of their users. To further explore the accessibility of annual financial reports by users, the researcher also asked participants if their entities keep track of users who access their entity's online financial reports. However, not one entity kept track of its online users.

Participants were asked to rank the importance of different objectives for preparing their entity's annual financial reports, using a hierarchical order ranging from 0 (not important) to 5 (very important). The objectives were based on the IPSAS Conceptual Framework, which outlines the purpose of General-Purpose Financial Reports (GPFR) for public sector entities, and the requirements set by the External Reporting Board (CAANZ, 2017; IPSASB, 2014). When designing the questionnaire, sections 2.1 and 2.2 of the IPSAS conceptual framework were specifically referred to. This question provides insight into the reasons why reporting entities provide annual reports to users and how users assess the entity's performance. Table 4.1 presents the different objectives of annual financial reports.

Table 4.1 Objective of Financial Reports

Statements
Meet statutory obligations.
Provide information to users of financial reports for decision making.
Discharge of entity's public accountability.
Other objectives, (please explain).

Who are the primary users of New Zealand PBEs' financial reports?

Research Question 1(b) aims to identify the users of PSE annual reports and assess whether there is a consensus among preparers on the importance of each user. Participants were provided with a list of users prescribed by the conceptual framework, those identified in prior studies, and suggestions from the study's pilot test. The participants were then asked to rank the importance of each user in the list using a six-point scale of 0 to 5, with 0 being not important and 5 being very important. Table 4.2 presents the list of users and their corresponding ranks as determined by the participants.

Table 4.2 Users of PSE Financial Reports

Users of Financial Reports
Customers/clients of your entity
Suppliers of goods or services to your entity
Lenders/creditors of your entity
The Government/Crown
The relevant government minister
Parliament (relevant selected committee)
Local government New Zealand (LGNZ)
NZ Society of Local Government Managers (SOLGM)
Office of the Auditor-General
The Auditor
General public/taxpayers
Academics/Researchers
The media
International governmental organisations, please specify
Regulatory bodies, please specify
Others (please specify)

For New Zealand public sector preparers, what is the perceived importance of information items in their entity's financial reports?

Research Question 1(c) of this study aims to evaluate the information content of financial reports issued by the PSE, with a two-part approach. First, the information content of PSE reports in general is examined. Second, the information content in relation to the objectives is examined, sub-divided into accountability and decision usefulness as for Research Question 2. To develop the question items, the researcher adopted criteria from the IPSAS conceptual framework, which outlines the information that helps users assess the reporting entity and incorporates insights from prior research. The research modified phrases from sections 2.11-2.16 of the conceptual framework to ensure that they are clear to survey respondents.

Using a six-point scale that ranges from 0 (not important) to 5 (very important), participants were asked to rate the importance level of each possible information feature that is provided in their entity's annual financial report.

Research Question 2 expands and evaluates the information contents of PSE financial reports. As mentioned above, an additional examination of the information content of financial reports examines the perceptions of financial report preparers and standard setters with regard to the importance of PSEs' financial report information contents for accountability and decision-usefulness objectives.

The first section focuses on exploring the accountability information content of financial reports issued by PSEs. To assess the information content related to accountability, the researcher developed 14 statements that represent specific aspects of accountability. Participants were asked to rate the importance level of each statement using a scale ranging from 0 (not important) to 5 (very important). Table 4.3 presents the statements used to evaluate the information features provided in each entity's annual financial report (sub-division 1):

Table 4.3 Information Provided in General Purpose Financial Reports for Accountability

S/N	Statement	Source
i	Information that enables users to predict the future performance of your entity.	(IPSASB, 2014, sec. 2.14 pg 16).
ii	Information that is comparable with that of other similar entities.	(IPSASB, 2014, sec. 3.21), Coy et al. (1997)
iii	Consistent and comparable information about your entity's performance over time.	(IPSASB, 2014, sec. 3.22 pg31), Coy et al. (1997)
iv	Information on strategic intentions to improve your entity's operations and meet set targets.	(IPSASB, 2014, Chapter 2.sec.2.17, pg 17), Coy et al. (1997)
v	Information on the discharge of governance responsibilities within your entity.	(IPSASB, 2014, Chapter 2, sec.2.21, pg.17), Coy et al. (1997)
vi	Information on the discharge of managerial responsibilities within your entity.	(IPSASB, 2014, Chapter 2, sec.2.14, pg16), Coy et al. (1997), Taylor & Rosair (2000)
vii	Information about your entity that is unbiased.	(IPSASB, 2014, Chapter 3, sec.3.26, pg.31), Coy et al. (1997)
viii	Information about your entity being easily accessible to users.	Steccolini (2004), Coy et al. (1997)
ix	Information about your entity to assist users in their assessment of the entity.	(IPSASB, 2014, Chapter 2, secs.2.12-2.13, pg. 15–16)
x	Information about your entity's level of compliance with regulatory requirements.	IPSASB (2014, Chapter 2, sec. 2.11, p. 15), Taylor & Rosair (2000)
xi	Information that enables users to predict the future sustainability of continuity of services of your entity.	(IPSASB, 2014, Chapter 2, sec. 2.27, pg.18), Steccolini (2004)(Krambia-kapardis & Clark, 2010)
xii	Information about the ability of your entity to meet current and long-term obligations.	(IPSASB, 2014, Chapter 2, sec.2.8, pg.14)
xiii	Information about your entity's ability to meet the expectation of users regarding the discharge of assigned governance responsibility.	(IPSASB, 2014, Chapter 2, sec.2.21, pg.17)
xiv	Information about your entity's cost recovery for future services.	(IPSASB, 2014, Chapter 2, sec.2.15, pg.16), (Krambia-kapardis & Clark, 2010)

Sub-division 2 of Research Question 2 centres on evaluating the decision-useful information content of financial reports issued by the PSE. Seven statements addressed the various aspects of decision-making in order to assess the decision-useful information content of financial reports. Participants were once again asked to rate the importance of each possible item of information in their entity's annual report using a scale that ranged from 0 (not important) to 5 (very important).

Table 4.4 presents the statements used to evaluate the information features provided in PSEs' annual financial reports (sub-division 2).

Table 4.4 Information Provided in General Purpose Financial Reports for Decision-Making

S/N	Statement	Source
i	Information about the ability of your entity's efficiency and effectiveness of service delivery.	(IPSASB, 2014, Chapter 2, sec.2.15, pg.16), Taylor & Rosair (2000), Steccolini (2004), (Krambia-kapardis & Clark, 2010)
ii	Information about your entity's ability to achieve its operating and financial objectives.	(IPSASB, 2014, Chapter 2, sec.2.11, pg.15)
iii	Information about your entity's ability to manage the resources it is responsible for.	IPSASB (2014, Chapter 2, sec. 2.11, p. 15)
iv	Information about your entity's capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery.	(IPSASB, 2014, Chapter 2, sec.2.11, pg 15)
v	Information about your entity's ability to provide information that meets the expectations of users regarding the discharge of assigned managerial responsibilities.	(IPSASB, 2014, Chapter 3, sec.3.7, pg.28)
vi	Information about your entity's ability to provide information that meets the expectations of users regarding the discharge of social and environmental responsibilities.	(Cohen & Karatzimas, 2015)
vii	Information about your entity's resources available for future services (resource in terms of cash, borrowings, revenue, human capital, assets, and materials).	(IPSASB, 2014, Chapter 2, s.2.8-2.17, pg. 17), (Krambia-kapardis & Clark, 2010)
viii	Other information/features, please specify.	

Research Question 1(c) and Research Question 2 aim to provide insights into the information content of PSE financial reports at both a general level and as they relate to the objectives of financial reports, including accountability and decision-useful information.

Research Question 3 explores the objectives and information content of financial reports, assessing if there are any significant differences/consistencies based on the PSE type (local vs central government) and size (small vs large) in relation to Research Questions 1(a) and Research Question 2. At the end of the questionnaire, participants were asked to provide information about their backgrounds, including their position, experience, professional membership, and gender. This information will help to understand the demographics of the participants and to identify any potential biases in the data.

4.6 Interviews

4.6.1 Research interview design and questions

As previously stated, the study employs a mixed method for data collection, including interviews as a means to collect qualitative data. Interviews are a common instrument used in research, and they provide researchers with the flexibility to use a range of settings, such as the workplace, home, or online (Adams et al., 2014). In addition, interviews offer researchers the opportunity to incorporate visual aids and receive feedback, whether in person or virtually (Hair et al., 2020).

Researchers have access to various interview approaches for data collection, such as structured, semi-structured, and unstructured interviews. Structured interviews are conducted in an orderly and controlled manner by the interviewer, while semi-structured interviews provide some structure and direction but allow the interviewer to use their initiative to follow up on the interviewee's responses with further questions. This approach promotes interaction between the interviewer and interviewee, facilitating the gathering of insightful information. An unstructured interview is an approach where the interviewer engages the interviewee in an open, free-flowing conversation without any predefined structure or sequence. This method allows the researcher to delve deeper into topics of interest and explore any questions raised during the interview. Additionally, this approach provides the researcher with a deeper understanding and clarity on the subject matter being discussed (Hair et al., 2020).

The semi-structured interview method was utilized in this study to gather information from financial reporting standard setters. Participants for the interviews were selected based on their expertise within the public sector. The standard setters were sent an email invitation, offering them the option to participate in either an in-person or online interview. Upon acceptance, a date and time were arranged for the interview and the participants were sent a copy of the proposed interview questions. Each interview lasted around 45 to 60 minutes.

Of the eight selected participants, six accepted the invitation and were interviewed on separate occasions. The interviewees were standard setters and board members, chosen for their representation of public sector entities (PSEs) and their experience in public sector research and operations. All interviews were conducted online using the Zoom video conferencing platform and were recorded using both the recording app on Zoom and a tape recorder. Interviews were conducted over a three-month period from March 3rd to May 6th, 2022.

The interviews began with a briefing on the study's purpose, which was explained to the interviewees to help them understand the aim of the research. The confidentiality of the interviewees' identities and responses was emphasized, and they were assured that their privacy would be maintained. Prior to recording the interviews, the interviewees were asked for permission to do so, and their approval was obtained according to the guidelines outlined by (Adams et al., 2014).

Specifically, this study's interview sample consisted of standard setters with specializations in PSEs, who were selected from the population under study. During the interview, standard setters were asked to provide their perspectives on various aspects of financial reporting. The interview began with a brief introduction from the interviewee about their role and involvement in the public sector, including their experience with standard-setting and professional experience. Before proceeding with the interview questions, interviewees were provided with a brief overview of the interview process. The interview questions covered important aspects of financial reporting, such as the objectives of financial reports by PSEs, the significance of these objectives, any variations in these objectives, the users of PSE financial reports, any missing information that should be included in financial reports, the standard-setting process, the parties involved in the process, and the focus of different regulatory bodies on PSEs' reporting standards. In conclusion, the interviews conducted in this study were aimed at obtaining insights into financial reporting by public benefit entities in the public sector, particularly from the perspectives of standard setters with expertise in this field. The interviewees were carefully selected based on their areas of specialization, and a semi-structured interview approach was used to gather data. At the end of the interviews, the interviewees were given the opportunity to provide further comments or details. A detailed breakdown of the interview questions will be provided in Chapter Seven, along with the analysis of the results. The interview questions are provided (see Appendix C).

4.7 Ethical Considerations

Ethical considerations are crucial in any research involving human participants, particularly when sensitive information is gathered, such as exploring the perceptions of top managers within the public sector. To ensure that ethical criteria are met, confidentiality, voluntary participation, respondent anonymity, and the confidentiality of responses must be guaranteed.

For this study, all ethical considerations were carefully adhered to. The researcher obtained ethics approval from the Massey University Human Ethics Committee as part of the requirements for a doctoral degree. Participants were informed of the study's purpose, and their consent was obtained before administering the questionnaires. Participants were also assured that their participation was voluntary, and their responses would remain anonymous and confidential. The ethical considerations were vital in ensuring that the participants' rights were protected, and the study's findings were trustworthy. The detailed ethics approval process and the procedures implemented to protect the participants' rights (see Appendix D).

4.8 Chapter Summary

This chapter details the methodological approach used to address the primary research question of the study. The chapter begins with a discussion of the sample selection process, which involved identifying and selecting relevant participants, including PSE financial report preparers such as Chief Finance Officers, Finance Heads/Accountants, Chief Executive Officers, and Standard setters. Additionally, the chapter outlines the parameters used to select public sector entities for the study. To provide context for the sub-questions, the chapter restates the research questions and explains how each sub-question relates to the broader aim of the study.

The methods used to collect research data are discussed in this chapter, along with an explanation for why they were chosen. In this study, a mixed method approach was employed, utilizing both surveys and interviews to gather data. The chapter also includes a detailed overview of the process for developing research instruments, including pretesting and pilot testing of questionnaires. The questionnaire design is a crucial aspect of the study, and it is thoroughly discussed in this chapter. A breakdown of the questionnaire structure is provided, and evidence from relevant literature is used to support the construction of each question. All questionnaires were administered online, with participants given a link and bar code which was included in the invitation letter sent out, if they agreed to participate in the survey. It is important to note that participation in the study was voluntary, and confidentiality was strictly maintained throughout both the survey and interview process.

This chapter also covers the interview design and questions. It provides a comprehensive discussion of the interview approach used, including information on the sample selection, timing, and processes involved in conducting the interviews. In addition, the chapter includes a section on the ethical considerations that were taken into account prior to involving human participants in the study. These considerations are important in ensuring that the study was conducted in an ethical and responsible manner. The results of the analysis of the survey and the interview data are presented in Chapters 5-7.

Chapter Five: Results – Survey of PSE Financial Report Preparers

5.1 Introduction

In this chapter, the results of the survey conducted among preparers of public sector entities' (PSEs) financial reports in New Zealand are presented and discussed. These results are focused on addressing the research questions concerning the distribution, objectives, users, and information content of financial reports that were introduced in Chapter Four.

The chapter is organized as follows: Section 5.2 provides a discussion of the sample characteristics, including the demographics of the study participants. Section 5.3 presents a summary of the descriptive statistics for the primary variables examined in this study. Section 5.4 reports on the results of the reliability test for both the individual and aggregated constructs of accountability and decision-usefulness. Finally, Section 5.5 concludes the chapter by summarizing the main findings and their implications. All tables are reported at the end of the chapter.

5.2 Sample Characteristics and Demographics

The sample for this study is drawn from a population of preparers of financial reports for PSEs, which includes individuals in positions such as Chief Finance Officers, Finance Heads/ Accountants, and Chief Executive Officers of both central and local government organizations. A total of 108 responses were received, which corresponds to a response rate of 46.4% of the total population. Table 5.1 provides a breakdown of the respondents' gender, position within the organization, years of experience working in the public sector, and total years of work experience. This information is important in understanding the characteristics of the sample and how they may impact on the results of the study.

Table 5. 1 Demographic Analysis of Sample

Demographics	n	Percentage (%) of Response
Gender		
Male	75	69.4%
Female	31	28.7%
Prefer not to state	2	1.9%
Current position in the organization		
Chief Executive Officer	22	20.6%
Chief Financial Officer/ Head of Finance	60	56.1%
Other finance and accounting roles	25	23.4%
Years of experience within the public sector		
Under 10 years	33	30.6%
Over 10 years	75	69.4%
Total years of work experience		
Under 10 years	3	2.8%
Over 10 years	105	97.2%
Professional Membership		
Accounting Bodies	60	56.6%
Other Professional Bodies	31	29.2%
None	15	14.2%

The characteristics of the study sample were analysed using frequency distributions, and the results are presented in Table 5.1. The data reveals that the gender distribution of the respondents was 69.4% male, 28.7% female, and 1.9% chose not to disclose their gender. In terms of their current positions, 56.1% of respondents held the position of Chief Financial Officer/ Head of Finance, while 23.4% held other finance and accounting roles, and 20.6% were Chief Executive Officers. When considering the number of years of experience working in the public sector, the data indicates that 69.4% of respondents had worked in the public sector for over 10 years, while 30.6% had worked for less than 10 years. In terms of total work experience, 97.2% of respondents had worked for over 10 years, and only 2.8% had worked for less than 10 years.

Regarding professional memberships, the analysis showed that 56.6% of respondents were affiliated with one or more accounting professional bodies. Additionally, 29.2% belonged to other non-accounting professional bodies, while 14.2% did not belong to any professional body. The results presented in Table 5.1 suggest that the survey respondents are well-suited to answer the research questions posed in this study. Specifically, the data indicates that many of the respondents held senior positions within their respective entities, such as Chief Financial Officer/Head of Finance or Chief Executive Officer, which suggests they have a good understanding of financial reporting practices and policies. In addition, the survey results indicate that most respondents have experience working in the public sector, which further supports their ability to provide insightful and informed responses to the study's research questions.

Furthermore, the fact that a significant proportion of respondents are affiliated with accounting professional bodies suggests a strong understanding of accounting standards and reporting practices. This is an important factor to consider, as it provides a level of assurance that the responses provided are based on sound accounting principles and practices.

Taken together, these findings provide confidence in the suitability of the survey respondents to answer the research questions posed in this study and lend credibility to the resulting data and conclusions.

5.3 Descriptive Statistics

It is important to highlight that while analysing the responses provided by participants for each question in descriptive statistics, differences were observed between the questions answered. This can be attributed to certain questions either lacking any responses or receiving only partial answers.

5.3.1 Dissemination of PSE financial reports

Table 5.2 Dissemination of Annual Financial Reports

Response frequencies (108 responses)					
	Print	Online	Print and online	Mean	Std. Dev.
N	1	12	95	2.87	0.364
%	0.9%	11.1%	88.0%		

Table 5.2 presents the findings on how PSEs in New Zealand disseminate their annual financial reports through various channels. The data reveals that most PSEs (88%) distribute their reports using a combination of print and online media, indicating a balanced approach to reaching a wider group of users. A small proportion of PSEs rely solely on online (11.1%) or print (0.9%) media to disseminate their reports. With a mean score of 2.87 and standard deviation of 0.364. This suggests a growing trend towards digital dissemination while still acknowledging the importance of traditional print media.

The findings presented in Table 5.2 are consistent with those of prior studies that have investigated the disclosure practices of PSEs in terms of disseminating financial information (Laswad et al., 2005; Styles & Tennyson, 2007; Vermeer & Styles, 2019). These studies suggest that PSEs are making their annual financial reports accessible to users through various means of distribution. Previous research has examined the accessibility of PSEs' financial information through print and online media and has found that both mediums are used, although there is a growing trend towards accessing financial information through entities' websites (Vermeer & Styles, 2019). These findings demonstrate that PSEs are taking steps to ensure that their financial information is accessible to users through different channels.

The results from Table 5.2 reveal that most PSEs use a combination of print and online media to disseminate their annual financial reports. Interestingly, the use of print-only dissemination has become unpopular, with most entities opting for a dual approach. This trend can be attributed to the increasing use of online media, which allows for easy and fast access to information and enables entities to reach a wider audience compared to the traditional method of mailing printed copies via post. The shift towards online dissemination aligns with the wider trend towards digitalisation and highlights the need for PSEs to adapt to changing user preferences and technological advancements.

5.3.2 PSEs preparers perceived primary objective for financial reports.

In Table 5.3, the findings pertaining to the first research goal are presented. This table showcases the results related to the research question addressing PSEs preparers perceived primary objectives for the preparation of general-purpose financial reports. To gain valuable insights, survey respondents were asked to indicate the objectives their entities ascribe to when preparing annual financial reports. To categorize these objectives, three classifications were employed, based on prescribed and identified motives for financial reporting in the public sector (CAANZ, 2017; IPSASB, 2014; Taylor & Rosair, 2000).

The IPSASB conceptual framework, in sections 2.1 and 2.2, establishes "accountability" and "decision usefulness" as the core objectives of public sector reporting. Relatedly, Taylor & Rosair (2000) argue that meeting statutory obligations (i.e., compliance) is a primary motivator for public sector reporting. Building upon the prescription from the conceptual framework and empirical debate in this regard, three distinct lines of inquiry were established to gain a comprehensive understanding of the perceived objective of public sector reporting among entities in New Zealand. Concisely, this requires a determination of whether the core objective of PSEs reporting is to:

i. Provide information for both internal and external users.

ii. Fulfil public accountability requirements.

iii. Meet statutory obligations related to compliance.

These three lines of inquiry form the primary categories that are argued to explain the motives or objectives driving public sector entities in reporting their financial activities (CAANZ, 2017; IPSASB, 2014; Taylor & Rosair, 2000). Although a legal obligation exists for reporting, it is essential to empirically ascertain whether statutory reasons alone account for public sector reporting and whether other factors influence the objectives for which public sector entities provide information to users (Taylor and Rosair, 2000). The analysis of the responses obtained from these questions is reported in Table 5.3 below.

Table 5. 3 Objectives for PSE Financial Reports

		Response frequencies (108 responses)							
Objectives		0	1	2	3	4	5	Mean	Std. Dev.
To meet statutory obligation	N				3	7	98		
(compliance)	%				2.8%	6.5%	**90.7%**	4.88	0.404
Provide information to users	N	1	1	2	22	31	50		
of financial reports	%	0.009%	0.009%	1.9%	20.4%	28.7%	46.3%	4.16	0.982
Discharge the entity's public	N		1	1	2	23	80		
accountability	%		0.009%	0.009%	1.9%	21.3%	74.1%	4.68	0.653

Table 5.3 reveals that respondents perceive compliance with statutory obligations as very important (90.7%) and important (6.5%) rationales for preparing PSE annual financial reports. This highlights the significant emphasis placed by entities on strictly meeting their reporting requirements and obligations as their primary objective (Taylor & Rosair, 2000; Walker, 2003). This alludes to the conclusion reached by Taylor and Rosair (2000), suggesting that PSEs are likely inclined to prioritize compliance with the statutory obligations imposed upon them when considering their reporting obligations. Additionally, PSEs might pursue compliance as a primary rationale due to a desire to demonstrate their adherence to legislative pronouncements,

facilitating users' evaluation of their economic impacts, program delivery, and management of public resources. Walker (2003) hinted that 'compliance' with regulatory requirements regarding PSEs' financial reporting specifies what entities must report about their financial performance and other matters, such as the extent to which directors, senior managers, and auditors have been remunerated, which goes beyond other prescribed reporting objectives like accountability and decision-usefulness. These findings suggest that preparers within the sampled entities appear to prioritize adherence to regulatory requirements as a core objective over the imperative of providing information to users and/or simply fulling accountability. This does not necessarily imply that entities do not take accountability seriously; it may indeed result from a need to avoid regulatory penalties or sanctions, leading to the core focus on compliance rather than other objectives.

From a regulatory standpoint, it could be argued that entities adhering to strict compliance simultaneously meet the accountability requirements and, therefore, provide users with the necessary information for decision-making. In any case, the evidence before us clearly reveals a substantial presence of decoupling with respect to different perceived institutional rationales for conducting the same activity (Boxenbaum & Jonsson, 2017; Goddard et al., 2016; Meyer & Rowan, 1977). In this case, while the conceptual framework prescribes objectives for financial report preparation in the public sector, it is evident that not all objectives are considered equally by preparers, hence a decoupling effect exists in how the objectives of public sector general-purpose financial reports are perceived from both preparers' and standard setters' perspectives (Eulner & Waldbauer, 2018).

Again Table 5.3 provides a breakdown of responses from respondents regarding their entity's focus on discharging public accountability in the preparation of annual financial reports. The findings indicate that 74.1% of respondents believe that preparing annual reports is a very important reason for demonstrating accountability for the resources entrusted to their care (Lourenço et al., 2013; Murphy et al., 2013; Schillemans, 2016). Similar, 21.3% of respondents consider the discharge of public accountability to be an important reason for preparing annual financial reports. On the other hand, only 1.9% of respondents view it as being of slight importance, 1% consider it to be of slight unimportance, and the remaining 0.009% believe it to be of little importance. These results suggest that the majority of PSEs in New Zealand recognize the importance of discharging public accountability through the preparation of annual financial reports, highlighting the emphasis placed on transparency and accountability in the public sector. There is certainly a strong reasoning for accountability in PSE reporting, which explains its second position in the three lines of inquiries. Accountability is strongly enthroned in public sector reporting and premised on the complex relationship between PSEs and their stakeholders which is much broader than the traditional shareholder-manager relationship in the private sector (Samkin et al., 2010).

Lourenço et al. (2013) concur that citizens are entitled to access public sector financial information, as it empowers them to make well-informed judgments regarding the efficient utilization of public resources. In this case, PSEs appropriately perceive their reporting objectives to be strongly linked to their discharge of accountability to citizens. Alluding to this conceptualisation Schillemans (2016) argue that accountability is a multifaceted interaction between public sector entities and users. Within this context, reporting entities have solemn obligation to provide detailed reports to their users. This collectively explains the importance of accountability as an objective for PSE reporting to enhance transparency among citizens and the general public.

Table 5.3 also indicates that 46.3% of respondents believe providing information to users for decision-making purposes is a very important objective for preparing PSEs' annual financial reports. However, the finding suggests that a significant proportion of PSEs in New Zealand may not focus on this objective as a benchmark for report preparation, given that only 28.7% of respondents consider it to be an important reason to provide user information. Furthermore, 20.4% of respondents view providing information to users as being of only slight importance. Additionally, as is shown in the Table 5.3, other responses indicate that providing user information is slightly unimportant, of little importance, or not important (1.9%, 0.009%, and 0.009%, respectively). These results highlight a potential gap between the user information needs specified in the public sector reporting framework and the extent to which PSEs in New Zealand prioritise them when preparing their annual financial reports (Boxenbaum & Jonsson, 2017; Goddard et al., 2016; Meyer & Rowan, 1977).

Collectively, these results show the presence of a significant difference between the objectives outlined in the public sector reporting framework and the extent to which these objectives are unequally perceived by PSEs in New Zealand when preparing their annual financial reports (Boxenbaum & Jonsson, 2017; Bromley et al., 2012; Goddard et al., 2016). As a consequence, the outcome difference from prescribed norm reflects a complex and multifaceted landscape surrounding the role of financial reports in catering to the diverse requirements of stakeholders within the public sector (Alijarde, 1997; Brusca & Montesinos, 2006; Rutherford, 1992; Walker, 2003). The fact that a substantial portion of respondents views providing user information as of lesser importance raises important questions about the alignment of reporting practices with the evolving needs of users. One line of argument on this, might suggest that while there is an established framework outlining the information expectations, the actual practice might not always align with these expectations (Boxenbaum & Jonsson, 2017;

Bromley et al., 2012; Goddard et al., 2016). This difference underlines the complexity of the reporting practices, including that the role of financial reports within the public sector is not a one-size-fits-all. To the contrary it is influenced by various factors, including unique demands from different user groups.

The findings presented in Table 5.3 offer an insightful opportunity for reflection and strategic thinking. It is undeniably crucial that PSE in New Zealand adhere to statutory compliance and demonstrate accountability, as these factors underpin the very essence of responsible stakeholder relationship management (Samkin et al., 2010; Taylor & Rosair, 2000; Walker, 2003). However, these results also bring to light a significant aspect of dissociated aim with respect to the conceptual framework prescribed versus preparers' perceived objectives for financial reporting. The findings evidently reflect that compliance and accountability serve as the pillars upon which the annual financial reports of PSEs are produced. Nonetheless, caution is needed regarding unintentionally neglecting the needs of the intended users of these reports – given its crucial value in PSE reporting ecosystem. An evident opportunity may be in improving the quality and relevance of these reports by tailoring them more closely to meet the specific needs of decision-makers, both within and external to PSEs.

This insight suggests an unexplored frontier within public sector financial reporting—the realm of user-centric reporting. In essence, this approach centres on the idea that financial reports should not merely fulfil a regulatory checklist but should go further by empowering users with the precise information they need to make informed decisions. Whether it is resource allocation within the government, policy formulation, or any other critical decision-making process, the data presented in PSEs reports should be a valuable resource. In this regard, it might be that PSEs in New Zealand face the challenge of balancing the demands of statutory compliance and the aspirations of user-centric reporting. This challenge presents an opportunity for innovation and adaptation which calls for an approach where the two objectives, while distinct, can be harmoniously accomplished. Achieving this balance will require careful consideration and potentially a re-evaluation of reporting practices to ensure that the annual financial reports not only reflect legal obligations and accountability but also emerge as potent tools for informed, effective decision-making.

The findings from this aspect of the study align with several prior studies (Mack & Ryan, 2006; Taylor & Rosair, 2000). These earlier investigations consistently point towards a common theme: that the primary purpose of financial reports within PSEs is the fulfilment of public accountability. This consistencies with existing research also resonate with the normative discussions regarding financial reporting objectives, as explained in prior studies (Murphy et al., 2013; Rutherford, 1992; Walker, 2003). A possible explanation for these recurrent findings can be discerned in the fundamental role of PSEs within society. These entities bear the crucial responsibility of effectively managing and allocating both financial and non-financial resources, including tax revenues, in the provision of essential services to the public. Inherent in this role is the duty to uphold transparency and demonstrate responsible stewardship of these resources. Consequently, meeting statutory obligations and substantiating accountability for the utilization of these resources emerge as the main objectives that PSEs consistently strive to attain through the meticulous preparation of their annual financial reports.

In essence, this study's findings not only corroborate earlier research but also highlight the vital role that PSEs play in the public domain. They serve as a critical link between the government and the citizens, and their annual financial reports serve as an important tool for ensuring transparency, trust, and accountability in the management of public resources. These reports go beyond mere compliance; they stand as a testament to the commitment of PSEs to provide a clear account of their financial activities and uphold the principles of good governance.

5.3.3 Perceived users of PSE financial reports

Table 5.4 Users of PSE Annual Financial Reports (108 responses)

		Level of importance of Users PSEs Financial Reports							
Users		0 (NI)	1	2	3	4	5 (VI)	Mean	Std. Dev.
Office of the Auditor-General	N		3		10	13	82		
	%		(2.8%)		(9.3%)	(12.0%)	(75.9%)	4.58	0.877
	N	2	4		6	13	81		
The Auditor	%	(1.9%)	(3.8%)		(5.7%)	(12.3%)	(76.4%)	4.52	1.097
	N		1	5	12	21	69		
The Government/Crown	%		(0.009%)	(4.6%)	(11.1%)	(19.4%)	(63.9%)	4.41	0.928
	N	2	4	8	8	30	55		
The Relevant Government Minister	%	(1.9%)	(3.7%)	(7.5%)	(7.5%)	(28.0%)	(51.4%)	4.10	1.236
Parliament (Relevant Select	N	1	6	8	21	22	48		
Committee)	%	(0.009%)	(5.7%)	(7.5%)	(19.8%)	(20.8%)	(45.3%)	3.90	1.272
	N	3	10	12	17	21	44		
General public/ Taxpayers/ Ratepayers	%	(2.8%)	(9.3%)	(11.2%)	(15.9%)	(19.6%)	(41.1%)	3.64	1.482
Lenders/Creditors of Your Entity	N	26	7	11	14	14	33		
	%	(24.8%)	(6.5%)	(10.5%)	(13.3%)	(13.3%)	(31.4%)	2.78	1.995
Customers/Clients of Your Entity	N	10	7	11	32	21	25		
	%	(9.4%)	(6.6%)	(10.4%)	(30.2%)	(19.8%)	(23.6%)	3.15	1.536
Regulatory Bodies/ Monitoring	N	12	6	9	5	6	23		
Agencies	%	(19.7%)	(9.8%)	(14.8%)	(8.2%)	(9.8%)	(37.7%)	2.92	1.994
Local Government New Zealand	N	23	11	18	19	15	18		
(LGNZ)	%	(22.1%)	(10.6%)	(17.3%)	(18.3%)	(14.4%)	(17.3%)	2.44	1.773

Users		Level of importance of Users PSEs Financial Reports 0 (NI)	1	2	3	4	5 (VI)	Mean	Std. Dev.
NZ Society of Local Government Managers (SOLGM)	N	25	18	12	20	13	14		
	%	(24.5%)	(17.6%)	(11.8%)	(19.6%)	(12.7%)	(13.7%)	2.20	1.758
The Media	N	3	12	15	41	23	12		
	%	2.8%	11.3%	14.2%	38.7%	(21.7%)	(11.3%)	2.99	1.238
International Governmental Organisations	N	27	8	4	2	4	6		
	%	(52.9%)	(15.7%)	(7.8%)	(3.9%)	(7.8%)	(11.8%)	1.33	1.818
Suppliers of Goods or Services to Your Entity	N	13	24	29	27	6	8		
	%	(12.1%)	(22.4%)	(27.1%)	(25.2%)	(5.6%)	(7.5%)	2.12	1.365
Academics/Researchers	N	11	20	19	34	18	4		
	%	(10.4%)	(18.9%)	(17.9%)	(32.1%)	(17.0%)	(3.8%)	2.38	1.348

NI - Not Important ; VI - Very Important

Table 5.4 provides information regarding the analysed response employed in answering the part (b) research goal of the first research question of the study. This table presents the outcomes related to the research query investigating how preparers of PSEs perceive the users of their financial reports. To examine the perceptions surrounding the users of PSEs' financial reports, preparers were provided with an empirically determined list of 15 potential users to choose from. This list was thoughtfully selected, drawing from identified and prescribed users of financial reports, (Brusca & Montesinos, 2006; Coy et al., 1997; IPSASB, 2014; Krambia-Kapardis et al., 2016; Laswad & Redmayne, 2015; Mack & Ryan, 2007). Respondents were then asked to identify their perceived user in terms of importance, allowing for an examination of their perspectives and priorities regarding the users of their financial reports.

The table presents response rate as the primary metric, with the corresponding percentage rate in bracket for each category of user. This analysis discloses insights into how the Office of the Auditor-General (OAG) is perceived to be the most important user of PSEs annual reports by the respondents. This assertion is demonstrated by a substantial response rate of 82 (75.9%), indicating a consensus among respondents regarding the paramount importance of catering to the OAG's requirements and expectations in their reporting obligation. 13 respondents (12%) express a view that the OAG is an important user, while an additional 10 respondents (9.3%) consider the OAG to be of some importance, albeit slightly so. Only a small portion 3 respondents (2.8%) perceive the OAG as having little importance as a user of the PSE annual report. These findings highlight the perceived significance of the OAG as a prominent stakeholder in public sector reporting framework in New Zealand. In a 2016 report Provost (2016) emphasized the crucial role of the Auditor-General in the New Zealand public sector – with respect to providing assurance to stakeholders on the accuracy of reports prepared by reporting entities. This assurance is evidence to the fact that the information presented by public sector entities must align with the required accounting standards, and effectively capture the entity's performance for the reporting period. Similarly, Hay and Cordery (2021) revealed the Auditor-General's standing as the utmost audit institution and provides value to stakeholders. As a result, a compelling argument can be made that financial preparers are inclined to adhere to reporting practices that align with the standards and guidelines set forth by the OAG, serving as an oversight entity for PSEs. This observation highlights a significant decoupling between the prescribed and actual users of PSE financial reports, as perceived by the preparers. The OAG's position is primarily one of governance, audit, and ensuring the reliability and accountability of PSE financial reports. While the role involves a comprehensive review of these reports for accuracy and compliance, it arguably may not inherently imply a primary utilization of these reports for their own operational needs. This is because the information contained in these reports are intended to be used by others for whom the Auditor-General equally has agency to provide assurance to regarding the quality and accuracy of the information reported.

This implies that the perception of prepares regarding the Office of the Auditor-General's role as a primary user of PSE financial report could be attributed to the function as an oversight body that ensure PSE comply with the obligation required to be followed by PSE in New Zealand's public sector reporting system. It reveals a clear predisposition among PSE preparers to align their reporting practices closely with the expectations and requirements stipulated by the OAG. Furthermore, this indicates an obvious tendency among PSE preparers to diligently tailor their reporting practices to harmonize with the specific expectations and stringent requirements set forth by the OAG.

In addition, this preference toward alignment points out the trust and credibility that users, both internal and external to PSEs, place in the OAG's assessment and validation of these financial reports. It signifies that the OAG's scrutiny and endorsement carry significant weight, reassuring the users of these reports that they can rely on the information provided with confidence. While the Office of the Auditor-General undoubtedly holds a crucial role in overseeing PSEs financial reporting systems, it is essential to note that the OAG should not be regarded as a prescribed user of PSE financial reports. This emphasizes the importance of distinguishing between regulatory oversight and direct use when assessing the users of PSE financial reports.

The gap between prescribed and perceived users of PSE financial reports serves as a reminder of the intricacy inherent in the public sector's reporting ecosystem. While supervisory bodies like the OAG are essential for maintaining integrity and accountability, it's also crucial to recognize the broader audience that relies on these reports, ranging from internal to external stakeholders. This highlights the necessity for preparers to carefully understand the diverse range of users and their specific information needs, ensuring that reporting practices remain relevant and effective in serving the diverse set of stakeholders.

Furthermore, according to the data presented in Table 5.4, preparers of PSE financial reports perceive the Auditor as the second most significant user of these reports. The analysis reveals that 81 respondents, constituting 76.4% of the total, consider the Auditor to be a highly important user of PSE annual reports. Another 13 respondents (12.3%) regard the Auditor as an important user, while 6 respondents (5.7%) view the Auditor as slightly important. In contrast, 4 respondents (3.8%) perceive the Auditor to be of limited importance, and only 2 respondents (1.9%) do not regard the Auditor as an important user of PSE annual reports.
Keerasuntonpong and Cordery (2018) evaluating the measures undertaken by the Auditor

General to improve service performance reporting within New Zealand's local government entities. The findings indicate that regulatory compliance, normative influence from professionals, specifically the perspectives of auditors, in conjunction with legitimation and the emulation of best practices, collectively impact service performance information in financial reports. Consequently, it can be argued that, in practice, preparers of PSE financial reports may lean towards aligning their perspectives with those of auditors during the report preparation process, essentially considering auditors as end-users of the report.

This finding can be attributed to the position played by auditors as partners working in correlation or partnership with the Office of the Auditor General to ensure that PSEs adhere to precise reporting standards and guidelines. Auditors thoroughly scrutinize financial reports, certifying their compliance with regulatory requirements and their alignment with the objectives set for reporting in the public sector. Although, auditors are not explicitly designated as users of PSE financial reports, they are entrusted with the crucial responsibility of overseeing the public sector reporting environment, ensuring strict adherence to all prerequisites for PSE financial reporting.

Moving on to the next category of users, the study also found that Government or the Crown holds a significant position in the perception of those who prepare PSE annual reports. Out of the total respondents, a considerable 69 participants, constituting 63.9% of the respondents, perceive that the Government or Crown is a very important user of these reports. A further breakdown of the responses reveals that 21 respondents, equivalent to 19.4%, consider the Government or Crown to be an important user of PSE annual reports. Additionally, 12 respondents (11.1%) view the Government or Crown as slightly important, while 5 respondents (4.6%) express the opinion that the Government or Crown is somewhat unimportant as a user of these reports. It is noteworthy that only 1 respondent, a small percentage of 0.009%, regards the Government or Crown as of little importance in their capacity as users of PSE annual reports.

Prior studies such as Jorge et al. (2016) and van Helden and Reichard (2019) explain the role of government, acting as the custodians of citizen interests, play a fundamental role in the utilization of PSE financial reports. Thus, a common conclusion reached regarding the users of PSE financial reports is the role of government as the representative of citizens, their active participation in decision-making and their responsibility for policy, programs, and project as well as accountability are seen or either assumed as a primary user of PSE financial reports information (Jorge et al., 2016; van Helden & Reichard, 2019).

The result show that significant number of respondents acknowledge the Government/Crown as very important users reveals the significance attached to these reports in the broader context of public administration and governance. One plausible explanation for the perception of the Government or Crown as a primary users of PSE financial reports may stem from their role in monitoring and evaluating the performance of public entities in achieving their established goals and objectives. These reports serve as a valuable tool for these entities to measure their progress and effectiveness in delivering on their objective. Furthermore, the Government or Crown may rely on these reports as a means of conducting self-review and assessment. They can use the information contained in these reports to assess their own policies, strategies, and resource allocation, ultimately aiding in decision-making and course correction. In this manner, the reports not only facilitate external oversight but also support the internal governance and strategic planning processes of the Government or Crown, fostering accountability and transparency in the public sector.

The Government or Crown are not traditionally classified as prescribed users the of PSE financial reports by conceptual framework. Nevertheless, the results presented above challenge this notion, raising the question of whether the prescribed users truly reflect the reality of who uses these reports. This contrast emphasizes a plausible disconnect between the prescribed users and the users identified by preparers, highlighting a disparity in perception. This emphasizes a reconsideration of the established framework for identifying users in the context of PSE financial reporting, as it may not fully align with the practical realities and stakeholders who rely on these reports.

Following next is the finding for government ministers as well as parliament which could be discussed together considering they serve as representatives of users (i.e., representing resource providers and service recipients). Table 5.4 provides further insights into how respondents perceive the relevance of the government minister and the parliament (relevant select committee) as users of PSE annual reports. Regarding the government minister, the data reveals that a substantial 55 respondents (51.4%) perceive the relevant government minister as a highly significant user of PSE annual reports. An additional 30 respondents (28.0%) regard the government minister as an important user, recognizing their role in utilizing these reports. In contrast, 8 respondents (7.5%) consider the government minister to be slightly important, and another 8 respondents (7.5%) view them as somewhat unimportant users of PSE annual reports. Furthermore, 4 respondents (3.7%) believe that the government minister is not an important user of these reports, while 2 respondents (1.9%) hold the view that the government minister is entirely unimportant user.

Furthermore, the Parliament (relevant select committee), a total of 48 respondents (45.3%) perceives the Parliament as an exceptionally important user of PSE annual reports. An additional 22 respondents (20.8%) consider the Parliament to be an important user, acknowledging the substantial role they play in relying on these reports for oversight and decision-making. Moreover, 21 respondents (19.8%) believe that the Parliament is only slightly important as a user, while 8 respondents (7.5%) express the opinion that the Parliament is somewhat unimportant. Six respondents (5.7%) consider the Parliament to be a user of limited importance, and only 1 respondent (0.009%) holds the view that the Parliament is not an important user of PSE annual reports.

The identification of both government ministers and the parliament as primary user groups of PSE financial reports offer evidence that these stakeholders align with the conceptual framework's defined roles of representatives of service recipients and resource providers. Previous studies (e.g., Caruana & Farrugia, 2018; van Helden & Reichard, 2019) provide evidence on the use of PSE financial reports by ministers as well as those in parliament. For example, van Helden and Reichard (2019) provide evidence to the fact that politicians do indeed utilize public sector financial reports for several decision-making tasks. While the study shed light on this essential insight it left considerable issues unexplored in this domain.

Likewise, Caruana and Farrugia (2018) examined how Members of Parliament (MPs) in Malta engage with and use public sector financial reports as part of their decision-making processes. The authors contend that their research provides evidence that Maltese MPs use PSE financial reports for decision-making, aligning with the objective outlined by IPSASB (2014). Nevertheless, their findings uncover a noteworthy contradiction. While participants claim to rely on public sector financial reports, the actual utilization of GPFRs for decision-making appears to be limited. In a related study, Pajković et al. (2023) revealed that politicians primarily utilize PSE financial reports, with a specific focus on information regarding revenue, expenses, receipts, and expenditure. These categories provide valuable insights for politicians in effectively managing public resources and overseeing budget execution. Importantly, the research highlights the significant impact of legislative responsibilities on both the utilization and perceived usefulness of these reports.

Hence, government ministers, acting as representatives of service recipients, draw upon these financial reports to evaluate the quality, efficiency, and impact of public services and programs. Their focus is on ensuring that these services effectively meet the needs and expectations of the citizens they serve. Consequently, these reports become invaluable tools for assessing the delivery of public services and making informed decisions to enhance the well-being of their constituents. In parallel, Parliament, embodying the role of representatives of resource providers, utilizes PSE financial reports to scrutinize the allocation and management of public funds and resources. Their aim is to guarantee that taxpayer dollars are allocated efficiently and transparently, in line with the government's policy priorities and public interest. By relying on these reports, Parliament fulfils its responsibility of upholding fiscal responsibility and accountability in the public sector. Each group plays a unique and vital role in the governance, oversight, and delivery of public services, emphasizing the necessity for comprehensive and tailored financial reporting that meets their distinct informational needs. This approach not only strengthens transparency and accountability but also promotes responsible resource allocation and sustainable service delivery to the benefit of the broader community.

The perception of preparers regarding Government ministers and Parliament as users of PSE financial reports is in line with the prescribed users defined by the conceptual framework. This shows the significance of these stakeholders in the context of public sector reporting. Although they may not be positioned as the most prominent users, their reliance on these reports reflects the diverse interests and needs that financial reports serve. The evident use of PSE financial reports by Government ministers and Parliament enables transparency, accountability, and informed decision-making across a wide variety of public sector activities.

Additionally, Table 5.4 presents the findings concerning the perceived importance of the general public as a user group. 44 respondents, constituting for 41.1% of the total, view the general public, taxpayers, and ratepayers as very important users of PSE annual reports. 21 respondents (19.6%) consider these groups to be important users, confirming their relevance. While 17 respondents (15.9%) consider them to be only slightly important users, suggesting that they play a role but may not be the primary focus. 12 respondents (11.2%) view them as slightly unimportant users, signifying a perception that their influence on decision-making is limited. Furthermore, 10 respondents (9.3%) believe that the general public, taxpayers, and ratepayers are of little importance as users of PSE annual reports, indicating a lower level of engagement with these reports. Only 3 respondents (2.8%) consider them not important users at all, suggesting that their role is largely negligible in this context.

As per the IPSASB conceptual framework (IPSASB, 2014), these user groups are prescribed as primary users, with the expectation that they will rely on public sector financial report information for both resource allocation and service delivery, as well as for ensuring accountability and informed decision-making. However, the practical utilization of PSE financial reports by the general public, taxpayers, and ratepayers remains somewhat unclear. Prior studies have endeavoured to pinpoint the users of PSE financial reports, with varying outcomes. For example, research conducted by (Alijarde, 1997; ButterWorth et al., 1989; Coy et al., 1997; Laswad & Redmayne, 2015) has attempted to shed light on this matter. Coy et al. (1997) for instance, found that the users of public sector financial reports were predominantly internal, with scant evidence of external users. This discovery suggests that the primary consumers of these reports may often be individuals within the public sector itself.

Similarly, Brusca and Montesinos (2006) examined the influence of public sector financial report information on voting behaviour in Spain. Their findings indicated that citizens' access to public sector financial information was limited and had little to no impact on voting decisions. This suggests that the general public's engagement with these reports may be constrained. Additionally, internal users, such as managers, have also been recognized as consumers of PSE financial report information (Laswad & Redmayne, 2015). This highlights the idea that internal stakeholders within public sector entities actively use these reports for managerial decision-making and resource allocation. While the framework prescribes certain groups as primary users, the utilization of these reports is more related, with internal stakeholders playing a significant role, and external users such as the general public having little, or no use of the information contained within these reports.

As can be seen from the table 5.4, the next perceived users are lenders and creditors, the survey results indicate that 33 respondents (31.4%) perceive them as very important users of PSE annual reports, highlighting their critical role in assessing financial health and creditworthiness. Furthermore, 14 respondents (13.3%) consider lenders and creditors to be important users, recognizing their significance. Other response showed that 14 respondents (13.3%) regard them as only slightly important users, suggesting a degree of influence that may vary depending on the situation. Additionally, 11 respondents (10.5%) see them as slightly unimportant users, implying that their role in decision-making may be limited in certain contexts. Seven respondents (6.5%) consider that lenders and creditors are of little importance as users of PSE annual reports, highlighting the variability in their impact. Intriguingly, 26 respondents

(24.8%) do not consider them to be important users at all, indicating a perception that this group's relevance is minimal or entirely absent in the context of PSE annual reports.

The IASB conceptual framework categorizes lenders and creditors as resource providers (Ellwood & Newberry, 2016; External Reporting Board, 2018; Laswad & Redmayne, 2015). In the private sector several studies have being carried out regarding lenders and creditors as they are an integral part of the sector as resource providers (Budding & Helden, 2022; Perera et al., 2022; Warne, 2021). Therefore, in the context of the public sector, lenders and creditors can be regarded as users who provide resources to government entities. Consequently, they necessitate access to financial reports to formulate or impact decisions related to the service delivery objectives of government departments, agencies, or programs, as well as the allocation of resources to facilitate their achievement (IPSASB, 2014). Prior studies on public sector have also identified lenders and creditors as users(Coy et al., 1997; Daniels & Daniels, 1991; Mack & Ryan, 2007). Daniels and Daniels (1991) observe that users of PSE financial reports have varying needs. Lenders and creditors, for instance, primarily turn to financial report information when evaluating lending decisions, with a focus on the financial strength and stability of the entities in question. The findings of this study are consistent with that of Coy et al. (1997) suggesting that lenders and creditors may not be significant users of PSE financial information within the New Zealand context, as evidenced by the absence of financial borrowing.

Next the responses for customers/clients show that 25 respondents (23.6%) perceive that they are very important users of PSE annual reports, while 21 respondents (19.8%) consider them to be important users. A total of 32 respondents (30.2%) believe that customers/clients are only slightly important users, while 11 respondents (10.4%) think they are slightly unimportant users. Seven respondents (6.6%) believe that customers/clients are of little importance as users of PSE annual reports, while 10 respondents (9.4%) do not consider them to be important users at all. The rating of this user group can be attributed to several factors. It can be argued that clients/customers could be categorised as service recipients as such would require PSE financial reports for decision making regarding services provided. Public service quality satisfaction has been examined by different scholars such as (Alemán et al., 2018; Carvalho & Brito, 2012). Alemán et al. (2018) evaluate factors influencing service quality that impact client satisfaction with public services. On the other hand, Carvalho and Brito (2012) argue that, similar to the private sector, there is increase pressure to evaluate the performance of public services. Nevertheless, these studies assessed customer/client service satisfaction by examining dimensions like quality through services rendered and not the utilization of financial reports information as a measure for decision-making regarding the services offered to them. This reveals the limited use of financial reports by these group of users. This highlights the limited utilization of financial reports by this user group, which subsequently explains the low ratings given by preparers regarding their use of financial reports.

Furthermore, the perceived importance of customers/clients may also be linked to the nature of the PSE's business or services. For instance, in sectors characterized by high levels of consumer interaction, such as retail or hospitality, customer perceptions and satisfaction often carry significant weight. The reliance on quality of service may be more pronounced in these sectors due to the direct impact on customer loyalty, trust, and engagement. In summary, the diverse ratings provided by respondents regarding the importance of customers/clients as users of PSE annual reports stem from the varying significance of these reports in influencing decision-making and their relevance within specific industries with distinct levels of customer interaction.

The response rate for regulatory bodies and monitoring agencies indicate that 23 respondents (37.7%) consider them to be important users of PSE annual reports. Meanwhile, six respondents (9.8%) believe that they are very important users. Additionally, five respondents (8.2%) think that regulatory bodies and monitoring agencies are only slightly important users, while nine respondents (14.8%) believe they are slightly unimportant users. Six respondents (9.8%) believe that regulatory bodies and monitoring agencies are of little importance as users of PSE annual reports, and 12 respondents (19.7%) do not consider them to be important users at all. The diverse ratings given by respondents can be attributed to several factors. Regulatory bodies/monitoring agencies offer oversight and scrutiny regarding professional practices within different sector (Greenwood et al., 2017). The study of Greenwood et al. (2017) investigated the influence of regulatory regime on the quality of financial reporting. The results reveal that the incentives to present high levels of financial performance, in the context of reduced monitoring, do not significantly compromise financial reporting quality.

The perception of their importance may be influenced by the effectiveness of previous interactions, the extent of regulatory requirements in the PSE's sector, and the level of engagement and cooperation between the PSE and other oversight bodies. That are regulators as well as monitoring agencies overseeing that PSE adherence to both legislative regulations and professional practices. In addition, responses rating on importance could stem from different views of preparers with some perceiving PSEs as highly transparent may view regulatory bodies as less important, while others prioritizing accountability may emphasize their role of regulatory bodies.

It is noteworthy that both these user groups, LGNZ and SOLGM, exclusively relate to local government PSEs, and their importance ratings are inherently biased towards this sector. They play vital roles as representatives of communities and decision-makers on their behalf. Their core functions encompass the development of local capabilities to enhance service delivery to local communities, along with providing professional development opportunities for staff and managers in leadership roles. Moreover, they actively promote innovation and excellence in regulatory and management practices within the local government context.

The results for Local Government New Zealand (LGNZ) show that 18 respondents (17.3%) view LGNZ as a very important user of PSE annual reports, while 15 respondents (14.4%) consider them to be important users. Additionally, 19 respondents (18.3%) believe that LGNZ is only slightly important, while 18 respondents (17.3%) think they are slightly unimportant users. A total of 11 respondents (10.6%) considers that LGNZ is of little importance as a user of PSE annual reports, while 23 respondents (22.1%) do not consider them to be important users at all. It should be noted that this user group pertains only to local governments, which is a subgroup of the sample. Similarly, the survey results for the New Zealand Society of Local Government Managers (SOLGM) show that 14 respondents (13.7%) believe SOLGM is a very important user of PSE annual reports, while 13 respondents (12.7%) consider them to be important users. However, 20 respondents (19.6%) believe that SOLGM is only slightly important, while 12 respondents (11.8%) think they are slightly unimportant users. A further 18 respondents (17.6%) believe that SOLGM is of little importance as a user of PSE annual reports, while 25 respondents (24.5%) do not consider them to be important users at all. It is important to note that this user group also pertains only to local government as a subset of the sample. Although studies such as (Baskerville & Fairey, 2014; Chatterjee et al., 2017; Hay & Cordery, 2021) have attempted to examine local government reporting practices. These studies have not assessed LGNZ and SOLGM as users of PSE financial reports. For instance, Baskerville and Fairey (2014) evaluated the impact of regulatory changes in New Zealand's public sector financial reporting. The findings provide insights into initial reactions to change, they acknowledge that over time, stakeholders may adapt and revert to sector-specific practices.

Chatterjee et al. (2017) focuses on investigating the relationship between the information requirements of Annual Report Readers (ARRs) and the perceptions of Infrastructure Information Providers (IIPs) regarding the usefulness of infrastructure information items, as well as examining how these factors affect the disclosure of infrastructure information. Finding identify various reasons for this gap, including adherence to IFRSs, a lack of legislative reporting requirements, insufficient resources, and a lack of interest in annual reports. The study contributes to theoretical development by proposing a model of contextual factors influencing infrastructure reporting. In summary, the ratings of importance assigned to LGNZ and SOLGM are inherently influenced by their direct association with local government entities, reflecting their critical roles in local governance, community representation, and the enhancement of local services.

Regarding the media's role in utilizing PSE financial reports, the survey results reveal varying degrees of importance attributed by respondents. Specifically, 12 respondents (11.3%) consider the media to be very important users of these reports, while 23 respondents (21.7%) view them as important users. In addition, 41 respondents (38.7%), 15 respondents (14.2%), 12 respondents (11.3%), and 3 respondents (2.8%) respectively perceive the media as slightly important, slightly unimportant, of little importance, or not important at all as users of PSE annual reports. The findings of this study align with those of (Coy et al., 1997) , who similarly noted that the media were not typically regarded as primary users of PSE financial reports. In both studies, only a small number of respondents acknowledged the media's role in financial report usage.

While PSE annual reports can serve as a source of information for the media, the media is not traditionally regarded as a primary user of these reports. Instead, they often use data from these reports, particularly details about the annual budget announced by the finance minister, to create reports and provide information for the general public. In such instances, the media may utilize PSE reports to communicate government expenditures and set targets for the year using information sourced from central government budgets.

The media's involvement with PSE annual reports is primarily focused on making government financial information accessible to the public and interpreting the implications of this data. The limited importance ascribed to the media in the context of PSE annual reports may be attributed to their auxiliary role as interpreters and communicators of government financial data rather than as direct users. Their significance lies in their capacity to bridge the gap between complex financial reports and the public, enhancing public understanding of government financial matters.

When examining the response rate for international governmental organizations, the survey results reflect varied perspectives on their importance as users of PSE Financial reports. Specifically, 6 respondents (11.8%) consider international governmental organizations to be very important users, while 4 respondents (7.8%) regard them as important users. In contrast, only 2 respondents (3.9%) believe that international governmental organizations are slightly important users, 4 respondents (7.8%) perceive them as slightly unimportant users, and 8 respondents (15.7%) view them as of little importance as users. Notably, the majority, 27 respondents (52.9%), do not regard international governmental organizations as important users of PSE annual reports. The role of international governmental organizations in the changes in financial reporting regimes of non- profit organisations as well as resource dependent countries such as developing economies has been explored (Cordery et al., 2019; Hopper et al., 2017). International governmental organizations often provide resources and support to governments in difficult position needing assistance, which would necessitate the submission of financial reports to demonstrate the prudent use of these resources. These reports serve as instruments of accountability and inform future decision-making.

However, the limited response rate in this context can be attributed to the specific circumstances within New Zealand. It suggests that there may be no significant dependence on resources from international governmental organizations in the New Zealand context. This could be due to the country's relatively self-reliant position, well-established infrastructure, and robust domestic resource base, which may lessen the need for external assistance. As a result, the importance of international governmental organizations as users of PSE annual reports may be diminished in this context.

Furthermore, table 5.4 presents an overview of the respondents' perspectives on the importance of suppliers as users of PSE financial reports. Among the total respondents, 8 persons (7.5%) consider suppliers to be very important users, while 6 respondents (5.6%) view them as important users. Additionally, the distribution of responses indicates that 27 respondents (25.2%) regard suppliers as slightly important, 29 respondents (27.1%) consider them slightly unimportant, 24 respondents (22.4%) perceive them as of little importance as users, and 13 respondents (12.1%) do not regard them as important users of PSE annual reports. Suppliers are regarded as very important and important users by a combined 13.1% of respondents. This likely reflects the significant role suppliers play in the procurement process and the supply chain of PSEs. High ratings may be due to the direct impact that PSE decisions have on suppliers' business operations. On the other hand, nearly a quarter of respondents perceive suppliers as slightly unimportant, of little importance, or not important users. This may suggest that some respondents do not see suppliers as direct stakeholders who rely heavily on the information in PSE annual reports for their business relationships.

The opinions of respondents regarding the importance of academics and researchers as users of PSE annual reports are as follows: 4 respondents (3.8%) believe that academics/researchers are very important users, 18 respondents (17.0%) consider them important users, and 34 respondents (32.1%) believe they are slightly important users. On the other hand, 19 respondents (17.9%) deem them slightly unimportant users, 20 respondents (18.9%) believe they are of little importance as users, and 11 respondents (10.4%) do not consider them important users at all. Academics and researchers serve multiple roles in studying and analysing public sector performance in the light of studies engaged by this group of users. The fact that 52.9% of respondents rate them as important users (very important or important) suggests their significance as contributors to the understanding and improvement of public sector practices.

On the contrary, 48.3% of respondents perceive academics/researchers as slightly unimportant, of little importance, or not important users. This variation could be attributed to the diverse perspectives on the practical impact of academic research on PSEs' operations or the extent to which their work directly influences decision-making. Despite the way suppliers, academics, and researchers are rated as users of PSEs' financial reports, it's important to note that they aren't classified as prescribed users according to the conceptual framework (Caruana & Farrugia, 2018; Coy et al., 1997). Caruana and Farrugia (2018) point out that academics often hold a degree of scepticism when it comes to relying on PSE financial reports for making decisions. This scepticism suggests that academics may have reservations about the relevance of the information presented in these reports. Consequently, their perceived importance as users might not align with their actual usage or reliance on PSE financial reports in their research and decision-making processes.

The findings presented in Table 5.4 offer insights into how preparers perceive the importance of various users of PSE financial annual reports. Notably, the Office of the Auditor-General (OAG), the Auditor, and the Government/Crown are consistently ranked as the most important users. These results are in line with prior studies, such as those conducted (Alijarde, 1997; Coy et al., 1997; Priest, Ng & Dolley, 1999; Taylor & Rosair, 2000). This alignment with previous research suggests a robust consensus among preparers regarding the significance of these users. The recognition of the OAG, the Auditor, and the Government/Crown as very important users likely stems from the inherent need to fulfil statutory requirements and ensure compliance with regulations. As mentioned earlier, this emphasizes the compliance to regulatory requirements to provide financial reports to users, a fundamental aspect for PSE preparers. Additionally, the usage of PSE financial reports by the Government/Crown serves a dual purpose. It not only enables the assessment of PSE performance but also facilitates the evaluation and review of how the entities utilize the funds provided. This scrutiny ensures that resources are used efficiently and effectively, ultimately contributing to the delivery of essential public services.

However, the findings also reveal that the General public, taxpayers, and ratepayers are perceived as less important users by PSE preparers. This viewpoint aligns with the results of (Alijarde, 1997; Brusca & Montesinos, 2006). While the study of Priest, Ng & Dolley (1999) affirms that the general public show little demand for financial reports of PSEs. Contrastingly, Daniels and Daniels (1991) where a strong interest by this user group was found. This difference in perception highlights the variety of opinions among preparers about the General public's role in using PSE financial reports. It may be indicative of varying expectations and engagement levels with this user group. To bridge this gap, it is essential for PSEs to maintain transparency and open lines of communication with the General public, as well as to consider their information needs, to ensure that their financial reports remain relevant and accessible to a broader audience.

Collectively this suggest that in the hierarchy of priorities for PSE preparers, meeting legislative and regulatory requirements takes precedence over providing information to the public, taxpayers, ratepayers, lenders, and customers. This emphasis on compliance likely stems from the limited interest in, or utilization of, PSE financial reports by the public, taxpayers, and ratepayers, as evidenced in previous studies conducted by (Alijarde, 1997; Brusca & Montesinos, 2006; Coy et al., 1997; Priest, Ng & Dolley, 1999). The lower importance rating assigned to lenders and customers could be attributed to several factors. Firstly, PSEs, especially local government entities, often enjoy a degree of autonomy in raising revenue independently through mechanisms such as rates and support from the central government. This self-sufficiency may diminish the immediate reliance on lenders and customers for financial resources.

Furthermore, lending regulations might play a role in shaping the perception of lenders as less significant users of financial reports in this context. PSEs might not consider lenders as primary users due to the stringent requirements and regulations governing their lending agreements. This implies that compliance and adherence to these lending arrangements are likely more pressing concerns than accommodating lenders as users of the financial reports. The prioritization of meeting legislative and regulatory requirements over catering to the informational needs of the public, taxpayers, ratepayers, lenders, and customers reflects the practical realities faced by PSE preparers. It is a response to the limited interest and usage of financial reports by certain user groups and the specific characteristics and regulations governing lending and revenue generation within the public sector.

5.3.4 Importance of information content of financial reports

The financial information contents were classified into two main categories based on their intended purposes: accountability and decision-usefulness. To provide a better understanding of the respondents' perceptions regarding these categories, Table 5.5 presents the descriptive statistics of response, mean, and standard deviation. Panel A presents the statistics for accountability and Panel B for decision-usefulness. These statistics offer insights into how frequently each category was selected and how the respondents rated the importance of these contents on average, as well as the extent of variation in their responses.

Table 5.5 Analysis of Information Content presented in Annual Financial Reports

Panel A. Accountability Information Items

		Level of Importance of information in Financial Reports							
Information Items		0(NI)	1	2	3	4	5(VI)	Mean	STd.Dev
Compliance with regulatory requirements	N	1	3	3	13	23	64		
	%	0.009%	2.8%	2.8%	12.1%	21.5%	59.8%	4.30	1.075
Ability to achieve its operating and financial objectives	N			6	11	36	54		
	%			5.6%	10.3%	33.6%	50.5%	4.29	0.869
Ability to manage the resources it is responsible for	N			5	16	32	54		
	%			4.7%	15.0%	29.9%	50.5%	4.26	0.883
Discharge of governance responsibilities within your entity	N	1	1	6	11	30	58		
	%	0.009%	0.009%	5.6%	10.3%	28.0%	54.2%	4.26	1.022
Consistent and comparable information about your entity's performance over time	N			2	19	46	40		
	%			1.9%	17.8%	43.0%	37.4%	4.16	0.779
Information that is unbiased	N	1		6	18	40	42		
	%	0.009%		5.6%	16.8%	37.4%	39.3%	4.07	0.968
Efficiency and effectiveness of service delivery	N	2	2	3	22	37	41		
	%	1.9%	1.9%	2.8%	20.6%	34.6%	38.3%	3.99	1.086
Ability to meet current and long-term obligations	N	3	4	5	15	34	46		
	%	2.8%	3.7%	4.7%	14.0%	31.8%	43.0%	3.97	1.247
Easily accessible information to users	N	1	4	7	19	40	36		
	%	0.009%	3.7%	6.5%	17.8%	37.4%	33.6 %	3.88	1.122
To meet the expectations of users regarding the discharge of assigned governance responsibilities	N		3	13	23	29	39		
	%		2.8%	12.1%	21.5%	27.1%	36.4%	3.82	1.139
Resources available for future services. (Resource in terms of cash, borrowings, revenue, human capital, assets, and material)	N	3	6	10	13	30	44		
	%	2.8%	5.7%	9.4%	12.3%	28.3%	41.5%	3.82	1.365
Discharge of managerial responsibilities within your entity	N	1	3	14	22	38	29		
	%	0.009%	2.8%	13.1%	20.6%	35.5%	27.1%	3.68	1.146
Ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities	N	2	8	15	25	30	27		
	%	1.9%	7.5%	14.0%	23.4%	28.0%	25.2%	3.44	1.312
Cost recovery information for future services	N	17	14	19	19	21	17		
	%	15.9%	13.1%	17.8%	17.8%	19.6%	15.9%	2.60	1.682

Panel B Decision-usefulness

Information Items		0 (NI)	1	2	3	4	5(VI)	Mean	Std Dev
		Level of Importance of Information in Financial Reports							
Strategic intentions to improve your entity's operations and meet set targets	N	2	2	7	19	37	40		
	%	1.9%	1.9%	6.5%	17.8%	34.6%	37.4%	3.93	1.135
Assisting users in their assessment of the entity	N	1	3	8	26	38	31		
	%	0.009%	2.8%	7.5%	24.3%	35.5%	29.0%	3.78	1.093
The capability to adapt to changing circumstances is likely to impact the nature or composition of its service delivery	N	2	5	12	21	40	27		
	%	1.9%	4.7%	11.2 %	19.6%	37.4%	25.2%	3.62	1.218
To meet the expectations of users regarding the discharge of assigned managerial responsibilities	N	2	9	16	24	32	24		
	%	1.9%	8.4%	15.0 %	22.4%	29.9%	22.4%	3.37	1.314
Comparable with that of other similar entities	N	6	5	18	21	37	19		
	%	5.7%	4.7%	17.0 %	19.8%	34.9%	17.9%	3.27	1.370
Information that enables users to predict the future performance of your entity	N	3	10	22	27	34	11	3.05	1.254
	%	2.8%	9.3%	20.6 %	25.2%	31.8%	10.3%		
Information that enables users to predict the future sustainability of the continuity of services of your entity	N	4	14	18	15	35	21		
	%	3.7%	13.1%	16.8 %	14.0%	32.7%	19.6%	3.18	1.459

5.3.4.1 Accountability

This section provides the breakdown of the descriptive statistics with respect to the accountability items of public sector PSEs financial statement information content as highlighted in Panel A of Table 5.5. The accountability information items encompass a total of 14 constructs conceptualised following the requirements of the conceptual framework (IPSASB, 2014, p. 17). The results reveal a range of mean values, ranging from 2.60 to 4.30, with the constructs ordered in hierarchical order, reflecting their relative importance.

Of particular interest is the item relating to the "compliance of regulatory requirements by PSEs" which stands out with the highest mean score of 4.30 (SD = 1.075). This notable rating emphasizes the significance that respondents attribute to PSEs adherence to regulatory standards as well as reporting requirement, thus positioning it as the utmost aspect of their discharge of accountability. The result broadly highlights the role that compliance plays in attaining accountability and transparency PSEs in reporting (Daniels & Daniels, 1991). The respondents' affirmation of this aspect not only emphasizes its core significance in financial reporting for PSEs, but it also suggests an intriguing perspective. It appears that, to a certain extent, preparers might be more focused on fulfilling reporting requirements, which could debatably be essentially "ticking the box" to demonstrate their compliance with statutory obligations in their information provision. This aligns with the conclusions of study by Daniels and Daniels (1991) which also observed a strong validation of external expectations from stakeholders in relation to PSEs adhering to regulatory requirements. It reinforces the notion that stakeholders, be they government bodies, investors, or the public, hold a collective interest in the diligent adherence of PSEs to the established regulatory frameworks. Moreover, the preparers' perspective on the significance of regulatory compliance could be rooted in the heightened scrutiny that PSEs face in fulfilling their responsibilities and ensuring they remain in strict compliance with the intricate and evolving landscape of regulatory standards. This scrutiny highlights the need for PSEs to prioritize and effectively communicate their commitment to regulatory compliance, as any divergence could have far-reaching implications for trust, accountability, and public confidence in these entities.

Closely following, with mean scores of 4.29 (SD = 0.869) and 4.26 (SD = 0.883) respectively, are the items concerning "information about [PSEs] ability to achieve [their] operating and financial objectives" and "information about your entity's ability to manage the resources it is responsible for." These robust scores signify the critical role these constructs play in the views of the respondents when it comes to PSE reporting. At the heart of any organization's mission lies the fundamental aim of effectively achieving the goals it has set, encompassing both operational and financial objectives. As a result, organizations are compelled to present this information within their financial reports, demonstrating the attainment of their established objectives. This not only serves as a means to facilitate resource providers' assessments of the entity but also influences their decisions on whether to continue supporting the organization financially. PSEs are likewise held to the same standard, requiring them to provide information in meeting both operating and financial objectives, serving as a vital means for both internal evaluation and external scrutiny by stakeholders (IPSASB, 2014, p. 15). Furthermore, PSEs are obligated to provide details in their financial reports how they have managed the resources they are entrusted with (Igboke & Raj, 2021; Lourenço et al., 2013; Murphy et al., 2013; Redmayne et al., 2021; Schillemans, 2016). This not only signifies the entity's overall performance but also offer support to the evaluations conducted by both service recipients and resource providers (IPSASB, 2014, p. 15).

In a similar vein, the item focused on the "discharge of governance responsibilities within

[PSEs]" is also held in high regard, securing a mean score of 4.26 (SD = 1.022), affirming its noteworthy importance within the realm of accountability reporting. The effective execution of governance responsibilities within the entity serves as evidence to the significant role that the proper discharge of governance duties plays in maintaining the trust of stakeholders and ensuring the responsible stewardship of resources. With the ever-growing emphasis on corporate governance and ethical practices in today's public sector environment. Stakeholders, including investors, regulatory bodies, and the public, place great weight on an entity's capacity to govern itself effectively, manage risks, and uphold ethical standards (Arun et al., 2021; Ferry & Ahrens, 2022). Thus, the rating assigned to "discharge of governance responsibilities within your entity" affirms its status as an aspect of accountability reporting, reinforcing its role in instilling confidence and transparency in the operations of public sector entities.

The other accountability information items are presented in Table 5.5, Panel A, along with their corresponding means and standard deviations. The item "consistent and comparable information about [PSEs] performance over time" received a mean score of 4.16 (SD = 0.779), indicating its importance in providing stakeholders with a reliable basis for evaluating the entity's performance over time. Beyond mere numerical values, the significance placed on having a consistent set of information that can be effectively compared across different time periods. The convergence of financial reporting standards across entities and countries has been an area highlighted by prior studies (Christiaens et al., 2015; Christiaens & Neyt, 2014; Oulasvirta, 2014). For example, Christiaens et al. (2015) emphasize that the implementation of an accrual accounting system at the jurisdictional level significantly encourages the international and national comparability of financial information.

The item on the "information about [PSEs] report being easily accessible to users" received a mean score of 4.07 (SD = 0.968), suggesting that respondents value transparency and accessibility of information to stakeholders (Laswad et al., 2005; Pajković et al., 2023; Redmayne et al., 2021; Vermeer & Styles, 2019). Accessibility as well as ensuring that information is readily available and easy to access by stakeholders holds importance regarding accountability of PSE. This perspective aligns with the modern principles of open governance, where PSEs are expected to be transparent in their operations, making information easily attainable by those who have a vested interest in the entity's performance (OECD, 2019). The assessment of financial information within PSEs has been a subject of exploration by various scholars (Laswad et al., 2005; Styles & Tennyson, 2007; Vermeer & Styles, 2019). In their research, Vermeer and Styles (2019) examination of online accessibility and availability of audited financial statements for local government entities. Found a positive correlation between various forms of direct oversight, including voter involvement, audit processes, and state regulations, and the increased online availability and ease of accessibility of these local government audited financial statements. Over the years, the online accessibility and availability of financial reports from PSEs have seen significant expansion, mirroring the rapid advancements in technology. This progress has provided a robust platform for entities to increase disclosure and disseminate financial reports information on their organizational websites, along with other relevant information (Murdayanti & Khan, 2023; Windarti, 2020).

The item on the "information about [PSEs] ability [in terms of] efficiency and effectiveness of service delivery" received a mean score of 3.99 (SD = 1.086), highlighting the importance of disclosing information that demonstrates the entity's ability to deliver services efficiently and effectively. PSEs need not to only manage their finances effectively but also to demonstrate their ability to translate these financial resources into efficient and effective service delivery required by the recipients. Efficient use of resources given to PSEs in a way also measures their performance (Nogueira & Jorge, 2017; Pina et al., 2009; Verbeeten, 2008). Scholars have pointed out that public service delivery is an element of the New Public Management (NPM) principles. These principles have driven a transformation in the accounting framework, particularly through the adoption of accrual accounting within the public sector (Alonso et al., 2015; Arnaboldi et al., 2015; Nogueira & Jorge, 2017). This shift represents a strategic endeavour aimed at addressing and restructuring the inefficiencies that may exist within the public sector, with the overarching goal of enhancing its overall effectiveness and accountability.

The items addressing "information about [PSEs] ability to meet current and long-term obligations" and "resources in terms of cash, borrowings, revenue, human capital, assets, and material" obtained mean scores of 3.97 (with a standard deviation of 1.247) and 3.82 (with a standard deviation of 1.365), respectively. These ratings show the respondents perceive that financial reports provide information about their entity's financial resources and its capacity to fulfil its present and future obligations.

These ratings point out the importance of financial stability and fiscal responsibility for PSEs in meeting the expectations of their stakeholders. Be it the entity's liquidity, revenue streams, human resources, or physical assets, respondents are conscientious about ensuring the entity's financial well-being, encompassing both short-term and long-term solvency. By judiciously utilising resources in its care appropriately. Achieving and maintaining this financial health necessitates prudent resource allocation and management, aligning with the entity's overarching mission and objectives. By effectively utilizing the resources under their care, PSEs can ensure that they remain financially robust and capable of fulfilling their commitments over both the immediate and extended prospects. Thus, providing this information enables stakeholders to evaluate of the entity's financial sustainability and accountability. These aspects serve as a principle when assessing the entity's performance and its prospects, particularly in terms of securing additional funding or support. This transparency builds trust and confidence among stakeholders, reinforcing the entity's role in serving the public interest.

Additionally, the items related to "information on the discharge of managerial responsibilities within [PSEs]" and "information about [PSEs] ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities" received mean scores of 3.68 (with a standard deviation of 1.146) and 3.44 (with a standard deviation of 1.312), respectively. These ratings indicate responses regarding the entity's management practices and its responsibilities in terms of social and environmental issues. Stakeholders typically hold the expectation that managers, within the context of the private sector, are entrusted with the responsibility of prioritizing the best interests of business owners (Bui et al., 2020; Moses et al., 2021). Conversely, in the case of PSEs, the dynamic changes as these entities operate on behalf of the government, serving the broader welfare of the citizenry (Moses et al., 2021). Consequently, PSEs carry the unique responsibility of governing and managing resources under their stewardship in a manner that upholds the public interest and good governance principles.

Lastly, the item centred on "information about your entity's cost recovery for future services" received the lowest mean score of 2.60 (with a standard deviation of 1.682). This lower rating indicates that respondents perceived this aspect as relatively less critical for PSEs to disclose information about cost recovery for future services. It is essential to recognize that this doesn't diminish the importance of the item but rather points to the varied priorities and interests that stakeholders hold when it comes to PSEs' financial disclosures. This response can be attributed to the complex nature of cost recovery for future services. It may be a less immediate concern compared to elements such as financial stability, resource management, or accountability for past actions. However, this does not negate its significance; instead, it implies that stakeholders may prioritize other aspects when assessing the overall health and performance of PSEs (IPSASB, 2014).

In summary, the results of this analysis reveal patterns where respondents accorded different degrees of importance to various information items that constitute accountability within PSEs financial report information. This emphasis extended to several key areas, including regulatory compliance, the attainment of financial objectives, resource management, and governance responsibilities (Arun et al., 2021; Ferry & Ahrens, 2022).

First, the importance attributed to regulatory compliance indicates a strong demand for PSEs to adhere diligently to established standards and legal requirements (Daniels & Daniels, 1991; McVay & Szerwo, 2021). This not only reflects external expectations but also highlights the critical role of PSEs in upholding the rule of law and operating with transparency and integrity. The keen interest in the entity's ability to achieve its financial objectives highlights the stakeholders' emphasis on financial stability and the responsible stewardship of resources. It signifies the need for PSEs to not only set and meet their financial goals but also to communicate these achievements effectively to their constituents. Resource management, encompassing a broad spectrum of assets and human capital, emerged as a critical aspect. The emphasis here reflects stakeholders' concerns regarding the efficient allocation and utilization of resources, which are vital for an entity's sustained impact and success (Nogueira & Jorge, 2017; Pina et al., 2009; Verbeeten, 2008).

Additionally, the attention to governance responsibilities signifies the demand for effective leadership and prudent management within PSEs. This aspect extends beyond mere financial performance, emphasizing the significance of ethical and accountable management practices, which underpin public trust and confidence (OECD, 2019). In essence, these findings collectively point to the multilayered nature of accountability, where stakeholders value transparency, compliance, financial stability, efficient resource management, and ethical governance as fundamental elements in evaluating the performance and credibility of PSEs. This insight serves as a compass guiding PSEs in their efforts to meet the expectations of their diverse stakeholder groups.

5.3.4.2 Decision usefulness

Panel B of Table 5.5 offers a comprehensive view of the descriptive statistics of the seven information items that pertain to the construct of decision usefulness based on the conceptual framework (IPSASB, 2014) These items have mean values ranging from 3.05 to 3.93 and are thoughtfully organized in hierarchical order, with the highest mean values listed first. The role of decision-useful information in PSE financial reports has sparked significant debate, giving rise to numerous inquiries (Barton, 2002; Bergmann, 2012; Ismail, 2022; Kober et al., 2010; Laswad & Redmayne, 2015; Lennard, 2007; Murphy et al., 2013) Some scholars Barton (2000); Lennard (2007); Murphy et al. (2013) contend that the utilization of PSE financial reports for external decision-making remains contentious, while others acknowledge that their value for internal purposes has become more evident (Bergmann, 2012; Ismail, 2022; Kober et al., 2010; Laswad & Redmayne, 2015). Interestingly, these previous studies focused on assessing the decision usefulness of PSE financial reports through the examination of annual budget information and the qualitative characteristics of financial information, missing the opportunity of undertaken a comprehensive evaluation of the specific content items that comprise decision-useful information. Thus, making the insight from this current study of significant importance in terms of providing in-depth analysis of each constituent item that contributes to the information considered relevant for decision-making.

At the top of this hierarchy is the information item concerning PSEs providing insights into their "strategic intentions to improve [their] operations and meet set targets," which commands a robust mean of 3.93 and a standard deviation of 1.135. This high rating highlights the emphasis on the importance of transparently communicating an PSEs' strategic intentions and plans, which can guide stakeholders in understanding and aligning with the entities' objectives. PSEs reporting regimes seek to provide a wider range of valuable information, facilitating informed decision-making beyond mere transparency, while concurrently striving to enhance the efficient management of public resources (Nogueira & Jorge, 2017). Additionally, Nogueira and Jorge (2017) contended that PSEs have an obligation to provide users with comprehensive information regarding their activities, strategic plans, and performance, in addition to offering prospective insights into economic conditions and other relevant factors that hold the potential to impact their operations. Thus, an explanation for these results could be that preparers perceive that providing users with information about their entity's strategic intentions and plans further enhances the decision-making process by users regarding resources as highlighted in section 2.17 and 2.19, pg. 17 of the IPSASB conceptual framework.

Following closely is the provision of "information that assists users with the assessment of PSEs" with a mean of 3.78 and a standard deviation of 1.093. According to the IPSASB conceptual framework, financial information from PSEs serves the vital purpose of assisting users in their evaluation of the entity. It aids in determining whether the entity has acquired resources economically and employed them efficiently and effectively to achieve its service delivery objectives. This information encompasses data about the costs incurred in service delivery and the amounts sourced from cost recovery during the reporting period. Such insights enable users to ascertain whether operating costs were offset through means such as taxes, user charges, contributions, and transfers, or if they were financed through an increase in the entity's indebtedness(IPSASB, 2014; McVay & Szerwo, 2021; Pajković et al., 2023).

In addition to these assessments of financial performance, PSEs financial information also sheds light on the entity's liquidity and solvency, allowing users to gauge their financial health (Hashim et al., 2022). To enhance users understanding, interpretation, and contextualization of the data presented in the financial reports, GPFRs may include both financial and non-financial information. This supplementary information serves to enrich, complement, and provide additional context to the financial statements, covering a wide range of topics, such as government policies or other aspects pertinent to the public sector entity's operations (IPSASB, 2014, p. 16). The findings of the study demonstrate that those responsible for preparing financial reports hold the perception that providing information to stakeholders that facilitates the thorough assessment of their entities is important. This information serves the dual purpose of both facilitating their assessments on the entity’s accountability and empowering their decision-making processes concerning the entity. In other words, preparers believe that stakeholders highly value and actively seek data that not only helps them better evaluate the entity's performance and financial health but also equips them with valuable insights for making informed decisions related to the entity.

Another item is the one pertaining to "information about [PSEs’] capability to adapt to changing circumstances likely to impact the nature or composition of [their] service delivery," which obtained a mean of 3.62 and a standard deviation of 1.218. This emphasizes the importance of an entity's adaptability and its ability to navigate evolving contexts. PSEs are required to become more innovative to meet growing demands, adapting to changing circumstances for better services. Hashim et al. (2022) assessed the connection between dynamic innovation capabilities and their impact on innovation within the public sector. The research emphasized that PSEs contend with even more pronounced environmental changes compared to private sector firms. This is primarily due to the frequent alterations in policies and the adoption of short-term perspectives associated with electoral cycles. Consequently, the authors suggest that the changes in the environment align with the strategic adaption of dynamic innovation capabilities of PSEs. The ability of PSEs to effectively adapt to changing conditions holds vital importance for their service delivery. Hence, it is imperative that PSEs have the capacity to provide information that not only highlights their plans but also outlines how they intend to respond to evolving circumstances.

Additionally, regarding "information about [PSEs'] ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities" with a mean score of 3.37 and a standard deviation of 1.314. This rating highlights stakeholders' interest in the entity's capacity to fulfil managerial duties as expected. Once more, the conceptual framework clarifies that financial and non-financial information from PSEs possesses confirmatory value when it either affirms or alters previous (or current) expectations. For instance, information becomes relevant for the purposes of accountability and decision-making when it corroborates anticipated outcomes, such as the extent to which managers have fulfilled their duties in efficiently and effectively utilizing resources, accomplishing specified service delivery objectives, and adhering to pertinent budgetary, legislative, and other stipulations (IPSASB, 2014, p. 28). Hence, the fulfilment of managerial responsibilities within an entity is of paramount significance in steering the organization toward the realization of its set objectives.

As such, the provision of such information to users, whether they are internal stakeholders, such as executives and board members, or external parties, like government agencies, and the general public, becomes not just a matter of relevance but also a critical imperative. This information empowers users to assess the effectiveness of managerial actions, the efficient allocation of resources, and the overall performance in alignment with the entity's primary mission and strategic goals. It serves as a basis for informed decision-making, resource allocation, and the continuous improvement of the entity's operations.

"Information that can be comparable with that of other similar PSEs" achieved a mean score of 3.27 and a standard deviation of 1.370, The findings indicate the significance of utilizing comparative data as a means for stakeholders to discern both the similarities and differences within financial reporting information across similar PSEs. It is essential to recognize that comparability is not an inherent attribute of an isolated piece of information; rather, it characterizes the relationship that exists between two or more items of information (IPSASB, 2014, p. 31). In other words, it is about the capacity to draw meaningful similarities and contrasts between data points, enabling a more insightful assessment of the financial performance and position of PSEs in a broader context.

Furthermore, "information that enables users to predict the future sustainability and continuity of services of [PSEs]" obtained a mean score of 3.18 and a standard deviation of 1.459. The sustenance and uninterrupted operation of any entity remains of utmost importance, irrespective of the sector in which it operates (Moore, 2017; Triani et al., 2017; Zéman & Lentner, 2018). Consequently, users of financial reports recognize the significance of evaluating the entity's capacity for future sustainability and the seamless continuity of services, particularly in the context of PSEs (IPSASB, 2014). This indicates stakeholders' expectations and interests. It shows that stakeholders not only seek to understand an entity's current financial health but also hold a keen interest in gaining insights into the entity's long-term sustainability and the uninterrupted delivery of its services. This implies a holistic view of an entity's prospects, encompassing considerations such as strategic planning, risk management, and financial stability, all of which contribute to its capacity to thrive and endure over time. In addition, this perspective reflects stakeholders' broader and more forward-looking perspective, going beyond immediate financial results to encompass the entity's resilience and ability to meet its commitments in the long run.

Lastly, "information that enables users to predict the future performance of [PSEs]" received a mean score of 3.05 and a standard deviation of 1.254, indicating that stakeholders are interested in information that can assist them in forecasting the entity's future performance. Information pertaining to the future performance of an entity serves as a valuable resource that enables users to gain deeper insights into the entity's dedication and commitment to future endeavours (Ehalaiye et al., 2018; IPSASB, 2014, p. 18; Kloot & Martin, 2000; Krambia-Kapardis et al., 2016; Mack & Ryan, 2007). Arguably, this offers a forward-looking perspective that extends beyond historical data, providing users with a glimpse into the entity's strategic direction, aspirations, and plans. Hence, accessing this information, stakeholders, whether they are investors, regulators, or the general public, can form a more comprehensive understanding of how the entity intends to achieve its objectives. In sum, it provides a roadmap that sheds light on the entity's vision and its resolve to meet future expectations and obligations, making it a crucial component of informed decision-making and assessing the entity's prospects (Kloot & Martin, 2000, 2001).

5.3.4.3 Accountability versus decision-useful information items

Comparing the importance of information contents in PSEs' annual financial reports across both categories of accountability and decision-usefulness, the results reveal that accountability items received higher mean scores than decision-usefulness items. This suggests that PSEs consider providing information for accountability purposes to be more important than providing information for decision-usefulness purposes.

Financial reports are an important source of information about an entities' performance and have been subject to many studies (Al-Dmour et al., 2018; Beest et al., 2009; Bloomfield, 2008; Deegan, 2016; External Reporting Board, 2018; Grossi & Steccolini, 2015) . Previous research has focused on different sections of financial reports, including performance indicators, general financial information, narratives, and social disclosures. These studies aimed to understand various aspects of PSEs' financial health, such as its management strategies and social impact. The present study focuses on examining the items in financial reports that represent accountability and decision usefulness information. The results of this study align with earlier studies by Mack and Ryan, (2007) and Taylor and Rosair (2000), both of which suggest that the emphasis of annual financial report preparers is on providing information that demonstrates compliance and accountability rather than information for decision-making purposes. While different approaches were used in assessing financial reports, the findings of this study are consistent with that of this study.

Several studies, including Cohen and Karatzimas (2017) and Krambia-Kapardis et al. (2016), have assessed the quality and usability of financial report information. While these studies generally found that financial report information had some level of quality, there were variations among different user groups regarding its usability. While few empirical studies have examined the information presented in financial reports of PSEs, previous research has investigated the information in financial reports based on whether it meets the accountability or decision-useful needs of users. As mentioned earlier, this study empirically evaluated the importance of each item that represents accountability and decision-useful information in financial reports of PSEs. The results of this study support the ongoing debate that financial reports of PSEs primarily focus on discharging accountability for funds entrusted to them, rather than providing information for users' decision making. This finding is consistent with prior study’s findings supporting the argument that decision-useful information might not be a perfect fit for PSEs (Murphy et al., 2013; Rutherford, 1992). Overall, the results presented in this chapter indicate that PSE financial reports place greater emphasis on accountability information than on decision-useful information

5.4 Reliability Tests

5.4.1 Aggregate reporting constructs

To assess the reliability of the 21 items that measure the contents of information provided in the annual financial reports of PSEs, a Cronbach's alpha (α) or reliability coefficient analysis was conducted to examine the internal consistency of the different items in the two categories (accountability and decision usefulness constructs). The Table 5.6 presents the results of the reliability coefficient test.

Table 5.6 Reliability Test for Accountability and Decision-Usefulness for Information Contents in the Annual Financial Reports

Scale	Cronbach's Alpha	N of Items
Accountability	0.896	14
Decision Usefulness	0.820	7

Table 5.6 provides a summary of the reliability statistics for both accountability and decision usefulness constructs. Cronbach's alpha was used to establish reliability, and the results indicate that all constructs have very good reliability (≥ 0.70) as recommended by (Pallant, 2020).

5.4.2 Accountability and decision-usefulness item-total statistics

Panels A and B of Table 5.7 present the item statistics for accountability and decision usefulness constructs. Panel A shows the breakdown of mean, variance, correlation, and Cronbach's alpha for items related to accountability, while Panel B provides the same breakdown for decision-useful items. The corrected item correlation column in both panels indicates the correlation of each item with all other items combined, and values should be ≥ 0.30 for consistency with other items on the same scale. Table 5.7 also shows that all corrected item correlations are >0.30, indicating good consistency. The Cronbach's alpha of the item deleted column indicates how deleting an item would affect the reliability coefficient, either increasing or decreasing its value. The table reveals that no item needs to be deleted as the Cronbach's alpha is within the acceptable range of reliability (≥ 0.70).

Table 5.7 Item-Total Statistics

Panel A. Accountability

Constructs	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item -Total Correlation	Cronbach's Alpha if Item Deleted
Consistent and comparable information about your entity's performance over time.	50.35	100.71	0.529	0.892
Discharge of governance responsibilities within your entity.	50.25	101.52	0.341	0.899
Discharge of managerial responsibilities within your entity.	50.82	93.50	0.666	0.886
Information that is unbiased.	50.42	97.24	0.600	0.889
Easily accessible information to users.	50.63	95.04	0.606	0.888
Ability to meet current and long-term obligations.	50.55	93.83	0.588	0.889
Efficiency and effectiveness of service delivery.	50.53	95.76	0.596	0.889
Cost recovery information for future services.	51.92	88.29	0.582	0.893
Ability to achieve its operating and financial objectives.	50.23	96.46	0.726	0.885
Ability to manage the resources it is responsible for.	50.25	97.54	0.647	0.888
Compliance with regulatory requirements.	50.22	98.40	0.471	0.894
To meet the expectations of users regarding the discharge of assigned governance responsibilities.	50.69	94.46	0.622	0.888

Constructs	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item -Total Correlation	Cronbach's Alpha if Item Deleted
To meet the expectations of users regarding the discharge of assigned social and environmental responsibilities.	51.08	90.78	0.687	0.885
Resources available for future services (resource in terms of cash, borrowings, revenue, human capital, assets, and material).	50.69	90.31	0.673	0.885

Panel B. Decision-Usefulness

Constructs	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item -Total Correlation	Cronbach's Alpha if Item Deleted
To predict the future performance of your entity.	21.19	28.94	0.548	0.799
Comparable with that of other similar entities.	20.95	30.10	0.331	0.837
Strategic intentions to improve your entity's operations and meet set targets.	20.28	29.58	0.571	0.796
To assist users in their assessment of the entity.	20.45	29.60	0.569	0.792
To predict the future sustainability of continuity of services of your entity.	21.06	26.15	0.644	0.782
Capability to adapt to changing circumstances is likely to impact the nature or composition of its service delivery.	20.59	27.79	0.611	0.777
To meet the expectations of users regarding the discharge of assigned managerial responsibilities.	20.83	27.86	0.611	0.788

5.4.3 Item statistics for accountability and decision-usefulness

Panels A and B of Table 5.8 present the descriptive statistics of the items in both constructs, including mean, standard deviation, and total number of responses per item. The table provides a comprehensive overview of the participants' responses to the different items in the questionnaire. Panel A shows the descriptive statistics for the accountability construct, while Panel B presents the same for the decision-usefulness construct. The mean column shows the average score for each item, while the standard deviation column provides information on the variability of the responses. The total number of responses column gives the total number of responses received for each item. The information in this table is useful in providing insights into the respondents' perceptions of the different aspects of financial reports presented by PSEs.

Table 5.8 Item Statistics for Accountability and Decision-useful Information Contents

Panel A. Accountability

Constructs	Mean	Std. Deviation	N
Level of compliance with regulatory requirements	4.29	1.078	106
Ability to achieve its operating and financial objectives	4.28	0.870	106
Ability to manage the resources it is responsible for	4.25	0.884	106
Discharge of governance responsibilities within your entity	4.26	1.026	106
Consistent and comparable information about your entity's performance over time	4.16	0.782	106
Information that is unbiased	4.08	0.967	106
Efficiency and effectiveness of service delivery	3.98	1.087	106
Ability to meet current and long-term obligations	3.96	1.249	106
Easily accessible information to users	3.88	1.127	106
Ability to meet the expectations of users regarding the discharge of assigned governance responsibilities	3.82	1.145	106
Resources available for future services. (Resource in terms of cash, borrowings, revenue, human capital, assets, and material)	3.82	1.365	106
Discharge of managerial responsibilities within your entity	3.69	1.149	106
Ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities	3.42	1.309	106
Cost recovery for information future services	2.59	1.689	106

Panel B Decision Usefulness

Constructs	Mean	Std. Deviation	N
Strategic intentions to improve your entity's operations and meet set targets	3.94	1.137	106
To assist users in their assessment of the entity	3.77	1.098	106
Capability to adapt to changing circumstances is likely to impact the nature or composition of its service delivery	3.63	1.214	106
Ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities	3.40	1.300	106
Information comparable with that of other similar entities	3.27	1.370	106
To Predict the future sustainability of continuity of services of your entity	3.17	1.464	106
To predict the future performance of your entity	3.04	1.257	106

5.4.4 Inter-item correlation matrix for accountability and decision-usefulness

Table 5.9 presents the intercorrelations among the 21 items measuring accountability and decision-useful information contents in the financial reports of PSEs. The table illustrates how each item correlates with all other items, including itself, indicating how accountability items associate with other accountability and decision-useful information items, and vice versa. Table 5.9 shows that most items have positive correlations with each other, indicating that they tend to vary together. Overall, the intercorrelations suggest that the constructs of accountability and decision-usefulness are distinct but related, as some items are correlated with both constructs.

Table 5.9 Inter-Item Correlation Matrix

Code	DU 1	DU2	AC1	DU3	AC2	AC3	AC4	AC5	DU4	DU5	AC6	AC7	AC8	AC9	AC10	DU6	DU7	AC11	AC12	DU8	AC13
DU 1	1.000																				
DU 2	.303	1.000																			
AC1	.227	.449	1.000																		
DU3	.459	.098	.317	1.000																	
AC2	.175	.076	.134	.352	1.000																
AC3	.404	.170	.298	.459	.597	1.000															
AC4	.241	.363	.490	.365	.119	.441	1.000														
AC5	.375	.442	.461	.479	.160	.418	.617	1.000													
DU4	.313	.403	.416	.386	.156	.466	.463	.708	1.000												
DU5	.552	.235	.220	.536	.282	.553	.355	.515	.468	1.000											
AC6	.361	.423	.321	.377	.051	.404	.360	.513	.343	.531	1.000										
AC7	.169	.093	.344	.456	.252	.552	.448	.410	.444	.500	.394	1.000									
AC8	.518	.238	.214	.459	.244	.442	.253	.379	.294	.521	.434	.411	1.000								
AC9	.258	.262	.479	.445	.256	.475	.503	.425	.457	.406	.500	.550	.449	1.000							
AC10	.256	.146	.437	.426	.124	.469	.554	.462	.424	.381	.335	.550	.313	.747	1.000						
DU6	.224	.358	.374	.253	.247	.295	.175	.166	.238	.169	.328	.128	.375	.377	.310	1000					
DU7	.350	.245	.413	.502	.256	.518	.406	.482	.523	.491	.384	.710	.442	.543	.613	.329	1000				
AC11	.217	.272	.385	.340	.320	.363	.424	.396	.346	.397	.437	.305	.353	.459	.476	.528	.481	1.000			
DU8	.363	.212	.322	.452	.387	.654	.413	.430	.417	.433	.307	.518	.473	.449	.551	.346	.721	.649	1.000		
AC12	.388	.243	.315	.517	.357	.565	.389	.439	.423	.437	.287	.544	.588	.473	.493	.364	.643	.474	.710	1.000	
AC13	.462	.316	.407	.363	.128	.368	.500	.482	.279	.421	.620	.345	.528	.588	.456	.362	.446	.455	.420	.467	1.000

5.5 Chapter Summary

The research questions addressed in this chapter pertain to the dissemination of financial reports by PSEs, the objectives for preparing financial reports, the users of PSEs' financial reports, and the importance of information presented in PSE financial reports. The results from the analysis indicate that PSEs' financial reports are disseminated to users through various mediums, with a growing trend towards online dissemination.

Second, the objectives for preparing financial reports were examined, and three choices (i.e., compliance, discharge of accountability, and providing information to users for decision-making) were considered. The analysis of results revealed that compliance to regulatory requirements seems to be the primary reason for preparing annual financial reports by PSEs, followed by the discharge of accountability for the funds provided by resource providers. The results indicated that providing information to users for decision-making had little to no influence on why financial reports are prepared.

Third, the identification of financial report users has been examined in previous studies and the findings of this study are consistent with them. The Office of the Auditor-General, the auditor, and the government/crown were identified as important users of PSE annual reports, while the general public/taxpayers and lenders/creditors were recognized as users but not as important as the aforementioned. The results indicate that the prescribed users of financial reports may not necessarily be the primary users of such reports.

Lastly, regarding the importance of information presented in financial reports, the results indicate that some accountability information contents were rated more highly than decision-useful information contents. This suggests that accountability information is significantly more important than decision-useful information. This finding can be explained by the high level of accountability required by PSEs to discharge their duties.

In the next chapter, the results and findings of this study's hypotheses are presented and discussed. These hypotheses explore the differences between entity types (central and local government PSEs) and entity sizes (large and small PSEs) with respect to the objectives for preparing financial reports and the importance of information items presented in financial reports.

Chapter Six Results: Hypotheses Tests

6.1 Introduction

This chapter presents the outcome of the study's hypotheses test and their ensuing findings. It is organized into several sections that discusses and summarizes results from the analyses comparing local and central government financial reporting practices in New Zealand. In addition, the outcome of the analysis of the comparison between large and small public sector entities (PSEs) is discussed. In Section 6.2, the comparison between the financial reporting practices of local and central government entities in New Zealand including government departments and agencies, regional, and district councils are reported.

Section 6.3 provides a summary of the results and discusses the findings from the comparison of large and small PSEs. The insight from this section, expectedly provides valuable intuition into the financial reporting practices of PSEs, and thus offer an important guide for policymaking. In Section 6.4, the robustness test comparing central and local governments is discussed as well as large and small PSEs. These tests help to ensure the validity and reliability of the results. Finally, the chapter is provided, highlighting the key findings and consequent implications of the study. All tables are presented within the chapter. Overall, this chapter provides a comprehensive analysis of the financial reporting practices of different types of government entities and PSEs in New Zealand, making it an essential resource for policymakers, researchers, and other stakeholders interested in improving the financial management and transparency of public sector organizations.

6.2 Comparison of PSEs reporting practices

6.2.1 Comparison of the objectives of PSEs financial reports

Table 6.1 provides a comprehensive detail of the analysis conducted to compare PSEs objectives for preparing financial reports. In this analysis, the study seeks to determine whether there is a statistically significant difference in objectives underlying the preparation of financial reports between central and local government PSEs. Three objectives associated with the financial reporting process for both entity types were examined.

H1a: There is no significant difference in central and local government PSE's objectives for financial reporting.

Table 6.1 Objectives for Preparing Annual Financial Reports

Objectives	Central and Local Government (PSEs)	N	Median	Mann Whitney U	Z Score	Sig. a,b (P value)
To meet statutory obligation (compliance)	Central	65	5	1292.50	-1.311	0.190
	Local	43	5			
	Total	108				
To provide information to users of financial reports	Central	65	4	1228.50	-.936	0.349
	Local	42	5			
	Total	107				
To discharge the entity's public accountability	Central	64	5	13662.50	-.113	0.910
	Local	43	5			
	Total	107				

The results pertaining to the first objective on meeting statutory obligations (i.e., compliance), reveal that both central and local government PSEs has a median score of 5 for this objective. This implies that half of the respondents across both central and local government PSEs consider this rationale for their reporting at a comparable level. The sample size for central and local government PSEs were 65 and 43, respectively, and Mann-Whitney U test yielded a U-statistic of 1292.50, indicating a close comparison between the two groups. The calculated z-score of -1.311 further substantiates this similarity, while the associated p-value of 0.190 affirm that these results are not statistically significant. In essence, the findings suggest that there are no significant differences in the perceived importance attributed to statutory obligation as an objective for preparing financial reports in both central and local government PSEs. This result suggests that both types of PSEs based on their perceived rationale consider compliance as a critical reason for their financial reporting at a comparable level. Hence, across both central and local governments, meeting the statutory requirements spelled out by the regulatory bodies appear to have similar perceived motive (Taylor & Rosair,2000). Arguably, 'compliance' with regulatory requirements goes beyond other prescribed reporting objectives and could address accountability and decision-usefulness issues in the process (Taylor & Rosair, 2000; Walker, 200), highlighting the likely rationale for both central and local councils having similar levels of perception on this when considering their reporting obligations.

This observation signifies an important area of pragmatic insight of the study, as it highlights the perceived unison in reporting objective across different types of PSEs. The result also provides valuable insights into the commonality of financial reporting goals in PSEs despite potential differences in their operational contexts (Blann, 2010; Ellwood & Newberry, 2016; Kober et al., 2012).

The results regarding the second objective, in terms of the provision of financial information to users, reveal different median scores for central (4) and local (5) government PSEs. This implies that half of the respondents from central government PSEs perceived the provision of financial information to users differently from how half of the respondents in local governments PSEs consider it as an objective for preparing financial report. However, the Mann-Whitney U test, producing a U-statistic of 1228.50, did not provide statistical evidence of a significant difference between the two groups as indicated by the z-score of -0.936 and the p-value of 0.349. The sample sizes for these groups were 65 and 42, respectively. The results indicate a slight variation in the median scores, suggesting that while there is an absolute difference in the perceived rating of this objective among central and local government PSEs, it nonetheless does not appear to have a difference that is of statistical significance at conventional levels. Thus, across both central and local governments, providing information to users as basis of financial report preparation in PSEs is perceived at a similar level (Mack & Ryan, 2006). This may generally highlight the fact that PSEs irrespective of type tend to attribute similar level of priority to decision-usefulness as an objective of financial reporting (Daniels & Daniels, 1991; Taylor & Rosair, 2000).

The results pertaining to the third objective, the discharge of public accountability, reveal that both central and local government PSEs exhibited a median score of 5 for this objective. This implies that half of the respondents across both central and local government PSEs infer similar perception with respect to this reporting objective. The sample sizes for these groups were 64 and 43, respectively. The Mann-Whitney U test, with a U-statistic of 13662.50, further affirmed the similarity between the two groups. The calculated z-score of -0.113 and the associated p-value of 0.910 confirmed that these results were not statistically significant. Essentially, the findings indicate that there are no significant differences in how central and local government PSEs perceive the discharge of public accountability as an objective for preparing financial reports. Thus, highlighting the idea that the principles of accountability are equally ingrained in PSEs' reporting philosophy irrespective of their type (Ellwood & Newberry, 2007; Murphy et al., 2013; Schillemans, 2016). This result contributes to a deeper understanding of the consistency and similarity in objectives and priorities within PSEs financial reporting environment, and likely evidence of the nature of comparable goals in their reporting practices (IPSASB, 2014, p. 31).

Taken together, the comparative analyses of the three likely objectives for PSEs reporting demonstrate no evident differences in how central and local government PSEs perceive these objectives. A plausible explanation for this finding lies in the shared operational environment and inherent nature of central and local government PSEs (Blann, 2010; Ellwood & Newberry, 2016; Ellwood & Newbury, 2006; Grossi & Steccolini, 2015; Kober et al., 2010). It is quite conceivable that, despite their distinct roles and responsibilities, these entities share fundamental similarities when it comes to the core principles of financial reporting objectives. This similarity might be attributed to the relatively similar functions across them, such as the segregation of duties, need for public accountability and transparency (Grossi & Steccolini, 2015), which, despite their differences, are both fundamentally rooted in the principles of public service and fiscal responsibility (Ellwood & Newberry, 2016; Lassou et al., 2023; Moses, et al., 2023). Another explanation for this absence of statistical differences could be because these entities operate under the same reporting framework, and their operations do not differ significantly (IPSASB, 2014; Rossi et al., 2014).

6.2.2 Comparison of PSEs information contents

Table 6.2 reports the detail of analyses conducted to compare the information content presented in financial reports by different types of PSEs. In this analysis, the study seeks to determine whether there is a statistically significant difference in the information content of the financial reports prepared by central and local government PSEs. The assessment of the importance of information content is based on accountability and decision-usefulness objectives of financial reporting. The results are discussed in two parts, viz: Panel A which examines the accountability elements, and Panel B which evaluates the decision-usefulness components of PSEs' financial reports.

6.2.2.1 Comparison of Accountability information contents

In this section, the study aims to determine whether there are differences in central and local government PSEs financial reports in terms of their accountability information content. The result of this analysis is reported in hierarchical order in Panel A of Table 6.2. The test for this analysis here is based on the study second hypothesis as stated below:

H2a: The perceptions of central and local government preparers regarding the accountability information presented in annual reports are not significantly different.

Starting with the first accountability item construct on the *"Information about your entity's cost recovery for future services"*, the results from the survey respondents provide evidence of significant distinction between the perceptions of central and local government preparers. The p-value of <0.001 indicates a statistically significant difference between central and local government preparers views of this construct item. The median values further emphasize the contrast, i.e., a median of 2 for central government (n=65) and 4 for local government (n=42). In this case, local government preparers, with their higher median value, attribute greater importance to this specific construct compared to their counterparts in central government, with a lower median value implying less importance attributed to the information on cost recovery for future services. The Mann-Whitney U test results reflect this differentiation, with a U-value of 835.00. This statistic quantifies the significant divergence between the two groups, providing empirical support for the observed differences. Additionally, the z-score, which stands at -3.431, reaffirms the substantial statistical significance of this contrast.

The finding indicates that there is a significant difference between central and local government preparers in terms of how they perceive the inclusion of information about cost recovery for future services in their financial reports (Hong, 2017). Central, and local governments PSEs differ in terms of the scale, scope, and decision-making processes related to cost recovery for future services. Arguably, central governments tend to focus on nationally significant, long-term projects, while local governments prioritize initiatives that directly serve their communities, often with a shorter-term perspective (Hong, 2017). The financial resources, funding sources, and accountability mechanisms also differ based on their respective roles and responsibilities (Hong & Lee, 2018).

Analysing *information on [PSEs] resources available for future services, which include cash, borrowings, revenue, human capital, assets, and materials,* the p-value was observed to be 0.019 and statistically significant at the 10% level. In this case, the hypothesis - that there is a difference between the central and local government entities in how they perceive this information is accepted, although at marginal statistically significant level. Thus, the p-value of 0.019 suggests a statistically significant difference in how central and local government entities perceive the information about their resources for future services, encompassing various aspects such as cash, borrowings, revenue, human capital, assets, and materials. The median score for central government was 4, based on a sample size of n=65, while for local government, it was 5, based on a sample of n=41. This implies that half of the central government respondents perceive the information about resources availability for future services as important, compared to half of the local government respondents that perceive such information provision as much more valuable to users for decision making. With a U-value of 988.50, and z-score of -2.348, these statistical test outcomes buttress the existent differences. This builds perhaps on differential perception on managing resources considering each PSE's unique policy effectiveness and priority to balance financial commitments and available resources while avoiding extensive debt (Bisogno et al., 2017; Brusca et al., 2015). Indeed, Navarro-Galera et al., (2016) in examining PSEs' resource readiness for future services within the financial sustainability framework, emphasised the need for financial sustainability to meet current and future service delivery and financial obligations without increasing debt levels unnecessarily.

For *information item about PSEs' capacity to fulfil both immediate and long-term commitments*, the p-value was 0.024, with a median of 4 (n=65) for central government and 5 (n=42) for local government. This result suggests that there is a statistically significant difference in how central and local government entities provide information pertaining to the assessment of an entity's capability to satisfy its present and future obligations. The median values, which represent the midpoint of the data distribution, are 4 (n=65) for central government and 5 (n=42) for local government. This implies that half of the central government respondents indicate that they consider the information about capacity to fulfil both immediate and long-term commitments somewhat important, while half of the local government respondents indicate that this information provision is very important. The U-value of 1031.00 and z-score of -2.264 are evident statistical difference between central and local government PSEs on the importance of information about the capacity of PSEs to fulfil both immediate and long-term commitments which could be attributed to the different scope of services provided at these different levels of government. Central governments primarily oversee national-level services and have more long-term commitments than local governments, which are more focused on delivering immediate services to their communities (Hong, 2017).

Consequently, the distinct nature of services provided by the two levels of government, could suggest that these services may have varying timelines, often tailored to address the unique needs of citizens (Hong, 2017; Hong & Lee, 2018). Generally, the provision of financial information about their capacity to meet short-term and long-term commitments is a critical obligation for PSEs not minding their type (IPSASB, 2014), although their level of perceived value for this information item appear to differ across central and local governments. This insight can shed light on PSEs' financial resilience mechanisms, especially at the national or local levels. In this regard, expectations around the different levels of reporting commitment to information that enables stakeholders to gauge the ability of the different PSEs to provide sustained services and meet their financial obligations over time can be gleaned.

For *information about PSEs' level of compliance with regulatory requirements*, the p-value was 0.037, with a median value of 5 (n=65) for central government and 5 (n=42) for local government. The U-value was 1078.00, and the z-score was -0.281. This result suggests a statistically significant difference in how central and local government entities perceive the information regarding compliance with regulatory requirements. The reported p-value of 0.037, implies that the null hypothesis is rejected, indicating a difference between central and local government PSEs in how they provide information about compliance with regulatory requirements. The median value, representing the midpoint of the data distribution, for both central and local government PSEs, have a score of 5 each. This implies that half of the respondents across both central and local government PSEs consider the provision of information about compliance as important.

These findings suggest that although compliance broadly necessitates PSEs to adhere to reporting standards with the tendencies of becoming uniform over time (Pilcher, 2011). This may not be the case across different levels of government as highlighted in the findings and thus a typical case of decoupling (Boxenbaum & Jonsson, 2017; Goddard et al., 2016). The inclination to align with regulatory requirements not only emphasizes regulatory compliance but also underscores the commitment of entities within sectors to legal and ethical standards(Daniels & Daniels, 1991; Taylor & Rosair, 2000), although with their unique differences (Boxenbaum & Jonsson, 2017; Bromley et al., 2012; Bromley & Powell, 2012; Goddard et al., 2016).

The result for the construct on *information about PSEs being easily accessible to users* reveal a statistically significant difference as indicated by the p-value of 0.042. This result suggests that there is a statistically significant difference between central and local government PSEs regarding how they perceive their financial information as being easily accessible to users. Again, the level of significance at 10% is marginal. The reported p-value of 0.042 statistically significant at the 10% level buttress a difference between central and local government PSEs' approach of providing users easy access to information about their entities. The median values, representing the midpoint of the data distribution, for both central and local government PSEs, is 4. This implies that half of the respondents across both central and local government PSEs consider the ease of access of PSEs information by users for decision making as important. However, this absolute perceived median similarity does not hold under the statistical test as revealed in the difference reported. The sample sizes for central and local government PSEs were (n-65) and (n-42), respectively. The Mann-Whitney U-value of 1061.50 and z-score of -2.037, further supports the statistical significance of the differences observed between the central and local governments in the accessibility of information to users.

The dissemination of financial report information, facilitated by technological advancements, contributes to a noticeable increase in the accessibility of information and perhaps explain the statistical difference as a reflection of response to evolving changes in PSEs' reporting practices (Laswad et al., 2005; Styles & Tennyson, 2007; Vermeer & Styles, 2019) and the increasing demand for transparency in financial reporting (Barth & Schipper, 2008; Fadairo et al., 2015). Essentially, the accessibility of central and local government financial reports can differ based on several factors mostly based on how users interact with and obtain information from these reports (Vermeer & Styles, 2019).

In terms of *information about [PSEs] ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities* with a p-value of 0.045 statistically significant at the 10% level, provide evidence of difference. With a median of 3 for central government and 4 for local government, this result suggests that there is a difference in how central and local government entities provide information regarding their ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities. The median values, which represent the midpoint of the data distribution implies that half of both central and local government respondents consider the information item regarding to meet user needs for social and environmental information as (very) important. The sample size of (n=65) for central government and (n=42) for local government, while the U-value of 1059.00 and the z-score of -2.007 provide supportive evidence of the difference. In recent years, social and environmental challenges such as climate change, and social inequality have compelled organisations to adopt strategy that aligns with their social and environmental responsibilities (Bhattacharyya, 2014; Das & Bhattacharjee, 2020). Through the lens of sustainability reporting organisations are beginning to report their impact on the environment and society at large (Bui et al., 2020; Moses et al., 2021). Importantly, PSEs are actively participating in this movement, ensuring they are not left out of the collective effort towards sustainable practices(Bhattacharyya, 2014; Bui et al., 2020; Das & Bhattacharjee, 2020; Gray, 2010; Hawrysz & Foltys, 2016; Li et al., 2018; Moses et al., 2022; Zhang et al., 2023)

In terms of the following items, i.e. information on (i) entity's ability to meet the expectations of users regarding the discharge of assigned governance responsibilities, (ii) entity that is unbiased, (iii) the ability of entity's efficiency and effectiveness of service delivery, (iv) entity's ability to achieve its operating and financial objectives, (v) the discharge of governance responsibilities within entity, (vi) the discharge of managerial responsibilities within entity,

(vii) consistent and comparable information about entity's performance over time, and (viii) entity's ability to manage the resources it is responsible for, the outcome of their statistical investigation reveal that they are not statistically significant at conventional levels.

In specific, *information about [PSE] ability to meet the expectations of users regarding the discharge of assigned governance responsibilities,* reveal a median score of 4 for both central and local governments. Suggesting a similar perception or emphasis on provision of information related to governance responsibilities, as various governance mechanisms may complement each other in PSE reporting practices (Hay & Cordery, 2018). Public sector governance typically entails the accountability of the executive to a legislative body or its equivalent at different levels. This fundamental aspect highlights the oversight and scrutiny mechanisms (of financial reports) to ensure responsible and effective governance within public sector entities (IPSASB, 2014, p. 4).

For the construct on '*information about [PSE] that is unbiased*,' the median for both central and local governments is 4. Implying that half of the respondents across both PSE types do not differ in their perception with respect to reporting unbiased information to users. As can be gleaned from the results, this is based on the perception that both categories of PSEs place on the importance of providing unbiased information in their financial reports as it enhances transparency. Additionally, the ability of users to verify the information implies that the information represents the intended economic phenomena without any significant error or bias (IPSASB, 2014, p. 31). This consensus extends to the appropriate application of recognition, measurement, or representation methods without substantial error or bias in the information reported (IPSASB, 2014, pp. 31–32).

For the construct *'information about [PSE] ability for efficiency and effectiveness of service delivery* with a median score of 4, implies that half of the respondents across both central and local government PSEs consider the provision of this information as of similar important. The sample sizes for central and local government PSEs were 65 and 42, respectively. The Mann-Whitney U test yielded a U-value of 1232.50, indicating a close comparison between the two groups. The calculated z-score of -0.894 further substantiates this similarity, while the associated p-value of 0.371 emphasizes that these results are not statistically significant. The absence of any statistical difference reflects a comparable level of perception that both types of PSEs place on the importance of providing information on efficient and effective service delivery as it enables the evaluation of financial viability and ability to honour financial commitments (IPSASB, 2014, p. 16). Such information provides insights into how the entity utilizes resources in terms of economy, efficiency, and effectiveness. For example, donors would be interested in information regarding the entity's anticipated service delivery activities and the associated resource requirements (IPSASB, 2014, p. 16). This broader perspective allows stakeholders to ensure that their contributions align with the entity's intended goals and that resources are utilized optimally for sustained impact.

Consequently, information about PSE ability for efficiency and effectiveness of service delivery could be seen as information on the entity’s capability to deliver services in a manner that is both efficient and effective. This information could involve various aspects, such as performance metrics, indicators, or narratives that provide insights into how well the entity manages its resources to deliver services and achieve desired outcomes (Hong, 2017).

In terms of the construct on *information about ability to achieve operating and financial objectives*, the p-value of 0.522 with a median of 4 (n=65) for central government and 5 (n=42) for local government, suggests that there is no statistically significant difference between central and local governments PSEs on this. The median implies that half of the central government respondents indicate that they consider the information about the ability to achieve their operating and financial objectives as important, while half of the local government respondents indicate that this information provision is very important. The U-value, of 1273.50 and the z-score of -0.640 both indicate that there is no evidence of statistical significance. The financial and operating objectives is crucial for stakeholders in understanding the overall performance of reporting entities in meeting operating and financial goals and contributes to informed decision-making and accountability(IPSASB, 2014, p. 15). Based on these results both types of PSEs have similar consideration for this information item.

Similarly, for the construct *information on the discharge of governance responsibilities* the result reveals a median score of 5 and 4.50 for central and local governments, respectively. This implies that half of the respondents from central government PSEs considered the provision of information on the discharge of governance responsibilities as very important. A similarly close view is held by local government PSEs. The reported p-value of 0.740 affirm that there is no statistically significant difference between the types of PSEs. This result suggests that there is no empirical difference in how central and local government entities consider the provision of information about the discharge of governance responsibilities. The Mann-Whitney U test- of 1318.00 and z-score of -0.332 provide additional validation for the finding. The marginal difference in the median values suggests a slight variance in perceptions regarding information on the discharge of governance responsibilities between central and local government entities. However, the result does not provide evidence of a substantial difference in perceptions on this construct. Discharge of governance responsibilities in PSEs includes insights into the processes, policies, and practices adopted to ensure effective governance across types of reporting PSEs. Stakeholders, including government officials and citizens, often seek this information to evaluate how well an entity is managing and overseeing its operations in line with governance principles (Hyndman & McDonnell, 2009; Yapa, 2014). Governance takes on a holistic and relational perspective, emphasizing collaborative decision-making and the nurturing of positive relationships both within and beyond the organization's boundaries. This broader view recognizes the interconnectedness of PSEs with their stakeholders, emphasizing transparency, accountability, and a cooperative approach to decision-making that contributes to the overall success and sustainability of PSEs.

For the construct *'information about discharge of managerial responsibilities* both central and local government PSEs have a median score of 4 on this. Implying that half of both central and local government PSE respondents indicated that they consider the information about the discharge of managerial responsibilities at a similar level of importance. The sample sizes for central and local government PSEs were 65 and 42, respectively. The Mann-Whitney U test yielded a U-statistic of 1332.00, and the z-score was -0.219. Additionally, the p-value of 0.827 suggests that observed differences are not statistically significant at conventional levels. Essentially, the findings suggest that there are no significant differences in the importance attributed to information related to managerial responsibilities across entities. Although, it is argued that managerial changes in public sector is jeopardized by the effect of decoupling consequent on difference between the ritualistic practices and actual behaviours of players in the sector (Anessi-Pessina et al., 2016). Nonetheless, managerial responsibilities within both central and local government PSEs share common elements, though with distinct degrees based on the scale, scope, and specific functions of each level of government.

Likewise, for the construct on *consistent and comparable information about performance over time* both central and local government PSEs have a median score of 4. This suggests that half of both central and local government PSEs respondents indicated that they consider the provision of consistent and comparable information about performance over time at a comparable level of importance. The sample sizes for central and local government PSEs were 65 and 42, respectively. The Mann-Whitney U test yielded a U-statistic of 1340.50, and the z-score is -0.168. The p-value of 0.866, suggests that there is no statistically significant difference between central and local government in this regard. The findings suggest that there are no significant differences in the importance attributed to information on the consistency and comparability of performance information over time across the PSE types. Therefore, in terms of financial reporting practices across PSEs the goal of a consistent and comparable financial report information is at a comparable level of perceived importance (Christiaens et al., 2015; Oulasvirta, 2014). Achieving consistency and comparability enhances the transparency and reliability of performance information, enabling better-informed decision-making and evaluation of the PSE's long-term trajectory (IPSASB, 2014). This construct emphasizes the importance of maintaining consistency in the way performance-related information is presented, allowing stakeholders to assess an entity's progress, achievements, or challenges over various timeframes.

For the construct on *information about [PSE] ability to manage the resources it is responsible for*, the test reveals a median of 5 for central government and 4.50 for local government. The reported p-value of 0.925, emphasizes that these results are not statistically significant in this context which is higher than the conventional level. Therefore, the null hypothesis is accepted, meaning that there is no difference between the central and local government PSE regarding the importance of the information on ability of PSE to manage the resources it is responsible for. The sample size for these groups were (n=65) for central government and (n=42) for local government. The Mann-Whitney U test- produced a U- statistic of1351.50, and the z-score of

-0.094. Suggesting that there is no substantial distinction between central and local government PSEs regarding the information they disclose about their ability to manage the resources for which they are responsible. The judicious management of resource is key to the survival of any organisation. This includes financial stewardship, operational efficiency, and strategic allocation of resources to fulfil the entity's responsibilities (IPSASB, 2014). Stakeholders, such as the public, regulatory bodies, and policymakers, rely on this information to assess how effectively a PSE manages its resources and whether it aligns with its obligations and objectives. The availability and transparency of such information contribute to stakeholders' understanding of the entity's overall performance and accountability. The ability to manage resources is a critical aspect for both central and local government entities, although the scope and nature of resource management may vary.

Table 6.2 Comparison of PSEs information content

Panel A. Accountability

Information Items	Central and Local Government	N	Median Ranks	Mann Whitney U	Z Score	Sig. a,b (P value)
AC-Consistent and comparable information about your entity's performance over time	Central	65	4	1340.50	-0.168	0.866
	Local	42	4			
	Total	107				
AC-Information on the discharge of governance responsibilities within your entity	Central	65	5	1318.00	-0.332	0.740
	Local	42	4.50			
	Total	107				
AC-Information on the discharge of managerial responsibilities within your entity	Central	65	4	1332.00	-0.219	0.827
	Local	42	4			
	Total	107				
AC-Information about your entity that is unbiased	Central	65	4	1226.50	-0.941	0.347
	Local	42	4			
	Total	107				
AC-Information about your entity being easily accessible to users	Central	65	4	1061.50	-2.037	0.042*
	Local	42	4			
	Total	107				
AC-Information about the ability of your entity to meet current and long-term obligations	Central	65	4	1031.00	-2.264	0.024*
	Local	42	5			
	Total	107				
AC-Information about the ability of your entity's efficiency and effectiveness of service delivery	Central	65	4	1232.50	-0.894	0.371
	Local	42	4			
	Total	107				
AC-Information about your entity's cost recovery for future services	Central	65	2	835.00	-3.431	<0.001**
	Local	42	4			
	Total	107				

Information Items	Central and Local Government	N	Median Ranks	Mann Whitney U	Z Score	Sig. a,b (P value)
AC-Information about your entity's ability to achieve its operating and financial objectives	Central Local Total	65 42 107	4 5	1273.50	-0.640	0.522
AC-Information about your entity's ability to manage the resources it is responsible for	Central Local Total	65 42 107	5 4.50	1351.50	-0.094	0.925
AC-Information about your entity's ability to meet the expectations of users regarding the discharge of assigned governance responsibilities	Central Local Total	65 42 107	4 4	1199.00	-1.104	0.270
AC-Information about your entity's ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities	Central Local Total	65 42 107	3 4	1059.00	-2.007	0.045*
AC-Information about your entity's resources available for future services. (Resource in terms of cash, borrowings, revenue, human capital, assets, and material)	Central Local Total	65 41 106	4 5	988.50	-2.348	0.019*
AC-Information about your entity's level of compliance with regulatory requirements	Central Local Total	65 42 107	5 5	1078.00	-2.081	0.037*

Panel B. Decision-Usefulness

Information Items	Central and Local Government	N	Median Ranks	Mann Whitney U	Z Score	Sig. a,b (P-value)
DU-Information that enables users to predict the future performance of your entity	Central	65	3	1190.50	-1.147	0.251
	Local	42	3			
	Total	107				
DU-Information that is comparable with that of other similar entities	Central	65	3	1049.50	-1.895	0.058
	Local	41	4			
	Total	106				
DU-Information on strategic intentions to improve your entity's operations and meet set targets	Central	65	4	1251.00	-0.766	0.443
	Local	42	4			
	Total	107				
DU-Information about your entity to assist users in their assessment of the entity	Central	65	4	1286.50	-0.523	0.601
	Local	42	4			
	Total	107				
DU-Information that enables users to predict the future sustainability of continuity of services of your entity	Central	65	3	1174.00	-1.252	0.211
	Local	42	4			
	Total	107				
DU-Information about your entity's capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery	Central	65	4	1334.00	-0.206	0.837
	Local	42	4			
	Total	107				
DU-Information about your entity's ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities	Central	65	4	1276.50	-0.580	0.562
	Local	42	4			
	Total	107				

6.2.2.2 Comparison of Decision-Usefulness information content

Panel B of Table 6.2 presents the results from the analyses on the difference between central and local government PSEs decision-useful information contents. The test for this analysis is based on the third hypothesis of the study:

H3a: The perceptions of central and local government PSEs preparers regarding the decision-useful information presented in their reports are not significantly different.

Beginning with the construct item: "*information that is comparable with that of other similar entities*", the p-value of 0.058 was obtained. This p-value suggests that there is a statistically significant difference between central and local government perception concerning the provision of comparable information. The sample size was 65 for central government and 41 for local government respectively. The median values of 3 for central government and 4 for local government imply that respondents' perceptions of this information are somewhat important or important. The Mann-Whitney U test revealed a U-value of 1049.50, and the associated negative z-score of -1.895 indicates that the U-value is below the expected value under the null hypothesis.

The findings highlight the perceived difference by respondents between central and local government PSE's level of importance of for information comparability with similar entities. Comparability pertains to the degree to which financial or performance information of a particular government entity aligns with that of comparable entities within either the central or local government sectors (Heald & Hodges, 2015; IPSASB, 2014; Montesinos & Brusca, 2019). This entails ensuring consistency and uniformity in the presentation and content of information, facilitating meaningful comparisons for stakeholders. Comparable information allows users to draw insights by benchmarking against similar entities, aiding in performance assessments, policy evaluations, and strategic decision-making (IPSASB, 2014; OECD, 2022).

With respect to the outcome of the remining six construct items (i) information that enables users to predict the future sustainability of continuity of services of your entity, (ii) information that enables users to predict the future performance of your entity, (iii) information on strategic intentions to improve your entity's operations and meet set targets, (iv) information about your entity's ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities, (v) information about your entity to assist users in their assessment of the entity, and (vi) information about your entity’s capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery, the analyses suggest that there is no statistically significant difference between the central and local governments in these areas.

In specific, for “*information that enables users to predict the future sustainability of continuity of services of your entity*”, the outcome suggests indicating that there is no statistically significant difference between the central and local government entities in terms of how they provide this information. Suggesting that sampled PSEs emphasis on providing information for predicting the future sustainability of service continuity are comparable, albeit this may not be the case for the small and large sized PSEs. Arguably, the disclosure of information concerning the sustainability of service continuity could be seen as a representation of going concern information, which asserts the entity's capacity to continue into the foreseeable future (Ouda, 2018). While certain control of government operations may change with the emergence of a new government, the fundamental operations, management, assets, and clientele of the government tend to typically stay constant (Ouda, 2018). A probable rationale for any likely difference in predicting the future sustainability of service continuity in PSEs between central and local governments as may subsist in their respective size, scope, scale, and the nature of services managed.

Following on results for the construct, *"information that enables users to predict the future performance of your entity*", also had no statistically significant difference between the central and local government. This suggests that both groups of respondents consider this information to be comparably relevant for decision-making. Information that enables PSE users to predict the future performance of the entity entails the provision of information and insights within the entity's reports that empower stakeholders to make informed projections about its future outcomes (IPSASB, 2014). This type of information is crucial for decision-makers, and other interested parties who seek to anticipate the entity's track and evaluate its sustainability and resilience. Ultimately, the goal across PSEs is to empower users to make well-informed decisions based on a robust understanding of the PSE's anticipated future performance.

Similarly, "*information on strategic intentions to improve your entity's operations and meet set targets*", indicate that there is no statistically significant difference between the central and local government entities in terms of how they provide this information. Suggesting that both groups of PSEs respondents consider this information to be comparably relevant for decision-making. Disclosure of information about planned strategies and intentions aimed at enhancing operations and achieving predetermined targets within PSEs is a fundamental aspect of transparent governance (IPSASB, 2014).

With respect to the results for "*information about your entity's ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities*", there is also no statistically significant difference between the central and local government entities. The median value of 4 for both central and local government implies that half of both groups' respondents perceive the provision of information about an entity's ability to meet expectation of users as important. This implies that both central and local government entities, as assessed by the provided information, exhibit similar levels of meeting user expectations in the realm of managerial responsibilities. This construct evaluates the assessment of the effectiveness of these entities in meeting the expected standards associated with their managerial duties. Managerial responsibilities capture a variety of tasks, from decision-making to resource allocation, and assessing an entity's competence in these areas is paramount for ensuring organizational efficacy. Information about the economic standing of a PSE allows users to acquire information about the assets held by the entity and the corresponding obligations at the reporting date (IPSASB, 2014).

The results for the construct, on "*information about your entity to assist users in their assessment of the entity*", indicate that there is no statistically significant difference between the central and local government entities in terms of how they provide this information. PSEs are mandated to provide comprehensive information in their financial reports which serves dual purpose of allowing both resource providers and service recipients to evaluate entities across a range of crucial aspects such as financial performance, resource allocation, and adherence to fiscal responsibilities (IPSASB, 2014, p. 15).

Finally, *"information about [PSE] capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery,*' is not statistically significant at conventional levels to affirm a difference between the central and local government entities in terms of how they provide this information. A possible reason for this result could be attributed to similarities in strategies, policies, and practices adopted by both central and local government PSEs in addressing and communicating their adaptive capabilities. The IPSASB conceptual framework highlights that PSEs are obligated to provide information regarding their capacity to navigate changing circumstances, encompassing shifts in demographics or fluctuations in domestic and global economic conditions. This essential is emphasised as a fundamental characteristic influencing the nature and composition of the activities an entity undertakes, as well as the services it provides (IPSASB, 2014, p. 15).

The analysis and discussion revealed that out of the 14 accountability information content items examined, eight had no significant differences between central and local government PSEs, thus leading to acceptance of the null hypotheses (H2a) that there are no differences in the perceptions of preparers regarding accountability information items presented in their reports. However, six information items revealed significant differences, leading to the rejection of the null hypothesis for those items. Collectively, the findings suggest that while there several similarities in the perceptions of preparers of central and local government PSEs regarding accountability information items, there are notable differences in these PSEs reporting practices. The results reported in Table 6.2 Panel B for decision-useful information content items show that there was no significant difference between central and local government PSEs information content bar one. In this case, the null hypothesis, which states that "there are no differences in the perceptions of PSEs annual reports preparers of central and local government on decision-useful information items presented in their reports", is therefore accepted for all construct items except "*information that is comparable with that of other similar entities*" which is statistically significant at the 10% level.

As stated in H2a, the information presented in the annual reports of central and local government would differ in some instances. The findings provide evidence to support this conjecture, as they reveal significant differences between central and local government PSEs in six accountability information items. Specifically, differences were found between the two groups in the following areas: compliance with regulatory requirements, accessibility of information for users, meeting long-term and current obligations, cost recovery of future services, meeting expectations of users regarding social and environmental responsibilities, and availability of resources for future services. These findings suggest that there are differences in the accountability information presented in the annual reports of central and local government PSEs. Research on the information presented in annual financial reports across entity types within the public sector is scarce. The results of this study fill this gap in the literature and provide incremental empirical evidence on the discourse regarding differences between the accountability and decision-useful information items provided in the annual financial reports of central and local governments PSEs. Previous studies have examined various aspects of financial report information in the public sector. For example, (Ehalaiye et al., 2018; Krambia-Kapardis et al., 2016; Mack & Ryan, 2007), have evaluated the quality of information, qualitative characteristics of financial reports, financial reports as sources of information, types of information in financial reports (financial, performance, and narrative information), and objectives for reporting from a broader perspective. Walker (2003) also explored the applicability of financial report information in the public sector. However, there is yet a full understanding of the PSEs reporting practices difference in terms of their accountability and information content, which this study helps to address.

Regarding accountability information, the study's findings for compliance with regulatory requirements are consistent with previous evidence such as those documented in (Daniels & Daniels, 1991; Taylor & Rosair, 2000) who found that PSE provide information that shows their compliance to statutory requirements when evaluated by stakeholders. The findings on accessibility of financial information by users are consistent with (Styles & Tennyson, 2007; Vermeer & Styles, 2019), who found that financial information is made available and accessible through PSE websites to users for the assessment of the reporting entity's accountability information that supports their decision making. Krambia-Kapardis et al. (2016) also identified that users were satisfied with the cost recovery information provided in annual reports of PSEs in Cyprus. In summary, the study's findings highlight the significance of the information presented in the annual reports of central and local government PSEs for users. Furthermore, the results suggest that there are obvious differences between central and local government PSEs with respect to certain accountability information items. These findings contribute to the extant literature on the discourse regarding the importance of financial reporting in the public sector and emphasise the need for policymakers to ensure that PSEs provide comprehensive and relevant information in their annual reports to meet the needs of users.

6.3 Comparison of large and small PSEs

In this section the results of the empirical tests conducted to compare large and small PSEs are reported. The total value of expenses reported by the sampled PSEs in their financial reports was employed as the basis of their size difference. Higher expenses correspondingly indicate larger PSEs, while lower expenses were indicative of smaller PSEs. Following the XRB requirement PSEs with qualifying annual expenses in the excess of NZD 30 million were classified as large and others below that amount small the values were drawn from financial reports of these PSEs. As with prior tests for the difference in two means, the Mann Whitney U test is also used here to evaluate the stated hypotheses. The main hypothesis here is aimed at determining whether there are differences between large and small PSEs in terms of their objectives for preparing annual financial reports and the information items (i.e., accountability and decision-useful information) presented in their reports.

6.3.1 Comparison of small and large PSEs financial reporting objectives

Table 6.3 provides a result of the analysis conducted to compare small and large PSEs with respect to their objectives for preparing financial reports. In this analysis, the study seeks to determine whether there is a statistically significant difference in the objectives underlying financial reporting practices among small and large PSEs. Three objectives associated with the financial reporting process based on the PSEs size is considered in this respect.

H1b There is no significant difference between the perceptions of preparers regarding the objectives of financial reporting by large and small PSEs.

Table 6.3 Objectives for Preparing Financial Reporting in Small and Large PSEs

Objectives	Size	N	Median Rank	Mann Whitney U	Z score	Sig. a,b P-value
To meet statutory obligation (compliance)	Small	51	5	1301.00	-0.337	0.736
	Large	52	5			
	Total	103				
To provide information to users of financial reports	Small	51	4	1281.00	-0.140	0.889
	Large	51	4			
	Total	102				
To discharge the entity's public accountability	Small	50	5	1065.00	-2.072	0.038*
	Large	52	5			
	Total	102				

The results for the objective (discharge of public accountability) indicate a perceived statistically significant difference between small and large PSEs regarding the relevance of accountability as an objective in their financial reporting. The p-value of 0.038 is lower than the threshold of 0.05, indicating rejection of the null hypothesis. Although the median value of

5 for both small and large PSEs suggests that both groups perceive this information as a very important rationale for their reporting practice, the statistical test reveals a significant difference. Hence, while respondents across small and large PSEs believe that accountability is a crucial rationale for preparing financial reports, this effect is statistically more demanding for large PSEs, given the XRB threshold for public accountability. The U-value of 1065.00 is the sum of the ranks of the small PSEs group in the combined ranking of both groups. The z-score of -2.072 is the standardized measure of how far the U-value is from the mean of the U-distribution under the null hypothesis. The negative z-score indicates that the U-value is below the expected value, implying that the small PSE group had lower ranks than the large PSE group. This suggests that the small PSE group perceived the information to be less important than the large PSE group. As hinted above, a possible explanation for the differences is that larger PSEs may be subject to more accountability requirements than smaller PSEs (Adam & Heiling, 2023; Pilcher & Gilchrist, 2018). Additionally, these differences could be influenced by the type of service provided to stakeholders including variations in organisational structures, resource capacities, or stakeholder expectations(Blann, 2010; Hong, 2017; Hong & Lee, 2018). The significance of this finding implies that there are visible differences in the perception or emphasis on discharging public accountability objectives between small and large PSEs.

The results for the objective *to meet statutory obligation (compliance)* and *to provide information to users of financial reports* are not statistically significant at conventional levels. Specifically, the outcome for the objective to meet statutory obligation (compliance) indicate that there is no statistically significant difference between the small and large PSEs in terms of how they perceive the objective as a rationale for reporting. Relatedly, results for the objective to provide information to users of financial reports showed a median of 4 for both small and large PSEs and no statistically significant difference between the small and large PSEs in terms of how they provide this information.

Collectively, as PSEs grow, their operations often become more complex and far-reaching, necessitating a higher degree of transparency and responsibility to various stakeholders, including government bodies, shareholders, and the public(Grossi & Steccolini, 2015). These larger PSEs may be subject to a number of regulatory frameworks and reporting standards that demand detailed financial documentation, performance evaluations, and adherence to corporate governance principles. Consequently, the burden of compliance and the need to demonstrate their effectiveness in utilizing public resources might compel larger PSEs to establish robust internal control mechanisms and adopt stringent accountability measures. In contrast, smaller PSEs might face less difficult accountability requirements due to their relatively simplified operations and limited scale (Cordery, 2023). With fewer stakeholders and a more focused service scope, these smaller entities might operate under less scrutiny, allowing them more flexibility in their practices. However, this can also present challenges in terms of potential gaps and an absence of comprehensive performance evaluation mechanisms. Moreover, the differences in the services provided by PSEs can significantly contribute to the observed differences (Hong, 2017). The nature of the services offered can influence the degree of complexity and associated accountability. For instance, PSEs engaged in critical services like healthcare, education, and infrastructure development may fundamentally face increased accountability due to the essential nature of their service(Blann, 2010). The potential impact of service failures on the well-being of citizens and the overall socio-economic environment can prompt more stringent accountability measures (Shaw, 2013). On the other hand, smaller PSEs specialized or localized services might have a more targeted stakeholder base, which could result in comparatively less intense scrutiny. Such entities may be able to navigate accountability requirements more effortlessly, focusing their resources on delivering quality services without being constrained by extensive reporting obligations (Cordery, 2023).

The comparison of PSEs based on size, complexity, and the necessity of services all contribute to shaping the level of accountability that PSEs are subject to. As the landscape of public sector entities continues to evolve, understanding these dynamics becomes crucial for effective governance, resource utilization, and service delivery (Bouckaret et al., 2016).

6.3.2 Comparison of large and small PSEs information contents

The analysis for the comparison between large and small PSEs information provided in financial reports is reported in Table 6.4. The results are tabulated under two panels - A and B and presented in a hierarchical order.

Table 6.4 Comparison of small and large PSEs information Contents

Panel A. Accountability

Information Items	**Size Small and Large**	**N**	**Median Rank**	**Mann Whitney U**	**Z score**	**Sig [a,b] , p value**
Information about your entity's cost recovery for future services	Small Large Total	51 51 102	3 3	1086.50	-1.455	0.146
Information about your entity's level of compliance with regulatory requirements	Small Large Total	51 51 102	5 5	1124.00	-1.342	0.180
Information on the discharge of managerial responsibilities within your entity	Small Large Total	51 51 102	4 4	1123.50	-1.232	0.218
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned governance responsibilities	Small Large Total	51 51 102	4 4	1133.50	-1.163	0.245
Information about your entity's resources available for future services. (Resource in terms of cash, borrowings, revenue, human capital, assets, and material)	Small Large Total	51 50 101	4 4	1140.00	-0.964	0.335
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities	Small Large Total	51 51 102	4 3	1174.50	-0.867	0.386
Information about your entity's ability to manage the resources it is responsible for	Small Large Total	51 51 102	5 4	1203.00	-0.710	0.477
Information on the discharge of governance responsibilities within your entity	Small Large Total	51 51 102	5 5	1208.50	-0.678	0.498
Consistent and comparable information about your entity's performance over time	Small Large Total	51 51 102	4 4	1212.00	-0.637	0.524

Information Items	Size Small and Large	N	Median Rank	Mann Whitney U	Z score	Sig ^{a,b} , p value
Information about your entity being easily accessible to users	Small Large Total	51 51 102	4 4	1218.00	-0.582	0.561
Information about your entity's ability to achieve its operating and financial objectives	Small Large Total	51 51 102	5 4	1222.50	-0.571	0.568
Information about the ability of your entity's efficiency and effectiveness of service delivery	Small Large Total	51 51 102	4 4	1236.00	-0.457	0.648
Information about the ability of your entity to meet current and long-term obligations	Small Large Total	51 51 102	4 4	1255.00	-0.323	0.747
Information about your entity that is unbiased	Small Large Total	51 51 102	4 4	1268.00	-0.231	0.817

Panel B. Decision-Usefulness

Information Items	Size Small and Large	N	Median Rank	Mann Whitney U	Z score	Sig ^{a,b} , p value
Information that is comparable with that of other similar entities	Small Large Total	51 50 101	4 3	1085.00	-1.335	0.182
Information about your entity's capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery	Small Large Total	51 51 102	4 4	1164.50	-0.949	0.343
Information about your entity to assist users in their assessment of the entity	Small Large Total	51 51 102	4 4	1200.00	-0.703	0.482

Information on strategic intentions to improve your entity's operations and meet set targets	Small Large Total	51 51 102	4 4	1210.50	-0.635	0.525
Information that enables users to predict the future performance of your entity	Small Large Total	51 51 102	3 3	1241.50	-0.407	0.684
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities	Small Large Total	51 51 102	4 4	1251.00	-0.340	0.734
Information that enables users to predict the future sustainability of continuity of services of your entity	Small Large Total	51 51 102	3 4	1286.50	-0.096	0.923

6.3.2.1 Accountability

Panel A of Table 6.4 provides results of the analyses comparing large and small PSEs information content items for accountability. The test of hypothesis determines whether there is statistically significant difference in the accountability information items reported by large and small PSEs. The hypothesis tested is stated below:

> *H2b The perceptions of large and small PSEs preparers regarding the accountability information presented in annual reports are not significantly different.*

Collectively, the results for 14 accountability information items tested are not statistically significant at conventional levels. Specifically, the outcome for the "*information about [PSE] cost recovery for future services*" indicate that there is no statistically significant difference between the small and large PSEs with regards to this information. The median score of 3 for both small and large PSEs suggests that both half of the respondents of the groups consider this information to be relevant for accountability as well as supporting decision-making. The results for the construct, "*information about [PSEs] level of compliance with regulatory requirements*", reveal an absence of statistical difference between small and large PSEs in somewhat alignment with Laswad et al's (2005) observation. Who found that the size of entities not to be a useful predictor of voluntary internet financial reporting. It is likely that the differences in regulatory compliance within these entities may be linked to their sectoral reporting framework rather than size. While differences between central and local government PSEs are evident, the uniformity across different-sized entities implies that the challenges and solutions to regulatory compliance may be tied to governance models rather than size of the PSE, (if any). Again, governance structures across these entities could be the enhancing compliance mechanisms that differentiates them (Domingues et al., 2017). Following suit, the results for the construct on *"information on the discharge of managerial responsibilities within [PSE]*", had no statistically significant difference in terms of size of the entities. Perhaps, hinting at the conclusion reached by Anessi-Pessina et al., (2016), suggesting that managerial roles within PSEs is often contextualized in the light of the frameworks for performance management or budgetary considerations. Also, results for the construct on *"information about [PSE] ability to meet the expectations of users regarding the discharge of assigned governance responsibilities*", revealed no difference based on PSEs size similar to result based on type (i.e., central versus local governments) PSEs. An important insight from these findings suggests that neither the size nor type of PSEs significantly influence the information provided about their ability to meet user expectations in the discharge of their governance responsibilities. Albeit prior studies (e.g., Arun et al., 2021; Ferry & Ahrens, 2022) note differential based on operational structure and governance responsibilities. However, the current study finds no differential in terms of how the discharge of assigned governance responsibilities are perceived with respect to PSEs reporting behaviour irrespective of their size.

The result for "*information about [PSEs] resources available for future services (in terms of cash, borrowings, revenue, human capital, assets, and material)",* with no statistically significant difference based on PSEs size, suggests that both groups of respondents consider this information to be relevant for accountability reporting purposes. Similarly, the analysis of "*information about [PSEs] ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities*" indicate the absence of any statistically significant difference. One explanation for this could be due to both small and large PSEs increasing importance placed on social and environmental reporting obligation and their inclination to provide additional information on their effort in this respect (Moses et al., 2023; Moses & Hopper, 2022). Indeed, the demand for PSEs to provide incremental information regarding their social and environmental responsibilities irrespective of their size has been a subject of ongoing discourse especially on how PSEs contribute to society in this regard (Biondi & Bracci, 2018; Domingues et al., 2017; Greiling et al., 2015; Manes-Rossi, 2018; Marx & van Dyk, 2011; Niemann & Hoppe, 2018). Domingues et al., (2017) explored the social and environmental reporting practices of Italian local PSEs and factors motivating such reporting including their consequential impacts, while Manes-Rossi (2018) explored appropriate tools designed to furnish information on financial, social, environmental, and governance issues within a single reporting document. Both studies conclusions highlight that broader sustainability items in the PSEs disclosures effectively help to enhance stakeholder engagement, thereby improving accountability and enhancing legitimacy. This may indeed explain the comparable level of importance accorded this item irrespective of the size of the PSE (Greiling et al., 2015; Lodhia et al., 2012). Further a similar conclusion by Lodhia et al., (2012) confirm the absence of a significant difference in the overall reporting practices of PSEs based on size. Essentially, affirming Greiling et al's (2015) assertion that PSEs are continuously striving to meet high accountability expectations, regardless of their size.

The results for the construct on "*information about [PSE] ability to manage the resources it is responsible for*", also with no statistically significant difference could be due to small and large PSEs similar emphasis on organisational effectiveness in resource management. Given that both large and small PSEs appear to share similar overarching goal in terms of managing resources effectively there may be limited variation in the perceived information disclosure practices akin to their size. Even in the presence of diverse stakeholders conflicting demand, the accountability reporting requirements to enhance stakeholder relations are considered very likely the same across PSEs (Greiling et al 2015; Moses, et al 2023). Similarly, results for "*information on the discharge of governance responsibilities within [PSE]*", indicate that there is no statistically significant difference between the small and large PSEs in terms of how they provide this information. This suggests that both groups of respondents consider this information to be highly relevant for their accountability obligation (Moses et al., 2023). A reason could be a shared commitment among small and large PSEs to communicate information about their discharge of governance responsibilities as an accountability mechanism aimed at good governance, fostering economic growth and improved stakeholder engagement (Arun et al., 2021; Moses, et al 2023). Given their requirement for accountability, PSEs strive to provide stakeholders with governance information which not only supports the assessment of effective execution of duties but also enable stakeholders to make informed decisions (IPSASB, 2014;Ferry & Ahrens, 2022; Moses, et al 2023; Lassou et al 2023).

The results for the construct on "*consistent and comparable information about [PSEs] performance over time*", like others did not indicate a statistically significant difference between the small and large PSEs. Suggesting both groups of respondents consider this information to be comparably relevant for their accountability process. Comparability provides users with the ability to establish similarities and differences between PSEs in terms of their reported information (Christiaens et al., 2015; Oulasvirta, 2014). Affirmingly the current finding highlights PSEs irrespective of size believe it is important to provide stakeholders consistent and comparable information of their performance over time. Likewise, results for "*information about [PSE] being easily accessible to users*", indicate no difference between the small and large PSEs. Certainly, accessibility of PSE information has been broadening over time, with users finding online access for financial report convenient (Murdayanti & Khan, 2023; Vermeer & Styles, 2019; Windarti, 2020). Interestingly, limited prior insight exist in terms of accessibility of PSE information by users based on the size of the reporting PSE. In this light Laswad et al., (2005) show that the size of a PSE did not affect the accessibility of the entity's financial reports by users. Conversely, Vermeer and Styles (2019) suggest small PSEs trail behind larger counterparts in providing more accessible financial information to their users. Although, the result of the current study aligns with the findings of Laswad et al. (2005), it is likely that given the broader sphere of accountability large PSEs have to contend with Moses et al. (2023), they would be more inclined to push their financial report via multiple network and channels – which may appear to account for more accessibility (Vermeer & Styles, 2019). A key insight from this study nonetheless is that regardless of the size of the reporting PSE, financial information is accessible to users.

Furthermore, "*information about [PSEs] ability to achieve its operating and financial objectives*", indicate no difference the sampled PSEs. Hence, the size of a PSE does not differ significantly when it comes to providing information to stakeholders regarding its ability to achieve its operating and financial objectives. The results for the construct on "*information about the ability of [PSEs] efficiency and effectiveness of service delivery*", also indicate no statistically significant difference. Regardless of size, PSEs have a commitment to providing information about their service delivery capabilities. Reporting non-financial and financial information concerning service delivery activities, achievements, and outcomes throughout the reporting period contribute valuable insights for evaluating the economy, efficiency, and effectiveness of the entity's operations (Nogueira & Jorge, 2017; Pina et al., 2009; Verbeeten, 2008). Hence, the unison perception across sampled PSE their size not minding.

With respect to "*information about the ability of [PSE] to meet current and long-term obligations*" there is yet no difference. The non-significant difference implies uniformity once again in reporting practices across different-sized PSEs and indicating a collective emphasis on communicating information about their financial stability and obligation fulfilment. As discussed previously in the comparison between central and local government PSEs, (Ouda, 2018) argued that despite changes in government due to elections, the continuity of PSEs is often unaffected, given the operational structures of the public sector. Therefore, the findings of the present study affirm that, regardless of size, reporting practices across PSEs tend to be consistent. The result examining the "*information about your entity that is unbiased*" with no difference between the two groups suggests that both small and large PSEs strive to present their information in an unbiased manner. The IPSASB conceptual framework asserts that PSEs are mandated to offer users information in a way that conceivable outcomes are considered, and to provide such in an unbiased manner (IPSASB, 2014). The findings of the current study indicate that the provision of unbiased financial report information is at least perceived across both small and large PSEs to be of similar importance.

Conclusively, all the Mann-Whitney U tests results reveal that there are no significant differences in the ratings of the accountability information content items presented in financial reports between small and large PSEs. This implies that the size of the entity does not affect the disclosure practices related to accountability within the public sector. Broadly all respondents from both groups have similar perceptions and expectations in terms of information items demonstrating their entity's performance, compliance, stewardship, and sustainability.

6.3.2.2 Decision-Usefulness

Table 6.4, Panel B provides information of the analyses conducted to compare the importance of information content for decision making between small and large PSEs financial reports. In this analysis, the study seeks to determine whether there is a statistically significant difference in the decision-useful information content items presented in financial report of small and large

PSEs.

H3b: The perceptions of large and small PSEs preparers regarding the decision-useful information presented in their reports are not significantly different.

Across the seven decision-useful information items there is no statistically significant difference between small and large PSEs. The result of the assessments of "*information that is comparable with that of other similar entities*" reveal no significant difference possibly because small and large PSEs in following prescribed reporting guidelines end up providing information that is comparable to that of their counterparts (Christiaens et al., 2015; IPSASB, 2014). Christiaens et al., (2015) conclude that financial reporting overarching goal aims at enhancing comparability not only across various levels of government but also between different PSEs. The result of "*information about [PSE] capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery*" indicates no significant difference within the sampled PSEs. An explanation could be due to both small and large PSEs recognition for the necessity of demonstrating adaptability in the face of changing circumstances affecting service delivery. Although there is a marginal difference in the median scores which reflect variations in absolute perceptions score between small and large PSEs, but these differences do not attain statistical significance at conventional level. Likewise, the result of "*information about [PSE] to assist users in their assessment of the entity*" suggests that both groups of respondents consider this information to be of comparable relevance for decision-making. Perhaps, both small and large PSEs share an obligation to render information that supports users in their evaluations of their entity (Moses, et al 2023; Pajković et al., 2023). The current study provides incremental insight into the provision of information that aids users in evaluating PSEs specifically with respect to their size in relation to prior studies in this regard (Alijarde, 1997; Gomes et al., 2022; Krambia-Kapardis et al., 2016; Krambia-kapardis & Clark, 2010; Laswad & Redmayne, 2015). The result for "*information on strategic intentions to improve [PSE] operations and meet set targets*" between small and large PSEs did not also show a statistically significant difference. This suggests that both groups of respondents consider this information to be relevant for decision-making. In the context of possible differences between small and large PSEs, these results indicate a similarity in the extent to which strategic intentions are disclosed. Based on prior literature it is observed that existing studies have examined the obligation of PSEs to furnish users with comprehensive information encompassing their activities, strategic plans, and performance (Nogueira & Jorge, 2017; IPSASB, 2014; Nogueira et al., 2013). However, a noticeable gap is in terms of assessed information in achieving set targets of PSEs with a consideration for their size differences. The findings of the present study contribute valuable insights into this specific aspect by shedding light on this with consideration given to variations in size. In addition, the test for "*information that enables users to predict the future performance of [PSE]*" indicates no significant difference between small and large PSEs. This similarity in the extent to which information enabling the prediction of future performance is disclosed suggest that both small and large entities appear to acknowledge the importance of communicating predictive information, emphasizing a comparably commitment in conveying information that aids stakeholders in forecasting future performance.

In terms of "*information about [PSE] ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities*" the no significant difference between small and large PSEs suggests that all respondents consider this information to be relevant for decision-making. Implying a comparable commitment practice across small and large PSEs in addressing user expectations about the discharge of managerial responsibilities. This commitment reinforces the importance placed by PSEs regarding their ability to meet user expectations concerning the discharge of assigned managerial responsibilities (IPSASB, 2014). The result of "*information that enables users to predict the future sustainability of continuity of services of [PSE]*" between small and large PSEs also did not produce any statistically significant difference. While the evaluation of information in PSE financial reports has garnered attention from scholars from various perspectives (Cohen & Karatzimas, 2017; Ehalaiye et al., 2018, 2021; Pajković et al., 2023; Poljašević et al., 2021), information provided to users to predict the future sustainability and continuity of services of PSE has not been evaluated in terms of size of the PSE. This study's finding documents these potential differences between especially with respect to small and large PSEs. Although no significant differences have been noted, they findings nonetheless helps to improve our understanding of this aspect of information disclosure across reporting PSEs.

A collective comparison of the results for accountability and decision-usefulness information content items presented in financial reports between large and small PSEs reveal that there is no significant difference between the two groups. The study's analysis of the importance of information contents provided in financial reports showed some differences between central and local government PSEs. Specifically, there were significant differences found for both accountability and decision-useful information items differences between central and local government PSEs. This finding of the study aligns in some respect with prior studies that suggest possible differences across financial information provided for accountability purposes ((Krambia-Kapardis et al., 2016; Lennard, 2007), and the notion that financial reports tend to primarily provide information for accountability purposes than decision-usefulness (Mack & Ryan, 2006; Steccolini, 2004; Taylor & Rosair, 2000).

To ensure the robustness of the study's findings, a Kruskal-Wallis test was conducted. The results of this additional analysis confirmed the underlying findings, providing further support for the study conclusions. In particular, this test demonstrated that there were no significant differences between the perceived importance of information items presented in financial reports for both accountability and decision-usefulness purposes in large and small PSEs.

Overall, the results of the study, supported by the robustness test, provide valuable insights into the perceived importance of financial report information in PSEs. These findings have important implications for policymakers, regulators, and practitioners involved in financial reporting practices in the public sector. Section 6.4 (Table 6.5-6.8) presents the results for the robustness test for the objectives for preparing financial reports, information contents presented in financial reports for both central/ local government PSE and small and large PSEs.

6.4. Robustness Test Tables

Kruskal Wallis Test Tables - Comparing Central Versus Local Government/ Small and Large PSEs

Table 6.5 Objectives for Preparing Financial Reports

Objectives	Central and Local Government	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P-value)
To meet statutory obligation (compliance)	Central Local Total	65 43 108	52.88 56.94	1.719	1	0.190
To provide information to users of financial reports	Central Local Total	65 42 107	51.90 57.25	0.877	1	0.349
To discharge the entity's public accountability	Central Local Total	64 43 107	54.21 53.69	0.013	1	0.910

Table 6.6 Comparison of the Information Contents Provided in Financial Reports

Panel A. Accountability

Information Items	Central and Local Government	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P-value)
Information about your entity's level of compliance with regulatory requirements	Central	65	49.58	4.330	1	0.037*
	Local	42	60.83			
	Total	107				
Consistent and comparable information about your entity's performance over time	Central	65	54.38	0.028	1	0.866
	Local	42	53.42			
	Total	107				
Information on the discharge of governance responsibilities within your entity	Central	65	54.72	0.110	1	0.740
	Local	42	52.88			
	Total	107				
Information on the discharge of managerial responsibilities within your entity	Central	65	53.49	0.048	1	0.827
	Local	42	54.79			
	Total	107				
Information about your entity that is unbiased	Central	65	51.87	0.885	1	0.347
	Local	42	57.30			
	Total	107				
Information about your entity being easily accessible to users	Central	65	49.33	4.148	1	0.042*
	Local	42	61.23			
	Total	107				
Information about the ability of your entity to meet current and long-term obligations	Central	65	48.86	5.127	1	0.024*
	Local	42	61.95			
	Total	107				
Information about the ability of your entity's efficiency and effectiveness of service delivery	Central	65	51.96	0.799	1	0.371
	Local	42	57.15			
	Total	107				
Information about your entity's cost recovery for future services	Central	65	45.85	11.773	1	<0.001**
	Local	42	66.62			
	Total	107				
Information about your entity's ability to achieve its operating and financial objectives	Central	65	52.59	0.409	1	0.522
	Local	42	56.18			

Information Items	Central and Local Government	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P-value)
	Total	107				
Information about your entity's ability to manage the resources it is responsible for	Central	65	54.21	0.009	1	0.925
	Local	42	53.68			
	Total	107				
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned governance responsibilities	Central	65	51.45	1.219	1	0.270
	Local	42	57.95			
	Total	107				
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities	Central	65	49.29	4.028	1	0.045*
	Local	42	61.29			
	Total	107				
Information about your entity's resources available for future services. (Resource in terms of cash, borrowings, revenue, human capital, assets, and material)	Central	65	48.21	5.515	1	0.019*
	Local	41	61.89			
	Total	106				

Panel B. Decision-Usefulness

Information Items	Central and Local Government	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P-value)
Information that enables users to predict the future performance of your entity	Central	65	51.32	1.317	1	0.251
	Local	42	58.15			
	Total	107				
Information that is comparable with that of other similar entities	Central	65	49.15	3.590	1	0.058
	Local	41	60.40			
	Total	106				
Information on strategic intentions to improve your entity's operations and meet set targets	Central	65	52.25	0.587	1	0.443
	Local	42	56.71			
	Total	107				
Information about your entity to assist users in their assessment of the entity	Central	65	52.79	0.274	1	0.601
	Local	42	55.87			
	Total	107				
Information that enables users to predict the future sustainability of continuity of services of your entity	Central	65	51.06	1.567	1	0.211
	Local	42	58.55			
	Total	107				
Information about your entity's capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery	Central	65	53.52	0.042	1	0.837
	Local	42	54.74			
	Total	107				
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities	Central	65	52.64	0.337	1	0.562
	Local	42	56.11			
	Total	107				

Comparison of Small and Large PSE

Table 6.7 Objectives for Preparing Annual Financial Reports

Objectives	Size	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P value)
To meet statutory obligation (compliance)	Small	51	52.49	0.113	1	0.736
	Large	52	51.52			
	Total	103				
To provide information to users of financial reports	Small	51	51.12	0.020	1	0.889
	Large	51	51.88			
	Total	102				
To discharge the entity's public accountability	Small	50	46.80	4.294	1	0.038*
	Large	52	56.02			
	Total	102				

Table 6.8 Comparison of Information Contents Provided in Financial Reports

Panel A. Accountability

Information Items	Size	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P-value)
Information about your entity's level of compliance with regulatory requirements	Small	51	54.96	1.800	1	0.180
	Large	51	48.04			
	Total	102				
Consistent and comparable information about your entity's performance over time	Small	51	53.24	0.406	1	0.524
	Large	51	49.76			
	Total	102				
Information on the discharge of governance responsibilities within your entity	Small	51	49.70	0.459	1	0.498
	Large	51	53.30			
	Total	102				
Information on the discharge of managerial responsibilities within your entity	Small	51	48.03	1.518	1	0.218
	Large	51	54.97			
	Total	102				
Information about your entity that is unbiased	Small	51	50.86	0.054	1	0.817
	Large	51	52.14			
	Total	102				
Information about your entity being easily accessible to users	Small	51	53.12	0.338	1	0.561
	Large	51	49.88			
	Total	102				
Information about the ability of your entity to meet current and long-term obligations	Small	51	50.61	0.104	1	0.747
	Large	51	52.39			
	Total	102				

Information Items	Size	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P-value)
Information about the ability of your entity's efficiency and effectiveness of service delivery	Small	51	50.24	0.209	1	0.648
	Large	51	52.76			
	Total	102				
Information about your entity's cost recovery for future services	Small	51	55.70	2.116	1	0 .146
	Large	51	47.30			
	Total	102				
Information about your entity's ability to achieve its operating and financial objectives	Small	51	53.03	0.326	1	0.568
	Large	51	49.97			
	Total	102				
Information about your entity's ability to manage the resources it is responsible for	Small	51	53.41	0.505	1	0.477
	Large	51	49.59			
	Total	102				
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned governance responsibilities	Small	51	54.77	1.353	1	0.245
	Large	51	48.23			
	Total	102				
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned social and environmental responsibilities	Small	51	53.97	0.752	1	0.386
	Large	51	49.03			
	Total	102				
Information about your entity's resources available for future services. (Resource in terms of cash, borrowings, revenue, human capital, assets, and material).	Small	51	53.65	0.930	1	0.335
	Large	50	48.30			
	Total	101				

Information Items	Size	N	Mean Rank	Test Statistics	Degree of Freedom (Df)	Sig. a,b (P-value)
Decision-Usefulness Panel B						
Information that is comparable with that of other similar entities	Small	51	54.73	1.783	1	0.182
	Large	50	47.20			
	Total	101				
Information on strategic intentions to improve your entity's operations and meet set targets	Small	51	49.74	0.403	1	0.525
	Large	51	53.26			
	Total	102				
Information about your entity to assist users in their assessment of the entity	Small	51	53.47	0.494	1	0.482
	Large	51	49.53			
	Total	102				
Information that enables users to predict the future sustainability of continuity of services of your entity	Small	51	51.23	0.009	1	0.923
	Large	51	51.77			
	Total	102				
Information about your entity's capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery	Small	51	54.17	0.900	1	0.343
	Large	51	48.83			
	Total	102				
Information about your entity's ability to meet the expectations of users regarding the discharge of assigned managerial responsibilities	Small	51	52.47	0.116	1	0.734
	Large	51	50.53			
	Total	102				

Chapter Seven Results: Interviews With PSE Reporting Standard-Setters

7.1 Introduction

This chapter reports on the results of six in-depth interviews conducted with standard setters to gather insights into their perspectives on public sector reporting. Section 7.2 describes the interview methods, while Sections 7.3 to 7.8 present and discuss the interview results. Finally, Section 7.9 compares the perceptions of preparers and standard setters. Section 7.10 provides the chapter summary.

The interviews aim to delve into the diverse financial reporting practices of PSEs, encompassing their objectives, primary users, and information content. The goal is to engage in discussions regarding PSEs' reporting obligations and expectations with actors involved in the standard-setting process, exploring their perspectives and the focus of standard-setting bodies. A comparison of the insights obtained from the interviews with those gathered through the survey will identify differences and similarities between the views of preparers and standard setters. Through these complementary insights and a comprehensive approach Moses et al., (2023) a nuanced and better understanding of PSEs' reporting practices, including the perspectives of actors involved in the development and implementation of reporting regulations, would be obtained.

7.2 Interview Methods

The qualitative analytical procedure of the study was executed using data obtained from the interview of PSEs standard-setters in New Zealand. This part of the study employs qualitative interpretive procedure (e.g., Bui et al., 2022; Moses et al., 2023) to analyse the interview data from standard setters to gain nuanced and incremental insights to the PSEs reporting practices in New Zealand. The interview data were manually analysed through thematic approach such that codes and themes were determined based on the research question of the study. Thematic analysis is a widely used method for analysing qualitative data that involves identifying patterns and themes in the data and presenting the findings in a clear and concise manner(Braun & Clarke, 2006; Moses, et al 2023). The thematic analysis provides a systematic approach to describe and classify the responses from the interviewees, allowing for a systematic step-by step approach to identify different meanings expressed in the transcribed data.

To ensure the anonymity of participants, each interviewee's response was assigned a code followed by a number linked to the participant (e.g., Standard-Setter 1 = SS1). To guarantee the validity and reliability of the data, several steps were simultaneously taken during the coding and analysis process. First, the interviews' audio recordings were transcribed, and the transcriptions were shared with each interviewee for verification and checking, ensuring that their intent was accurately captured. Second, the transcripts were classified into different codes, leading to the emerged themes aligning with the study's main areas of investigation. Third, due to the small number of interviews, the data were analysed manually based on the research questions. This allowed the researcher to deeply immerse themselves in the data – drawing on non-verbal cues that emerged during the interviews to paint a fuller picture of the standard setters' perceptions regarding PSEs' reporting practices. This approach was feasible due to the small number of participants, enabling the researcher to become familiar with the data and understand the nuances and contexts of the responses. The data analysis process follows methodologies used in prior studies (Adams et al. 2014; Bui et al, 2022; Moses, et al 2023). The identified patterns and themes were numerically coded to show the frequency of each theme in relation to the phenomena under examination, and verification was conducted by the researcher's supervisors. Connections among the various codes leading to thematic groupings were identified at this stage and simultaneously in the second step. Lastly, the data were coded thematically based on the research questions to analytically establish the empirical insights and results. Overall, the step-by-step approach helped streamline the analysis process and effectively determine the empirical insights of the data.

7.3 Interview Results

7.3.1 The objectives of financial reports by PSEs

The interviewees were asked about their views on the objectives of financial reports produced by PSEs. The responses received are discussed below under each objective, providing an overview of the interviewees' perspectives on the purpose and usefulness of PSE financial reports.

7.3.1.1 Accountability

The analysis of the interview data reveals that accountability is perceived by standard-setters as the primary objective of financial reporting in PSEs by all interviewees (100%). This suggests that financial reporting in PSEs is seen by standard setters as a medium for fulfilling and demonstrating accountability obligations of reporting PSEs. This aligns with previous findings on the objectives of financial reporting in PSEs (Laswad & Redmayne, 2015; Mack, 2007; Pilcher & Dean, 2009; Taylor & Rosair, 2000). The finding of Pilcher and Dean (2009) indicated that financial and management reporting of PSEs in Australia were decoupled. Interestingly, earlier findings from the survey discussed in Chapter Five, reveal that compliance was rated as the highest objective for financial reporting by PSEs report preparers, while accountability was rated second. Drawing on the theoretical underpinning (Boxenbaum & Jonsson, 2017; Bromley et al., 2012; Bromley & Powell, 2012; Meyer & Rowan, 1977) of the study, there obviously appear to be strong decoupling logic in terms of the perceived motive for PSEs reporting among preparers and standard setters (Stewart & Connolly, 2022). Although, emerging findings from the interviews show that accountability is perceived as the central objective of financial reporting in PSEs by standard setters. However, juxtaposing this outcome with the results from the survey raises the question of whether preparers view the need for financial reporting as a compliance exercise or as a way of demonstrating their accountability (Bromley & Powell, 2012; Goddard et al., 2016; Moses et al., 2023). As argued by Moses et al., (2023) the presence of multiple accountability expectations, may incentivise organisations to align more with their legal (i.e., compliance) accounting obligation to avert the sanctions and penalties that could be imposed on them for failure to achieve the stipulated reporting standards. Indeed, this reporting behaviour is not completely outside the purview of the standard setters, as one interviewee in buttressing this possibility among PSEs preparers allude that:

> *"I know that when it comes to financial reporting the sense I get from some entities, is they do see it as a compliance exercise." (SS.6).*

The unanimous position of standard-setters with respect to the accountability as a leading objective for PSEs reporting is strong. Specifically, the interviewees collectively agreed that accountability was the primary objective of PSE financial reports. They expressed their views on the importance of providing information that demonstrates the performance, compliance, stewardship, and sustainability of PSEs to their stakeholders:

> *"But the fact is that my personal view is that the reporting for public benefit entities is more about discharging accountability of those who are entrusted with the resources than necessarily the users reading the reports themselves." (SS.2).*

> *"I think in my mind it [PSEs financial reporting] is principally for accountability, but*

I do understand the decision-making aspect of it. I do not see the decision-making aspect of it anywhere near to the same level as the accountability aspects because there are few decisions." (SS.6).

Buttressing the strong perceived importance of accountability in PSEs reporting practices, the findings from the standard-setters clearly affirms that accountability is not just considered important, but it is widely perceived by the interviewees as the chief driving objective of PSEs financial reporting. The outcome from the interviews reveals a significant difference in perceived motive between preparers and standard setters of PSE financial reporting, and hence the presence of strong decoupling evidence.

The evidence from standard setters, especially with the very high level of consensus among interview participants that accountability is the predominant rationale and fundamental purpose of PSE financial reporting, while preparers prioritize compliance as the focus for preparing financial reports – simply speaks to the disconnect in reporting motives (Boxenbaum & Jonsson, 2017; Goddard et al., 2016; Meyer & Rowan, 1977). This signifies that the individuals responsible for overseeing and regulating these entities, such as regulatory bodies and governmental agencies, attach paramount importance to financial reports to ensure transparency, ethical conduct, and responsible management of resources in the public interest (Ball, 2012; Cuadrado-Ballesteros et al., 2019; OECD, 2017, 2019). This no doubt is in tandem with the general and a priori reporting expectation from a standard setting perspective as well as the conceptual framework(IPSASB, 2014; OECD, 2022). Yet, and conversely, the perspectives of preparers misalign in general tenants, with a higher priority on fulfilling obligatory requirement. This might in principle suggest a commitment to strictly adhering to established financial reporting standards, guidelines, and regulatory obligations (Christiaens et al., 2015; Eulner & Waldbauer, 2018; Laswad & Redmayne, 2015; Schmidthuber et al., 2022). In essence, preparers show a strong leaning toward fulfilling the rigorous requirements outlined by regulatory frameworks to ensure that the financial reports they assemble are accurate, consistent, and in alignment with generally accepted accounting principles.

The contrast between accountability and compliance highlights the complex interplay between the various aspects of financial reporting within PSEs (Bracci et al., 2021; Moses et al., 2023) On one hand, the emphasis on accountability reflects a broader societal norm, aiming to provide stakeholders with a comprehensive picture of the financial well-being, operational aspects, and resource allocation of reporting PSEs(Schillemans, 2016). Particularly, as reporting driven by accountability seeks to instil confidence, enhance decision-making among stakeholders, and establish a basis for effective governance and oversight (OECD, 2017). On the other hand, the emphasis on compliance emphasizes the aspect of generating financial reports that conform to standardized rules and regulations. Compliance-focused reporting ensures that financial information is presented in a systematic and consistent manner, facilitating comparability across different entities and reporting periods. This approach safeguards against the misinterpretation or manipulation of financial data, thereby fostering confidence in the accuracy and reliability of the information disclosed (Rana et al., 2019; Smieliauskas et al., 2022).

The disconnect between the perceptions of those responsible for preparing financial reports and the expectations of those who regulate and rely on them demonstrates the need for greater alignment and communication between these two groups. The observed disconnection between accountability and compliance could arise from the fact that these two aspects, while closely related, emphasize different dimensions and motives of financial reporting (Bovens, 2010;

Bracci et al., 2021; Dillard & Vinnari, 2019; Moses et al., 2023). Indeed, both Dillard and Vinnari, (2019) and Moses et al., (2023) caution that placing a narrow attention on its reporting obligations within a complex and nuanced reporting environment could induce reporting entities to opt for different modes (and motives) of accountability. This essentially can in practical terms convolute their perceived attention to the "*to whom*" and "*for what*" reporting purposes they are focused on (Bovens, 2005, 2007, 2010). The empirical insights here provide a strong decoupling logic among actors due to the relationships embodied in the motives of "*to whom*" and "*for what*" their financial report addresses in terms of the primary reporting obligation.

The situation where these perspectives seem to vary highlights the complexity of the reporting process. Accountability revolves around the idea of being transparent and responsible in managing resources and operations (Bovens, 2007; Bui et al., 2022; Moses et al., 2023). It is about providing accurate and complete information to stakeholders so they can understand how the PSE is functioning and how its resources are being used. In contrast, compliance focuses on adhering to established rules, regulations, and standards (Rana et al., 2019; Smieliauskas et al., 2022; Toudas et al., 2013). This ensures that financial reports meet specific requirements set by governing bodies and regulatory frameworks. This poses a challenge in finding a balance between these two viewpoints. Regulatory bodies, who oversee and set the rules for financial reporting, need to create standards that achieve both transparency and compliance. They must ensure that the information presented in the financial reports is not only accurate but also provides a clear picture of the entity's operations, financial position, and resource allocation. This way, stakeholders can make well-informed decisions based on the information they receive.

However, the process of achieving compliance can sometimes be complex and demanding for those who prepare financial reports. Meeting all the requirements set by regulations might involve complex procedures and detailed disclosures. This can potentially divert the attention of preparers from focusing on providing a transparent view of the entity's activities. They might feel compelled to prioritize ticking all the compliance boxes, which could possibly affect the clarity and simplicity of the information presented in the reports (Dillard & Vinnari, 2019; Moses et al., 2023). Essentially, this "multifaceted nature" shows that PSE financial reporting is not just about being accountable or just about complying with regulations. It requires a clear balance and careful consideration of both aspects. The reporting process must ensure that the information is not only compliant with rules but also effectively communicates the entity's activities and financial position. Thus, standard setters need to clarify their expectations regarding PSE financial reporting objectives, as well as ensure that preparers understand what is required of them.

With respect to the other objectives, i.e., compliance, decision-making, stewardship, and transparency, these were perceived of lower importance by the interviewees, with only one out of six respondents viewing any of these objectives as central to PSE reporting. Collectively, these findings contrast with the perceptions of preparers, who, based on the outcome of the survey, perceive compliance to be the primary objective of financial reporting by PSEs, consistent with (Taylor & Rosair, 2000). While the findings indicating accountability as an objective for PSE financial reports are consistent with Mack and Ryan (2007), the question remains whether the reporting goals set by standard setters are being effectively achieved or if the focus is merely on meeting minimum requirements.

7.3.1.2 Decision-Usefulness

Decision-making is considered by the IPSASB conceptual framework as one of its objectives for financial reports. From the data, only one out of the six interviewees perceived decision-making as an objective (i.e., 17%). A comparison of the findings from the survey and interviews confirms that decision-making is not rated highly as a core objective. These results are consistent with those of Mack and Ryan (2007), who found that decision-making information was not considered useful to PSE report users. The comparison between the survey and interview results further strengthens the notion that decision-making seems not to be the primary objective driving the preparation of financial reports in PSEs.

Intuition from the data and reflection on discussion with interviews provide valuable insights on this standard-setters perception on the level of importance accorded decision-making consideration as an objective for PSEs reporting. As alluded by SS.6 – *decision-making does not seem to be a relevant objective for PSEs because they are not profit-oriented and do not have shareholders or investors*. SS.6 explain that PSEs are mainly concerned with delivering public services and meeting their obligations, rather than maximizing financial returns. Perhaps an inference that there is limited evidence suggesting that PSE financial report information is used for external decisions typical of the type used for private entities (Ismail, 2022; Laswad & Redmayne, 2015). This is not uncommon in the literature as prior studies (e.g., Alijarde, 1997; Brusca & Montesinos, 2006; Coy et al., 1997; Ismail, 2022; Laswad & Redmayne, 2015) conclude broadly that PSEs financial report information is used mostly for internal decision making. Providing more contextual details SS.6 note that:

> *"Primarily, as I say, decision making there are not a lot of decisions that users can make, but there is perhaps a small element of decision making, but it is certainly not the most important that the objectives in my mind."*

Theoretically, this further highlight the presence of decoupling in perceived reporting objective here between standard setter and PSEs preparers (Boxenbaum & Jonsson, 2017; Meyer & Rowan, 1977).The implication of this finding, given that it alludes to a limited external use of PSE financial report information, deviates from the perceived intent of standard setters, who aim to prepare financial reports that are useful for decision-making by various stakeholders(Boxenbaum & Jonsson, 2017; Goddard et al., 2016).

7.3.*1*.3 Stewardship

Only 17% (one out of six) of the interviewees perceived stewardship as an objective for PSEs financial reporting. This result could be attributed to the fact that stewardship and accountability are often considered synonymous in the public sector. Murphy et al. (2013) have noted that stewardship in the public sector is a critical aspect of accountability, and, as a result, interviewees might focus more on accountability and perceive stewardship as a subset of it. This could explain the low perception of stewardship as an objective, as seen among the interviewees. However, stewardship and accountability are two related but distinct concepts in financial reporting. Stewardship is the responsibility of managing and safeguarding the resources entrusted to an entity by its owners or the public (Murphy et al., 2013). Accountability is the obligation of reporting and explaining the entity's performance, compliance, stewardship, and sustainability to its stakeholders. Stewardship and accountability are often considered synonymous in the public sector, as both aim to provide transparency and ethical conduct in the management of public resources. However, stewardship focuses more on the entity's actions and outcomes, while accountability focuses more on the entity's information and disclosures. This implies that stewardship reflects the responsibility of the entity to manage and safeguard the public resources entrusted to it. Therefore, it is essential that PSE financial reports provide information that demonstrates how the entity has fulfilled this duty and achieved its intended outcomes, showing accountability.

"I personally feel it's more about accountability and stewardship rather than decision making and I think we can unpack that cause I think decision making." (SS.5)

7.3.*1*.4 Transparency

Transparency, like stewardship, is closely linked to accountability, and the low perception of transparency by the interviewees (17%) could be due to this association. Both Ball (2012) and Hood (2010) have suggested that accountability and transparency are intertwined and interdependent in the public sector. As a result, stakeholders might view transparency in the financial reports of PSEs as a form of accountability. However, transparency is also an important aspect of financial reporting, as it implies providing clear, complete, and accessible information to the users of the reports. Transparency can enhance the credibility, trust, and legitimacy of the PSEs, as well as facilitate their oversight and evaluation(Hood, 2010).

The difference between accountability and transparency is that accountability means taking responsibility for one's actions or decisions, while transparency means providing clear and honest information about one's actions or decisions. Both are important for building trust and ensuring good governance, but they serve different functions. For instance, accountability implies that one has to answer for one's conduct or performance and face the consequences if they fail to meet the expectations of others (Bovens, 2005, 2007; Schillemans, 2016). Transparency implies that one shares information about one's processes or decisions and allow others to see and understand how they operate. While accountability is about being answerable and liable, transparency is about being open and visible (OECD, 2019). Transparency means that the organisation discloses its policies, operations, and finances to the public, and makes them easily accessible and understandable (IPSASB, 2014). Accountability ensures that the organisation is responsive and effective, while transparency ensures that the organisation is credible and legitimate (Barth & Schipper, 2008). However, transparency and accountability are not the same, and there are differences when they are evaluated more deeply.

"Financial statements that are prepared in compliance with standards, meaning you can hold those entities accountable and make sure you have got consistent forms of reporting. There is that aspect of it, accountability, which is huge, and transparency over a government or a public sector's activities for the year." (SS.1)

7.4 Importance of the objectives for financial reports

The purpose of this question is to explore the level of importance that the interviewees accord to the established objectives of financial reporting for PSEs. The analysis of the responses is outlined below, showing the importance of accountability and compliance, decision-useful information in financial reporting for PSEs, and the differences in perception between preparers and standard setters regarding their relative priorities. Table 7.1 summarises the responses from the interviewees' views on the importance of the objectives for financial reports.

Table 7 1 Importance of PSE Financial Reporting Objectives

Objectives	**Response as a percentage (%)**
Accountability	100%
Compliance	50%
Decision-usefulness	33%
Stewardship	0%
Transparency	33%

7.4.1. Accountability

The interviews offered insights into the significance of the objectives for financial reports by PSEs. The results, as shown in Table 7.1, indicate that accountability was perceived by all interviewees as the most important objective for financial reporting (100%). Accountability was the most frequently mentioned objective, and it is seen as a crucial aspect of PSEs. The information gathered from the interviews revealed a deeper understanding of how the objective of financial reporting is perceived with respect to the priority accorded to accountability (Schillemans, 2016). Interviewees emphasized the importance of accountability for PSEs. They acknowledged that PSEs have a responsibility to provide financial and non-financial information to show how resources have been used. This view aligns with the interviewees' perception of the accountability objective, as highlighted by their responses on the importance of the objectives in providing a clear understanding of PSEs' accountability obligations. Two interviewees, SS.2 and SS.6, emphasised this priority describing accountability as a responsibility owed to resource providers or service recipients regarding the use of resources:

> *"It is in a way, a mechanism to, I guess, get the others who manage the resources to be accountable because while they have to prepare information, obviously, and then over and above that when the information needs to be assured, there is obviously comfortable in the fact that there is publicly available information then." (SS.2)*
>
> *"I think the most important of those is accountability. To those resource providers into those service recipients. Yes, I am very much in my mind about accountability, first and foremost, and while there is also what has been done with those resources. And we are required to provide compulsorily. So, very strongly accountability." (SS.6)*

Moreover, SS.5 highlighted that the priority and what should be the focus of PSEs in the public sector as accountability. Reiterating the need for citizens and taxpayers to have confidence that resources are properly accounted for and not misused (Barth & Schipper, 2008; OECD, 2019). This is intuitive given the expectation on PSEs to deliver on their goals, providers of resources would expect high level of stewardship. That said, the preparers however see their priority for reporting more from a different perspective, hence the decoupling scenario (Boxenbaum & Jonsson, 2017; Bromley et al., 2012; Bromley & Powell, 2012; Goddard et al., 2016).

Buttressing the impact Standard Setters, rationalisation for placing the highest reporting focus on accountability, an interviewee affirms that:

> *"I think I have a personal view that accountability is more of a focus in the public sector for all the things you have outlined. But I think behind that is a lot of people know that a lot I suspect citizens and taxpayers just want to know that somebody is doing a really good job making sure that our, the taxpayer's money is accounted for and that it is not wasted." (SS.5)*

Notwithstanding that accountability is highly rated, some interviewees considered all objectives for financial reports to be of relatively equal importance. According to the interviewee, Standard Setters tend to view all objectives as crucial **because** they are interdependent.

> *"For me, they are all critical and probably equal. But it does, vary a bit with the size* ***of the PSE"****. (SS.4)*

> *"The thing is that both (accountability and decision-making) are important in the public sector because as a voter, as an important stakeholder, I want accountability for my money and in turn I make decisions by voting based on how accountable the government is.'' (SS.3)*

In this sense the inference from the respondents is more of a collective outcome for financial reporting (Moses, et al 2023), that addresses all stakeholders' interests, rather than a silo bifocal approach of aiming to accomplish one objective at the determinant of another. Contrasting this prioritisation with the results from survey reveals a decoupling effect as preparers consider compliance to the topmost priority(Boxenbaum & Jonsson, 2017; Goddard et al., 2016).

7.4.2 Compliance

Based on the interview data, half of the interviewees accord compliance with regulations as an important priority next to accountability as the reason for PSEs to provide financial reports. These interviewees also noted that compliance is a necessary element in supporting accountability, suggesting that financial reports serve to ensure that PSEs are transparently and accurately reporting their financial activities in accordance with relevant regulations(External Reporting Board, 2015; IPSASB, 2014). This according to an interviewee helps to promote transparency and accountability, as well as to provide assurance to stakeholders that the information presented in the financial reports is accurate and reliable:

> "*You need that regulation to get everyone doing the same thing and you need regulation that goes directly to accountability because without regulation, how do you hold the entities accountable? Financial statements that are prepared in compliance with standards, meaning you can hold those entities accountable and make sure you have got consistent forms of reporting. There is that aspect of it, accountability, which is huge, and transparency over a government or a public sector's activities for the year". (SS1)*

As alluded by SS.1 on this viewpoint, compliance with regulations helps to ensure that PSEs are following established rules and guidelines in their financial reporting processes (IPSASB, 2014; Rana et al., 2019).This interesting is not to be seen as standalone activity but as complimentary to the effective provision of accountability and stewardship. Indeed, other interviewees were affirmative that compliance plays a role in aiding the attainment of other objectives:

> *"I think regulation is put in there to help us with the accountability and decision*

making, especially the accountability, right? It is a shorthand way of saying this is the minimum requirement for what we need in the way of accountability." (SS.3)

"I think from the fact that there is an aspect of compliance. So as much as some users such as taxpayers or ratepayers, who do not necessarily sit down to read hundred-page reports, I think they take some comfort from the fact that PSEs have to provide that information and that if they want to, they can get to it." (SS2)

This finding highlights that compliance with regulations helps in ensuring that PSEs are following established standards and guidelines in preparing their financial reports. It ensures that the financial reports are accurate and consistent, providing stakeholders with reliable information for decision-making(External Reporting Board, 2015). In addition, this finding underlines the significance of compliance in the financial reporting process and its role in supporting the overall objectives of the IPSASB conceptual framework.

Moreover, the findings suggest that the importance of compliance should not be underestimated, and it should be considered a crucial aspect of the financial reporting process. PSEs must ensure that they comply with the regulations set out by the IPSASB, as non-compliance could lead to negative consequences such as mistrust from stakeholders and loss of credibility. Therefore, compliance could be seen as the practical aspect of generating financial reports that conform to standardized rules and regulations. A compliance-focused reporting ensures that financial information is presented in a systematic and consistent manner, facilitating comparability across different entities and reporting periods (IPSASB, 2014; Pilcher & Dean, 2009). This approach safeguards against the misinterpretation or manipulation of financial data, thereby fostering confidence in the precision and reliability of the information disclosed (OECD, 2019). Thus, compliance should be viewed as an enabler for achieving the key objectives of financial reporting rather than just a box-ticking exercise. This will help PSEs in their efforts to provide high-quality financial reports that are transparent, accurate, and accessible to stakeholders.

7.4.3 Decision usefulness

During the course of the interviews, it became evident that the interviewees held diverse opinions and understandings of the significance of decision-useful information as a purpose for financial reports in PSEs. This disparity in perspectives could be attributed to a variety of factors, including the varying roles and responsibilities of the interviewees, as well as their individual experiences and backgrounds (McVay & Szerwo, 2021). Nevertheless, the results indicate a general agreement among the interviewees that decision-useful information is an important objective for financial reports, albeit to a lesser extent compared to other objectives such as accountability.

> *"Primarily, as I say, decision making is not very relevant for PSEs, as there are not a lot of decisions that users can make, but there is perhaps a small element of decision making, but it is certainly not the most important objective in my mind." (SS.6)*

Interestingly, SS.5 emphasized the diversity of users of financial reports and how it impacts the decisions made based on the information contained in these reports:

> *"The user's decisions are sort of indirect rather than direct decisions from financial reports and financial reports in that sort of sense to me, if there is a big media story, it may be that the financial reports are consulted to try to inform the story or inform the auditor, auditor General's investigation, but it does not usually start there." (SS.5)*

The insight emerging from the interview suggest that information for decision-making is a valuable objective of PSEs financial reports, however the actual use of such information by external users' might be driven by several or constraining factors (Ismail, 2022; Laswad & Redmayne, 2015). This finding aligns with the study conducted by Mack and Ryan, (2007), which suggests that despite decision-usefulness being one of the primary objectives of financial reports for public sector entities, its impact on the users may be limited. Although decision usefulness is the concept that financial reports should provide information that is relevant and reliable for the users of the reports, such as investors, creditors, regulators, and the public, to make informed decisions about the financial performance and position of the reporting entity (IPSASB, 2014), it may not be accorded the highest priority for PSEs reporting. As one of the main objectives of financial reporting, it implies that financial reports should serve the information needs of the users and help them to evaluate the entity's accountability, efficiency, and effectiveness. However, in the public sector, the users of financial reports may have different and diverse information needs, preferences, and capabilities, and they may not be able to directly influence the decisions or actions of the PSEs.

Although there is limited evidence of external use of financial report information, there is evidence of its use for internal decision making by PSEs (Ismail, 2022; Laswad & Redmayne, 2015; Pajković et al., 2023). This suggests that decision-usefulness asserts that financial reports should provide information that is relevant and reliable for the stakeholders to make decisions about the allocation, management, and evaluation of public resources and services. The implication of decision usefulness in the public sector is that financial reports should support the accountability and transparency of the PSEs, as they have to report on how they use public money and other assets, and what outcomes they achieve with them. Additionally, decision-useful information could be said to form the basis for future forecasts in the public sector.

7.4.4 Transparency

From the interview discussions, only two (33%) standard setters opined that transparency was an important objective for financial reports. SS.1 highlighted that from a standard setting point these objectives are connected and none can work without the other. Furthermore, they stated that all these aspects are considered when preparing the accounting standards that determine the information reported in general purpose financial reports.

> *When I look at them, I put a tick next to all of them, and they are all connected. And this is one of the challenges of standard-setting that we need to consider all these aspects when we are preparing, accounting standards that determine the information reported in general purpose financial statements. (SS.1)*

Based on this finding, it could be argued that although the conceptual framework identifies two objectives for the preparation of financial reports for PSEs, namely accountability and decision usefulness, there may be other implicit or hidden objectives that influence the financial reporting process and outcomes. Some of these objectives could be compliance with regulations and standards, communication and engagement with stakeholders, transparency and performance measurement and improvement. Therefore, it is important to recognize and understand the various objectives that may underlie the financial reporting for PSEs, and to consider how they interact and influence each other, as well as the quality and usefulness of the financial reports.

On the other hand, SS.5 suggests that accountability and transparency are the main drivers of reporting, as they are important objectives for PSEs. These objectives enable PSEs and their stakeholders to make decisions, although the decisions based on PSEs' financial reports are broad in nature.

I think the legislation in New Zealand about what entities must do and there certainly when they were developed and they are amended quite regularly, do think a reasonable amount of thought went into the purpose and it was mostly around accountability and transparency. So, that is the main driver. I guess accountability and transparency then provide the ability to make decisions, but the decisions can be very broad. (SS.5)

Transparency not explicitly identified as an objective, by the IPSASB conceptual framework it enhances the accountability, credibility, and legitimacy of PSEs, as they have to report on how they use public resources and what outcomes they achieve(Ball, 2012; Barizah et al., 2014). Moreover, transparency facilitates the oversight and evaluation of PSEs, as it allows stakeholders, such as the public, the media, the auditors, and the regulators, to monitor and assess their financial position, performance, and risks. It also helps in decision-making, as it provides relevant and reliable information for PSEs and their stakeholders to make informed choices about public policies, spending, and investment. Furthermore, transparency improves the governance and public financial management of PSEs, as it requires them to follow established standards and guidelines in their financial reporting processes, and to disclose any deviations or issues that may affect their financial results(IFAC,2014; OECD, 2017).

7.5 Variation of Information Depending on the Objectives

This interview question was asked to explore whether the information in financial reports is differentiated based on its objectives. The interviewees felt that there was little differentiation between the overall objectives of preparing general-purpose financial reports, which are mainly to provide information about the financial position, performance, and cash flows of an entity useful to a wide range of users. However, they identified other areas where the information presented in financial reports could vary, such as the form of financial reporting, reporting framework or standards used. As one interviewee noted, there are differences between forms of financial reporting, particularly in terms of information about the entity's service performance which is unique to entities and may therefore vary between reports:

> *"So, every individual entity needs to consider its objectives, its purpose, and consider what impact are they having and how can they measure that. And to show that they are getting, how they are tracking to meeting their performance objectives." (SS.1)*

Interviewees also mentioned that the **level of detail and disclosure in financial reports** could differ depending on the nature and size of the entity, the complexity and materiality of its transactions, and the expectations and needs of its stakeholders (Moses et al., 2023). For instance, some entities may provide more information about their budgetary performance, their assets and liabilities, their risks and uncertainties, and their future plans and strategies. Some entities may also disclose more information about their environmental, social, and governance (ESG) impacts and outcomes (Bui et al., 2020; Das & Bhattacharjee, 2020; Hawrysz & Foltys, 2016; Li et al., 2018; Moses et al., 2022).

SS.2 pointed out that:

> "*There might be differences in the type of non-financial information provided in financial reports, such as information about the entity's objectives, strategies, performance indicators, outcomes, and impacts*."

In this regard, the reporting entities focus may be in tandem with legitimacy and stakeholder perspective to ensure they continue to enjoy their social license and citizens approval for their activities (Dube & Maroun, 2017; Giannarakis et al., 2017; Goddard et al., 2016; Suchman, 1995). This is not unusual in PSEs reporting practices given that the objectives of financial reports play a crucial role in enabling informed decision-making by providing relevant information for key stakeholder users of such reports like the public, the government, the regulators, the auditors, and the media. Alluding to this, *SS.3* highlight *that accountability is interlinked with other objectives, such as transparency, credibility, and legitimacy, and informs decision-making, as all objectives are interdependent and complementary*. Although more useful and material information was favoured by interviewees, however, the need for appropriateness in terms of the level of details provided versus what is needed was emphatically considered as a differentiator (Cohen & Karatzimas, 2017; Krambia-Kapardis et al., 2016). One interviewee in this respect suggested that the differences in the information provided in financial reports could arise from how entities define what is considered material and relevant for their stakeholders, and from the size and complexity of the entity, which may affect the scope and level of detail of the information.

> *"I think it does vary a bit around materiality. So, what is material is critical? Because one of the things you want to do is you want to have a good balance between giving information that is useful, but also you do not want to give information that clouds the real story." (SS. 4)*

Another interviewee highlights that there may be trade-offs between accountability and decision-making, which may result in differences in the presentation of non-financial information in financial reports. This emphasises the importance of non-financial information in the decision-making process and its role in achieving the objectives of financial reporting. Non-financial information can provide more context and insight into the entity's performance, outcomes, and impacts, as well as its risks and opportunities (Bui et al., 2020; Laswad & Redmayne, 2015). However, non-financial information can also be subjective, complex, and difficult to measure and compare. Therefore, entities need to balance the need for accountability and transparency with the need for relevance and reliability in their non-financial information.

> *"But if we balanced up a little bit more between accountability and decision making, I think you could start to see a bit more about a shift to some of that non-financial information as well, so because it is that non-financial information that might influence decisions as opposed to have a financial information." (SS.6)*

The interviewees also indicated that the **quality and reliability of information in financial reports** could vary depending on the competence and integrity of the preparers and auditors, the compliance with the applicable laws and regulations, and the availability and accessibility of the information sources. For example, some entities may have more robust internal controls and audit processes, more transparent and accountable governance structures, and more timely and accurate data systems. Some entities may also face more challenges or constraints in obtaining and reporting relevant and reliable information, such as data gaps, capacity issues, or political pressures.

"The vision is to have good high-quality standards that is reliable information, but at the same time, there is also its part of that vision or that drive." (SS.2)

Further SS1 buttresses this point:

"First and foremost, when we are developing accounting standards for the public sector, it is to be developing high-quality standards, to maintain the integrity of the current standards, to maintain the trust and confidence and the information that gets, reported as a result of applying our standards." (SS.1)

Taken together, this finding highlights possible differences in the information provided by PSEs in their financial reports, depending on their performance objectives, forms of financial reporting, size, type of information (such as non-financial information) and quality of reporting. These differences may affect the usefulness and comparability of the information for various users and purposes. Therefore, it is important for PSEs to consider the needs and expectations of their stakeholders, and to follow the best practices and standards in their financial reporting, in order to enhance their transparency and accountability, and to support informed decision-making.

7.6 Users of Financial Reports

The identification of the users of financial reports has been a crucial topic in PSEs financial reporting. Interviewees were asked their opinions on the primary users of financial reports for PSEs. The interviewees identified several users of financial reports, including those listed in the IPSASB conceptual framework. Consistent with the existing literature the result show that PSEs have a diverse group of financial report users. The results from the analyses are presented in Table 7.2, and specifically displays the number of times each user was mentioned during the interview.

Table.7.2 Perceived users of PSE Financial Reports

	Mentions in the interviews	
Users	**No.**	**%**
General public/Ratepayers/ Taxpayers	12	29%
Ministers/policymakers	5	12%
Government Departments	5	12%
Parliament	3	7%
Media	3	7%
Agents/Commentators/ Intermediaries	3	7%
Councils (LG)	2	5%
Councillors	2	5%
Unions/Interest bodies	2	5%
Regulators	1	2%
Analysts	1	2%
Financial markets	1	2%
Politicians	1	2%
Lenders	1	2%
Total	**42**	**100%**

During the interview, the topic of identifying the primary users of PSE financial reports was thoroughly discussed. The interviewees were asked for their opinions on who the primary users of PSE financial reports were. The findings here as noted in previous literature show that Standard Setters perceive PSEs to have a diverse group of users (Brusca & Montesinos, 2006; Coy et al., 1997; Rutherford, 1992; Walker, 2003). The interviewees identified several users of PSE financial reports, including those listed in the IPSASB conceptual framework. The number of times each user was mentioned during the interviews is presented in Table 7.2. The interviews revealed additional insights regarding the users of PSE financial reports beyond the ones listed in the conceptual framework.

The findings regarding the diversity of users of PSE financial reporting were confirmed by some interviewees, who agreed that there are various users with different needs and expectations for PSEs financial reports.

> *"The primary users are, in the public sector, a significant number of different stakeholders." (SS.1)*
>
> *"I think they are varying who they are, who would be the primary users." (SS.2)*

The interviewees in this research also concurred that there are various users for the financial reports of public sector entities (Brusca & Montesinos, 2006; Coy et al., 1997; Rutherford, 1992; Walker, 2003).

Although, a clearly identified group of users was the public. Undoubtedly, the public is one of the most important users of PSE financial reports, as they have the right to know how their taxes are spent and what outcomes are achieved by PSEs(Ehalaiye et al., 2018; Krambia-Kapardis et al., 2016). The public also has an interest in the financial sustainability and performance of the PSEs, as they may affect the quality and availability of public services and infrastructure (Bolívar, 2017). Specifically, interviewees *SS.4*, *SS.5*, and *SS.6* believe that the primary users of PSE financial reports are as described in the conceptual framework and include the general public as "*service recipients and resource providers*". Despite the challenge of determining whether service recipients actually read these financial reports (Brusca & Montesinos, 2006; Coy et al., 1997), the impact of their presence could still be felt. They influence the accountability and transparency of public sector reporting and have major stake in the public services and infrastructure provided by PSEs.

> *"So, I mean, there is a lot of debate about users, and I think one of the debates that we had early on was about service recipients. And because people think that service recipients, do not read annual reports and they may well be quite correct, especially in the not-for-profit sector. We have a very broad range of users you know, for example, we do not quite know who is reading and who is not reading really, but we do know it has an impact." (SS.3)*

Indeed, the usage of PSEs financial information for decision-making such as what type of decision users make with the reports and how such decisions impact the reporting entities have been raised in the extant literature Christiaens et al. (2015), and continues to motive additional empirical works. More broadly the literature suggests that some of the possible decisions that service recipients may make based on PSE financial reports could be choosing which public services or programs to use or support, evaluating the performance and outcomes of the PSEs, as well as providing feedback or complaints, participating in the democratic process or lobbying, and advocating for public interest and public good (Bakar & Saleh, 2015; Brusca & Montesinos, 2006; Laswad & Redmayne, 2015). Nonetheless, validating and confirming this claim across time and space reveal varying outcomes including those of the current study. According to SS.2, the primary users of PSE financial reports vary, but they assert that the main users are the preparers and other public sector entities. This is consistent with prior studies (Coy et al., 1997; Ismail, 2022; Laswad & Redmayne, 2015) , who found that users were either internal or other affiliated entities. For instance, the study conducted by Coy et al. (1997), found that the primary users of financial reports in the public sector were internal and affiliated parties. This was well noted by one of the interviewees:

> "*[…] probably the preparers themselves, and likely in New Zealand context would be different ministries, treasury, they will be primary users." (SS.2)*

In terms of the variations in users based on entity type, interviewees offered their perspectives on potential differences. SS.2 and SS.6 noted that entity size could be a factor that contributes to variations in users. They explained that larger entities may have more users and more diverse information needs, while smaller entities may have fewer users and more specific information needs.

> *"However, I appreciate the nature of what some entities do, or the size of the entities can mean that there are differences." (SS.6)*

Furthermore, SS.4 also pointed out that the type of services offered by an entity could influence the identity of its financial report users. These insights suggest that the entity size and type of services offered can affect the user base of PSE financial reports. Comparing this insight with the results from the survey of preparers, it is apparent that there are distinct differences among users based on the types of government entities (central and local). Specifically, some users were found to be exclusively associated with local government, while others were more closely aligned with central government entities. For instance, the Society of Local Government

Managers and Local Government New Zealand are both organizations that are solely focused on local government, indicating that there is a significant user base for local government services and systems. On the other hand, the Treasury and the Auditor-General are examples of users that are more interested in central government entities, as they have the role of overseeing and managing the public finances and performance at the national level.

While users varied in terms of entity type, there was no evidence to suggest that size played a role in the use of PSE financial reports by users. Although the survey outcome did not identify any association between entity size and the use of PSE financial reports, investigation through interviews revealed that there were situations where size did influence users. For example, interviewees noted that larger entities may have more complex and diverse financial reporting needs, while smaller entities may have more simple and straightforward financial reporting needs. This may affect the level of detail and disclosure that users expect and receive from different entities.

> *"So, the service you provide is going to clearly cause you to change the way you report, you will still be reporting in terms of those accounting standards. And in terms of the overall frameworks. It does absolutely impact. So, these will be more granular because clearly, you are talking to a different audience." (SS.4)*

For instance, an entity that provides services directly to the public may have different users compared to an entity that provides support services. *SS.5* highlights that *the relationship between the entity types can play a role in determining the users of financial reports*. For example, an entity that provides health services to the public may have users such as patients, doctors, nurses, health regulators, health funders, and health researchers, who have an interest in the quality, efficiency, and effectiveness of the health services (Manes-Rossi et al., 2020;

Milinkovic et al., 2020; Poljašević et al., 2021; van Helden & Reichard, 2019). On the other hand, an entity that provides information technology services to other public sector entities may have users such as managers, staff, contractors, suppliers, and auditors, who have an interest in the reliability, security, and functionality of the information technology systems.

> *"So, in that sense, you could argue there is a difference. You know the central government is interested in local government because if the local government fails central government must step in equally ratepayers are taxpayers." (SS.5)*

This suggests that the relationship between central and local government is similar to a separation of duties across various levels of governance. As a result, the central government is called upon to intervene in situations where the local government falls short in fulfilling its obligations. However, central and local government share a similar structure, but differences in the discharge of duties may exist between these entities. For example, central government may have more authority and responsibility for national policies and programs, while local government may have more autonomy and flexibility for local services and initiatives. SS.6 also corroborated this by pointing out that the resource providers for central government and local government could differ, despite similarities in services provided, service recipients, and population.

The amount of information provided could also vary between the two types of entities (Ernst & Young, 2017; Ouda, 2021). For example, central government may rely more on taxes and grants as sources of revenue, while local government may depend more on rates and fees as sources of revenue. This may affect the level of detail and disclosure that the resource providers expect and receive from the financial reports of the different entities.

> *"Again, coming of the conceptual framework resource providers yeah people that are*

providing the resources are a bit different between central and local governments taxpayers on one end and ratepayers on the other. And that sort of thing and those people receiving the services again different from a local body perspective. And the population that is local versus central government which for a population are large, or segments of it but I think fundamentally it is similar across the public benefit entities and the amount of information and can vary." (SS.6)

The results from both the interviews and the survey showed consistency in terms of whom the participants perceived as the users of PSE financial reports. This consistency aligns with previous research such as those by Alijarde (1997), Brusca and Montesinos (2006), Coy et al. (1997), Mack and Ryan (2007). Collectively, these studies found that the primary users of PSE financial reports were diverse, and users were more likely to be internal and affiliated organizations rather than external (Coy et al., 1997).

The responses of the interviewees have been compiled in Table 7.2 to reflect who they perceive to be important users of PSEs' financial reports. For clarity and uniformity, some users have been grouped together as they belong to the same category, such as general public, ratepayers, and taxpayers, who have been classified together due to their interrelated nature. Table 7.2 shows the number of times each group was mentioned, with the general public being the most frequently mentioned group (12 times), followed by the ratepayers (5 times), and the taxpayers (3 times). The survey and interview results show that a specific group of users was mentioned more frequently than others. However, the data revealed a lower rating for these users in relation to their knowledge of financial reports. Some interviewees raised concerns about whether these users actually read the PSE's financial reports, as this is still unknown. For example, SS.2 and SS.3 noted that *there may be an influence from the decisions made by these* *users on the public sector, despite the lack of knowledge about their reading habits*. Another interviewee, highlighted that:

> "*Not being able to identify these users precisely, make it difficult to determine their familiarity with financial reports*" (*SS.4*).

The public as the leading the users are broadly identified as service recipients who are current beneficiaries or potential beneficiaries of the goods and services provided by the PSEs, including ratepayers, and taxpayers. As reported in Table 7.2, the users are among the most frequently mentioned group of users by interviewees, however, the outcome of the analysis reported in Table 5.4, rated them the lowest in terms of their knowledge of financial reports by the survey respondents. This suggests that there is a gap between the perceived importance and the actual usage of PSE financial reports by the service recipients (Boxenbaum & Jonsson, 2017). Furthermore, this finding indicates that the perception of Standard Setters misaligns with that of the preparers of PSEs financial reports and strong presence of decoupling in terms of the actual and prescribed users of PSE financial reports.

Users identified as *ministers* and *policymakers*, as well as *government departments*, were also frequently mentioned during the interview, with 5 mentions each. The results from the survey rated these groups as significant users of PSE financial reports, which was confirmed by the perceptions of the interviewees. The use of financial reports by these groups is likely motivated by the need to assess performance and make informed decisions (Ismail, 2022; Laswad & Redmayne, 2015). Government departments such as the Office of the Auditor-General (OAG) and the Treasury are crucial users as they act as monitoring bodies. The OAG audits other government departments to ensure compliance with standards and regulations, while the Treasury supervises the distribution and usage of finances by other departments. Policymakers utilise financial reports to develop policies and implement necessary changes. These groups have a high level of knowledge and expertise in financial reporting, and they have a direct influence and responsibility for the public sector (Hay & Cordery, 2018; IAASB, 2015; Office of the Auditor-General, 2005; White, 2008).

In addition, interviewees viewed Parliament, Media, and Agents/Commentators/Intermediaries as users of PSE financial reports, with 3 references each. This differs from the survey results, where 45.3% of respondents viewed Parliament as a user, while only 7% of interviewees did so. This suggests that interviewees believe that Parliament is a more important user of PSE financial reports than other groups. This may be because Parliament serves as representatives of both service recipients and resource providers and uses information from financial reports to evaluate their performance and that of the government. The survey results showed a low rating for media as users of financial reports, with only 11.3% of respondents. However, 7% of interviewees perceived the media to be a user. Some interviewees explained the importance of media as a user of financial reports. The media presents information on the financial performance of the government or specific PSEs, providing access for users who may not have direct access to the information and allowing them to make evaluations of performance.

According to the results of the interviews, 50% of participants identified agents/ commentators/ intermediaries as users of PSE financial reports. However, they were not included as users in the survey conducted by the preparers. Interviewees were not presented with a list of users to select from, unlike the preparers who were given a list to choose from. This finding is consistent with Jorge et al. (2016) and van Helden & Reichard, (2019), both of which recognized intermediaries as a source of financial information. SS.3 and SS.4 hint that *intermediaries (such as media) serve as an alternative source for individuals who are unable to access or* *comprehend financial reports, providing them with a summary of the information*.

Subsequently, councils (local governments), councillors, and unions/interest groups were mentioned by 33.3% of interviewees. These groups were not part of the list provided in the survey, except for specific local government unions like LGNZ and SOLGMN. These unions serve as overarching bodies representing different parts of the public with an interest in PSE reports, and the public relies on them for information on performance and ongoing issues within the government. Councils and councillors are also concerned with evaluating their performance and accountability for their decision-making; hence, they are perceived as users of PSE financial reports. Approximately 1% of the interviewees cited regulators, analysts, financial markets, politicians, and lenders as users of PSE financial reports. The results of the interviews were consistent with the survey results regarding regulators and lenders, both of which showed low percentages. This may be due to the fact that the government may have limited dependence on external funding or debt. However, SS.2 mentioned during the interview that local government councils, which are traded on the financial market, would have lenders and financial markets as users of their financial reports. In this case, the financial report information is crucial to these users.

> "*In the case of some local authorities such as Auckland, you could assume that there will be some lenders, there would be users because obviously, they will be interested in revenue stream if nothing else, not to mention the assets backing if they are lending*." (SS.4)

Although politicians were not included in the survey list, one of the interviewees perceived them as users. Politicians use information from financial reports to evaluate their own performance and that of the government. They may also use this information to make decisions about resource allocation, policy formulation, and public accountability. For example, politicians may compare the financial performance of different PSEs to determine which ones need more funding or oversight. They may also use the financial reports to communicate with the public about the achievements and challenges of the government and its entities.

In summary, these findings suggest that although there is a consensus regarding some users of PSEs financial reports, there are also areas of disconnection in their perception between the actual users from the perspective of preparers and the prescribed users as expected by those setting standards. This implies that there is a need for more dialogue and feedback between the preparers and standard setters of PSEs financial reports to ensure that the information provided meets the needs and expectations of the various stakeholders.

7.7 Information Not Currently Provided in Financial Reports

Interviewees were asked about any missing information they would like to see in financial reports, and what purpose this information would serve. The responses indicated a recognition of scarce information in certain areas. Although financial information is well documented in annual reports, there is room for improvement in non-financial information such as *sustainability practices*, *operations*, *management*, and *environmental, social and governance (ESG) reporting*. Additionally, there is a need for improved service performance information from the reporting entities.

The perceptions of the interviewees revealed a growing interest among stakeholders in sustainability information. The government and regulatory bodies are currently engaging in consultations on regulations and standards regarding sustainability issues, which will provide guidance to public sector entities on how to report on their sustainable management practices.

This is evident from the consultation efforts made by professional bodies and regulators in developing sustainability standards to guide PSEs (ACCA, 2023; Treasury, 2021). Broadly with sustainability information the expectation is on the disclosure of organisations' environmental, social and governance (ESG) impacts caused by their activities (Das & Bhattacharjee, 2020; Gray, 2010; Moses & Hopper, 2022; Moses & Tauringana, 2022). Sustainability reporting is important for public sector entities because it helps them to demonstrate how they address the global challenges of climate change, social inequality and good governance. It also enables them to be held accountable for their actions and decisions by the public and other stakeholders (ACCA, 2023).

Public sector entities have a significant role and responsibility in promoting sustainable development, as they are the largest sector in the economy and influence the climate through regulation and the provision of public services. Moreover, public sector entities are expected to act as role models and leaders for the private sector and the society in general, by setting policies and standards that support sustainability goals(Moses, et al 2022; Treasury, 2021). However, sustainability reporting in the public sector is not as widespread and consistent as in the private sector, due to various challenges and barriers. Some of these include the lack of a clear and comprehensive framework for public sector sustainability reporting, the diversity and complexity of public sector organisations and their objectives, the limited resources and capacity for data collection and analysis, and the low awareness and demand for sustainability information from the users of public sector financial reports (Moses et al., 2020, 2022).

Therefore, there is a need for public sector entities to improve their sustainability reporting practices and provide more relevant and reliable information to the public in their financial reports(Dienes et al., 2016). This can be achieved by adopting a common and coherent framework that aligns sustainability reporting with financial reporting, and by using existing standards and guidance that are applicable and useful for the public sector(Treasury, 2021). Furthermore, there is a need for more dialogue and feedback between the preparers and the users of public sector financial reports, to ensure that the information provided meets the needs and expectations of the various stakeholders. By providing sustainability information to the public in their financial reporting, public sector entities can enhance their transparency, accountability, and credibility, and improve their performance and decision-making (Camilleri, 2015; Lopez-Torres, et al., 2021). This can ultimately contribute to the achievement of the sustainable development goals and the well-being of the society and the environment (Moses & Hopper, 2022). Two interviewees, *SS.1* and *SS.4* expressed their support for these efforts, recognizing the importance of providing comprehensive information on sustainability practices in PSE reporting:

> *"I think the next bigger area and to be fair, the government is already providing a lot of information about it, but the area of growth and improvement through general purpose financial reporting is going to be not the financial, but the non-financial information. It is going to be this other non-financial information around, the environment, around how the government's looking after its people. So, the ESG information, environmental, and social governance, that is going to be the big growth era." (SS.1)*

> *"I think at the moment, the most critical thing is, is actually sustainability reporting because it's, which is starting to be addressed in New Zealand." (SS.4)*

However, *SS.2* highlighted that while this information is crucial, there are still questions that need to be answered before it can be effectively incorporated into financial reports:

> *"But then the question is really. The question is, what is the purpose of sustainability reporting in the public sector? You know, is it to manage the resources better? Is it to like, in the private sector, it seems to be a bit clearer as to what drives the sustainability reporting? Is it discharging accountability?" (SS.2)*

Arguably, as highlighted by SS.2, the clarity of the drivers of sustainability is important for effective sustainability reporting practices. However, these drivers of sustainability reporting may vary depending on the context, sector and size of the organisation, and the level of maturity of its sustainability practices (Dienes et al., 2016). Therefore, organisations need to understand their own motivations and objectives for sustainability reporting, and to tailor their reporting approach accordingly.

Contrary to the views expressed earlier, SS.3 believes that a simplified summary of financial report information, for better readability, is important.

> *"I think I would like to see a summary financial report only because of readability, you know, readability and you might say, well, a lot of people do not, but I haven't seen it generally and I think the thing is that with accountability, there's a never-ending of accountability." (SS.3)*

Returning to the earlier focus SS.5 and SS.6 emphasised the need for more information on service performance and sustainability, with SS.5 suggesting that *improving the quality of performance information was necessary rather than simply adding more information*. Performance information is the information that public sector entities provide to demonstrate how well they are delivering their services and achieving their intended outcomes. They help public sector entities to improve their management and decision-making, and to enhance their accountability and transparency to their stakeholders, such as Parliament, the public, and the media. However, the quality of performance information of public sector entities financial report is often challenged by various factors, such as the lack of a clear and comprehensive framework, the diversity and complexity of public sector objectives and activities, the limited resources and capacity for data collection and analysis, and the low awareness and demand for performance information from the users of public sector financial reports (New Zealand Treasury, 2020; Provost, 2016). Therefore, there is a need for PSEs to improve the quality of performance information of their financial report, by adopting measures that support such information.

7.8 Other Areas Examined

This section discusses the additional questions explored during the interviews that are not directly related but allied to the main research question of the study that provide insight into the standard-setting processes and stakeholders involved in the public sector.

7.8.1 Parties engaged in standard-setting

The study also explored the standard-setting process, inquiring about the stakeholders involved in the process. According to the responses from the interviewees, regulatory bodies (such as the External Reporting Board and the New Zealand Accounting Standards Board) engage a diverse range of groups during the standard-setting process and ensure that all parties are consulted:

> *"When we do develop accounting standards for the public sector, there is definitely a group of key stakeholders that have got a higher amount of interest in the standards and are fully engaged in that standard-setting process." (SS.1)*

The New Zealand standard setting process is the process of developing and issuing standards and authoritative notices for financial reporting and auditing and assurance in the public and private sectors. The process involves various stakeholders, such as the External Reporting Board (XRB), the New Zealand Accounting Standards Board (NZASB), the New Zealand Auditing and Assurance Standards Board (NZAuASB), the government, the Parliament, the regulators, the preparers, the users, and the public. The XRB is an independent Crown Entity that is responsible for the financial reporting strategy, the development and issuance of standards and authoritative notices, and the liaison with international or national organisations. The XRB Board has established two sub-boards, the New Zealand Accounting Standard Board and the New Zealand Auditing and Assurance Standards Board, which operate under delegated authority from the XRB Board. The NZASB is responsible for developing and issuing accounting standards and authoritative notices, while the NZAuASB is responsible for developing and issuing auditing and assurance standards and authoritative notices.

The due process of standard setting consists of several steps, such as identifying and prioritising the issues and projects that need to be addressed by the NZASB or the NZAuASB, based on the financial reporting strategy, the international developments, and the domestic needs and feedback. Establishing and consulting with the relevant advisory panels, working groups, task forces, or other experts that can provide technical advice and input on the issues and projects. Developing and issuing exposure drafts or other consultation documents that propose the standards or authoritative notices and inviting comments and submissions from the stakeholders and the public. Considering and analysing the comments and submissions received and making any necessary changes or revisions to the proposals. Developing and issuing the final standards or authoritative notices and providing the basis for conclusions and feedback statements that explain the rationale and the main issues raised during the consultation process. Monitoring and reviewing the implementation and application of the standards or authoritative notices and evaluating their effectiveness and impact(External Reporting Board, 2017).

The New Zealand standard setting process aims to ensure that the standards and authoritative notices are developed and issued in a transparent, inclusive, and rigorous manner, and that they meet the needs and expectations of the stakeholders and the public. The process also aims to ensure that the standards and authoritative notices are aligned with the international standards and best practices, and that they support the quality and consistency of financial reporting and auditing and assurance in New Zealand. Stressing the transparent and inclusive nature of the public consultation established to gather feedback from relevant stakeholders some interviewees note that in some cases, direct communication was established with parties impacted by the changes.

> *"For a major draft on the insurance sector, they [the standard-setters] will be talking closely with ACC and EQC and encouraging them to provide either verbal or preferably written responses to their proposals and their exposure drafts." (SS.5)*

SS.6 also commented on the public consultation process, alluding that:

> *"In terms of the parties that are engaged, I mean there is an open public consultation process, and, in my experience, you tend to get the usual few that will come in through a process like that, and I know".*

The public consultation process for gathering feedback involves the public in providing their views and feedback on a proposal to consider in the decision-making. The process aims to ensure that the proposal is transparent, inclusive, and rigorous, and that it meets the needs and expectations of the stakeholders and the public. The open public consultation process can vary depending on the context, scope, and complexity of the proposal, and the level of involvement and influence of the public. Therefore, the process should be tailored to suit the specific situation and objectives of the consultation.

During the interviews, several entities were identified by the interviewees as being involved in the standard-setting process for public sector entities. Table 7.3 provides an alphabetical list of the entities that were mentioned.

Table 7.1 Entities Engaged in Standard-Setting

Advisory Boards of the External Reporting Board
Chartered Accountants Australia and New Zealand and Certified Public Accountants
Charities Commission
Citizens
Financial Market Authority (FMA)
Finance professionals (A group of finance professionals set up by the Treasury)
Government department representatives
Internal Revenue Department
Interest Groups (Tax insurance)/Analysts/Bankers
Local government representatives
Local Government Managers Society (SOLGM)
Ministry of Business Innovation &Employment (MBIE)
Office of the Auditor-General
Representatives of the private sector on the regulatory board
The Big Four accounting firms (Deloitte, PwC, KPMG, and Ernst & Young
Treasury

Regulatory bodies in New Zealand ensure that proper processes are followed during the standard-setting process. However, some interviewees noted that New Zealand is a "standard taker". This means that the regulatory body does not create its own standards, but instead adopts international standards and adjusts them to suit the New Zealand context.

> *"So by and large, when it comes to public benefit entity standards, we are the standard taker. We do not necessarily develop our own standards. So, when there are exposure drafts or comment-type documents from the International Public Sector Accounting*

Standards Board, the New Zealand Accounting Standards Board decides where we see merit for us commenting or exposing whatever the documents are coming from international bodies or standard boards." (SS.2)

SS.4 further explains:

> *"Obviously, as I mentioned, we are standard takers of the international standards and the regulators. So, we pick up standards and we tailor them to New Zealand conditions. And so, we get them from the International Accounting Standards Board and the International Public Sector Accounting Standards Board." (SS.4)*

The responses indicate that regulatory bodies offer open consultations with stakeholders. However, as suggested by SS.6, *there is limited public feedback*. The standard-setting bodies appear to actively engage with various stakeholders for input on reporting standards, as evidenced by the exposure draft released by the External Reporting Board in July 2022. This exposure draft proposes amendments to the PBE FRS 48 Service Performance Reporting, which aims to improve the relevance and reliability of service performance information for public sector entities.

In conclusion, the standard-setting process for public sector entities in New Zealand involves a transparent and inclusive public consultation process, but also faces some challenges and barriers, such as the low participation and awareness of the public, the diversity and complexity of the public sector objectives and activities, and the alignment and adaptation of the international standards to the New Zealand context. Therefore, there is a need for more dialogue and feedback between the standard-setters, the preparers, the users, and the public, to ensure that the standards and authoritative notices meet the needs and expectations of the various stakeholders and the public.

7.8.2 Vision and focus of regulatory bodies

Regulatory bodies play a crucial role in ensuring that industries and organisations operate within legal and ethical boundaries. The interviewees offered a comprehensive understanding of the vision and focus of New Zealand's accounting standard setting bodies. All participants concurred that the central objective is to establish and maintain high-quality standards for effective financial management in the public sector. The aim is to have standards that are not only internationally recognised but also tailored to the specific needs of each sector within the local context. Additionally, the financial reporting regulatory bodies actively encourage the adoption of accrual-based reporting, which aligns with their commitment to promoting sound financial practices (Laswad & Redmayne, 2015; Trewavas et al., 2012).

Some of the regulatory bodies that are involved in the standard setting process for public sector entities in New Zealand are the External Reporting Board (XRB), the New Zealand Accounting Standards Board (NZASB), and the New Zealand Auditing and Assurance Standards Board (NZAuASB). These bodies are responsible for developing and issuing standards and authoritative notices for financial reporting and auditing and assurance in the public and private sectors. They also liaise with international or national organisations to ensure that the standards are aligned with the global best practices and standards.

The interviewees also discussed the challenges and opportunities that they face in the standard setting process, such as the low participation and awareness of the public, the diversity and complexity of the public sector objectives and activities, and the alignment and adaptation of the international standards to the New Zealand context. They also shared their views and experiences on the public consultation process, which is a key component of the standard setting process that involves the engagement and feedback of various stakeholders, such as the government, the Parliament, the regulators, the preparers, the users, and the public.

In conclusion, the interviewees provided valuable insights into the standard setting process for public sector entities in New Zealand, and the role and vision of the regulatory bodies that are involved in the process. The findings suggest that the regulatory bodies are committed to ensuring that the standards and authoritative notices are developed and issued in a transparent, inclusive, and rigorous manner, and that they meet the needs and expectations of the stakeholders and the public. The findings also suggest that there is a need for more dialogue and feedback between the standard setters, the preparers, the users, and the public, to ensure that the standards and authoritative notices support the quality and consistency of financial reporting and auditing and assurance in the public sector.

7.9 Comparison of preparers and standard setters' perception

This section discusses the findings from the comparison of the perceptions of preparers and standard setters of PSEs financial reports. It compares the perceptions regarding the objectives for financial reporting and the importance of the information content provided in PSE financial reports. It also assesses their perceptions to see if there is a decoupling between their views about the objectives and the information contents of financial reports. The decoupling lens allows for an exploration of the potential disconnect between the expected and actual reporting practices within the organizational framework of PSEs. Such a disassociation phenomenon is observed among those responsible for report preparation as well as regulatory authorities. The comparison focuses on three main themes: objectives for financial reporting, users, and the importance of the information content provided in PSE financial reports. It is based on the data collected from the surveys and interviews conducted with the preparers and standard setters of PSEs financial reports in New Zealand. The combination of these two separate but related outcome of the study provides a comprehensive state of understanding PSE reporting practices in New Zealand.

The results of the comparison show that there is a moderate degree of alignment between the perceptions of preparers and standard setters regarding the objectives and the information content of PSEs financial reports. However, there are also some significant areas of difference, in expectations held by financial report preparers and standard setters regarding the primary objectives. Preparers prioritize compliance with regulatory obligations as the main objective, whereas standard setters emphasize the fundamental purpose of establishing accountability and providing decision-useful information to intended users (Ball, 2012; Cohen & Karatzimas, 2015; Goddard et al., 2016; Mack & Ryan, 2007; Schillemans, 2016). Additionally, preparers tend to include oversight bodies like the Office of the Auditor General (OAG), auditors, and the Government itself in this category, while standard setters place greater emphasis on external users with the public as their topmost. These insights highlight a critical area of difference in the understanding and goals around PSE financial reporting. In terms of the importance of the information content provided in financial reports, the results indicate a moderate degree of alignment between the perceptions of preparers and standard setters, as both groups agreed that PSEs financial reports are intended for accountability rather than decision-usefulness. Arguably, theoretically from the result comparison, there is a disassociation observed among those responsible for report preparation as well as regulatory authorities (Boxenbaum & Jonsson, 2017; Stewart & Connolly, 2022). Possibly, there may be factors influencing the perceptions of preparers and standard setters, such as their roles, responsibilities, experiences, expectations, and preferences.

In conclusion, the findings revealed the level of agreement and the sources of divergence between the perceptions of the two groups regarding the objectives, users and the information content of PSEs financial reports. The findings also indicated the existence of a decoupling between the prescribed and actual reporting practices within the organizational framework of PSEs. The decoupling can have negative consequences for the actual and prescribed reporting practices of PSEs. Therefore, it is recommended that the preparers and standard setters of PSEs financial reports communicate, collaborate, and consult more effectively and frequently to improve the alignment and reduce the decoupling between present in the actual PSEs reporting practices. This can help to enhance the quality and usefulness of PSEs financial reports and achieve the objectives of accountability and decision-usefulness.

7.10 Chapter Summary

In this chapter, the insights of top PSE reporting standard setters have been examined through a series of in-depth interviews. These experts shared their experiences and perspectives on the current state of PSE reporting and the challenges faced by regulators in ensuring its effectiveness. The chapter first outlined the systematic approach used in the analysis of qualitative data collected through interviews with PSE reporting standard setters. The methods of thematic and content analysis were employed to identify patterns and themes in the data and present the findings in a clear and concise manner while maintaining the anonymity of participants. A multi-step process was used to ensure the validity and reliability of the data, including transcription, verification by the interviewees, classification into themes, manual analysis, and coding thematically based on the research questions.

Second, the primary objectives of financial reports produced by PSEs were examined. Results indicate that accountability is the main objective of financial reporting in PSEs, according to all interviewees. This is consistent with previous findings in the field. However, the perspectives of the interviewees differ from those of financial report preparers, who rated compliance as the primary objective. One interviewee noted that some preparers may view financial reporting as merely a compliance exercise, raising concerns about the adequacy of the reporting objectives established by standard-setting bodies.

Third, the significance of financial reporting in PSEs was evaluated, and the results showed that the interviewees considered accountability to be the primary objective. This aligns with the regulatory perspective that accountability is a responsibility to transparently report on the utilization of resources. The interviewees emphasized the importance of accountability for PSEs in providing a clear understanding of their resource management obligations.

Fourth, the study examined the differentiation of information in financial reports based on its objectives. The interviewees reported that there is limited differentiation between the overall objectives in preparing general-purpose financial reports. However, they recognized that the information presented in financial reports can vary in other aspects.

Fifth, the users of PSE financial reports were ascertained. The research aimed to determine the primary users of financial reports in PSEs by asking the interviewees. The results were in line with previous studies, revealing that PSEs have a wide range of financial report users. The interviewees recognized several users, including those outlined in the IPSASB conceptual framework.

Sixth, the study evaluated the need for additional information in PSE financial reports. Interviewees were asked about any information they felt was missing and why it was important. Results revealed a recognition of gaps in the current financial reports, with the interviewees identifying information that was not being provided.

Seventh, the study evaluated the parties involved in the financial reporting standard-setting process for PSEs. The interviewees revealed that regulatory bodies engage a diverse range of stakeholders in the standard-setting process to ensure that all parties have a say in the creation of the standards and that the final standards accurately reflect the needs and expectations of all parties involved. The results suggest that the standard-setting process is well-coordinated and inclusive, ensuring the standards set are relevant, effective, and meet the needs of all users of financial reports.

Lastly, the study evaluated the vision and focus of financial reporting regulatory bodies in New Zealand. Results showed that the interviewees had a clear understanding of the objectives of the regulatory bodies. All participants agreed that the central goal is to establish and maintain high-quality financial reporting standards for the public sector. The aim is to have standards that are recognized internationally while also being tailored to the specific needs of each sector in the local context. The regulatory bodies also actively promote the adoption of accrual-based reporting, reflecting their commitment to promoting sound financial practices.

In conclusion, this chapter presented the findings of the qualitative analysis of the interviews with PSE reporting standard setters. The findings revealed the views and opinions of the interviewees on various aspects of PSE financial reporting, such as the objectives, significance, differentiation, users, gaps, standard-setting process, and vision of the regulatory bodies. The findings provided valuable insights into the current state and challenges of PSE financial reporting from the perspective of the standard setters, who play a vital role in ensuring the quality The next chapter provides a comprehensive summary of the thesis by presenting the key findings, their implications, and recommendations for future research. The chapter provides a concise and clear overview of the main themes discussed in the previous chapters, highlighting the key points and conclusions drawn from the research. It is designed to give the reader a clear understanding of the research process, its results, and its significance.

Chapter Eight: Conclusion and Summary

8.1 Introduction

This study examines the perceptions of preparers and standard setters of public sector financial reports with respect to three key elements: the objectives, users, and information contents of PSEs financial reports. Additionally, it explores how these perceptions vary based on the entity type (i.e., central vs local government) and size (i.e., large vs small PSEs) of the sampled organizations. Given the deemed objective of financial reporting in the public sector in line with the conceptual framework relating to providing information that enables the evaluation of how the reporting entities are delivering public accountability to citizens (Moses et al., 2023) and supporting the decision-making process of users about services or allocation of resources provided by entities (IPSASB, 2014). The study specifically investigates perceptions related to accountability and the decision-usefulness of PSEs information, including how compliance as an objective of financial reporting in the public sector is perceived by the different actors in the space.

Furthermore, the study also assesses the users of PSE financial reports as identified by the IPSAS conceptual framework as well as in the literature. Users were identified by their order of importance as assigned by preparers compared with that of standard setters, aimed at exploring whether there was a consensus on the way preparers perceived users of PSE financial reports. The information content of PSE financial reports was examined based on two objectives, viz: accountability and decision-useful information. Information content items were categorized into accountability and decision-useful information, with a focus on the key rationale that determines the information provided in PSEs financial reports.

Utilizing decoupling dimension of institutional theory (Boxenbaum & Jonsson, 2017; Goddard et al., 2016; Stewart & Connolly, 2022), the influence of PSE type (i.e., central vs local government) and size (i.e., large vs small) on the objectives, users, and information contents presented in financial reports was extensively explored. A mixed method approach based on survey and interviews data was used to accomplish the research goal of understanding the perception of key stakeholders of New Zealand's public sector financial reporting space.

The findings of this study make an incremental contribution to the body of literature on public sector financial reporting. Of note, the outcome of the study documents new knowledge and adds to the limited number of studies (Alijarde, 1997; Brusca & Montesinos, 2006; Ehalaiye et al., 2018; Laswad et al., 2016; Laswad & Redmayne, 2015; Santis et al., 2018; van Helden & Reichard, 2019) examining PSEs and the objectives, users, and information contents of their financial reports. This chapter concludes the thesis and provides a summary of the main research findings, a discussion of the contribution of the research, the implications of the study, including offering recommendations on financial reporting practices in New Zealand.

8.2. Summary of Key Findings

The first research question explored the key aspects of PSE financial reports, including the objectives, users, and information content.

Objectives of PSE financial reports: The primary objective of PSE financial reports is to provide relevant and reliable information to stakeholders, resource providers, and service recipients about an entity's financial performance and position (Heald & Hodges, 2015; Hong, 2017; Moses et al., 2023). These reports aim to increase transparency and accountability and facilitate the decision-making process of stakeholders and broader report users. The findings provide a decoupling perspective with respect to the primary objective of financial reporting by PSEs. In this light, compliance with statutory requirements was perceived by preparers as the main objective for PSEs financial reporting. However, this contrasts the perception of standard setters – who deemed accountability as the primary objective for PSE financial reporting. Although compliance is generally perceived as the primary objective, and accountability a secondary goal of PSEs reporting by actors in the public sector reporting space, it is very much the case that they are, in some respect, intertwined, albeit with varying priorities (Adam & Heiling, 2023; Bouckaret et al., 2016; Hong, 2017; Hong & Lee, 2018; Pilcher & Gilchrist, 2018). Interestingly, the inference from the findings of the study suggests that providing information for decision-making purposes may not be a significant reporting objective in the public sector, unlike in the private sector (Ismail, 2022; Laswad & Redmayne, 2015; Mack & Ryan, 2006, 2007; Poljašević et al., 2021).

Users of PSE financial reports: The outcome of the study's analysis here reveal that the primary users of PSE financial reports are the Office of the Auditor-General, the Government/Crown, and the general public. Government/Crown use financial reports to assess the performance of the entity as well as their performance. This in turn influences their policies to make informed decisions, while the office of the Auditor-General uses them to ensure compliance with legal and regulatory requirements (Hay & Cordery, 2021; IAASB, 2015; Provost, 2016; White, 2008). The general public uses financial reports to obtain information about PSEs and their financial performance. Interestingly, the findings reveal an instance of decoupling in the outcome here, indicating that preparers and standard setters perceive different users to be the most important user of PSE financial reports (Boxenbaum & Jonsson, 2017; Goddard et al., 2016; Stewart & Connolly, 2022). In this instance, preparers identified internal and external auditors as the most important users of PSE financial reports, followed by management and regulatory bodies. Conversely, standard setters believe regulatory bodies are the most important users, followed by management and internal and external auditors. Intriguingly, both groups of actors (preparers and standard setters) consider management to be the second most important users of PSEs financial reports. This difference in perception could be due to the distinct roles and responsibilities of preparers and standard setters – which tend to influence their belief in how PSEs financial reports are used (Ismail, 2022; Pajković et al., 2023). Preparers, as the name suggests, are primarily responsible for preparing financial reports, while standard setters focus on creating rules and guidance for the reporting process. One inference emanating from these findings plausibly hints at the fact that there is limited consensus among preparers and standard setters regarding different users of PSE financial reports.

Information contents of PSE financial reports: The information contents of PSE financial reports typically include financial statements such as the balance sheet, income statement, and cash flow statement, as well as supplementary information such as management's discussion and analysis and the auditor's report (Ehalaiye et al., 2018; Laswad & Redmayne, 2015). These reports provide detailed information about a PSE's revenue, expenses, assets, liabilities, and cash flows, and allow stakeholders to assess the PSE's financial performance, position, and prospects.

The findings indicate that both preparers and standard setters perceive accountability information and decision-useful information as important in PSE financial reports. However, there is a difference in perception of the specific items that fall under these categories – which further highlights the extent of decoupling in the perception of actors in public sector reporting space (Boxenbaum & Jonsson, 2017; Stewart & Connolly, 2022). On the one hand, preparers identified information on financial performance and financial position as the most important accountability information, while the standard setters identified information on compliance with laws and regulations as the most important accountability information. On the other hand, and with respect to decision-useful information, the preparers identified information on cash flow and future plans as the most important decision-useful information, while the standard setters identified information on financial performance and financial position as the most important decision-useful information. Again, the perceived difference could be influenced by the different roles and responsibilities of preparers and standard setters. Taken together, PSEs financial reports play a crucial role in providing stakeholders with relevant and reliable information about financial performance, position, and facilitating decision-making.

The second research question explored the importance of PSE financial report information contents for decision-usefulness and accountability objectives, as perceived by financial report preparers and standard setters. The results showed that PSE financial reports prioritize accountability information more than decision-usefulness. This suggests that PSEs focus more on demonstrating the discharge of accountability, likely due to the obligation placed on them to render accountability for resources in their care (Dillard & Vinnari, 2019; Lourenço et al., 2013; Moses et al., 2023; Schillemans, 2016). Although decision-useful information is included in PSE financial reports, its usefulness for stakeholders may not be as clear as expected, especially in the light of the outcome of the study.

In terms of accountability information contents, the findings indicate that PSEs focus on providing information about the resources in their care, such as financial position and performance, cash flows, and other key metrics. This information helps stakeholders understand how the entity is using its resources, and how effectively it is discharging its accountability obligations. In terms of decision-usefulness information, the inference from the findings suggests that PSEs may not be placing much emphasis on providing information that is useful for stakeholders to make informed decisions(Bromley et al., 2012; Goddard et al., 2016). In this sense, the reports may not include enough information about the entity's prospects, or the risks and uncertainties it faces.

Overall, the results highlight the importance of PSEs providing relevant and reliable information to stakeholders in order to meet both accountability and decision-usefulness objectives. Financial report preparers and standard setters should work together to ensure that PSE financial reports provide stakeholders with the information they need to make informed decisions and assess the entities' accountability obligations (Moses, et al., 2023).

Research Question 3 addresses the hypothesis of the study by examining if there are any significant differences or consistencies based on the PSE type (local vs central government) and size (small vs large) in relation to the objectives and information content of PSE financial reports.

The aim of this research question is to determine if there are any disparities in the objectives and information contents of financial reports between PSEs of different types and/or size. The results of this study will provide insights into the consistency or variations in financial reporting practices among these distant PSEs, and help stakeholders understand the factors that may impact the quality and relevance of their financial reports.

The results of the analysis here revealed common similarity. Specifically, the comparison between central and local government PSEs regarding the objectives for financial reporting showed no significant differences. The overall testing of the information content of PSE financial reports also revealed no difference between the information content presented in financial reports of central and local government PSEs. This absence of differences is likely due to the similar operational structure of government and their relatively similar reporting framework (Blann, 2010; Ellwood & Newberry, 2016; IPSASB, 2014; Rossi et al., 2014).

Further testing of information content based on each objective for financial reports was conducted to determine if there are differences between central and local government PSEs in terms of the information that make up accountability and decision-useful contents. The findings reveal significant differences between central and local government PSEs in some accountability information content presented in financial reports. Areas of differences include compliance with regulatory requirements, accessibility of information by users, meeting long-term and current obligations, cost recovery of future services, meeting expectations of users regarding social and environmental responsibilities, and availability of resources for future services. This finding aligns with prior studies that have examined PSE financial report information (Bhattacharyya, 2014; Bui et al., 2020; Das & Bhattacharjee, 2020; Hong, 2017; Hong & Lee, 2018; Moses et al., 2021; Pilcher, 2011).

The comparison between central and local government PSEs in terms of decision-useful information contents showed no differences in the perception of preparers. This suggests that both types of PSEs have similar views on what constitutes decision-useful information in financial reports. The results of the comparison between large and small PSEs in terms of the objectives for financial reporting showed significant differences with regards to the demonstration of public accountability. This aligns with previous studies that emphasize that the core objective of PSEs is to provide information that demonstrates accountability for resources (IPSASB, 2014; Ouda, 2021). The differences can be attributed to the distinct responsibilities and obligations of large and small PSEs, where large PSEs are expected to demonstrate higher levels of accountability due to their larger allocation of resources and broader range of services.

In addition, the information content presented in financial reports of large and small PSEs was tested based on entity size. The results showed that there was no significant difference between the aggregated information content of financial reports with regards to accountability and decision-useful information for large and small PSEs. This could be due to the limited sample size of PSEs with public accountability as used in the study.

8.3 Additional Reliability Test

The reliability of the data used in the information content of financial reports was tested using the Cronbach alpha (α) reliability coefficient. The test was conducted to assess the internal consistency of the 21 items that comprised the accountability and decision-useful information content of the financial reports. The results showed that all constructs used were reliable with a value of ≥ 0.70. The corrected item correlation column for all items of accountability and decision-useful information content showed a value of ≥ 0.30, which is within the acceptable range. The Cronbach alpha for accountability was 0.896 and for decision-useful information was 0.820, which are both appropriate values. The value of the Cronbach alpha for accountability and decision-fulness showed internal consistency and is within a suitable and acceptable range (Pallant, 2020).

8.4 Summary of Findings from Interviews of PSE Reporting Standard setters

Six in-depth interviews with financial standard setters were conducted to gain further insight into the financial reporting practices of PSEs. The discussions focused on topics related to the research objectives, including information content, target users, and standard setting processes. A summary of the findings from these interviews is presented in the next section.

8.4.1 Objectives for PSEs' financial reports

The IPSAS conceptual framework offers guidance for financial reporting by PSEs, outlining accountability and decision-useful information as key objectives. However, studies (Daniels & Daniels, 1991; McVay & Szerwo, 2021; Taylor & Rosair, 2000) reveal that compliance is also regarded as an objective. Both standard setters and preparers agree that accountability is an objective, with compliance seen as a basis for it. Standard setters view compliance as a mechanism to ensure adherence to reporting guidelines, while decision-useful information is not considered a priority. Indeed, another case of decoupling (Daniels & Daniels, 1991; Goddard et al., 2016; Meyer & Rowan, 1977; Stewart & Connolly, 2022). Compliance and accountability emerge as the main objectives for financial reports, and while reporting forms may vary, the objectives are interconnected and inseparable. Standard setters see no significant difference in the general objectives for financial reports, but entity-specific information may vary. Hence, suggesting that standard setters have a consistent view of the overall purpose and scope of financial reporting for public sector entities, regardless of their type and size. However, they acknowledge that the information content of financial reports may differ depending on the nature and characteristics of each entity, such as the services they provide, the resources they manage, and the accountability requirements they face (Igboke & Raj, 2021; Moses et al., 2023; Roje & Redmayne, 2021).

8.4.2 Users of PSE financial reports

The research aimed to identify the primary users of PSE financial reports and found a mismatch in perspectives between preparers and standard setters. standard setters identified the general public, ratepayers, and taxpayers as important users, while preparers viewed the Office of the Auditor-General (OAG), auditors, and government/crown as significant users. The IPSAS conceptual framework, which focuses on resource providers and service recipients, may explain this difference. The preparers' practical approach emphasises those responsible for compliance with statutory requirements. These findings align with previous research and highlight the need to consider both perspectives to better understand the primary users of PSE financial reports.

8.4.3 Information not currently provided in financial reports

The research aimed to identify deficiencies in the information provided in PSE financial reports by investigating the perceptions of standard setters. While standard setters agreed that a significant amount of information was already included, they identified a need for improvements. Specifically, more non-financial information related to sustainability practices, operations, management, and ESG performance, as well as increased information on service performance, was needed (Li et al., 2018; Moses & Hopper, 2022; Zhang et al., 2023).The main gap identified was the lack of information on sustainability practices, which is currently not widely included in PSE financial reports. The findings suggest that PSEs should improve the information they provide, particularly regarding sustainability practices and performance, to meet the needs of stakeholders (Das & Bhattacharjee, 2020; Hawrysz & Foltys, 2016).

8.4.4 Parties engaged in standard-setting

This research question examines the standard-setting process and sheds light on the entities involved and steps taken. The standard setters emphasized the importance of inclusivity in the process, involving multiple parties, and being open to public feedback. When standards affect a specific sector, the relevant regulatory body will engage with the affected entity. The research highlights the significance of involving a wide range of stakeholders in the standard-setting process to ensure that the standards developed are relevant, fair, and effective(External Reporting Board, 2017). It emphasizes the role of standard setters in ensuring that the process is inclusive and transparent.

8.4.5 Vision and focus of regulatory bodies

Regulatory bodies aim to set high-quality standards that are useful and relevant for stakeholders. Their focus on financial management in the public sector aims to ensure good governance and effective use of public funds. They also recognize the importance of sustainability information in financial reports and conduct consultations to establish standards that ensure PSEs provide the necessary information (Heffernan & Halliday, 2022; Meech & Bayliss, 2021). The ultimate goal is to promote good governance and support decision making through credible and internationally recognized standards.

8.5 Thesis Contribution

The perceptions of preparers and standard setters regarding the objectives of public sector financial reports, their intended users, and the information content contained therein have sparked continuous debate. In this context, the study adds valuable contributions to the existing body of knowledge, enriching the discourse in several key areas.

Theoretical Perspective: While previous research such as Boxenbaum and Jonsson (2017), Brusca et al. (2016), DiMaggio and Powell (1983), Goddard et al. (2016), and Mnif Sellami and Gafsi (2019) has offered valuable insights into PSEs' reporting practices through various theoretical lenses, including isomorphism, legitimacy, and stakeholder theories, the study takes a distinctive approach. It employs the decoupling theory to explore the intricate landscape of PSEs' reporting practices. This lens allows for an exploration of the potential disconnect between the expected and actual reporting practices within the organizational framework of PSEs. Such a disassociation phenomenon is observed among those responsible for report preparation as well as regulatory authorities. Moreover, the study investigates how these differences manifest across different levels of PSEs.

Divergent Expectations: A significant contribution of the current study lies in the revelation of disparities in expectations held by financial report preparers and standard setters regarding the primary objectives, intended users, and the information content of financial reports. Prior studies (Coy et al., 1997, 2001; Grossi and Steccolini, 2015; Krambia-Kapardis et al., 2016; Laswad and Redmayne, 2015; Murphy et al., 2013) have touched upon these aspects separately, however, this research takes a comprehensive approach by considering both preparers and standard setters' perspectives together. In this instance, while previous examinations have questioned the applicability of objectives in PSE financial reports and compared the public sector with the private sector, the study explores deeper into the objectives, users, and information content of financial reports. Additionally, it explores the influence of entity type and size on these aspects, offering insights into the impact of these factors in the public sector from the viewpoint of preparers and standard setters.

Diverse Perspectives: Relatedly the findings of the study contribute incremental insights into the range of perspectives about the primary aims of financial reporting within the public sector. Preparers prioritize compliance with regulatory obligations as the main objective, whereas standard setters emphasize the fundamental purpose of establishing accountability and providing decision-useful information. Moreover, regarding the intended users of these financial reports, preparers predominantly identify oversight bodies, such as the Office of the Auditor General, auditors, and the government, as the primary audience. In contrast, standard setters advocate for the broader inclusion of the general public as the primary recipients of these reports. These insights collectively illuminate more light to the aims of financial reporting within the public sector, which is sparse in the extant literature (Australian Accounting Standard Board, 2021; Santis et al., 2018; van Helden & Reichard, 2019).

Entity-Specific Disparities: The research makes a novel contribution in this regard through its investigation of the content of financial reports, revealing variances based on the type of reporting PSE. These differences pertain to specific accountability-related information presented within these reports. Furthermore, the study's findings underline distinctions in the objectives of financial reports among public sector entities of different sizes. These differences can be attributed to the nature of services provided by these entities and the corresponding accountability requirements, offering an incremental understanding of this issue which has yet to be adequately addressed in the literature. In conclusion, the study enriches the literature on public sector entities' reporting practices by adopting a unique theoretical perspective, uncovering divergent expectations, highlighting diverse perspectives on objectives and users, and considering entity-specific disparities. These contributions enhance our understanding more comprehensively the complexities surrounding financial reporting in the public sector.

Therefore, it is recommended that the primary objectives for financial reporting be clarified. This involves defining the hierarchy of priorities when it comes to reporting, specifically defining the roles of compliance, accountability, and the provision of decision-useful information. The findings of the study reveal that compliance with regulations often dominates the report preparation process. However, this may not align with the fundamental purpose of financial reporting, which should mainly focus on two key aspects: accountability for the management of resources and the facilitation of informed decision-making. While internal users of these reports rely on the information for their decision-making processes, the extent to which external users engage with this information is uncertain.

8.6 Research Implications

The study highlights a lack of clear consensus on the primary objectives of General-Purpose Financial Reports for Public Sector Entities. This is particularly evident in the difference between the perceptions of preparers and the expectations of standard setters. Additionally, the findings shed light on differing perspectives regarding who the intended users of PSEs' financial information are. Preparers tend to include oversight bodies like the Office of the Auditor General (OAG), auditors, and the Government itself in this category, while standard setters place greater emphasis on external users with the public as their topmost. These insights highlight a critical area of difference in the understanding and goals around PSE financial reporting.

Based on the insights emanating from this study, its findings are crucial and timely for key stakeholders in the PSE reporting landscape in New Zealand. In particular, it is very illustrative for standard setters in determining areas of alignment and perceived priorities in providing reporting guidance and standards. Although an extensive stakeholder collaboration is employed in developing and implementing standards, differences in perspectives noted across several reporting areas suggest the need for further and intensive engagement in the standards-setting process to unify perceived differences. In practical terms, preparers of PSEs financial reports are better guided by the insights of the study's findings in understanding the expectations of standards setters in terms of what constitutes PSEs reports and whom the primary expected users should be when targeting users. Furthermore, users of PSEs financial reports are in a better position to understand the intent and rationale behind the report and how that should inform them in making decisions on resource allocation, including revising their accountability expectations for such reports considering where they fall within the prioritization scale of the preparers.

8.7 Limitations of this Thesis and Suggestions for Future Research

This study on PSE financial reporting in New Zealand has limitations that must be acknowledged when assessing its broader implications and generalizability. The sample size used in the study only encompasses a portion of public sector entities and may not be universally applicable to other financial reporting environments. The interviews conducted were restricted to experts in public sector reporting, offering a limited perspective of the entire population of standard setters and regulating bodies in New Zealand.

To further this research, a comparative analysis of the perceptions held by users, preparers, and standard setters regarding the information presented in PSE financial reports would be valuable. This would provide a more comprehensive understanding of the views of these groups and their use of the information for decision making. An empirical study of the entire public sector financial reporting sphere would also offer insight into the perceptions of users, preparers, and standard setters and their reporting practices.

8.8 Chapter Summary

This chapter provides a comprehensive summary and conclusion of the thesis. It begins by giving an overview of the objectives, methodology and results of the research. It then delves into the key findings and insights gained from the survey and interviews of preparers and standard setters in the public sector.

The findings of this thesis highlight a disconnect between the objectives and users expected by standard setters and those in practice, as well as differences in the information content of financial reports based on entity type and size. This contributes to the existing literature on PSE financial reporting by providing a deeper understanding of the objectives, users, and information content of such reports. The implications of these findings for PSE financial reporting in New Zealand and beyond are discussed, as well as the limitations of the study and potential areas for future research. Overall, this chapter provides a comprehensive summary of the key contributions and outcomes of the thesis, and provides valuable insights for preparers, standard setters, other regulators and users of public sector financial reports.

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Appendices

Appendix A Response List of PSEs

Central Government

	Government Departments
1	Ministry of Education
2	Ministry of Health
3	Ministry for the Environment
4	Ministry for Pacific Peoples
5	The Treasury
6	External Reporting Board
7	Oranga Tamariki—Ministry for Children
8	Ministry for Primary Industries
9	Ministry of Housing and Urban Development
10	Statistics New Zealand
11	Ministry for Culture and Heritage
12	Crown Law Office
13	Ministry of Justice
14	Ministry of Defence
15	Serious Fraud Office

	Crown Entities
1	New Zealand Walking Access Commission
2	Pharmaceutical Management Agency
3	Accident Compensation Corporation
4	Education New Zealand
5	Kainga Ora – Homes and Communities
6	New Zealand Blood Service
7	WorkSafe New Zealand
8	Tertiary Education Commission
9	Social Workers Registration Board
10	Sport and Recreation New Zealand
11	New Zealand Antarctic Institute

	Independent Crown Entities
1	Children’s Commissioner
2	Commerce Commission
3	Drug Free Sport New Zealand
4	Crown Infrastructure Partners Limited

	Departmental Agencies
1	Social Wellbeing Agency

	Tertiary Institutions and School
1	University of Auckland
2	University of Canterbury
3	Lincoln University
4	University of Otago
5	University of Waikato
6	Ara Institute of Canterbury
7	Tai Poutini Polytechnic
8	Te Kura, NZ Correspondence School

	District Health Boards
1	Southern District Health Board
2	Wairarapa District Health Board
3	Taranaki District Health board
4	Hawke's Bay District Health Board
5	Waikato District Health Board

	Non-public Service Department
1	New Zealand Defence Force
2	Parliamentary Counsel Office
3	Office of the Clerk of the House of Representatives

	Public Sector Entities
1	Broadcasting Commission NZ on Air
2	AgResearch Limited
3	Reserve Bank of New Zealand
4	Heritage New Zealand Pouhere Taonga
5	Public Trust
6	Arts Council of New Zealand Toi Aotearoa, Creative NZ
7	Institute of Geological and Nuclear Sciences Limited
8	Radio New Zealand Limited
9	Asia New Zealand Foundation
10	Pacific Co-operation Foundation
11	New Zealand Green Investment Finance Limited
12	Teaching Council of Aotearoa New Zealand
13	New Zealand Forest Research Institute Limited

Local Government Councils (District, Regional and City Councils)

	City Councils
1	Upper Hutt City Council
2	Porirua City Council
3	Tauranga City Council
4	Napier City Council
5	Hutt City Council
6	Hamilton City Council

	District Councils
1	Auckland Council
2	Chatham Islands Council
3	Taupo District Council
4	Tasman District Council
5	Whanganui District Council
6	Waikato District Council
7	Central Otago District Council
8	Horowhenua District Council
9	Ruapehu District Council
10	Rangitikei District Council
11	Manawatu District Council
12	Waimakariri District Council
13	Buller District Council
14	Thames-Coromandel District Council
15	Waipa District Council
16	Gisborne District Council
17	Mackenzie District Council
18	Tararua District Council
19	Matamata-Piako District Council
20	Clutha District Council
21	Timaru District Council
22	Carterton District Council
23	New Plymouth District Council
24	Central Hawke's Bay District Council
25	Marlborough District Council
26	Gore District Council
27	Western Bay of Plenty District Council
28	Otorohanga District Council
29	Southland District Council
30	Waitaki District Council
31	Opotiki District Council
32	Whangarei District Council
33	Hauraki District Council
34	New Plymouth District Council

	Regional Councils
1	Hawke’s Bay regional council
2	Environment Canterbury regional Council
3	Wellington regional council

Appendix B Questionnaire

THEME 1: PSE PREPARERS PERCEPTION OF USERS AND THEIR NEEDS FOR FINANCIAL REPORT

Public sector financial reporting
NZ has developed an international reputation for quality public sector reporting. This study aims to gain insights into the perceptions of preparers of Public Benefit Entities (PBEs) financial reports in the public sector regarding the information provided in such reports.

We invite you to participate in the study by completing this survey, which would take about 10 minutes to complete.

If you would like to receive a copy of the survey findings, please provide your email address at the end of the survey.

We would also like to assure you that all responses provided will be treated in accordance with standard ethical research practices, including the anonymity of respondents and confidentiality of the responses given. All information collected will be used strictly for the purpose of this study.
Participation in this study is voluntary and you can opt out of the study at any point if you do not wish to continue.

This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named in this document are responsible for the ethical conduct of this research.
If you have any concerns about the conduct of this research that you want to raise with someone other than the researcher(s), please contact Professor Craig Johnson, Director (Research Ethics), email humanethics@massey.ac.nz.

If you have any question regarding the survey or this research project in general, please feel free to contact us.
Kind regards,

Professor Fawzi Laswad f.laswad@massey.ac.nz
Professor and Head of School - School of Accountancy, Massey University
Phone +64 6 951 6064

Dr Dimu Ehalaiye o.ehalaiye@massey.ac.nz
Joy Dabel-Moses Joy.Dabel-Moses.2@uni.massey.ac.nz

How does your entity disseminate its annual financial reports, in print, online, or both?

a. Print
b. Online
c. Print and online

Objectives/benefits of your entity's annual financial report and their importance,

What are the objectives/benefits of preparing your entity's annual financial reports? Please indicate the level of importance of each objective/benefit by using scale 0 (not important) to 5 (very important).

	Statement(s)	**Anchor**					
	Anchor keys	**NI 0**	**1**	**2**	**3**	**4**	**VI 5**
i.	Meet Statutory						
ii.	Provide information to users of financial reports						
iii.	Discharge of entity's public accountability						
iv.	Other objectives/benefits, please explain						

RQ 1: Who are the users of your entity's financial reports? And RQ2. are New Zealand PBEs financial report users perceived equally by preparers of PBEs financial reports?

Please indicate the level of importance of each possible user(s) of your entity's financial report. Please indicate the level of importance of each objective/benefit by using the scale 0 (not important) to 5 (very important).

	Statement(s)	**Anchor**					
	Anchor keys	**NI 0**	**1**	**2**	**3**	**4**	**VI 5**
i.	Customers/clients of your entity						
ii	Suppliers of goods or services to your entity						
iii	Lenders/creditors of your entity						
iv	The Government/Crown						
v.	The Relevant Government Minister						
vi.	Parliament (relevant selected committee)						
	Local government New Zealand (LGNZ)						
	NZ Society of Local Government Managers (SOLGM)						
vii.	Office of the Auditor General						
	The Auditor						
viii.	General public/taxpayers						
ix.	Academics /Researchers						
	The media						
x.	International governmental organisations, please specify						
xi.	Regulatory bodies, please specify						
xii.	Others (please specify)						

[a] (IPSASB, 2014, p. 13)
[b] (Ehalaiye et al., 2018a)
[c] (Coy et al., 1997).
[d] (Taylor & Rosair, 2000)

RQ 3: What information needs do users have for New Zealand financial report as perceived by preparers?

The features of information provided in your entity's annual financial report. (Part 1)

Please indicate the level of the importance of each possible information feature in your entity's annual report, by using the scale 0 (not important) to 5 (very important).

	Statement(s)	Anchor					
	Anchor keys	**NI**					**VI**
	Scoring value	0	1	2	3	4	5
i.	information that enables users to predict the future performance of your entity. [a]						
ii.	information that is comparable with that of other similar entities. [a,b]						
iii.	consistent and comparable information about your entity's performance over time. [a]						
iv.	information on strategic intentions to improve your entity's operations and meet set targets. [a]						
v.	information on the discharge of governance responsibilities within your entity. [a]						
vi.	information on the discharge of managerial responsibilities within your entity. [a]						
vii.	information about your entity that is unbiased. [a]						
viii.	information about your entity being easily accessible to users. [a]						
ix.	information about your entity to assist users in their assessment of the entity. [a]						
x.	information that enables users to predict the future sustainability of continuity of services of your entity. [a]						

[a.] (IPSASB, 2014).

[b.] (Coy et al., 1997).

The features of information provided in your entity's annual financial report. (Part 2)

Please indicate the level of the importance of each possible information feature in your entity's annual report, by using scale 0 (not important) to 5 (very important).

	Statement(s)	**Anchor**					
	Anchor keys	**NI**					**VI**
	Scoring value	0	1	2	3	4	5
i.	information about the ability of your entity to meet current and long-term obligations.						
ii.	information about the ability of your entity's efficiency and effectiveness of service delivery.						
iii.	information about your entity's cost recovery for future services.						
iv.	information about your entity's ability to achieve its operating and financial objectives.						
v.	information about your entity's ability to manage the resources it is responsible for.						
vi.	information about your entity's level of compliance with regulatory requirements.						
vii.	information about your entity's capability to adapt to changing circumstances likely to impact the nature or composition of its service delivery.						
viii.	information about your entity's ability to provide information that meets the expectations of users regarding the discharge of assigned managerial responsibilities.						
ix.	information about your entity's resources available for future services. (resource in terms of cash, human capital, assets, accrual operation, and materials).						
x.	other information/features, please specify						

a.(IPSASB, 2014).

Profile of people who access your entity's online annual financial reports

If you track access to (or downloads of) your online financial reports, what is the profile of the people who accessed your online financial reports?
Examples: their location, numbers, how they accessed (through a search engine or through other pages on your website).

Your Background

What is your current position in the organisation?

a. Chief Executive Officer
b. Chief Financial Officer/ Head of Finance
c. Others, please specify.

How many years of experience do you have in the public sector?

How many years of total work experience do you have?

Professional membership:

a. CAANZ
b. CPA
c. Others, please specify.
d. None

Your Gender

a. Male
b. Female
c. Other

Thank you for your participation. If you would like to receive a copy of the results of this survey, please provide your email below. Thank you for your participation. If you would like to receive a copy of the results of this survey, please provide your email below.

Appendix C Interview Questions

Categories	Name: Date: Time: Organisation: Interviewee code:
	-*Permission to record the session.* **Brief background:** -Introduce yourself, -Your role and your involvement in public benefit entities (Public sector) standards setting in NZ (and globally, if applicable). - Professional experience in this area. **Questions:** The purpose of these questions is to seek your views about financial reporting by public benefit entities in the public sector, in particular about the objectives of financial reports, the users of such reports and information items to be presented in such reports. 1. What are the objectives of financial reports by public benefit entities (PBEs) in the public sector? 2. How important are the following objectives of financial reporting for PBEs: compliance with statutory regulation; accountability; and providing information to users for decision-making? Do you think PBEs in the public sector should put more weight on one objective ahead of the others? If yes, which objective would you prefer the emphasis to be on? 3. Would the information provided in PBEs financial statements vary depending on the objective of financial reporting? Are there any examples you can provide? 4. Who are the primary users of public benefit entities in the public sector financial reports? Do these users vary depending on the types of reporting entities, e.g., local vs central government, size, and service? 5. Is there information that should be provided in PBEs financial reports that are currently not provided, that you would like to see? And for what purpose? 6. For the most recent standards in use for public sector reporting in NZ, who were the parties engaged in the standard-setting process? 7. What is the current vision and key focus of the XRB/NZASB/IPSASB with respect to public sector reporting standards in NZ? Are there any further details/comments about financial reporting by public benefit entities in the public sector you would like to add?

Appendix D Research Ethics Office, Research and Enterprise

Date: 01 October 2020
Dear Joy Dabel-Moses

Re: Ethics Notification - **4000023463 - INFORMATION NEEDS OF USERS OF PUBLIC SECTOR ENTITIES FINANCIAL REPORTS**

Thank you for your notification which you have assessed as Low Risk.

Your project has been recorded in our system which is reported in the Annual Report of the Massey University Human Ethics Committee.

The low-risk notification for this project is valid for a maximum of three years.

If situations subsequently occur that cause you to reconsider your ethical analysis, please contact a Research Ethics Administrator.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course-Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:
"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named in this document are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you want to raise with someone other than the researcher(s), please contact Professor Craig Johnson, Director - Ethics, telephone 06 3569099 ext 85271, email humanethics@massey.ac.nz."

Please note, if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to complete the application form again, answering "yes" to the publication question to provide more information for one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research. Yours sincerely

Professor Craig Johnson
Chair, Human Ethics Chairs' Committee and Director (Research Ethics)

Research Ethics Office, Research and Enterprise
Massey University, Private Bag 11 222, Palmerston North, 4442, New Zealand **T** 06 350 5573; 06 350 5575 **F** 06 355 7973
E humanethics@massey.ac.nz **W** http://humanethics.massey.ac.nz
Human Ethics Low Risk notification

MASSEY UNIVERSITY
TE KUNENGA KI PŪREHUROA
UNIVERSITY OF NEW ZEALAND

GRADUATE RESEARCH SCHOOL

STATEMENT OF CONTRIBUTION DOCTORATE WITH PUBLICATIONS/MANUSCRIPTS

We, the student and the student's main supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the student's contribution as indicated below in the Statement of Originality.

Student name:	Joy Dabel-Moses
Name and title of main supervisor:	Professor Fawzi Laswad
In which chapter is the manuscript/published work?	
What percentage of the manuscript/published work was contributed by the student?	

Describe the contribution that the student has made to the manuscript/published work:

Please select one of the following three options:

( ) **The manuscript/published work is published or in press**

Please provide the full reference of the research output:

( ) **The manuscript is currently under review for publication**

Please provide the name of the journal:

(•) **It is intended that the manuscript will be published, but it has not yet been submitted to a journal**

Student's signature:	Joy Dabel-Moses Digitally signed by Joy Dabel-Moses Date: 2024.02.13 10:50:06 +13'00'	Main supervisor's signature:	Fawzi Laswad Digitally signed by Fawzi Laswad Date: 2024.02.13 10:28:38 +13'00'

This form should appear at the end of each thesis chapter/section/appendix submitted as a manuscript/ publication or collected as an appendix at the end of the thesis.