ENHANCING MALAYSIAN FEDERAL GOVERNMENT ACCOUNTABILITY THROUGH ANNUAL REPORT: A STAKEHOLDER PERSPECTIVE

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ABSTRACT

The migration from the modified cash to accrual basis by the Malaysian Federal Government in 2015 is being seen as a platform for better annual government reporting, as the existing Federal Government Financial Statement has been found to be insufficient for accountability purposes. From the public accountability perspective, stakeholder preferences should guide the presentation and extent of government annual reporting. Therefore, the objective of this study is to identify the information to be disclosed in Malaysian Federal Government's annual report and the importance of information for disclosure from the perspective of the government's stakeholders through the Delphi exercise. The internal and external group of stakeholders involved in this study comprised of representatives from the Accountant General Department, the Ministry of Finance, federal ministries/departments, the Auditor General Department, public accountants, non-government organization, statutory body, state government, local authority, banks, government suppliers, professional accounting body, academician, politician and general public. The findings show that 341 items have been identified as items that best reflect the Malaysian Federal Government's accountability and thus should be disclosed in the government's annual report. A stable opinion with increasing to moderate consensus was achieved for this study. There are no significant differences in the perceptions of the importance of each category of items for disclosure in the Malaysian Federal Government's annual report among the stakeholders involved in the Delphi exercise. However, the total mean scores are slightly higher for the external stakeholder group than the internal stakeholder group of the Delphi panel. Overall, the stakeholders involved collectively agree that the "Financial" category is the principal subject of the government's annual report but it is crucial to be supported by other information including the non-financial information. The exploration of the government's stakeholder perspective reveals a clear need for Malaysian Federal Government to consider shifting from the Federal Government Financial Statement to an annual report as a means of discharging its accountability. The findings of this study are expected to provide useful input for the government to enhance its accountability through annual reporting and could be the starting point for the government to act proactively to meet their stakeholders' information needs.

Keywords: Accountability, annual report, stakeholder perspective, Delphi exercise

INTRODUCTION

The migration from the modified cash to accrual basis by the Malaysian Federal Government in 2015 is being seen as a platform for better annual government reporting, as the existing Federal Government Financial Statement has been found to be insufficient for accountability purposes. Cash accounting only provides the cash flow state of government finances. Additional details from accrual accounting provide a more extensive picture of government financial transactions, and hence, a more rigorous understanding of the sustainability of public finances (MPEN, 2010). The financial reform towards accrual accounting is consistent with New Public Management (NPM) (Groot & Budding, 2008; Kloot, 2009), which stresses the concept of accountability and the importance of reporting mechanisms (Kloot, 2009).

Public accountability stems from the belief that the general public has the right to know, the right of access to information as well as the right to be provided with sufficient and meaningful information (Carcaba-Garcia, Lopez-Diaz, & Pablos-Rodriguez, 2002; Coy, Fischer, & Gordon, 2001; Stanton, 1997; Tower, 1991). Financial statements, currently considered the most important means of communicating government's financial information to the public, are considered insufficient to achieve the ultimate aim of public accountability (Coy, et al., 2001; IFAC, 1991) as the statements focus on providing only financial information. The public needs a report that comprises of both financial and non-financial information (Dye & Bowsher, 1986; IFAC, 1991; Ryan & Mack, 2006). From the public accountability perspective, their preferences should guide the presentation and extent of government reporting (Dye & Bowsher, 1986; Peursem, 1999).

Literature on the public accountability model of reporting has generally agreed that a key document in the discharge of accountability is the annual report, because it consists of comprehensive information that can be tailored to satisfy the

information need of the public or a broad group of stakeholders especially the external stakeholders (Coy, et al., 2001; Steccolini, 2004; Tooley, Hooks, & Norida Basnan, 2010; Tower, 1991).

In the case of Malaysian Federal Government Financial Statement, it has been found that the report consists of minimal disclosure of information (Nichol, 1997; Omar Othman, 2001; Zakiah Saleh & Pendlebury, 2006). Additionally, a broad group of stakeholders has not been consulted for its feedback on the information it requires (Omar Othman, 2001; Zakiah Saleh, 2009; Zakiah Saleh & Pendlebury, 2006).

In order to fulfill the public accountability requirement, this study identifies the information to be disclosed in the Malaysian Federal Government's annual report and the importance of information for disclosure from the perspective of the government's stakeholders through the Delphi exercise. The next section of the paper provides a review of literature on accountability reporting. It is followed by research methods and results and discussion of the stakeholder perspective of information to be disclosed in Malaysian Federal Government's annual report and the importance of information for disclosure. The final section concludes the paper, discusses the study limitations and provides a number of recommendations for practice and future research.

ACCOUNTABILITY REPORTING

Reporting for the purpose of public accountability requires governments not only to give report to their broad group of stakeholders (internal and external stakeholders), but also to disclose a wide range of information that covers a broad scope of accountability (Coy, et al., 2001; Hooks, Coy, & Davey, 2002; Tower, 1991). According to Tooley and Hooks (2010), internal stakeholders refers to those persons who have access to the information sources themselves and are not dependent on the entity to provide information, whereas external stakeholders refers to those persons who rely on the reporting entity to provide information. As compared to internal stakeholders, external stakeholders have limited authority, ability, or resources to obtain additional information (IFAC 1991). Consistent with prior studies (Coy, et al., 2001; Lee, 2008; Tooley & Hooks, 2010), stakeholder preferences within a framework of public accountability are of key importance to this study.

According to Papenfub and Schaefer (2010), accountability is derived from the line of argument that the electorate or citizen has a right to be informed on the activities and expenditure of resources by the executive and legislative branches of government. They believe that as the government's stakeholders, citizens should be able to make a well-informed assessment of the government's provision of services against targets. Therefore, Papenfub and Schaefer (2010), correspond to the views that accountability in the public sector must contain reporting on the use of resources and services performed by the government. However, what types of information are relevant to be disclosed is often a subject of debate (Lee, 2008; Tower, 1991) because the information required by the stakeholders varies with the scopes of accountability (Patton, 1992; Steward, 1984). For example, the public need information on how well the government has managed their financial affairs and resources, and on the overall economic impact of economic activities; the managers need costing information on specific activities and operations, while politician or members of parliament need trends information in key indicators to obtain a broad perspective on a policy or programme matters (Dye & Bowsher, 1986; IFAC, 1991).

There are various scopes of the government's accountability and the establishment of NPM has extended the scopes of accountability from a concern for fiscal (probity and legality) and process accountability, which emphasize compliance, to performance or programme accountability and policy accountability, which stress effectiveness, efficiency, outcomes and outputs (Steccolini, 2004; Steward, 1984). According to Steward (1984), accountability for probity is concerned with whether funds are used properly and in the manner authorised, accountability for legality is concerned with ensuring that the powers given by law are not exceeded, process accountability is concerned with whether stipulated procedures have been properly followed, performance and programme accountability is concerned with whether the work carried on has met its intended results and policy accountability is concerned with whether the stakeholders needs has been defined appropriately. Although different stakeholders have different preferences for different scopes of accountability (Patton, 1992), the specific information need of stakeholders is possible to be satisfied (Dye & Bowsher, 1986). The stakeholder need of information has to be reconciled since there has been no consensus on what information governments should record and report (Dye & Bowsher, 1986).

RESEARCH METHOD

This study uses the Delphi exercise to obtain a consensus of opinion from a group of Malaysian Federal Government's stakeholders. Basically, the Delphi exercise involves a series of structured questionnaires and feedback reports for a group of expert panellist to give their views on the topic being examined. The Delphi exercise in contrast to other research methods (such as focus group and nominal group techniques) has a few advantages. Firstly, panel members can give their opinion independently without domination from highly respected members as the identity of each panel member is anonymous to other members. Secondly, written feedback that is presented to the panel members in the subsequent rounds allows each panel to confirm the opinion given in the previous round and finally, the statistical analysis used allow for an objective as well as impartial analysis and summarization of the collected data (Hsu & Sandford, 2007). In addition, the Delphi exercise can reduce the "bandwagon effect" which encourages agreement with the majority (Tersine & Riggs, 1976).

Loo (2002) recommended that composition of assessment panel has to be more heterogeneous and include a broad group of stakeholders so as to enable opinions of a large group of stakeholders be taken into consideration, especially when the issues being examined involved local policies and programmes. In such cases, the criteria for determining who qualifies as an expert

rest not only on knowledge of the field but could also include criteria such as personal experiences or being stakeholders (Loo, 2002). Consistent with this recommendation, Forster and Gracht (2013)'s panel consisted of both internal and external stakeholders. They believe that conducting Delphi surveys with both internal and external stakeholder groups offers the most diverse and plentiful opportunities for decision makers. On the other hand, Parker et al. (2011) believe that this kind of flexibility of involvement could narrow the research/practice gap in accounting.

In line with the above mentioned studies, thirty-six Delphi panel members, representing a wide range of stakeholder groups comprising of internal and external stakeholders, have been purposefully selected for this study to confirm and validate the items to be disclosed in Malaysian Federal Government's annual report, assess the importance of the disclosure of each item and suggest additional disclosure items (if any). The stakeholder panel members of this study have been selected based on their knowledge (deep or basic knowledge) concerning federal government's reporting, experiences, their current and past positions, their capabilities to contribute helpful input and their willingness to revise their initial or previous judgements for the purpose of reaching consensus (Hsu & Sandford, 2007; Norida Basnan, 2010). Since there is no agreement in prior studies (e.g. Coy & Dixon, 2004; Hooks, et al., 2002 and Norida Basnan 2010) on the size of Delphi panel, thirty-six members of Delphi panel involved in this study are considered sufficient.

The internal stakeholder group comprised representatives from the Accountant General Department (5), the Ministry of Finance (3), federal ministries/departments (4) and public accountants (2). Meanwhile, the external stakeholder group comprised representatives from the Auditor General Department (2), non-government organization (1), statutory body (1), state government (2), local authority (1), banks (3), government suppliers (2), professional accounting body (1), academician (1), politician (1) and general public (7).

Normally, the Delphi exercise involves three iterations, or rounds, of questionnaires and feedback reports. In this study, at the initial round, the stakeholder panel members were presented with an open-ended questionnaire that consists of two parts. Part A containing 330 potential items is divided into 8 categories, while Part B consists of the profile segment of the stakeholder panel members. Consistent with the current national agenda to move to accrual accounting, International Public Sector Accounting Standards (IPSAS) requirement on reporting under accrual basis of accounting becomes the main reference of this study in identifying the potential items (especially the financial items) to be disclosed in the Malaysian Federal Government's annual report, because IPSAS sets out minimum financial reporting requirement for governments and other public sector entities.

According to Cooke (1992), when the focus is disclosure to a broad group of stakeholders, an extensive list of items, both mandatory and voluntary, is appropriate. Indeed, it is insufficient for this study to refer only to IPSAS. Hence for public accountability purposes, the items to be disclosed in the government annual report should be more than the IPSAS's requirements. For this reason, the items listed in Part A were identified earlier through an extensive review of not only IPSAS but also local statutory requirements, other countries statutory requirements, recommendations by local and international professional bodies, an annual report of other federal government that has been applying accrual basis of accounting, existing Malaysian Federal Government's report and prior studies.

The stakeholder panel members were asked to indicate which items should be disclosed in the government's annual report and the importance of the disclosure of each item using a five point Likert-type scale from "0 = unimportant and should not be disclosed" to "4 = extremely important". They were also invited to suggest additional disclosure items not included in the questionnaire.

As the purpose of this study is to obtain consensus of opinion from the stakeholder panel members, the subsequent rounds were used to present the summary of responses of the previous round in order to allow them to reconsider their previous responses, to provide justifications for upholding their choices and to indicate the disclosure importance of items suggested by others.

In order to measure the level of consensus of opinion on the perceived importance of the items rated in each and between rounds, this study used mean, standard deviation and Kendall's coefficient of concordance (W). The mean represents the group opinion of the panel (Greatorex & Dexter, 2000). A downward trend or a negative difference between the standard deviations indicates a decreasing spread in responses, representing an increasing level of consensus (Dfouni, 2002; Greatorex & Dexter, 2000). Kendall's coefficient of concordance (W) indicates the stable level of consensus. A W of 0 indicates no consensus, whereas 1 is referred to as perfect consensus (Okoli & Pawlowski, 2004). According to Schmidt (1997), the Delphi exercise stopped when either the W indicated a strong consensus (W>0.7) or the level of consensus for the panel levelled off in two successive rounds.

For further analysis, this study applied a Mann-Whitney U test to compare the final means of each category of items between the stakeholder panel members (Forster & Gracht, 2013; Lee, 2008; Norida Basnan, 2010). In this study, the Mann-Whitney U test reveals the significant differences between the internal and external stakeholder groups on a 0.001 level of significance.

STAKEHOLDERS' PERCEPTIONS ON THE INFORMATION TO BE DISCLOSED IN MALAYSIAN FEDERAL GOVERNMENT'S ANNUAL REPORT AND THE DISCLOSURE IMPORTANCE OF THE INFORMATION

Based on the results of means, standard deviations and Kendall's coefficient of concordance (W), a stable opinion with increasing to moderate consensus was achieved for this study. The data is presented in Table 1 and Table 2. Table 1 provides the results of means and standard deviations while Table 2 provides the results of Kendall's coefficient of concordance (W) and its interpretation of round one, two and three.

As shown in Table 1, there are little variations of the mean response at the end of the third round. The variations of the mean response ranges from 0.024 to 0.333 between the initial and the second round and ranges from 0 to 0.033 between the second and third round. The consistent results of the mean indicate a stable opinion across rounds (Dfouni, 2002; Greatorex & Dexter, 2000). It is found that the amount of agreement in the consensus was also stable, as the standard deviation shows a downward trend from the first round to the second round and from the second round to the third round for all categories of items. In total, 341 items (330 original items and 11 additional items) were expected to be disclosed in the Malaysian Federal Government's annual report from the stakeholder's perspective.

For Kendall's coefficient of concordance, the value of W is computed only for completed responses. In this study, all thirty-six stakeholder panellists have completed all rounds to assess all items except for one stakeholder panel that could not manage to assess the additional items in the second round. However the particular panel member managed to judge those particular items in the third round. Therefore, the results of Kendall's coefficient of concordance in Table 2 are presented according to the stakeholder's judgement of the original and the additional items.

The overall results for W presented in Table 2 show a steady level of consensus across the three rounds. Therefore, the Delphi exercise stops at the third round. However, consensus level by round three was no more than moderate (W=0.5) for the original items and weak (W=0.4) for the additional items. According to Schmidt (1997), for panels of more than 10 members, even very small values of W can be significant. This statement explained the reason why it is difficult to obtain a strong consensus among the stakeholder panel members for this study.

Table 1: Mean scores and standards deviations of each category of items of round one, two and three

	Mean scores					Standard Deviations				
	Round 1	Round 2	Round 3	Round 2-1	Round 3-2	Round 1	Round 2	Round 3	Round 2-1	Round 3-2
A : Introduction (8)	3.028	3.135	3.135	0.107	-	0.445	0.348	0.348	(0.097)	-
B : Background (7)	3.061	3.171	3.183	0.110	0.012	0.645	0.475	0.464	(0.170)	(0.011)
C : Economic affairs (11)	3.423	3.447	3.449	0.024	0.002	0.770	0.573	0.569	(0.197)	(0.004)
D : Report on performance (32)	3.246	3.301	3.304	0.055	0.003	0.528	0.449	0.445	(0.079)	(0.004)
E : Public governance and external scrutiny (20)	2.869	3.053	3.086	0.184	0.033	0.880	0.530	0.462	(0.350)	(0.068)
F : Financial (261)	3.309	3.361	3.381	0.052	0.020	0.554	0.527	0.490	(0.027)	(0.037)
G: Acknowledgement and award received (1)	2.611	2.944	2.944	0.333	-	1.153	0.715	0.715	(0.438)	-
H : Appreciation (1)	2.306	2.361	2.361	0.055	-	0.951	0.762	0.762	(0.189)	-
Total (341)	2.981	3.097	3.105	0.115	0.009	0.506	0.349	0.333	(0.157)	(0.016)

Table 2: Kendall's coefficient of concordance and its interpretation of round one, two and three

	Original items			Additional items		
	Round 1	Round 2	Round 3	Round 1	Round 2	Round 3
Total items / panellists	330 / 36	330 / 36	330 / 36	-	11 / 35	11 / 36
Kendall's W*	0.5	0.5	0.5	-	0.4	0.4
Level of consensus*	Moderate	Moderate	Moderate	-	Weak	Weak

*Note: Interpretation of W: 0=no consensus; 0.1=very weak consensus; 0.3=weak consensus; 0.5=moderate consensus; 0.7=strong consensus; 0.9=unusually strong consensus; 1=complete consensus.

The data summarised in Table 3 provides the final round's frequency of items within level of disclosure importance by category.

Table 3: Frequency of items within level of disclosure importance by category of round three

Category of item and number of items in each category	Frequency of items within level of disclosure importance*				
	0	1	2	3	4
A: Introduction (8)	0	0	0	8	0
B: Background (7)	0	0	0	6	1
C: Economic affairs (11)	0	0	0	8	3
D: Report on performance (32)	0	0	0	28	4
E: Public governance and external scrutiny (20)	0	0	0	20	0
F: Financial (261)	0	0	0	231	30
G: Acknowledgement and award received (1)	0	0	0	1	0
H: Appreciation (1)	0	0	1	0	0
Total (341)	0	0	1	302	38
Percentage	-	-	0%	89%	11%

*Note: "0" = unimportant and should not be disclosed; "1" = minor importance; "2" = quite important; "3" = very important; "4" = extremely important.

As summarised in Table 3, none of the 341 items are perceived as being "unimportant and should not be disclosed" or of "minor importance". The only item that is perceived as "quite important" is the "Appreciation" category. In aggregate, 302 items (89%) were perceived as being "very important" and 38 items (11%) were perceived as being "extremely important" to be disclosed in the Malaysian Federal Government's annual report. The particular items comprise of wide-ranging of information beyond the financial focus. These include the items from the category of "Introduction", "Background", "Economic affairs", "Report on performance", "Public governance and external scrutiny" and "Acknowledgement and award received". The results suggest that all 341 items have been identified as items that best reflect the Malaysian Federal Government's accountability and thus should be disclosed in the government's annual report.

For further analysis, Table 4 provides the comparisons of the final mean scores of each category between the internal and external stakeholder groups. It also provides the information on the perceptions of the stakeholders of the importance of each category of items for disclosure in the annual report of the government.

Table 4: Comparisons of the final mean scores of each category between the internal and external stakeholder groups

Category / sub-category (Number of items in each category is shown in parentheses)	Mean Score			Significant Difference (Internal vs. External)	
	All	Int. S/holder	Ext. S/holder	z	p-value*
A : Introduction (8)	3.135	3.000	3.222	-1.711	0.095
B : Background (7)	3.183	3.041	3.273	-1.750	0.083
C : Economic affairs (11)	3.449	3.175	3.624	-2.140	0.032
D : Report on performance (32)	3.304	3.080	3.446	-2.306	0.021
Performance Indicators (8)	3.361	3.161	3.489	-2.089	0.038
Future related information (5)	3.206	2.800	3.464	-2.420	0.016
Others (19)	3.306	3.120	3.423	-1.886	0.061
E : Public governance and external scrutiny (20)	3.086	2.936	3.182	-1.610	0.109
Public governance (.15)	3.044	2.881	3.148	-1.772	0.077
External scrutiny (5)	3.211	3.100	3.282	-1.488	0.141
F : Financial (261)	3.381	3.261	3.457	-1.559	0.124
Statement of financial position (50)	3.415	3.237	3.529	-1.725	0.089
Statement of financial performance (.16)	3.535	3.420	3.608	-1.769	0.083
Statement of changes in net assets/equity (20)	3.403	3.214	3.523	-1.601	0.124
Cash flow statement (33)	3.411	3.253	3.511	-1.565	0.133
Statement of comparison of budget and actual amounts (4)	3.243	3.196	3.273	-0.571	0.597
Notes (135)	3.205	3.147	3.241	-0.813	0.432
Others (3)	3.454	3.357	3.515	-1.196	0.253
G : Acknowledgement and award received (1)	2.944	2.714	3.091	-1.484	0.180
H : Appreciation (1)	2.361	2.500	2.273	-1.305	0.240
Total	3.105	2.963	3.196	-2.239	0.025

Note: *Significant difference at p<0.001 (exact significance).

As Table 4 shows, the p-value for all categories of items is greater than 0.001 level of significance, meaning that there are no significant differences in the perceptions of the importance of each category of items for disclosure in the Malaysian Federal Government's annual report between the internal and external groups of stakeholders. The consistencies between the stakeholder groups' assessments were also verified through the mean scores of all categories and sub-categories of items. The categories and sub-categories were rated as either "very important" or close to "extremely important" by both stakeholder groups. The stakeholders confirmed that the "Economic affairs" was the most important category for disclosure, with a mean score of 3.449. It is followed by the "Financial" category with a mean score of 3.381 and "Report on performance" with a mean score of 3.304. However, the total mean scores were slightly higher for the external stakeholder group (mean score 3.196) than the internal stakeholder group (mean score 2.963).

Both internal and external stakeholder groups had similar perceptions of the level of importance for disclosure of all categories except for the categories of "Economic affairs" and "Appreciation". The "Economic affairs" category was perceived to be almost "extremely important" by the external stakeholder group but "very important" by the internal stakeholder group. Meanwhile, the "Appreciation" category was perceived to be "quite important" by the external stakeholder group but "very important" by the internal stakeholder group.

Both internal and external stakeholder groups also had similar perception of the level of importance for disclosure of sub-categories "Report on performance" and "Public Governance and external scrutiny". However, the external stakeholder group indicates stronger interest on five of seven sub-categories of "Financial" category than the internal stakeholder group. The "statement of financial position", "statement of financial performance", "statement of changes in net assets/equity", "cash flow statement" and "others" sub-categories were perceived to be close to "extremely important" by the external stakeholder group but "very important" by the internal stakeholder group. The findings indicate that the external stakeholder group was more concerned with almost all information that can demonstrate the Malaysian Federal Government's accountability and the comprehensiveness of the annual report than the internal stakeholder group.

The results of the mean scores demonstrate that the external stakeholder group confirms that the "Economic affairs" was the most important category to be disclosed (mean score 3.624). It is followed by the "Financial" and the "Report on performance" category (3.457 and 3.446 respectively). However, the internal stakeholder group indicates more interest in the "Financial" category (mean score 3.261). The internal stakeholder group's next preferences are the items from the "Economic affairs" and "Report on performance" categories (3.175 and 3.080 respectively). The results suggest that the external stakeholder group is more concerned with getting the picture of the full nature, scope and extent of government financial activities in relation to the overall economy, such as "how significant are total government expenditure in relation to the economy's output?" and "is government growing?" (IFAC, 1991). Whereas the internal stakeholder group is more concerned with financial information that could assist them to assess the sources and types of revenues, the allocation and uses of resources, the extent to which revenues were sufficient to cover costs of operations, to predict the timing and volume of cash flows and borrowing requirements, the government's or unit's ability to meet financial obligations and the government's overall financial condition (IFAC, 1991). Together, both stakeholder groups need reports on performance to help them assess the government's performance in terms of the economy and efficiency of operations and how well goals and objectives have been met (IFAC, 1991). The results also indicate that the stakeholder panel members agreed that information needed are those that can clearly demonstrate all scope of government's accountability such as fiscal (probity and legality) accountability, process accountability, performance accountability, programme accountability and policy accountability.

Based on the number of items in each category and the level of importance for disclosure shown in Table 4, it is obviously suggested that the stakeholder panel members collectively agree that the "Financial" category is the principal subject of the government's annual report (261 items), but it is crucial to be supported by other information including the non-financial information. According to Dye and Bowsher (1986), supplementary information is frequently requested in order to increase stakeholders understanding of the financial measures reported by the government. At the same time, the results also suggest that the stakeholder panel members collectively agree that the government's financial statements should be prepared in accordance with accrual basis of accounting.

CONCLUSION

This study identifies the information to be disclosed in Malaysian Federal Government's annual report and the importance of information for disclosure from the perspective of the government's stakeholders. The Delphi exercise is used to obtain a consensus from a group of thirty-six Malaysian Federal Government's internal and external stakeholder groups. The findings show that 341 items have been identified as items that best reflect the Malaysian Federal Government's public accountability and thus should be disclosed in the government's annual report. In line with NPM, the exploration of the government's stakeholder perspective reveals a clear need for Malaysian Federal Government to consider shifting from the Federal Government Financial Statement to an annual report as a means of discharging its accountability to a broad group of stakeholders. According to Coy, et al. (2001), if the public accountability form of external reporting is accepted, then it seems logical that "annual report" should replace "financial report".

The findings of this study are consistent with Dye and Bowsher (1986) and Zakiah Saleh and Pendlebury (2006). Dye and Bowsher (1986) found that the stakeholders of the federal government need a report that provides a broad and complete picture and understanding of the government's many and varied activities and resulting overall financial position. Zakiah Saleh and

Pendlebury (2006) found that in order to improve the Malaysian Federal Government's existing report, it has to be based on accrual accounting and it has to be more reliable and transparent.

The findings from this study may provide useful input for the government to enhance its accountability through annual reporting and could be the starting point for the government to act proactively to meet their stakeholders' information needs. Additionally, the current study responds to the call by Dye and Bowsher (1986) and Zakiah Saleh (2009) to identify stakeholders' expectation from federal government's reports. This is the first study that addresses all aspects of accountability reporting of Malaysian Federal Government within the context of NPM.

This study is subject to two limitations. Firstly, this study focused on annual report as the best accountability medium and has not considered other reporting mediums as alternative. Secondly, this study has identified 341 items that should be disclosed in the government's annual report but the extent to which the list of items is comprehensive enough for accountability purposes is too subjective to be determined at this point of time.

This study focused on the items that need to be disclosed in the annual report of the government as well as the importance of disclosure from the perspective of internal and external stakeholder. There is therefore an opportunity to further explore the purposes or perceived usefulness of the items to a particular stakeholder group or to the entire group of stakeholders.

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