

**ANNUAL REPORTS OF MALAYSIAN PUBLIC UNIVERSITIES: THE EXTENT OF
COMPLIANCE AND ACCOUNTABILITY**

By:

Suhaiza Ismail

Assistant Prof. Dr., Kulliyah of Economics and Management Sciences,
International Islamic University Malaysia.

Nur Barizah Abu Bakar

Lecturer., Kulliyah of Economics and Management Sciences,
International Islamic University Malaysia.

Correspondence Details:

Dr. Suhaiza Ismail
Department of Accounting
Kulliyah of Economics and Management Sciences,
International Islamic University Malaysia,
P.O.Box 10, 50728, Kuala Lumpur

Tel: 603-6196 4675 / 4698
Fax : 603-6196 4850
Email : suhaiza@iiu.edu.my

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Abstract

Purpose: The study intends to evaluate the extent of public universities' annual report disclosure in complying with the Malaysia Government Treasury Circular No. 4/2007 and in disclosing accountability information. Then, it compares the degree of annual report disclosure between established and new universities in Malaysia.

Methodology: Content analysis using two disclosure indexes was undertaken. Mean disclosure index was computed to examine the disclosure levels.

Findings : Malaysian public universities have not fully complied with the minimum disclosure requirements and more importantly, the degree of accountability information disclosure is lower. Additionally, although established universities group is better off in terms of accountability information disclosure it is reported to have lower degree of compliance to the minimum disclosure requirements.

Research limitations: The number of universities participated in the analysis is relatively small and the study mainly considers the extent of disclosure.

Practical implications: Greater enforcement from the government authority is required to ensure greater compliance of the universities in disclosing information in their annual report.

Originality/value : This study uses two disclosure indices which offers some insights on the current reporting practice of Malaysian public universities and on the extent to which annual report has had delivered the accountability role to the public.

Paper type: Research paper

Keywords: annual report, accountability, public universities, Malaysia

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INTRODUCTION

Since the establishment of the first public university in Malaysia, the government has been constantly providing a huge portion of higher education institutions' total funding for the operating activities and development project. In particular, almost 90 per cent of the public higher education required funds were received from the government. In the 2009 budget, a total amount of RM14.1 billion has been budgeted for the Ministry of Higher Education (MOHE) and RM8 billion of this amount has been allocated specifically for the use of public higher education institutions (Malaysian Treasury, 2009).

Being the receiver of a huge amount of public fund, public higher education institutions are held accountable to make known to the public on how they utilized fund. One of the channels to relay information to the public on the performance of public universities in utilising the public resources is via the annual report. The public sector institutions' annual report which is referred to by Parker (1982) as mass medium of communication is also a means of discharging accountability of the government bodies to the public (Boyne and Law, 1991 and Patton, 1992). As there are numerous stakeholders whom public universities are held accountable to including parliament, ministry, existing and future students, parents, and public at large, hence, delivering relevant information via annual report is crucial.

There are numerous attempts to investigate the extent of annual report disclosure of universities in the developed countries (Gray and Haslam, 1990; Dixon et al.,1991; Coy et al., 1993; Bank and Nelson, 1994; and Nelson et al., 1997).However, there has been little evidence on disclosure practices of public universities in Malaysia to date. Hence, this present study aims at assessing the accountability of the public universities in Malaysia in terms of their reporting practices. There are three main objectives of this study that are: 1) to examine the extent of public universities' annual report disclosure in complying with the Malaysia Government Treasury Circular No. 4/2007; 2) to assess the extent of disclosure of accountability information in the annual report; and 3) to compare the degree of disclosure of (1) and (2) above between the established universities and new universities.

The unique contribution of this study is that as it evaluates the reporting practices of universities using two disclosure indexes, it does not only reveal the compliance level of current universities' annual but it also provides insights on the extent that the items list in the minimum disclosure requirements for universities annual report are in actual fact relevant information for discharging accountability.

The remaining part of this paper is structured as follows. The next section provides a background on higher education in Malaysia. This is followed by an overview on the preparation of annual report by Malaysian public universities. Then, a review of the relevant literature on universities' reporting disclosure practice is offered. Following that, a description of the research methodology adopted in this study is discussed. The findings and discussion of the study are then presented and finally, the conclusion, limitations and suggestions for future research are offered.

BACKGROUND OF HIGHER EDUCATION IN MALAYSIA

Public higher education system in Malaysia has been in existence for more than 50 years with the inception of Malaya University in 1949. Generally, the higher education institutions in Malaysia can be divided into two groups; private and public institutions. Both groups are under the supervision of the Ministry of Higher Education (MOHE) although the later group has greater intervention from the ministry. Public higher education institutions (HEIs) have been in existence much earlier than the private HEIs (MOHE, 2009a and 2009b).

There are three types of public HEIs. First, is the full-fledge public universities, which consist of 20 universities located at various states in Malaysia. Second, is the polytechnic with 21 institutes offering academic and vocational courses. Third, is community college and to date there are 37 community colleges which alliances the course offered to some of public universities.

In encouraging the public universities to compete among each other in improving their institutions, initiative has been taken to classify the public universities into three groups which are research universities, comprehensive universities and focus universities. The universities which are classified as research universities are Universiti Sains Malaysia, Universiti Malaya, Universiti Pertanian Malaysia and Universiti Kebangsaan Malaysia. On the other hand, comprehensive universities are the universities that offer courses in all fields of studies. There are four universities classified under this category which are Universiti Teknologi Mara, International Islamic University Malaysia, Universiti Malaysia Sabah and Universiti Malaysia Sarawak. The last category which is focus universities consists of the remaining 12 universities that specialize in one area of study such as engineering, education, and management. Universiti Teknologi Malaysia, Universiti Pendidikan Sultan Idris, Universiti Utara Malaysia and Universiti Pertahanan Nasional Malaysia are among others being classified as focus universities (MOHE, 2009a).

The establishment of private HEIs had begun since 1950's and the development had rapidly until today. Currently, there are 32 private universities and University Colleges operated in Malaysia, four branch campuses of international universities and 485 private colleges. As earlier mention, the operation and administration of private universities is independent and only subject to minimal intervention from the MOHE. Nevertheless, the private HEIs are having equally important role in shaping the education system in Malaysia.

Looking at the encouraging development of HEIs in Malaysia, it has inspired this study to analyze the disclosure level of annual report particularly the public universities as they are bound to comply with the recently revised government circular on the minimum annual report disclosure of statutory bodies that include public universities. The following section provides brief discussion on the rules and regulations regarding preparation of annual reports of public universities.

PREPARATION OF ANNUAL REPORTS AMONG PUBLIC UNIVERSITIES IN MALAYSIA

Public universities in Malaysia are part of the statutory bodies and therefore, are obliged to comply to any Statutory Body Act. In preparing the annual report, the statutory bodies are governed by Section 5(1) Act 240 of Statutory Bodies Act on Financial Statements and Annual Report, 1980. In addition, Treasury Circular No. 4/2007 provides guideline on the minimum disclosure requirements of the annual report for statutory bodies including public universities. In fact, it is the latest circular governing the federal statutory bodies reporting which is effective

from 2007 financial year. With its inception, the previous circular, Treasury Circular No 4/1988 and Treasury Circular No. 15/1994 were then cancelled.

The guideline offers in MGTC 4/2007 is aimed at improving the accountability of statutory bodies including public universities by way of preparing and presenting relevant information in the annual report. According to the circular, the annual report needs to provide information for the following seven categories: 1. Corporate information; 2. Background of the entity; 3. Chairman report; 4. Government assistance report; 5. Financial performance report; 6. Performance analysis; 7. Audited financial report. At present, although different statutory bodies serve different functions, the guideline provides a standard list of minimum disclosure requirements that applies across all bodies except for the performance analysis category where different sector of statutory bodies has got different list of items.

In addition to MGTC 4/2007, Section 5 (1) Act 240 Statutory Bodies Act (Financial Statements and Annual Report) 1980 (Act 240) requires each statutory body to maintain a good record of financial statements and other documents based on the generally accepted accounting principles and financial reporting standards to provide a true and fair view of its activities and performance.

LITERATURE REVIEW

Annual report has been widely recognized as a medium for governmental entities to discharge their accountability in administrating public resources (Tayib et al., 1999; Coy et al., 2001; Hooks et al., 2002 and Guthrie et al., 2003; Steccolini, 2004). Despite this important role of annual report, prior studies have highlighted at least two factors that hinder accountability role of annual report that are inaccessibility of the annual report to the public (Priest et al., 1999) and

irrelevant information disclosed in the annual report (Jones et al., 2005). In response to the weaknesses of the annual report's role, a number of prior studies have attempted to examine the extent of disclosure practice of various government entities such as local government (Robbins and Austin, 1986; Boyne and Law, 1999; and Ryan et al., 2002), state government as well as federal government which includes statutory bodies such as universities (Gray and Haslam, 1990; Dixon et al., 1991; Coy et al., 1993; Bank and Nelson, 1994; and Nelson et al., 1997). The annual report disclosure practice of the later public entity (i.e. university) that is of relevant to this present study.

Since early 1990s, there has been a steady growth of research on different aspects of universities' annual report disclosure practice which were conducted by researchers in the developed countries. In the UK, Gray and Haslam (1990) attempted to examine the changes in the British universities' reporting practices over a period of five years and reported that whilst there were several significant changes in the disclosure level of financial information, significant changes in the non-financial information were minimal.

In the following year, Dixon et al. (1991) investigated the disclosure level of annual reports of universities and polytechnics in New Zealand over the period 1985 to 1990 and found significant improvement in the level of disclosure over the six years period. Nevertheless, similar to Gray and Haslam (1990), Dixon et al. (1991) were of the opinion that greater level of qualitative information could be introduced in the annual report. Unlike earlier studies that mainly investigated the extent of disclosure, Coy et al. (1993) extended the research scope by also measuring the quality of disclosure. The study examined the disclosure practice of 33 universities in New Zealand from 1985 to 1990 using their self developed weighted disclosure index known as Modified Accountability Index that was later being adopted by a number of

studies globally. The result of the weighted disclosure index was then compared to the result from a dichotomous index and they found that the weighted disclosure index score is lower than the unweighted score.

In Canada, Bank and Nelson (1994) investigated the disclosure level of Ontario universities over a six-year period and reported an unsatisfactory result of the universities' annual report disclosure level. Adopting the MAD proposed by Coy et al. (1993), another longitudinal study for a period from 1992 to 1994 by Bank et al. (1997) made an international comparison on the extent of annual report disclosure of universities from England, Wales and Northern Ireland (EWNI), and New Zealand and Canada. The study revealed that New Zealand universities disclosed the highest level of information while the Ontario universities disclosed the least information. Bank et al. (1997) who also grouped the universities into established and new universities claimed to have found that established universities produced a better quality of disclosure as compared to new universities particularly on the performance and financial performance.

METHODOLOGY

Sample

Initially, a letter was sent to all 20 public universities in Malaysia requesting for their 2007 annual report. Although an annual report is a public document, nevertheless, after several attempts of follow ups via email and phone call, only 11 universities responded and gave their 2007 annual report. Hence, the analysis of disclosures only covers these 11 universities.

Content Analysis

As the study intends to assess the level of compliance of universities' annual report with the MGTC 4/2007 and also to examine the extent of accountability information being disclosed by the annual report, the content analysis of universities' annual report disclosures was conducted using two different disclosure indexes namely 1) the disclosure index developed by researchers based on the MGTC No. 4/2007, the circular on the preparation and presentation of the annual reports and financial statements of statutory bodies that include public universities; and 2) the disclosure index on accountability information disclosure outlined by Coy et al. (1993).

MGTC 4/2007 Disclosure Index

Based on the circular a total of 46 disclosure items are considered as necessary disclosure on public sector service oriented organization including universities. These 46 disclosure items are grouped into seven categories namely corporate information, background, chairman statement; report on government assistance received, analysis of financial performance, analysis of non-financial performance and financial statements.

Modified Accountability Index (MAD)

The items chosen by coy et al. (1993) for their Modified Accountability Disclosure index were determined through a comprehensive review of the accountability literature for universities and review of universities' annual reports. The MAD index comprises of 26 items that are group into four categories that are overview, service performance, financial performance, and physical and financial condition

Since this study intends to assess the extent of compliance with the minimum disclosure requirements stated in the MGTC No. 4/2007 and the level of accountability information disclosed in the annual report and the study does not intend to focus on any user group of the

universities annual report, an equal weighting is given to each item and a dichotomous scoring index is used where one point is awarded to a university for disclosing an item and zero for not disclosing an item (Cooke, 1989; and Dixon et al., 1991). This is because different users of annual report have inclination to different disclosure item and the approach here is to minimize and to average out the different values perceived by different user groups with regard to each disclosure item.

The review of each university's annual report to identify the disclosure of each item under the two disclosure lists was carried out independently by two trained researchers. The outcomes from each researcher were then compared and any differences in the result were then closely looked at by revisiting the annual report to ensure whether the items were actually being disclosed.

A disclosure index (DI) was then calculated to measure the relative level of disclosure of each university. The DI is the total number of items that were actually disclosed divided by the total number of items. Based on Cooke (1989) the total disclosure (TD) score is mathematically expressed as follows:

$$TD = \sum d_i$$

Where TD is total disclosure for a university; $d = 1$, if the item d_i is disclosed; and $d = 0$, if the item d_i is not disclosed. The DI for each university is equal to TD/n ; where n = the number of items. To examine the overall sample disclosure level, the mean disclosure index was calculated based on the disclosure index of eleven universities.

To further evaluate the disclosure level of Malaysian public universities' 2007 annual report, a comparison of the disclosure results between universities is carried out. Basically, each

university is classified as either ‘established’ or ‘new’ university based on the establishment year. The universities that have exist for 25 years or more are classified as established universities while those universities that have been set up for less than 25 years are grouped as new universities. Out of the 11 universities, four universities fall under the established university group whilst the remaining seven universities are under the new universities group. The mean index score for each disclosure category of the both groups was then computed and compared.

FINDINGS AND DISCUSSION

The findings of this study are presented in the following manner. First, the results of compliance with MGTC 4/2007 are presented which cover both the overall mean disclosure index for each of the seven categories and the mean disclosure index for each item under each category. Second, the findings on the degree of accountability information disclosure for each accountability category as well as each item under each category are discussed.

Mean Disclosure Index based on MGTC 4/2007

Table 1.0: MGTC 4/2007 – Overall Mean Index Score by Category

Category	Number of Items	N	Mean
Corporate information	9	11	0.7172
Background of the university	3	11	0.8485
Chairman report	7	11	0.7273
Report on Government Assistance	3	11	0.5758
Financial Performance Analysis	7	11	0.8052
Performance Analysis	10	11	0.5909
Financial Statements	7	11	1
OVERALL	46	11	0.752

Table 1 above shows the results of the disclosure analysis of the universities' annual reports based on the seven categories as outlined in the Malaysian Government Treasury Circular No. 15/1994. Based on the category result, it reveals that only financial statements category has a mean score of 1 which indicates that all participated universities disclosed all the required financial statements in their 2007 annual report. The background information of the universities and the financial performance analysis categories are also having high score with the mean index scores of 0.8485 and 0.8052 respectively. The category with the lowest index score is the report on government assistance received with the mean score of 0.5758. The unfavorable disclosure result for government assistance category may be because although there are three forms of funding assistance from the government which are the research grant, loan and government guarantee, most universities may have not been receiving all the three forms of assistance.

The overall mean disclosure index for the seven categories was 0.752 with all categories had index disclosure score of above 0.5. It shows that even though the universities have not fully complied with the disclosure requirements, they have disclosed information to some extent.

On the positive side, Malaysia public universities seem to equally disclosed both qualitative and quantitative information unlike previous studies in the west (i.e.) which are reported to have been biased in disclosing quantitative information annual report than qualitative information. This is evidenced as the mean index for qualitative information such as corporate information and background of the university are as high as quantitative information such as financial performance analysis and financial statements.

To further examine the disclosure practices among public universities, the detail analysis of each item under each category is presented in the following sub-section.

MGTC 4/2007 - Disclosure on Corporate Information

Table 2 below shows the mean index disclosure level of each item under corporate information in the universities' annual report.

Table 2: MGTC 4/2007 – Mean Index Disclosure for Corporate Information Items

Items	N	Mean
Chancellor & vice/pro	11	1
Board of Directors	11	1
Investors (if any)	11	0
Audit Committee	11	0.0909
Top Management	11	1
Secretary	11	0.818
Auditor	11	0.7273
Office Address	11	0.9091
Organizational structure	11	0.8182

The results reveal that there are three items under corporate information that have been fully complied by all the 11 universities as they are reported to have mean index score of one (1). The items are chancellor and vice chancellor, board of directors and top management of the universities. There are four other corporate information items which also had favorable results with the mean index score ranging from 0.727 to 0.909.

Nonetheless, it was found that none of the universities disclosed company's investors information, an item under the corporate information category as it has a mean index score of 0. Likewise, another corporate information item with low index mean score (0.0909) is audit

committee. The reason for none disclosure of the information on investors is possibly because they have no investors as public universities could receive funding from the government and hence attracting investors to invest is neither their business nor their priority.

MGTC 4/2007 - Disclosure on Background Information

Table 3: MGTC 4/2007 – Mean Index Disclosure for Background information

	N	Mean
Relevant Parliamentary Act on the university Establishment	11	0.5455
Objective	11	1
Functions and Activities	11	1

Based on Table 3 above, there are three items under this category with two of the items which are the statement of objective and the function and activities having an index mean score of 1. The statement of objective indicates a formal expression of mission and vision of the universities. It is considered as crucial information as it reflects the mission and true objectives of the reporting entity (Dixon *et.al*, 1991). Similarly, information on the function and activities that are carried out by the universities throughout the year also has been disclosed by all universities in their annual reports. This is a positive scenario as the universities are reporting all activities and programmes that they have carried out which to some extent could offer information to the users of the annual report to evaluate the contributions offered by universities to the students and societies.

However, for the other item the background category that is the relevant parliamentary act on the establishment of the university, only six (6) universities disclosed the information (i.e. Mean index disclosure of 0.5455). A closer look at the annual report revealed that all the six (6) universities that disclosed this information are the new public universities which have been in

existence for less than 15 years. The four older universities did not disclosed the information on the parliamentary act on the establishment of the universities possibly because as the act is applicable across universities they assume the users are well aware of the information.

MGTC 4/2007 - Disclosure on Chairman Report

Table 4: MGTC 4/2007 – Mean Index Disclosure for Chairman Report Items

Items	N	Mean
Overall comment on programs , activities and projects (PAP)	11	1
Performance of past programs, activities and projects	11	1
Financial situation of the university compare with last years	11	0.1818
Events that effecting performance of PAP	11	0.7273
Future prospect and corporate strategy	11	1
Development of PAP	11	0.7273
Acknowledgement to members on the achievement	11	0.4545

There are three disclosure items under the chairman report that are fully complied by the 11 universities namely information pertaining to the future prospect and corporate strategy of the university, overall chairman comments on Programs, Activities and Projects (PAP) and the performance on past PAP. The next highest mean index score is 0.727 reported on the information on the event that affecting performance of PAP and the development of PAP items.

On the other hand, under the Chairman’s report category, only few universities (0.1818) offered information on the financial situation of their universities in the chairman report section. In addition, item on the rewards to staff is also scarcely disclosed (0.4545) in the 2007 annual report

under the chairman report section. The unfavorable score obtained for information on financial situation in the chairman’s report may be explained by the fact that university is one of the public entities and are not for profit driven, hence the chairman or rector or the university do not consider financial situation information to be that important to be highlighted in the report. Moreover, there is already a specific section in the annual report that is meant to report and present information on the financial state of the universities.

MGTC 4/2007 - Disclosure on Report on Government Assistance

Table 5: MGTC 4/2007 – Mean Index Disclosure for Government Assistance Items

Items	N	Mean
Grant	11	1
Loan	11	0.5455
Guarantee	11	0.1818

As for the report on government assistance, all universities reported on the grant received in their 2007 annual report. However, the disclosure index mean score for item loan is only 0.5455, and for item guarantee the index mean score is even lower that is 0.1818. Hence, this has resulted in a low average disclosure index for the overall report on government assistance category. As mentioned in the earlier section, although universities funding is mainly from the government and there are three common types of funding as outline in Table 5 above, universities may not be receiving all the types of assistance, hence, the unfavorable result for the mean index score for loan and guarantee could be explained.

MGTC 4/2007 - Disclosure on Financial Performance Analysis

Table 6: MGTC 4/2007 – Mean Index Disclosure for Financial Performance Analysis Items

Items	N	Mean
Assets (Non-current assets, Investment and current assets) and Asset turnover	11	1
Sources of finance and percentage of assets financed by liabilities	11	1
Reserves	11	0.2727
Long term liabilities	11	0.9091
Sales / Income and Gross profit analysis	11	0.9091
Profit/loss or Surplus/Deficit	11	1
Investment in subsidiaries	11	0.5455

Table 6 reports the disclosure index mean scores of items under financial performance analysis category. There are three disclosure items that have an index mean score of 1 that are assets profit or loss analysis and sources of finance. These disclosure items are vital for stakeholders in the assessing the continuity and financial viability of the reporting entity (Dixon *et.al*, 1991). Information on the long term liabilities and gross income analysis mean also well disclosed with the index mean score of 0.9091. However, only six universities (mean index score of 0.545) disclosed an analysis on the investment they have in subsidiary companies. In addition, reserves item was also poorly disclosed with a mean index score of only 0.273. The low mean index score for investment in subsidiary and reserve items may not be due to non-compliance to MGTC 4/2007 but possibly because in actual the universities do not invest in subsidiaries and do not have any reserves, therefore they have no information to disclose.

MGTC 4/2007 - Disclosure on Performance Analysis

Table 7: MGTC 4/2007 – Mean Index Disclosure for Performance Analysis Items

Items	N	Mean
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Objectives and report on PAP	11	1
Achievement of PAP	11	0.9091
List of projects (continuing, start during the year, completed during the year, WIP)	11	0.6364
New invention or discovery	11	0.8182
Courses offered	11	0.9091
Intakes and graduates	11	0.3636
Problems in undertaking PAP	11	0
Events that affect the achievement	11	0.3636
Forecast expenditure, outcome and impact of PAP	11	0.1818
Future plan (if any)	11	0.3636

From Table 7 above, it shows that if not all, majority of the universities disclosed information on the objective of the programs and activities undertaken (mean index score = 1), achievement of the programs (mean index score = 0.9091), new invention or discovery (mean index score = 0.818), intakes and graduates (mean index score = 0.818) and courses offered (mean index score = 0.9091). However, very few universities disclosed information on the forecast expenditure or outcome from the programs (mean index score = 0.182). Similar low mean index score was reported for the following three (3) items that are intakes and graduates, events that affect the achievement and achievement with each item scored 0.3636 mean index score, and even worse, none of the universities disclosed information on the problems faced in undertaking the programs and activities. They unsatisfactory disclosure level of half of the items under performance analysis category had led to a low overall mean index score for the category as revealed in Table 1.

In summary, universities have not fully complied with the minimum disclosure requirements as outlined in the MGTC 4/2009 although to some extent the universities have disclosed reasonable level of information in their 2007 annual reports (overall mean index score of 0.752).

MGTC 4/2007: Comparison of Disclosure Level between Established and New Universities

In further assessing the disclosure level of Malaysian public universities' 2007 annual report, a comparison of the mean disclosure index established and new universities groups was carried out. Table 8 below presents the mean disclosure index of each of the seven categories of disclosure information of the two groups of universities.

Table 8: MGTC 4/2007 - Extent of disclosure between established and new universities

Category	Mean. Old	Mean. New
Corporate information	0.75	0.68
Background of the university	0.67	0.95
Chairman report	0.71	0.75
Report on Government Assistance	0.25	0.25
Financial Performance Analysis	0.92	0.74
Performance Analysis	0.56	0.60
Financial Statements	1	1
Overall disclosure	0.69	0.71

From Table 8 above, it shows that new universities have been disclosing slightly greater information than established universities as the overall index mean score for new universities group is 0.71 as compared to 0.69 mean index score for established universities group. The new universities group seemed to have outperformed the established universities group in terms of

disclosure level for background of the university category. However, the result is not surprising, as the newly set up universities need to intensively introducing and promoting their university to the public in order to position themselves in the society and more importantly to compete with the established universities. As for the established universities a higher index mean score as compared to the new universities group is noted for the financial performance analysis category. This result reflects a positive direction in the disclosure practices of the public universities in Malaysia because few of the universities under the established universities group are research universities. Apparently, the research universities are entitled to greater amount of funding from the government than other universities. Hence, it is expected from these universities to disclose more information on how the received funds have been utilized and how the society could have benefit from it.

For other categories of disclosure items, there are only marginal differences between the results of the established and new universities groups. For the report on government assistance category both groups have similar disclosure level. Likewise, for the financial statements category both groups have an index score of 1 as all universities have provided relevant financial statements in their 2007 annual report.

MAD Index: *The disclosure practices by category*

Table 8: MAD index- Mean Index Score by Category

Category	Number of Items	N	Mean
Overview	5	11	0.8909
Service Performance	6	11	0.6364

Financial Performance	7	11	0.7273
Physical and Financial Condition	7	11	0.5714
Overall	25	11	0.7065

Based on Table 8 above, the overall mean index for all 25 accountability information items has a mean index score of 0.7065 with the overview category has the highest mean index score of 0.8909, whilst the category with least mean disclosure index is physical and financial condition with a mean score of only 0.5714. The proceeding discussion offers results on the detailed analysis of each of the four categories looking at the items under each category.

Table 9: MAD index - Disclosure of Overview Items

Items	N	Mean
Statement of objectives	11	1
Descriptive report /general review	11	1
Financial review	11	0.9091
Accounting policies	11	0.9091
Directories information	11	0.6364

Table 9 presents the index mean score for each item under the overview category. It shows that four out of the five overview items scored a favorable mean index score with statement of objectives and descriptive report or general review items have the mean index score of one each which indicates that all universities disclosed the information in their annual report. Surprisingly, not all of the 11 universities offer directories information in their 2007 annual report, although this information could easily be obtained from other sources such as from the individual

university's website, MOHE's website and phone directories. Overall, the disclosure level of overview information by the universities so some extent is satisfactory.

Table 10: MAD index - Disclosure of Service Performance Items

Items	N	Mean
Student numbers	11	0.9091
Graduates	11	0.7273
Employment/Education destinations of students	11	0
Publications	11	0.9091
Student-faculty/Lecturer ratio	11	0.4545
Targets	11	0.8182

For the service performance category, none of the six items has a score of one as depicted in Table 10 above. The highest score is 0.9091 for two items that are student numbers and publications. This is followed by targets and graduates items with mean index scores of 0.8182 and 0.7273 respectively. Item with quite a low mean index score is student-lecturer ratio with less than half of the participated universities disclosed the information. Even worse, none of the annual report disclosed information on the employment or education destinations of students upon graduation. Apparently, the two least disclosed accountability information are beneficial information to many stakeholders in judging the quality of graduates produced in terms of employability and in obtaining an overview of the learning environment and approach adopted by the university.

Table 11: MAD Index - Disclosure of Financial Performance Items

Items	N	Mean
Operating statement	11	1
Depreciation	11	1
Budget information	11	0.1818
Unit cost per student (student fees)	11	0
Statement of cash flows	11	1
Research grants	11	1
Overhead allocation	11	0.9091

Of the seven items under the financial performance category as shown in Table 11, five items are well disclosed with four items have mean disclosure index of one. On the other hand, the least disclosed items are budget information and unit cost per student or student fees. The possible reason for the unsatisfactory disclosure level for the two items is because the two items are not part of the minimum disclosure requirements stated in the MGTC 4/2007.

Table 12: MAD Index - Disclosure of Physical and Financial Condition Items

Items	N	Mean
Balance sheet	11	1
Faculty/Staff	11	0.6364
Library	11	0.8182
Investment	11	0.3636
Commitments and contingencies	11	0.7273
Employment and Education equity information	11	0.0909
Building usage	11	0.3636

Based on Table 12, the mean index score for items under physical and financial condition category ranges from 1 to 0.0909. Relatively low mean index score was reported for three items that are employment and education equity information, building usage and investment. Similar

justification should apply for a low mean index score of investment item as given when reporting results on compliance to MGTC 4/2007 may apply.

In a nutshell, degree of disclosure of accountability information in the 20007 universities annual report is lower compared to the disclosure level on the compliance to treasury circular. Moreover, it is observed that accountability information items that are not part of the minimum disclosure requirements under the MGTC 4/2007 have scored even lower in the mean index disclosure.

Table 13: Comparison of the Extent of disclosure between old and new university

Category	Mean. old	Mean. New
Overview	0.9	0.89
Service performance	0.75	0.57
Financial performance	0.75	0.71
Physical and Financial condition	0.571	0.57
Overall disclosure	0.7427	0.67

As shown in Table 13 above, comparison of overall disclosure level of accountability information between established and new universities reveals that the established universities disclosed more accountability information than the new universities group. This greater disclosure by established universities applies across all the four categories. This reflects greater accountability of the established universities as they have been to some extent disclosing significant information on their key function that is the education service and also transparent in terms of the fund utilization.

Interestingly, when comparing results in Table 8 and Table 13 on the comparison between established and new universities, the findings revealed that new universities group is better off in

terms of compliance level whilst the established universities group is at the advantage in terms of accountability disclosure.

CONCLUSIONS, LIMITATIONS AND SUGGESTION FOR FUTURE RESEACH

This study attempted to investigate the disclosure level of the annual report of the Malaysian public universities in complying with the minimum required disclosures as outlined in the MGTC 14/2007 and in disclosing accountability information as proposed by Coy et al. (1993). In addition, the study made comparison in the disclosure level between two groups of universities that are established universities and new universities. From the content analysis undertaken, the study found that even though the disclosure level is to an extent satisfactory, the public universities have not been fully complied with the requirements of the circular. This implies that greater enforcement from the government authority is required in order to make sure greater compliance of the universities in disclosing information in their annual report.

Universities also tend to disclose mainly good information about the universities performance than the problems facing by the universities. Universities play an integral role in providing education to the public and in ensuring quality education programs and facilities are offered, by revealing problems that hinder better performance of universities to extent could attract stakeholders to offer helps and advice in solving the problems or improving performance. This is because public sector entity is unlike private sector where disclosing the weaknesses of one company may cause the competitor to take advantage of the weak company. As universities are offering public services hence it is the responsibility of all parties to make betterment in the quality of the service delivered.

In addition, this study found that the level of disclosure of accountability information is lower than the level of disclosure for complying with the government circular on the preparation of the annual report. Furthermore, the accountability items that are not part of the list in the minimum disclosure requirements tend to have even lower mean index score. Hence, the extent to which items listed under the minimum disclosure requirement fulfill the objective of discharging accountability to the public could be questionable. Therefore, the government authority may want to revise the present minimum disclosure requirements to ensure more relevant information is disclosed in the annual report. Government authority may also want to come out with different set of disclosure requirement for different public entity sector as each sector has its own unique characteristics and functions. Hence, information to be disclosed in the annual report also must tailor the specific public entity sector to enable better accountability function of the annual report.

This study has several limitations. Firstly, the number of universities participated in the analysis is relatively small and therefore it hinders researcher from undertaking any statistical test to further investigate the current annual report disclosure practice such as in assessing the significant difference of disclosure level between new and established universities groups. Secondly, this study mainly considers the extent of disclosure of two disclosure indexes but do not attempt to quantify the quality of the information disclosed. In addition, this present study also only examines annual reporting practice of universities for one calendar year. These limitations are however, may be addressed by future researchers by analyzing the whole population of public universities' annual reporting practice, for a longer period of time in order to highlight on the trend of disclosure practice and it is also possible for future research to consider the quality of information disclose to identify the factors that may have contributed to

the current reporting practices of universities as these have not been captured in this present study. Despite the shortcomings contain in this present study, the researchers believe that the findings reported in this study offer some insights to relevant parties on the current reporting practice of Malaysian public universities and on the extent to which annual report has had delivered the accountability role to the public.

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