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PERFORMANCE REPORTING BY MALAYSIAN LOCAL AUTHORITIES: IDENTIFYING STAKEHOLDER NEEDS

Stuart Tooley^a, Jill Hooks^b and Norida Basnan^c

^aQueensland University of Technology, Australia

^bMassey University, New Zealand

^cUniversiti Kebangsaan, Malaysia

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Address for correspondence

Stuart Tooley, School of Accountancy, Queensland University of Technology, GPO
Box 2434, Brisbane, QLD 4001, Australia.

Email: stuart.tooley@qut.edu.au

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ABSTRACT

The concept of public accountability promotes the need for a comprehensive set of performance-related information to satisfy the information needs of a diverse stakeholder interest group. However, literature concerned with the scope of information to be disclosed, and in particular within the context of a developing country, is limited. This paper identifies the information set which stakeholders of Malaysian local authorities consider relevant in the monitoring and assessment of local authority performance. Stakeholders indicated strong interest in performance information that is not traditionally disclosed in the financial statements: non-financial information particularly performance measurement of outputs, outcomes, efficiency and effectiveness. Disclosures in the Statement of Revenue and Expenditure and forward-looking information are generally regarded as the most important disclosures. The results of the study also indicate differences amongst stakeholders as to the level of importance that they place on certain items especially items related to internal policies and governance and financial position of the local authorities. The findings will be of significance to policy makers interested in improving the performance reporting of Malaysian public sector entities, particularly local authorities.

Key words: Accountability, Local Authorities, Malaysia, Performance Reporting

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INTRODUCTION

Stakeholders, in particular funding providers, have expressed a need for information to enable the performance of public sector entities to be assessed. The literature identifies an international concern for public sector entities to be held to account and to provide relevant performance-related information. Much of the reported international research has focused on accountability within the context of developed countries where stakeholders, it has been argued, are more sophisticated and have greater capacity (and opportunity) to exercise their rights for information compared to stakeholders of public sector entities located in less developed countries (Coombs and Tayib, 1998). Pollitt (2006) cautions against generalising across both developed and developing countries and makes a call for more empirical research, within the broad realm of public sector accountability, to be undertaken within the context of developing countries. Malaysia is one such developing country.

In addition to its developing nation status, Malaysia also practices a nominative representative governance system where the mayor/president and councillors of the local authority are appointed by state government which is different from most developed western countries which practice a democratically elected local authority system. This research, based on a Malaysian perspective, seeks to offer new knowledge and development of the concept of accountability in the international context of public sector accounting.

There has recently been increased public interest in the performance of Malaysian local authorities in the delivery of education, health and other public services. This has brought about change in the traditional relationship between the public and local authorities whereby public participation has moved from one of passive service recipient and/or fund provider (i.e. tax/rate payer) to demands for local authorities to have greater transparency and accountability for their urban management (Ambrin, 2006; Berita Harian, October 3, 2005; Berita Harian, April 25, 2008; The Sun, August 30, 2005; The Star, March 4, 2005). Some ratepayers have gone so far as to express public protestation against paying their local authority assessment taxes; arguably employing rhetoric equivalent to a vote of no confidence in the performance of the authorities (The Sun, Feb.17, 2006; Utusan Malaysia, April 7, 2008). It has also been reported that State Governments are themselves beginning to express dissatisfaction with the performance of local authorities (Hazman Shah, 2006; News Straits Times, July 7, 2003; Sinar Harian, May 27, 2008) and are seeking greater accountability from them for more efficient and effective service performance.

The public, and other stakeholders, cannot make an informed judgement on the performance of local authorities unless information is provided on the quality, quantity and cost of services provided and activities undertaken. The provision of such information is an important aspect of accountability (Coy, Fisher and Gordon, 1998; Rutherford, 2000) whereby performance reporting allows an entity to demonstrate its internal and external achievements (Barrett, 1997; Lee, 2008; OECD, 2004). While the importance of performance reporting as part of the accountability process is widely recognised, literature concerned with the scope of information required for accountability purposes is less forthcoming (Boyne et al., 2002; Connolly

and Hyndman, 2004) and Clark (2003) noted the limited amount of research on external reporting of non-financial performance disclosures relevant to the public sector.

Currently, and for accounting and reporting purposes, the Local Government Act 1976 (sections 53 and 54) requires Malaysian local authorities to keep proper records and books of account and that annual financial reports should be prepared. The Act does not, however, stipulate the required form and content of the report; instead, it provides authority to the State Governments to determine the form and content of the annual reports. The State Governments have yet to announce any guidelines on this matter. There is no requirement specified in the Act for local authorities to report on their performance and accomplishments in the delivery of programmes and/or services.

Due to a lack of clear reporting requirements, the Federal Treasury Circular¹ (FTC) and the Malaysian Financial Reporting Standards are the most widely applied by the local authorities as a *guideline* in the preparation and presentation of their annual reports including financial statements (Othman, 2001). The FTC requires that an annual report should at least include corporate information², organisation background, the chairman's statement, a report on government grants, financial statement analysis, performance reports (specified by the FTC as reports on programmes, activities and projects undertaken) and audited financial statements³. However, it is to be noted that

¹ Currently, the Federal Treasury Circular No. 4/2007: Guideline for Preparation and Presentation of Annual Reports and Financial Statements of Statutory Bodies.

² Based on the FTC, corporate information is the section that details information such as key personnel and organization structure.

³ The financial statements are prepared in accordance with the Malaysian Financial Reporting Standards (MFRS) which in turn are modeled on the International Financial Reporting Standards

although the FTC was issued specifically for statutory bodies, and therefore compliance is not mandatory for local authorities, it has come to have significant influence over the form and content of local authorities' annual reports as the Auditor General of Malaysia, who audits the majority of local authorities, often refers to the circular for guidance (Tayib, Coombs and Ameen, 1999).

In summary, the current statutory requirements pertaining to the reporting of performance information by local authorities are outlined in the Local Government Act 1976 which does not extend the reporting of performance beyond the traditional financial statements. Even though the Federal Treasury Circular is referred to by a number of local authorities in the preparation and presentation of their financial statements and annual reports, it is not a statutory requirement and it is therefore to be expected that a broader performance information set will be under-reported.

In this study we seek to identify the scope, nature and importance of disclosures expected of Malaysian local authorities in the discharge of their accountability obligations. In our view, the findings of the study will be of interest to regulators in respect of making annual reports, and the performance disclosures contained within them, more relevant and meaningful to stakeholders. Specific to Malaysia, the findings may also serve as a basis or guidance to improve the performance reporting of Malaysia's public sector as an important means of discharging accountability. Internationally and in the context of an accountability relationship that has extended

promulgated by the IASB. The MFRS are applicable to entities that are required to prepare financial statements under laws administered by the Securities Commission, the central bank of Malaysia or the Registrar of Companies. The financial reporting standards are not applicable to public sector entities. There is currently no specific statutory requirement governing the financial reporting by Malaysian public sector entities and, indeed, the Malaysian Accounting Standards Board has shown little interest in the financial reporting of public sector entities (Saleh, 2007)

from the traditional institutional arrangement which concentrated on the responsibility of ministers to parliament and public servants to their immediate superior (Parker, 1980) to include a broader group of stakeholders with different values and interests (Mulgan, 2004) this study provides useful insights into the informational requirements of local authority stakeholders. These insights provide a basis for public sector entities internationally to increase their transparency and accountability thus generating greater public support.

The paper proceeds as follows. The next section sets out the theoretical framework that underpins this study. The research method and research findings are then reported and the paper concludes with a summary of the study and a suggestion for further research.

THEORETICAL FRAMEWORK

Reporting, within an accounting context, is primarily concerned with the gathering of data, moulding it into a particular presentation format, and dispatching it into the substantial environment. Such a broad reporting function leads to the issues of to whom to report, what to report, and the form in which to report? Conceptually, three reporting paradigms have been advanced to provide guidance and theoretical solutions to these issues, namely, stewardship, decision usefulness and public accountability (Coy and Dixon, 2004). The stewardship paradigm is based around a contractual agency relationship between two parties: the agent and the principal. The principal passes control of resources to the agent and the agent is required to give an account in respect of the custody and use of those resources. In a commercial setting the shareholders are the principal and management the agent. However, in a public sector

setting, management is the steward of a much wider stakeholder group, a concept that does not fit easily into the principal-agent model.

By general definition, stakeholders are those having ‘a reasonable right’ to information concerning the reporting entity; that is those who have an identifiable relationship based on a contractual relationship with the entity or who are personally impacted by or have an impact on the entity being called to account (ASSC, 1975). In other words, stakeholders of an organisation include any groups or individuals who can affect or are affected by the activities of the organisation (Freeman, 1984) and, in the context of this research, may or may not have a formal relationship with local authorities (Boyne et al., 2002). Prior studies have identified a diverse range of stakeholder interests in local authorities. The stakeholder relationship could be informed by a number of roles including: taxpayers, voters, service recipients, investors, suppliers, creditors, financiers, upper levels of government, analysts, rating agencies and researchers, elected councillors and officers, managers and other employees, and trade unions (e.g. Boyne et al., 2002; Hyndman and Anderson, 1995; Lapsley, 1992; Rutherford, 1992; Rutherford, 2000; Stecollini, 2004).

Our study is concerned with a broader perspective than that offered from a shareholder/manager relationship and is therefore located within the public accountability paradigm which recognises a broad stakeholder group entitlement to be informed about the performance and condition of the reporting entity.

It is generally accepted that public sector entities have a custodial role in the community and their command over publicly funded resources imposes an

accountability requirement – a system of checks and balances (Briloff, 1986). Public accountability stems from this stewardship/custodial responsibility and the publication of performance information is an important response to public pressure for accountability as it enables a public sector entity to publicly disclose and be responsible for its actions (OECD, 2004). Although the decision usefulness paradigm provides guidance as to the nature of information to be reported by a reporting entity, it is based on an assumption that the purpose of reporting is to assist users in making decisions about investing in or financing the reporting entity. This approach implies that only information relevant to the decision making process should be reported. However, prior studies have recognised the importance of a wide array of performance information to be reported in the discharge of accountability. This extends the disclosures traditionally provided in financial statements prepared in accordance with a decision usefulness purpose (e.g. Boyne and Law, 1991; IFAC, 1996; Laughlin, 1990; Lee, 2008; Mayston, 1985; OECD, 2004; Rutherford, 2000; Stephen, 1995). The public accountability paradigm adopted for this research is based on the premise that accountability reports would be more comprehensive than decision-based reports in order to meet the needs of a wider user group.

Transparency in reporting performance is an important factor in the discharge of public accountability (Shende and Bennett, 2004). As emphasised by the Comptroller and Auditor General of the United Kingdom (2000, p.1), “consistent, clear reports of performance and publications of results, are important to record progress and exert pressure for improvement. Such transparency is essential to help ensure that public bodies are fully accountable.” In a study conducted by the OECD (2002), a variety of approaches taken in the reporting of performance information were identified

including integration into annual external reports. Annual reports are considered a primary reporting mechanism that enables government agencies to discharge their accountability to a diverse group of stakeholders including parliament and the public (Barrett, 1997; Coy et al., 1998; Mack and Ryan, 2003). While disclosure of performance information in these reports has been recognised as important in promoting accountability, the literature is less enlightening in terms of the information required for accountability purposes (Boyne et al., 2002; Wisniewski and Stewart, 2004) and much debate surrounds the information required for the discharge of accountability (Lee, 2008). Therefore, our study is concerned with stakeholders' requirements in terms of financial and non-financial information to be published in the annual reports of Malaysian local authorities. This provides further motivation for adopting the public accountability focus for the research and forms the basis of a call for the provision of more performance information than is currently provided in the annual reports of Malaysian local body entities.

The public accountability paradigm recognises the need for a comprehensive set of performance related disclosures. It is generally accepted that the reporting of financial information is, in itself, insufficient for public accountability purposes (Fountain, Patton and Steinberg, 2004) and a more comprehensive information set is required for stakeholders with a social, economic and political interest in the affairs of the public sector organisation (Coy et al., 1998). A number of empirical studies have been carried out to determine the information needs of users of public sector reports. Anthony (1978) concludes that users need information to assess financial viability, fiscal compliance, management performance and cost of services provided. More specifically, Daniels and Daniels (1991) identify four types of information based on

users' preferences: (1) information on compliance; (2) information about financial viability (which includes current financial position and the prospects of the future continuation of services and the repayment of debt); (3) information on operating results (i.e. performance); and (4) information about efficiency and effectiveness (surrogated by cost of services). Hay and Antonio (1990) note the importance of specific and detailed information rather than general statements. Such performance information would focus on inputs, efficiency, effectiveness, customer satisfaction, costs, outputs, quality, speed, equity and information on targets as well as an evaluation of the meeting of such targets (Boyne et al., 2002).

In the context of government annual reporting Mack and Ryan (2004) found that summary facts, figures and key statistics, financial review and analysis, performance indicators and budget versus actual information were identified by users as being useful for the purpose of discharging financial and public accountability. In Clark's (2003) study, users of government annual reports identified outcome measures as the most important performance indicator followed by effectiveness measures, output measures, staffing ratios, efficiency measures and workload measures. Other information of importance includes a descriptive review of operations, statistical performance information, auditor-general's report, financial statements, notes to financial statements, and department secretary's foreword.

Although public accountability is more readily associated with an historical account of performance and achievements, Farneti and Bestebreur (2004) emphasise the importance of publicly reporting on current responsibilities and future intentions. This will assist stakeholders to engage in informed debate over the choice of public sector

organisational goals, and in the ongoing monitoring and evaluation of goal achievement.

It is also recognised that the information needs of different groups of users (stakeholders) may vary. For example, oversight and legislative bodies may focus on wider performance information including efficiency and probity. Information relating to solvency may be of primary interest to financiers and creditors, and as Kanter and Summers (1987, p.158) surmise: “managers might prefer structural measures of organizational characteristics because they have control over such factors; the rank and file might prefer process measures of activities because they control their own performance; and clients and customers prefer outcome measures because they want results, not promises or mere effort.”

In summary, prior studies have identified a pool of informational items and disclosures considered important in the discharge of accountability. The purpose of this study is to determine if these same informational items and disclosures are equally relevant in the specific context of Malaysian local authorities. It is posited that the information needs of the stakeholders of Malaysian local authorities are not fully understood. The prior literature cited above does, however provide a selection of potential information items to include in a questionnaire to identify these contextualised needs.

Within the context of this theoretical framework we seek to identify the scope and nature of information disclosures required of Malaysian local authorities in their

discharge of a perceived accountability. To address this aim, and provide the prime areas of focus for this study, the following two broad questions will be answered:

Research Question 1:

What type of information do stakeholders consider relevant for monitoring and assessing the performance of local authorities?

Research Question 2:

How important is it for each informational item to be disclosed in Local Authority annual reports?

Our research is therefore concerned with one of the central issues of the accountability framework – what information should be reported in order to discharge accountability obligations?

METHOD

Relevant data was obtained by means of a questionnaire survey designed to gather insights into the type of information items that respondents, across a broad range of external and internal local authority stakeholders, would use or consider beneficial in the assessment of local authority performance. As there is no general theory on item selection (Wallace, 1988), the selection of potential information items involved:

- (a) An extensive literature review (e.g., Anthony, 1978; Banks, Fisher and Nelson, 1997; Boyne et al, 2002; Clark, 2003; Connolly and Hyndman, 2004; Coombs and Tayib, 1998; Daniels and Daniels, 1991; Hay and Antonio, 1990; Jones et al., 1985; OECD, 2004; Robbins and Austin, 1986; Ryan, Stanley and Nelson, 2002; Tayib et al., 1999).
- (b) A review of the Malaysian statutory requirements (those that are relevant to local authorities and used by the authorities as guidelines)⁴.

⁴ The Federal Treasury Circular No.15/1994 and No.4/2007, Financial Reporting Standards, and Public Administration Development Circular No. 2/2005.

- (c) Recommendations of a professional body – Chartered Institute for Public Finance and Accountancy (CIPFA), as stated in the CIPFA Code of Practice on Local Authority Accounting for Great Britain⁵.
- (d) Suggestions/opinions from experts (two accountants of Malaysian local authorities, one Head of Internal Audit Department of a state government agency and two researchers with public sector research experience).
- (e) A review of annual reports of public sector entities in Malaysia (e.g. statutory bodies and local authorities) and in other countries (e.g. local governments in New Zealand and Australia).

A total of 71 information items were identified (with opportunity for respondents to identify other items) for inclusion in the questionnaire. This list of potential information items is included in Appendix A and presented under four general headings: *Overview and operational information*, *Non-financial performance information*, *Financial performance*, and *Information about future performance*. Using this list, respondents of the survey were asked to indicate the items that would assist them in assessing the performance and position of Malaysian local authorities. The form of response also captured the respondents' perceptions of the importance of each information item for disclosure. For this purpose, a five point Likert scale was used ('0' - if it was not important for the item to appear in the annual report through to '4' - if it was extremely important that the item appear in the annual report).

⁵ Although we acknowledge the contributions of other professional bodies in the promotion of reporting best practice within the broader public sector (e.g. guidelines issued by GASB and IPSAS guidelines), the CIPFA Code has been specifically developed for local authorities and is recognised as "meeting the standards of proper accounting practice for local authorities and the views of the profession in the UK to achieve accountability for financial actions of local authorities" (Coombs and Tayib, 1998, p.7). Further, Malaysia has inherited a British legacy in relation to local government administration and its structures and processes have been influenced by the British model (Norris, 1980) and this provides further reason for reference to the CIPFA Code.

The responses are analysed in aggregate and according to which stakeholder grouping (i.e. internal or external) the respondent is associated. In addition, respondents are classified according to their generic relationship to local authorities. The non-parametric Mann-Whitney U Test is applied to detect any statistically significant difference⁶ between the means of the two stakeholder groups (internal and external) and between the means from each pair of stakeholder – local authority relationship.

SAMPLE AND DATA COLLECTION

There are 97 local authorities in Peninsula Malaysia made up of 7 city councils/halls, 31 municipal councils and 59 district councils⁷ all of which vary in physical size, population and revenue base⁸. This study focuses on the 38 city councils/halls and municipal councils (almost 40 percent of the Peninsular population reside within these jurisdictions). These are the ‘larger’ local authorities and are therefore likely to have less constraint imposed on the production of an annual report (Boyne and Law, 1991) and to have sufficient resources to prepare a report for accountability purposes (Ryan et al., 2002). Connolly and Hyndman (2004) found a positive relationship between the extent of the reporting of performance information and the size of the reporting entity. A premise of the current study is that the collection of local authorities, as defined by the given demographical scope, are perceived to have greater ability than their smaller sized counterparts to provide stakeholders with a comprehensive annual report

⁶ For the purposes of this paper, a statistically significant difference is seen to exist at $p < 0.05$.

⁷ On 1 January 2007 one district council was reconstituted as a city council/hall, but after the data for this study was collected.

⁸ To be categorized as a city council/hall and municipal council, the population should be more than 300,000 and the annual revenue should be more than MYR 80 million. As a municipal council, the population would be more than 100,000 with annual revenue more than MYR 10 million. District councils have a population of less than 100,000 and the annual revenue less than MYR 10 million (Ministry of Housing and Local Government). Recently, the federal government has agreed to change the criteria for a city council – population of 500,000 or more and annual revenue in excess of MYR 100 million (Utusan Malaysia, April 6, 2008).

comprising an extensive array of both financial and non-financial performance information.

Internal Stakeholders: Management, Employees and Councillors

All 38 local authorities, through their director or officer of the Community Affairs or Public Relations Department, were contacted for assistance in circulating the questionnaire to a selection of management, employees and councillors. As the self appointed gatekeeper, the director/officer was tasked with the distribution and collection of completed questionnaires and to provide a follow up reminder to those management, employees and councillors who did not respond within the set time for questionnaire completion and return. On the advice of each director/officer 20 to 40 questionnaires were provided for distribution with mutual agreement that the distribution should include representation from each group of potential respondents.

External Stakeholders: The Public, State Government and Creditors

For the public group, a total of 620 questionnaires were personally distributed to people who lived or worked in the locality of the selected city and municipal councils. The selection of potential respondents was limited to those public who had an identifiable relationship⁹ with the local authorities and showed interest¹⁰ and willingness to participate in the survey. In order to meet these criteria, the potential respondents included customers at the local authorities' counters, people who resided within the locality of the local authority concerned (identified with the assistance of the community leaders), people who used facilities provided by the local authorities

⁹ Those who have an identifiable relationship with an organization are the stakeholders of the organization (see the explanation in the theoretical framework section of this paper).

¹⁰ Studies that include only interested subjects in their work include Jones et al., 1985; Daniels and Daniels, 1991; Dixon et al., 1994.

(such as public libraries, bus/taxi stations and recreation centres) and people who were renting premises owned by the authorities (i.e. owners of businesses run in the shops/stalls provided by the authorities). Public respondents completed the questionnaire either at the time of distribution or were provided with a self-addressed envelope for the completion and return of the questionnaire within a set period of time. A contact telephone number was obtained from the respondents who chose to complete the questionnaire at a later time to enable a follow up reminder to be issued, if required.

For creditor stakeholders, questionnaires were provided to the director/officer of each local authority's Community Affairs or Public Relations Department with a request that the questionnaires be forwarded to a self-selected group of creditors¹¹. Questionnaires were also directly sent to the accountants of eight state governments¹² to whom the local authorities report. Accountants were selected because of their involvement with local authority reporting¹³ and their knowledge of what might be included in the annual reports of local authorities.

Response Summary

In all, 1,738 questionnaires were distributed during the period August – November 2006 and 722 questionnaires were returned of which 666 were considered sufficiently

¹¹ As for the management, employee and councillor stakeholders, the director/officer of the Community Affairs or Public Relations Department assumed the self-appointed role of gatekeeper and therefore was tasked with responsibility for the distribution, collection and issuing of any follow up reminder notices.

¹² The federal government and one state government were not included in this survey because they are involved in a separate research project which involves an experts' opinion seeking exercise which is beyond the scope of this paper. One further state government was involved in a pilot study and another unable to participate in a given timeframe.

¹³ Financial and other annual reports are forwarded by each local authority to its respective state government via the accountant of the local government department located within the state secretary office.

complete for use in this study. As summarised in Table 1, this constitutes an overall response rate of 38%¹⁴ and is considered acceptable for this type of instrument¹⁵. A test for non-response bias¹⁶ detected no significant difference in response to the two core research issues concerning the type of information considered relevant for monitoring and assessing local authority performance and the importance of each informational item.

Table 1
Response Summary

	Number of Questionnaires Distributed	Number of Useable Responses	Response Rate
Internal Stakeholders			
• Councillors	229	13	5.7%
• Management	286	92	32.2%
• Employees	490	144	29.4%

		249	24.7%
External Stakeholders			
• Public	620	399	64.4%
• State Government	8	6	75%
• Creditors	105	12	11.4%

		417	56.8%
Total	1738	666	38.3%

FINDINGS

All items listed in the questionnaire (refer Appendix A) were identified by stakeholders as being ‘relevant’ in the monitoring and assessment of local authority performance and no additional items to those listed in the questionnaire were proposed by the respondents. As summarised in Table 2, only one of the 71 items received an aggregate mean score below the level of ‘quite important’ and none of the 71 items were identified as being ‘extremely important’. It is observed that of the

¹⁴ We provide further comment on the response rate at the end of the paper.

¹⁵ Response rates of less than 25% are common in accounting research (Smith, 2003).

¹⁶ Mann-Whitney U test where responses received after the issue of a reminder notice are used as a surrogate measure for non-response.

three traditional statements for general purpose reporting, items included in the *Statement of Revenue and Expenditure* are rated more highly than items in the *Balance Sheet* and *Cash Flow Statement*.

Table 2
Degree of Disclosure Importance

Classification of Information Item and number of items in each category	Frequency of items in each category (based on mean scores)				
	Extremely Important	Very Important	Quite Important	Minor Importance	Unimportant
Overview and Operational (15)	0	1	13	1	0
Non-Financial Performance (14)	0	9	5	0	0
Financial :					
• Statement of Revenue and Expenditure (8)	0	8	0	0	0
• Balance Sheet (18)	0	0	18	0	0
• Cash Flow Statement (4)	0	0	4	0	0
• Financial Information outside the financial statements (9)	0	1	8	0	0
Future (3)	0	3	0	0	0
<i>Total (n=71)</i>	<i>0</i>	<i>22</i>	<i>48</i>	<i>1</i>	<i>0</i>

The 22 items identified as being ‘very important’ comprise a broad range of information; both financial and non-financial in nature (refer Table 3). Notably, stakeholders have a high expectation for information on future plans and intentions with two *Future* items receiving the top two scores and the third item receiving the seventh highest score. Information in the *Statement of Revenue and Expenditure* (particularly an analysis of expenditure) is very important as are a range of non-financial performance indicators reflecting the relative efficiency and effectiveness of operations.

Table 3
Top Twenty-two Scored Items ('Very Important')

Item	Category	Score (max. 4)
Future Plans	Future	3.21
Future performance targets	Future	3.17
Expenditure classified by nature or function	St. of R and E	3.15
Total excess/surplus	St. of R and E	3.14
Revenue according to activities or services rendered	St. of R and E	3.13
Gross expenditure according to services	St. of R and E	3.13
Information pertaining to future capital improvements	Future	3.12
Productivity Measures	Non-financial	3.11
Net expenditure according to services	St. of R and E	3.11
Impact Measures	Non-financial	3.10
Total expenditure	St. of R and E	3.10
Customer Satisfaction Measures	Non-financial	3.09
Total revenue	St. of R and E	3.09
Comparison between current and previous years achievement	Non-financial	3.08
Revenue according to source of revenue	St. of R and E	3.08
Efficiency Measures	Non-financial	3.05
Effectiveness Measures	Non-financial	3.05
Information about cost of service/activity	Fin outside Fin St	3.04
Comparison between actual and target achievement	Non-financial	3.03
Efforts in generating more revenue	Overview	3.02
Output Measures	Non-financial	3.01
Report on the use of government grants	Non-financial	3.00

As summarised in Table 4 ('All Stakeholders'), items making up the *Future* category scored the highest importance mean (3.17) with *Statement of Revenue and Expenditure* giving the second highest aggregate mean score of 3.12 followed by *Non-financial performance* items with an overall mean score of 2.98. The rating of these items can be contrasted with items traditionally disclosed in the *Balance Sheet* and *Cash Flow Statement* which received the lowest aggregate mean scores of 2.17 and 2.29, respectively. It is apparent that, collectively, stakeholders place more importance on what local authorities have achieved or intend to achieve with entrusted resources (financial and non-financial performance), and are less concerned with the stewardship of resources (financial and non-financial position).

Table 4
Category Importance Mean Scores

Category	All Stakeholders Mean (n = 666)	Internal Stakeholder Mean (n = 249)	External Stakeholder Mean (n = 417)	z-score	(p-value)
Overview and Operational	2.40	2.84	2.13	-10.183	0.000
Non-financial Performance	2.98	2.99	2.98	-0.369	0.712
Financial:					
• Statement of Revenue and Expenditure	3.12	3.02	3.15	-1.184	0.237
• Balance Sheet	2.17	2.68	1.85	-8.692	0.000
• Cash Flow Statement	2.29	2.79	1.99	-8.021	0.000
• Financial Information outside the financial statements	2.79	2.95	2.70	-3.998	0.000
• Combined Financial Mean	2.52	2.83	2.33	-7.726	0.000
Future	3.17	3.18	3.15	-0.453	0.651
Combined	2.61	2.88	2.45	-7.440	0.000

(0=unimportant; 1=minor importance; 2=quite important; 3=very important; 4=extremely important)

Both internal and external stakeholder groups have similar views on the level of importance for *Non-financial performance* items, *Statement of Revenue and Expenditure* items and *Future* items. However, internal stakeholders rated the importance of items pertaining to *Overview and operational*, *Balance Sheet*, *Cash Flow Statement* and *Financial information outside the financial statements* more highly than their external stakeholder counterpart ($p < 0.01$) and significant differences ($p < 0.05$) in mean scores are detected for 41 of the items located within these categories¹⁷ (refer Table 5). It could be speculated that as a ‘group’ the internal stakeholders are more aware of the importance of a broad range of financial and non-financial information in the monitoring and assessment of local authority performance. This group rates all disclosures except for *Revenue according to*

¹⁷ One individual item from within the Statement of Revenue and Expenditure was identified with a significant difference between means and is included in Table 5. Contrary to the other observations, the external stakeholders rated this measure ‘revenue according to activities or services rendered’ more highly than internal stakeholders.

activities or services rendered of higher importance than that indicated by the external stakeholders. In particular, internal stakeholders perceive information on *Occupational health and safety, Working environment, and Training programmes for staff* significantly more important than external stakeholders do. Arguably, these items have more of a direct impact on the internal stakeholders and less consequence for external stakeholders. In addition to a number of *Overview and Operational* items - *Statement of objectives, Organization structure, Personnel, and Summary facts and figures* – internal stakeholders rate all *Balance Sheet* and *Cash Flow Statement* items significantly more important than external stakeholders do.

Table 5
Items with a Statistically Significant Difference between Internal and External Stakeholder Mean Scores

	Internal Mean (n = 249)	External Mean (n = 417)	z-score	(p-value)
Overview and Operational				
Statement of objectives	2.89	2.04	-8.949	0.000
Mayor's/President's report	2.74	2.06	-7.500	0.000
Review of operations	2.72	2.11	-6.471	0.000
Organization structure	2.63	1.56	-9.838	0.000
Internal control	2.94	2.33	-5.918	0.000
Environmental management	2.94	2.36	-5.271	0.000
Personnel	2.90	2.10	-8.582	0.000
Occupational health & safety	2.84	1.68	-10.590	0.000
Working environment	2.78	1.62	-10.648	0.000
Training programmes for staff	2.82	1.70	-10.137	0.000
Summary facts and figures	2.76	1.81	-8.469	0.000
Acknowledgement/Award received from State/Federal Government	2.74	1.99	-6.745	0.000
Statement of Revenue and Expenditure				
Revenue according to activities or services rendered	3.04	3.18	2.144	0.032
Balance Sheet				
Operational assets at cost	2.78	2.24	-5.288	0.000
Operational assets at market value	2.67	1.98	-6.789	0.000
Non-operational assets at cost	2.64	1.85	-7.554	0.000
Non-operational assets at market value	2.70	1.80	-8.599	0.000
Community assets at cost	2.72	1.83	-8.582	0.000
Community assets at market value	2.64	1.83	-7.953	0.000
Infrastructure assets at cost	2.64	1.85	-7.467	0.000
Infrastructure assets at market value	2.61	1.80	-7.617	0.000
Total fixed assets	2.72	1.93	-7.464	0.000

Deferred charges	2.66	1.78	-8.278	0.000
Long-term investments	2.66	1.84	-7.650	0.000
Long-term debtors	2.68	1.74	-8.438	0.000
Current assets	2.70	1.91	-7.357	0.000
Current liabilities	2.73	1.84	-8.303	0.000
Long-term borrowings	2.69	1.81	-7.917	0.000
Deferred liabilities	2.66	1.77	-7.733	0.000
Deferred credits – government grants	2.63	1.79	-7.544	0.000
Reserves	2.75	1.78	-8.517	0.000
Cash Flow Statement				
Operating cash flows	2.81	1.95	-7.819	0.000
Investing cash flows	2.74	1.95	-7.238	0.000
Financing cash flows	2.80	2.02	-7.022	0.000
Year end cash and cash equivalents	2.81	2.02	-7.088	0.000
Financial Information Outside Financial Statements				
Auditor’s report	3.01	2.91	-2.412	0.016
Accounting Policies	2.83	2.25	-5.573	0.000
Revenue to number of staff	2.83	2.39	-4.265	0.000
Total Asset to number of staff	2.84	2.52	-3.331	0.001
Revenue to cost of service	2.97	2.65	-3.243	0.001
Return on assets	3.01	2.74	-2.877	0.004
Actual to budget comparison	3.10	2.89	-1.988	0.047

As a group, and on the whole, external stakeholders are more concerned with operating performance than information about local authority equity (assets and liabilities) and cash flows. It is possible that external stakeholders use the *Statement of Revenue and Expenditure* as an indication of likely increases in taxes/rates or user charges and hence its increased importance to them.

To ascertain if one particular type of stakeholder has a preferential view on the level of importance of an information item, further analysis is undertaken whereby the mean scores of each individual stakeholder type are assessed to determine any statistically significant difference between means¹⁸. The mean scores for each

¹⁸ We acknowledge that the relatively low number of Councillor, Creditor and State Government respondents may limit the ability to compare scores across all stakeholder types. Similarly, we also acknowledge the low response rate for Councillor and creditor respondents may limit the ability to generalise the findings for each stakeholder type. Nevertheless, we are of the view that the insights gained are valuable and future research could address any perceived limitations.

stakeholder type are provided in Appendix B and summarised, by category, in Table 6.

Table 6
Category Mean Scores and (Ranking) for Individual Stakeholder Type

Information Item Category	Internal Stakeholders			External Stakeholders		
	M (n = 92)	C (n = 13)	E (n = 144)	P (n = 399)	Cr (n = 12)	SG (n = 6)
Overview and Operational	2.84 (5)	2.36 (4)	2.89 (5)	2.12 (5)	2.53 (7)	2.33 (6)
Non-financial performance	3.04 (3)	2.12 (6)	3.03 (3)	2.98 (3)	3.14 (2)	2.91 (2)
Financial:						
• Statement of Revenue and Expenditure	3.08 (2)	2.47 (2)	3.10 (2)	3.16 (2)	3.19 (1)	2.88 (3)
• Balance Sheet	2.73 (7)	1.96 (7)	2.72 (7)	1.81 (7)	2.75 (5)	2.73 (4)
• Cash Flow Statement	2.76 (6)	2.44 (3)	2.84 (6)	1.95 (6)	2.69 (6)	3.21 (1)
• Financial information outside financial statements	2.96 (4)	2.30 (5)	3.02 (4)	2.70 (4)	2.90 (4)	2.17 (7)
• Future	3.17 (1)	2.97 (1)	3.22 (1)	3.17 (1)	3.00 (3)	2.67 (5)
<i>Aggregate Stakeholder Type Mean Score</i>	2.90	2.25	2.92	2.44	2.86	2.65

M = Management; C = Councillors; E = Employees; P = Public; Cr = Creditor; SG = State Government (Mean Scores: 0=unimportant; 1=minor importance; 2=quite important; 3=very important; 4=extremely important)

Although the level of importance (mean score) for each category varied amongst the stakeholder types, in general, four of the six stakeholder groups (i.e. management, councillors, employees and public) have similar views on the relative importance of each category as indicated by the minimal differences in rankings. Arguably, this group of stakeholder types has a strong interest in the intentions of local authorities (*Future*) and how efficiently (*Statement of Revenue and Expenditure*; *Financial information outside financial statements*) and effectively (*Non-financial performance*) the local authorities have gone about accomplishing those intentions. Councillors regard disclosure of all items as of lower importance than the ratings given by other internal stakeholders and indicate that the *Cash Flow Statement* is of relatively higher importance (ranked 3rd) than *Non-financial performance* information (ranked 6th).

Although it might be expected that creditors would have a strong interest in information relating to solvency, and the top ranking of *Statement of Revenue and Expenditure* lends some support to this thesis, other categories pertaining to solvency such as *Balance Sheet* and *Cash Flow Statement* are more lowly ranked than measures focusing on other aspects of performance. This might suggest that creditor respondents have less concern about the solvency of local authorities and more concern with the role and function of local authorities in society.

For state government respondents, the rankings indicate a concern for the ‘present’. Sufficient cash flows and resources (*Cash Flow Statement*) are of utmost importance in the delivery of effective services/activities (*Non-financial performance*). Compared to other stakeholder types, there is less concern with the way in which local authorities are administered (*Overview and operational*), their financial efficiency (*Financial information outside financial statements*) or the intentions of local authorities (*Future*).

As detailed in Appendix B (and the test statistics are shown in Appendix C¹⁹) a significant difference in means between two or more stakeholder types is identified for a number of items. A common theme emerging is the consistent significant difference between the public respondents’ views and the views of management and employees on the level of importance for a majority of the items listed in Table 5. It is to be expected that management and employees would routinely be concerned with a number of organisational *Overview and operational* items as part of their normal

¹⁹ Caution needs to be exercised when interpreting the test statistics for those stakeholder types with a small number of respondents.

working environment and financial measures and indicators (*Balance Sheet, Cash Flow Statement, and Financial information outside financial statements*) would form part of their internal monitoring and reporting processes. The public have less concern in this regard.

SUMMARY AND CONCLUDING COMMENTS

Internationally, during recent decades, the performance of local (and national) authorities in the delivery of public services has become an important issue for governments of varying political persuasions. Often, the demands for greater accountability for performance resonate from outside the immediate confines of government and reflect the concerns of a broader stakeholder interest. Previous research provides many contributions that analyse the reasons for holding public entities to account for their performance. These inform the underlying premise of the current study; that is, an established need for local authorities to be held publicly accountable. This study concentrated on the scope, nature and importance of information that is expected to be disclosed by entities in the discharge of their public accountability. To this end, the study responded to, first, a call by Pollitt (2006) for empirical public accountability research to be undertaken within the context of developing countries, and second, a call by Stecollini (2004) to address the issue of how an annual report can be used as a vehicle in the discharge of organisational accountability. Using the geographical context of Malaysia and with a specific focus on Malaysian local authorities, an understanding of the range of performance indicators, measures and other relevant information able to be disclosed in the annual report is developed.

The study provides evidence of a general consensus by respondents for Malaysian local authorities to communicate a broad information set about their performance. The information set includes quantitative and qualitative information and suggests a stakeholder concern for not only the financial performance of local authorities but, more importantly, non-financial performance. The scope of information for disclosure is consistent with the public accountability paradigm requirement for the reporting of comprehensive information about the condition, performance, activities and progress of the entity (Coy and Dixon, 2004). Accountability, it is argued, is in part discharged through the provision of such information (Hooks, Coy and Davey, 2002).

The study results indicate that although information pertaining to financial position and performance is important, stakeholders showed stronger interest in performance information that is not traditionally disclosed in the financial statements; for example, non-financial performance and future-oriented information. This is consistent with other studies that found that although financial statements are useful (Connolly and Hyndman, 2004), performance information located outside financial statements attracts more attention (Clark, 2003). In particular, the findings support the literature as to the high importance of output and outcome measures (Clark, 2003), customer satisfaction and impact measures (Boyne et al., 2002) and operating results and efficiency and effectiveness indicators (Jones et al., 1985; Hay and Antonio, 1990). While assessing the extent to which these performance measures and indicators are currently being reported by Malaysian local authorities is beyond the scope of this paper as a focus of investigation, prior studies identify, as an international problem, the difficulty of measuring achievement especially in the qualitative and non-financial aspects of performance (Lee, 2008; Mayston, 1985; Olson, Guthrie and Humphrey,

1998). Arguably, this state of affairs will undermine the adequacy of performance reporting in the discharge of public accountability.

The high 'level of importance' rating for the disclosure of financial measures such as revenue according to source and revenue according to activities/services rendered, and expenditure according to function and to services provided emphasises a stakeholder concern over the adequacy of funding to sustain the level of expenditure required to deliver the to-be-expected quantity and quality of service. Approximately 70% of Malaysian local authority revenue is derived from assessment taxes (rates), 20% from user charges and the remainder in the form of state and federal government grants. This suggests that financial performance and condition is important as it may have a financial impact on the public as a major 'provider' of local authority funds and for their expectation of the services to be delivered and activities undertaken and can be contrasted with, for example, the concern of local authority councillors and managers with the achievement of their organisational goals and objectives. The breakdown of revenue and expenditure is not commonly disclosed in annual reports.

Stakeholders as a whole rated information about future plans and future performance targets as of the most importance. Information related to the future is necessarily speculative and opinions differ on the relevance of disclosing this information. It is contended that information about probable future development that is based on well-founded expectations is a significant component of an accountability regime (Farneti and Bestebreur, 2004).

We observed significant differences between the perceptions of internal and external stakeholders of the importance of different items of information, most notably in the general categories of *Overview and Operational*, *Balance Sheet*, *Cash Flow Statement* and *Financial Information outside Financial Statements*. The importance of items in these categories was rated significantly higher by internal stakeholders than by external stakeholders. Differences in the level of importance of categories and specific items of information were also seen to exist between individual stakeholder types making up the broader internal-external stakeholder divide. These findings are consistent with the findings from the studies of Jones et al. (1985) and Hay and Antonio (1990) who identified diversity amongst stakeholder groups as to the information they required. This supports Patton's (1992) view that different accountability relationships come to focus on different types of information and lends support to Edwards and Hulme (1995) who conclude that there are difficulties in prioritising and reconciling the needs of the varied users of annual reports. Of notable interest from our study is the finding of significant differences of view between the perceptions of management and employees (internal stakeholders) and the public (external stakeholders) on the importance of a wide range of items for disclosure. Ironically, and in the context of the framework of public accountability, it was the internal stakeholders and not the public respondents who rated more highly the importance of the items for disclosure. Nevertheless, the overall findings suggest that if the information requirements of multiple stakeholders are to be met, then either a broad information set relating to the reporting of performance should be provided or a consensus formed amongst key stakeholder groups for a minimum level of disclosure. The challenge to Malaysian local authorities (and to local authorities in general) is, therefore, to balance the multiple interests of stakeholders in order to meet the

information demands of public sector accountability – both contractual obligations and responsibilities and less formal public expectations. In an international context, the study provides a better understanding of accountability within a local authority setting and acknowledges the increasing public voice (particularly in developing countries) for increased transparency in the use of tax/rate payer funding in order to demonstrate that there is effective and efficient delivery of public services. The study may assist annual report preparers in their judgements about which information is most relevant and significant for the purpose of external reporting.

Limitation and Future Research Opportunity

The reported research is subject to a common limitation of empirical research – the response rate. Although the overall response rate and the response rate for each of the two major classifications (internal stakeholders and external stakeholders) are acceptable for this type of instrument²⁰, we acknowledge the variability of sub-classification response rates and exercise caution in the interpretation of results of analysis at this lower level of classification. We note that if we eliminated the internal stakeholder group ‘councillors’ because of the low number of useable responses (5.7% - refer Table 1) our results for the stakeholders as a whole and for internal stakeholders as a sub-group would not be significantly different.

While beyond the scope of the study reported in this paper, interesting questions for future research concern the reasons why differences exist between the informational needs of varying stakeholder groups in respect of the performance of local authorities. In this regard, more direct engagement with stakeholder groups would enable the

²⁰ Response rates of less than 25% are common in accounting research (Smith, 2003).

identification of performance disclosures that address specific performance concerns, and in the absence of statutory requirements for performance reporting by Malaysian local authorities, provide guidance about the design and content of performance reports that meet the needs of multiple stakeholders and discharge public accountability obligations.

APPENDICES

Appendix A: Information Set for Performance Reporting and Mean Scores

Item	All Stakeholders (Mean) (n = 666)	Internal Stakeholder (Mean) (n = 249)	External Stakeholder (Mean) (n = 417)
Overview and Operational			
Statement of objectives	2.36	2.89	2.04
Mayor's/President's report	2.31	2.74	2.06
Review of operations	2.34	2.72	2.11
Organization structure	1.96	2.63	1.56
Internal control	2.56	2.94	2.33
Environmental management	2.58	2.94	2.36
Personnel	2.40	2.90	2.10
Occupational health & safety	2.11	2.84	1.68
Working environment	2.06	2.78	1.62
Training programmes for staff	2.12	2.82	1.70
Summary facts and figures	2.17	2.76	1.81
Acknowledgement/Award received from State/Federal Government	2.27	2.74	1.99
Problems in undertaking services/activities	2.84	2.99	2.74
Reasons for current status of performance achievement	2.91	2.93	2.9
Efforts in generating more revenue	3.02	3.04	3.00
<i>Average Category Score</i>	<u>2.40</u>	<u>2.84</u>	<u>2.13</u>
Non-financial Performance			
Goals and objectives of services/activities	2.79	2.91	2.71
Non-financial performance targets	2.65	2.75	2.60
Input Measures	2.84	2.84	2.83
Output Measures	3.01	3.00	3.01
Impact Measures	3.10	3.12	3.09
Efficiency Measures	3.05	3.06	3.05
Effectiveness Measures	3.05	3.07	3.04
Customer Satisfaction Measures	3.09	3.04	3.12
Productivity Measures	3.11	3.10	3.12
Comparison between actual and target achievement	3.03	3.05	3.01
Comparison between current and previous years achievement	3.08	3.06	3.09
Report on the use of government grants	3.00	2.96	3.03
Performance of contractor responsible for providing contracted services	2.95	2.88	3.00
Achievement of specific programmes as ordered by State/Federal Government	2.97	2.96	2.98
<i>Average Category Score</i>	<u>2.98</u>	<u>2.99</u>	<u>2.98</u>
Financial			
<i>Statement of Revenue and Expenditure</i>			
Revenue according to activities or services rendered	3.13	3.04	3.18
Revenue according to source of revenue	3.08	3.03	3.11

Total revenue	3.09	3.03	3.13
Gross expenditure according to service	3.13	3.10	3.15
Net expenditure according to service	3.11	3.09	3.13
Expenditure classified by nature or function	3.15	3.10	3.17
Total expenditure	3.10	3.04	3.14
Total excess/surplus	3.14	3.06	3.19
Balance Sheet			
Operational assets at cost	2.45	2.78	2.24
Operational assets at market value	2.24	2.67	1.98
Non-operational assets at cost	2.15	2.64	1.85
Non-operational assets at market value	2.14	2.70	1.80
Community assets at cost	2.16	2.72	1.83
Community assets at market value	2.14	2.64	1.83
Infrastructure assets at cost	2.15	2.64	1.85
Infrastructure assets at market value	2.10	2.61	1.80
Total fixed assets	2.23	2.72	1.93
Deferred charges	2.11	2.66	1.78
Long-term investments	2.15	2.66	1.84
Long-term debtors	2.10	2.68	1.74
Current assets	2.21	2.70	1.91
Current liabilities	2.18	2.73	1.84
Long-term borrowings	2.14	2.69	1.81
Deferred liabilities	2.10	2.66	1.77
Deferred credits – government grants	2.11	2.63	1.79
Reserves	2.15	2.75	1.78
Cash Flow Statement			
Operating cash flows	2.27	2.81	1.95
Investing cash flows	2.25	2.74	1.95
Financing cash flows	2.32	2.80	2.02
Year end cash and cash equivalents	2.32	2.81	2.02
Financial Information Outside Financial Statements			
Auditor's report	2.94	3.01	2.91
Financial review	2.91	2.92	2.91
Accounting Policies	2.47	2.83	2.25
Revenue to number of staff	2.56	2.83	2.39
Total Asset to number of staff	2.64	2.84	2.52
Revenue to cost of service	2.77	2.97	2.65
Return on assets	2.84	3.01	2.74
Actual to budget comparison	2.97	3.10	2.89
Information about cost of service/activity	3.04	3.08	3.01
<i>Average Category Score</i>	<u>2.52</u>	<u>2.83</u>	<u>2.33</u>
Future			
Future Plans	3.21	3.21	3.20
Future performance targets	3.17	3.24	3.13
Information pertaining to future capital improvements	3.12	3.10	3.13
<i>Average Category Score</i>	<u>3.17</u>	<u>3.18</u>	<u>3.15</u>
<i>Average Score by Stakeholder Group</i>	<u>2.61</u>	<u>2.88</u>	<u>2.45</u>

(0=unimportant; 1=minor importance; 2=quite important; 3=very important; 4=extremely important)

Appendix B: Mean Scores for Individual Stakeholder Type

Information Item	Internal Stakeholders			External Stakeholders		
	M (n = 92)	C (n = 13)	E (n = 144)	P (n = 399)	Cr (n = 12)	SG (n = 6)
Overview and Operational						
Statement of objectives	2.89 ^{1,a}	2.46	2.92 ^{2,b}	2.04 ^{1,2}	1.83 ^{a,b}	2.83
Mayor's/President's report	2.58 ¹	2.46	2.85 ²	2.04 ^{1,2}	2.50	2.33
Review of operations	2.66 ¹	2.85 ^a	2.74 ²	2.11 ^{1,2,a}	1.92	2.67
Organization structure	2.73 ¹	2.08	2.62 ²	1.53 ^{1,2}	2.17	2.50
Internal control	2.91 ^{1,b}	2.23 ^{b,3}	3.03 ^{2,3}	2.30 ^{1,2,a}	3.00 ^a	3.00
Environmental management	2.89 ¹	2.62	3.00 ²	2.35 ^{1,2}	2.83	2.33
Personnel	2.90 ^{1,b}	2.08 ^{b,c}	2.97 ^{2,c}	2.07 ^{1,2,a}	2.92 ^a	2.17
Occupational health & safety	2.78 ^{1,a,c}	1.69 ^{4,c}	2.98 ^{2,3,4,b}	1.67 ^{1,2}	1.92 ^{3,a}	1.83 ^b
Working environment	2.82 ^{1,3,a}	1.92 ^{a,b}	2.84 ^{2,4,b}	1.61 ^{1,2}	2.25	1.50 ^{3,4}
Training programmes for staff	2.88 ^{1,3,a}	1.77 ^{a,b}	2.88 ^{2,4,b}	1.68 ^{1,2}	2.50	1.50 ^{3,4}
Summary facts and figures	2.85 ¹	2.23	2.75 ²	1.78 ^{1,2,a}	2.67 ^a	2.33
Acknowledgement/Award received from the State and Federal Govt	2.76 ¹	2.15	2.77 ²	1.98 ^{1,2}	2.42	2.17
Problems in undertaking services/activities	2.98	3.08	2.99	2.74	3.08	2.50
Reasons for current status of performance achievement	2.91	2.85	2.94	2.90	3.17	2.33
Efforts in generating more revenue	3.00	3.00	3.06	3.01	2.75	3.00
<i>Average Mean Score</i>	2.84	2.36	2.89	2.12	2.53	2.33
Non-financial Performance						
Goals and objectives of services/activities	3.00	2.15	2.92	2.71	2.83	2.33
Non-financial performance targets	2.88	1.31	2.80	2.59	3.00	2.50
Input measures	2.91	1.46	2.92	2.84	2.92	2.17
Output measures	3.11	1.77	3.02	3.02	3.00	2.67
Impact measures	3.22	2.08	3.15	3.09	3.08	3.17
Efficiency measures	3.11	2.31	3.09	3.05	3.08	3.00
Effectiveness measures	3.13	2.08	3.12	3.04	3.17	3.00
Customer satisfaction measures	3.14	2.08	3.06	3.13	3.00	2.83
Productivity measures	3.21	2.46	3.10	3.13	3.25	3.00
Comparison between actual and target achievement	3.09	2.39	3.08	3.00	3.67	3.00
Comparison between current and previous years achievement	3.08	2.69	3.08	3.08	3.58	3.33
Report on the use of government grants	2.89	2.54	3.04	3.01	3.50	3.17
Performance of contractor responsible for providing contracted services	2.79	2.23	2.98	3.00	2.75	3.33
Achievement of specific programmes as ordered by State/Federal Government	3.01	2.08	3.00	2.97	3.08	3.17
<i>Average Mean Score</i>	3.04	2.12	3.03	2.98	3.14	2.91
Financial						
Statement of Revenue and Expenditure						
Revenue according to activities or services rendered	3.08	2.69	3.05	3.19	3.00	3.00
Revenue according to source of revenue	3.02	2.31	3.10	3.11	3.42	2.50
Total revenue	3.04	2.46	3.07	3.13	3.08	3.33
Gross expenditure according to service	3.12	2.69	3.12	3.16	3.25	2.67
Net expenditure according to service	3.08	2.31	3.15	3.15	3.08	2.00
Expenditure classified by nature or	3.11	2.23	3.17	3.18	3.42	2.33

function						
Total expenditure	3.13	2.15	3.06	3.13	3.25	3.50
Total excess/surplus	3.08	2.92	3.06	3.19	3.00	3.67
<i>Average Mean Score</i>	3.08	2.47	3.10	3.16	3.19	2.88
Balance Sheet						
Operational assets at cost	2.81 ¹	2.08	2.83 ²	2.23 ^{1,2,a}	3.00 ^a	1.83
Operational assets at market value	2.75 ¹	1.85	2.70 ²	1.95 ^{1,2,3}	2.92 ³	2.17
Non-operational assets at cost	2.76 ^{1,a}	1.62 ^{a,b}	2.64 ^{2,b}	1.82 ^{1,2,3}	2.83 ³	2.00
Non-operational assets at market value	2.84 ¹	1.77	2.69 ²	1.76 ^{1,2,3}	2.92 ³	2.17
Community assets at cost	2.85 ¹	1.85	2.72 ²	1.79 ^{1,2,3}	3.00 ³	2.00
Community assets at market value	2.74 ¹	1.77	2.66 ²	1.79 ^{1,2,3}	2.92 ³	2.17
Infrastructure assets at cost	2.76 ¹	1.92	2.64 ²	1.81 ^{1,2,3}	3.00 ³	2.17
Infrastructure assets at market value	2.62 ¹	1.77	2.68 ²	1.76 ^{1,2,3}	2.83 ³	2.17
Total fixed assets	2.67 ¹	2.54	2.78 ²	1.80 ^{1,2,a}	2.83 ^a	2.83
Deferred charges	2.65 ¹	1.77	2.76 ²	1.73 ^{1,2,a}	2.67 ^a	2.83
Long-term investments	2.65 ¹	1.92	2.73 ²	1.79 ^{1,2,3,a}	2.83 ³	3.1 ^a
Long-term debtors	2.65 ¹	2.00	2.76 ²	1.69 ^{1,2,3,a}	2.67 ^a	3.33 ³
Current assets	2.66 ¹	2.54	2.73 ²	1.86 ^{1,2,3}	2.58	3.50 ³
Current liabilities	2.69 ¹	2.46	2.78 ²	1.79 ^{1,2,3,a}	2.58 ^a	3.50 ³
Long-term borrowings	2.69 ¹	2.08	2.74 ²	1.76 ^{1,2,a,b}	2.58 ^a	3.17 ^b
Deferred liabilities	2.82 ¹	1.77	2.63 ²	1.73 ^{1,2,3}	2.25	3.50 ³
Deferred credits – government grants	2.70 ¹	1.69	2.67 ²	1.75 ^{1,2,a}	2.42	3.17 ^a
Reserves	2.81 ¹	1.92	2.78 ²	1.73 ^{1,2,3,a}	2.75 ^a	3.50 ³
<i>Average Mean Score</i>	2.73	1.96	2.72	1.81	2.75	2.73
Cash Flow Statement						
Operating cash flows	2.79 ¹	2.92 ³	2.80 ²	1.91 ^{1,2,3,a}	2.67	3.33 ^a
Investing cash flows	2.74 ¹	1.92	2.83 ²	1.92 ^{1,2,a}	2.33	3.33 ^a
Financing cash flows	2.76 ¹	2.23	2.88 ²	1.98 ^{1,2,a}	2.67	3.33 ^a
Year end cash and cash equivalents	2.77 ¹	2.69	2.85 ²	2.00 ^{1,2}	3.08	2.83
<i>Average Mean Score</i>	2.76	2.44	2.84	1.95	2.69	3.21
Financial Information Outside Financial Statements						
Auditor's report	3.04	2.38	3.04 ^a	2.89 ^a	3.25	3.50
Financial Review	2.88	2.00	3.04	2.91	2.75	3.17
Accounting Policies	2.80 ¹	2.38	2.89 ²	2.23 ^{1,2}	2.58	3.00
Revenue to number of staff	2.86 ¹	1.85	2.91 ^{2,a}	2.40 ^{1,2}	2.67	1.50 ^a
Total Asset to number of staff	2.90 ^{1,a,b}	1.77 ^{b,c}	2.90 ^{2,3,c}	2.52 ^{1,2}	3.00	1.50 ^{3,a}
Revenue to cost of service/activity	2.94 ^{2,a}	2.54	3.03 ^{1,3}	2.66 ^{1,a,b}	3.17	1.67 ^{2,3,b}
Return on assets	3.06 ^{1,a}	2.31	3.05 ^c	2.76 ^{a,b,c}	2.75	1.17 ^b
Actual to budget comparison	3.08	2.77	3.14 ¹	2.89 ¹	3.08	2.17
Information about cost of service/activity	3.06	2.69	3.14	3.04	2.83	1.83
<i>Average Mean Score</i>	2.96	2.30	3.02	2.70	2.90	2.17
Future						
Future plans	3.21	2.85	3.24	3.22	3.00	2.67
Future performance targets	3.21	3.15	3.27	3.14	3.08	2.67
Information pertaining to future capital improvements	3.08	2.92	3.14	3.14	2.92	2.67
<i>Average Mean Score</i>	3.17	2.97	3.22	3.17	3.00	2.67

M = Management; C = Councillors; E = Employees; P = Public; Cr = Creditor; SG = State Government.

(0=unimportant; 1=minor importance; 2=quite important; 3=very important; 4=extremely important)

Superscript denotes combinations of mean scores that are significantly different (refer Appendix C) and where: ^{1,2...} p <0.01 and ^{a,b...} p <0.05.

Appendix C: Test Statistics for Information Items with a Significant Difference between Stakeholder Group Means on the Level of Item Importance

Information Item	Z Score by Pairs of Stakeholder Groups (showing only differences that are significant; p values are shown in parentheses)														
	P/Cr	P/SG	P/M	P/C	P/E	Cr/SG	Cr/M	Cr/C	Cr/E	SG/M	SG/C	SG/E	M/C	M/E	C/E
Statement of objectives			-6.235 (.000)		-7.926 (.000)		-2.045 (.041)		-2.150 (.032)						
Mayor's/President's report			-4.231 (.000)		-7.452 (.000)										
Review of operations			-4.299 (.000)	-2.414 (.016)	-5.502 (.000)										
Organization structure			-7.575 (.000)		-8.365 (.000)										
Internal control	-2.105 (.035)		-4.108 (.000)		-5.879 (.000)								-2.205 (.027)		-2.675 (.007)
Environmental management			-3.344 (.001)		-4.975 (.000)										
Personnel	-2.512 (.012)		-6.042 (.000)		-7.995 (.000)								-2.153 (.031)		-2.505 (.012)
Occupational health & safety			-7.041 (.000)		-9.814 (.000)		-2.342 (.019)		-2.897 (.004)			-2.100 (.036)	-2.527 (.011)		-3.072 (.002)
Working environment			-7.591 (.000)		-9.307 (.000)					-2.716 (.007)		-2.934 (.003)	-2.212 (.027)		-2.280 (.023)
Training programmes for staff			-7.423 (.000)		-8.888 (.000)					-2.908 (.004)		-3.015 (.003)	-2.479 (.013)		-2.574 (.010)
Summary facts and figures	-2.057 (.040)		-6.566 (.000)		-7.173 (.000)										
Acknowledgement/Award received from the State/Federal Government			-4.867 (.000)		-5.835 (.000)										
Operational assets at cost	-2.088 (.037)		-3.888 (.000)		-4.905 (.000)										

Operational assets at market value	-2.695 (.007)		-5.313 (.000)		-6.156 (.000)										
Non-operational assets at cost	-2.801 (.005)		-6.229 (.000)		-6.606 (.000)								-2.199 (.028)		-1.979 (.048)
Non-operational assets at market value	-3.152 (.002)		-7.087 (.000)		-7.469 (.000)										
Community assets at cost	-3.220 (.001)		-6.915 (.000)		-7.511 (.000)										
Community assets at market value	-2.994 (.003)		-6.301 (.000)		-7.148 (.000)										
Infrastructure assets at cost	-3.062 (.002)		-6.130 (.000)		-6.520 (.000)										
Infrastructure assets at market value	-2.913 (.004)		-5.551 (.000)		-7.188 (.000)										
Total fixed assets	-2.466 (.014)		-5.025 (.000)		-6.964 (.000)										
Deferred charges	-2.513 (.012)		-5.848 (.000)		-7.971 (.000)										
Long-term investments	-2.687 (.007)	-2.449 (.014)	-5.520 (.000)		-7.341 (.000)										
Long-term debtors	-2.352 (.019)	-2.908 (.004)	-5.983 (.000)		-8.001 (.000)										
Current assets		-2.907 (.004)	-5.138 (.000)		-6.711 (.000)										
Current liabilities	-2.067 (.039)	-3.011 (.003)	-5.789 (.000)		-7.577 (.000)										
Long-term borrowings	-1.977 (.048)	-2.430 (.015)	-5.792 (.000)		-7.315 (.000)										
Deferred liabilities		-3.004 (.003)	-6.649 (.000)		-6.582 (.000)										
Deferred credits – government grants		-2.431 (.015)	-5.870 (.000)		-6.865 (.000)										
Reserves	-2.493 (.013)	-3.002 (.003)	-6.617 (.000)		-7.748 (.000)										
Operating cash flows		-2.526	-5.558	-2.657	-6.795										

		(.012)	(.000)	(.008)	(.000)									
Investing cash flows		-2.478 (.013)	-5.133 (.000)		-6.832 (.000)									
Financing cash flows		-2.362 (.018)	-4.823 (.000)		-6.666 (.000)									
Year end cash and cash equivalents			-4.897 (.000)		6.532 (.000)									
Auditor's report					-1.959 (.050)									
Accounting Policies			-3.684 (.000)		-5.185 (.000)									
Revenue to number of staff			-3.162 (.002)		-3.919 (.000)					-2.074 (.038)				
Total Asset to number of staff			-2.775 (.006)		-3.073 (.002)			-2.029 (.042)	-2.065 (.005)	-1.976 (.048)			-2.032 (.042)	
Revenue to cost of service/activity		-2.324 (.020)	-2.084 (.037)		-3.071 (.002)			-2.612 (.009)	-2.841 (.004)					
Return on assets		-2.467 (.014)	-2.261 (.024)		-2.386 (.017)			-2.770 (.006)						
Actual to budget comparison					-2.627 (.009)									

P = Public (n = 399); Cr = Creditor (n = 12); SG = State Government (n = 8); M = Management (92); C = Councillors (n = 13); E = Employees (n = 144).

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