

Journal of Education and Vocational Research

Vol. 4, No. 5, pp. 146-158, May 2013 (ISSN 2221-2590)

Perceptions of Auditors in Malaysia on the Important Items of Internet Financial Reporting

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Abstract: This study investigates the perceptions of auditors regarding the important items in the disclosure of content and presentation dimension that can be used to describe the level of internet financial reporting (IFR). Questionnaires were distributed to 100 auditors. A total of 40 questionnaires were completed and returned, giving a response rate of 40 percent. From the survey, it was found that the five most important items in the content dimension are income statement of current year, income statement of past years, cash flow statement of current year, notes to financial statements of current year and balance sheet of current year. Meanwhile, in the presentation dimension, five most items important to disclosure are loading time of the website below 10 seconds, annual report in PDF format, hyperlinks inside the annual report, ability to download reports and hyperlinks to financial analysts. Finally, the limitation of this study and future research will also be discussed.

Keywords: *auditors, content, index, Internet Financial Reporting, Malaysia, and presentation*

1. Introduction

Nowadays, most companies use the internet as a tool to deliver information regarding their company's financial reporting by using the World Wide Web (WWW) as a medium to display the company's financial data, annual reports, databases on press release and also other related information for financial disclosure about the company activity (Delleret *et al.*, 1999). The internet has become a powerful tool for corporate communication in recent times (Oyelere & Kuruppu, 2012). The internet is also another way used by companies to share information, apart from using the existing printed based practices (Lymer & Debreceny, 2003). Furthermore, the internet is a medium to communicate in order to exchange information globally, which brings opportunities in fast delivery and is economical in obtaining information (Al-Htaybat, 2011). When a company is willing to exchange business information and build business globally on the internet, it becomes part of the company network by adopting internet financial reporting (hereinafter referred to as IFR) (Lymer & Debreceny, 2003; Hansen, 2001). The recent development in the area of information and communication technology (ICT) has profoundly altered the way corporate information disseminated among stakeholders (Samahaet *et al.*, 2012). Adopting the internet has become a phenomenon throughout the world today and is continuously growing during the recent years (Moradi *et al.*, 2011; Fisher *et al.*, 2004). Companies use websites to deliver information to stakeholders of financial reporting (Velmurugan, 2009; Fisher *et al.*, 2004). Many countries have also developed securities markets, such as Bursa Malaysia, which uses information technology (IT) for corporate reporting and is very well established (Lymer & Debreceny, 2003). Moreover, the usage of the internet, known as IT, by firms has become increasingly sophisticated and more complex (Virginia & Michael, 2003). However, less researchers study the importance of IFR practices and the effectiveness in disclosing financial reporting (Ismail & Sobhy, 2009; Mirshekary & Saudagaran, 2005).

The implementation of disclosing financial reporting using internet as a medium to deliver information creates unique opportunities, challenges and implication for auditors (Fisher *et al.*, 2004). The technology gives the impact of implementing IFR and is derived from other factors such as globalisation and notion accountability, which brings changes in audit practice on financial reporting (Sumiani *et al.*, 2007; Fisher *et al.*, 2004). Yet, no specific body has issued a formal standard to highlight or investigate the issues of auditing in IFR practices (Ohman & Wallerstedt, 2012; Fisher *et al.*, 2004; Lymer & Debreceny, 2003). The increasing number of financial reporting disclosures brings audit issues and subsequently, the disclosure of financial statement with some restrictions on information will increase the potential of misleading interpretation

among users of financial reporting such as auditors (Lymer & Debreceny, 2003). There are many researchers who have studied the issue of IFR in many developing countries, bringing benefits towards users of corporate financial statement (Ismail & Sobhy, 2009; Mirshekary & Saudagaran, 2005). Nevertheless, there is little empirical evidence on the disclosure of financial reporting on the factors influencing the practice in Asian listed companies (Ho & Kar, 2001). Therefore, these studies intend to investigate disclosure issues of financial reporting towards users. Furthermore, there are less participation in previous studies researching about the impact of IFR on audit professionals and audit task and procedures on audit issues (Ismail & Sobhy, 2009; Xiao *et al.*, 2002). Hence, by implementing IFR audit problems occur and the auditors' perception needs to be analysed on a more comprehensive framework (Ismail & Sobhy, 2009). Thus, this study intends to research about IFR from auditors regarding their perception where they are part of the users. As auditors, they are exposed to IT systems to determine the terms in records, processes and report transactions or other related financial data and can also facilitate their understanding regarding financial reporting disclosure issues (Virginia & Michael, 2003; Ho & Kar, 2001). Auditors serve as a part towards contributing to the company's performance to measure whether the company is approved of. Hence, auditors nowadays face many IT environments, which involve data received by electronic rather than paper based media (Virginia & Michael, 2003). Moreover, auditors should increase their awareness on the consequences of IFR during audit fieldwork (Ismail & Sobhy, 2009).

In addition, in developing internet environment in financial reporting, it needs reviews from securities regulators and audit standards. In addition, they give guidelines to the auditors on the implications of IFR from being manipulated when receiving data (Lymer & Debreceny, 2003). Thus, researchers noticed that there are an increasing number of unsatisfied users, especially auditors, towards the organisation's behaviour for not really updating their financial statement in the current year, thus making it difficult for auditing purpose (Joshi & Al-Modhahki, 2003). Useful financial reporting should be presented in understandable, credible and timeliness manner, as they are important characteristics influenced by both preparers and users of financial reporting (Naser *et al.*, 2003). It is also hoped to make this research a basis for other studies on IFR disclosure, which highlights auditor as the main indicator to research in detail. Besides, these researches are essential for every organisation to improve their disclosure related to financial reporting and to be more transparent in disclosing their financial reporting (Ho & Kar, 2001; Rahman, 1998). Thus, to make it more transparent, quarterly corporate financial statement should be introduced (Ku Ismail & Chandler, 2005). Nevertheless, it is not sufficient to maintain transparency for the annual report presented (Ho & Kar, 2001). Information in financial reporting was rated as primary sources of information in various users of corporate reporting (Alattar & Al-Khater, 2007; Mirshekary & Saudagaran, 2005; Naser *et al.*, 2003). Therefore, the objectives of this study are to investigate the perception of auditors towards the important items of IFR disclosure in terms of content and presentation dimension presented. The impact of this study will support the empirical evidence related to auditors' perception on IFR that is going to be highlighted. This article is presented as the following: IFR is analysed from previous studies and next is the methodology used then we will come up with the analysis and findings of the study. Finally, the last part will present the conclusion of the study and several recommendations for future research.

2. Previous Studies

The characteristics of financial reporting disclosure are that it must be reliable, material, relevant and easy to understand (Ho & Kar, 2001). Advanced technology leads IFR to become more interesting by further investigating two main dimensions, which are content and presentation dimensions to measure the important items of IFR disclosure that should be present in IFR (Ali Khan & Ismail, 2012). There are many benefits of implementing IFR dimension such as to academicians and industrialists, and have contributed in developing IFR to obtain information in an effective manner (Ali Khan & Ismail, 2011). Evidently, there are many dimensions that were introduced, such as content and timeliness, timeline basis, technology and customer support, and lastly content and usability (Ali Khan & Ismail, 2011). Hence, to measure the important items of financial reporting disclosure level of IFR, two dimensions were usually used; namely content and presentation (Ali Khan & Ismail, 2011). Thus, most researchers like to focus only on annual report of the IFR itself (Abdul Rahman, 2001). There are several reasons for the implementation of content and presentation dimensions stated from previous studies. Firstly, it is frequently used and it is popular to indicate the important items of financial reporting disclosure from previous studies (Debreceny *et al.*, 2002;

Ali Khan, 2010). Secondly, from previous studies, there are indications that the disclosure of important items in financial reporting would enhance corporate transparency (Ali Khan, 2010; Lymer & Debreceeny, 2003). In addition, other important criteria of financial reporting consist of timeliness disclosure, reliability and auditor environment (Ku Ismail & Chandler, 2005). Timeliness is about the duration of presenting the financial reporting for disclosure to promote transparency (Lymer & Debreceeny, 2003). In other words, it is promoted to minimise the problem of inside information, encourage reliable information and also to make it accessible to users. In Malaysian practices, financial reports are submitted to Bursa Malaysia within two month before the end of the year (Ku Ismail & Chandler, 2005).

Advantages and Disadvantage of IFR: Using IFR will save cost, has wider reach and is easy to access (Celik *et al.*, 2006; Debreceeny *et al.*, 2002). Although using the internet encourages cost saving, it still incurs some additional costs if companies are willing to use traditional methods such as paper-based together with internet-based ones (Fisher *et al.*, 2004; Xiao *et al.*, 2002). This can improve the accessibility of information that results in more equitable information dissemination (Fisher *et al.*, 2004; Oyelere *et al.*, 2003; Fisher *et al.*, 2000). Others advantages of IFR from a previous study are that they are attractive for readers, easy to understand and save time in analysing data (Mohd Isa, 2006). Basically, new technologies introduced like IFR need someone who has knowledge and experience to handle it. Thus brings the limitation to such according to the ways of implementation and compliance and the quality of the overall disclosure may be less effective (Stoel *et al.*, 2012; Ho & Kar, 2001). The IFR is exposed to unauthorised access risk when it is not properly managed, and then also leads to others to insert errors into the data files, which can cause security problem (Hansen, 2001). There are many critical changes since adopting IFR of corporate performance (Lymer & Debreceeny, 2003). Some of them are that it will incur some problems such as security problem and authentication, attestation and legal impediments, and cost and expertise (Ali Khan & Ismail, 2009; Joshi & Al-Modhahki, 2003). Several factors contribute to lower effectiveness in using financial reporting, for instance delay in published financial reporting in the current year, lack of trust and lack of adequate information in the credibility of the financial reporting and excessive risk exposures such as being easy to manipulate (Mirshekary & Saudagaran, 2005; Ho & Kar, 2001).

Auditors Perspective: In the auditors' perspective, reliability is an important element for auditing purpose to ensure the information received are of quality, free from error of fraud, and also represent accuracy (Ku Ismail & Chandler, 2005). In other words, reliability is an important issue to highlight which is not specifically subjected to the auditor himself but it concerns the frequently exposed disclosed information that have higher risk of accounting error. In addition, the main issues in the auditors environment are the role and responsibility of information on websites, the high potential of unaudited financial reporting, omission of audit report, inappropriate audit issues, and also timing, nature of the content form of the audit report on a website (Griffiths, 2012; Ismail & Sobhy, 2009; Fisher *et al.*, 2004; Lymer & Debreceeny, 2003; Xiao *et al.*, 2002). Changes in the roles of the IFR development required auditors to report activities from paper-based to online reporting (Virginia & Michael, 2003). Report incorporated in printed financial reporting is easier for the auditors to recognise the document (Debreceeny & Gray, 1999). Subsequently, lack of information in the financial reporting presented on the internet is a problem to auditors (Debreceeny & Gray, 1999). In addition, financial reporting in internet has a high risk on not being updated, which will reduce the reliability of information (Ismail & Sobhy, 2009; Xiao *et al.*, 2002). Hence, there is a need for regulation and control in the growing number of internet usage for financial reporting to avoid securities problem (Xiao *et al.*, 2002). Usually, financial reporting shows a part of the corporate website, has potential numbers of misleading information alongside the financial data. Thus, the auditor is the one responsible if the data are not relevant for auditing and has become problematic (Lymer & Debreceeny, 2003). As Debreceeny and Gray (1999) noted, there are several issues highlighted to audit in IFR such as the document presented on a website that can be changed and are difficult for auditors to identify the documents accordingly. Another issue is the security of the auditor's report in the internet environment and the nature of the evidence of document review, which brings additional risk associated with online system and increasing litigation risk for auditors (Fisher *et al.*, 2004). Audit reports are always exposed to changes in information by others such as hackers, which increase the risk in IFR (Ismail & Sobhy, 2009). Others than that, organisations that lack in organising and managing a web and the ability to have all web resources will bring problem to an auditor. As there is limited number of researchers, there is no national professional body issuing a formal standard to address specific auditing issues as stated (Fisher *et al.*, 2004).

There are several issues highlighted. One of them is that the currently unregulated financial reporting disclosure on the internet arises because of the global nature and the law stated on internet environment not being appropriate (Fisher *et al.*, 2004; Lymer & Debrececy, 2003). Sometimes, there are some errors when publishing information on the internet during the conversion or transposition process. In addition, information presented can be modified by unauthorised users internal or external to the presenting financial reporting (Velmurugan 2009; Fisher *et al.*, 2004; Hansen, 2001). In a worse situation, information can be manipulated or very fluid in nature such that it can be easy to modify or delete remotely at any point in time without leaving any of these actions thus the information are not accurate anymore. Financial reporting in Malaysia is low that disclose financial reporting in general information to users (Sumiani *et al.*, 2007). Moreover, there is no specific formatting structure or rules and requirement on how auditing work should be performed in IFR (Ohman & Wallerstedt, 2012). In addition, the reliance of auditors on IT makes it important to set up new regulations regarding the auditing practice in IFR (Stoel *et al.*, 2012). This can be done by setting up the standards on auditing involvement and to minimise audit issues by producing a new form of reporting by frequency and data orientation rather than information orientation (Griffiths, 2012; Ismail & Sobhy, 2009). Consequently, applying the set of regulations and law will make improvement in the auditing practice (Ohman & Wallerstedt, 2012; Stoel *et al.*, 2012; Velmurugan, 2009). From the audit issues, some improvement should be highlighted as the increase in the quality of the audit IT process will improve the IFR results (Stoel *et al.*, 2012).

3. Methodology

Research Design: Proper structuring of the questionnaire plays an important role in determining the accuracy of the data to be collected. Thus, questionnaires should be clear for the respondents and oriented towards the objective of the research (Davies, 2007). The questionnaire for this research is extracted from a previous study (Stoel *et al.*, 2012; Ali Khan & Ismail, 2010; Ismail *et al.*, 2009; Fisher *et al.*, 2004; Lymer & Debrececy, 2003). The researcher sent out questionnaires to solicit auditors' opinion and feedback on IFR issues in relation to auditing issues. The questionnaire required respondents to grade the importance of each item on a scale of 1 to 5 for content, presentation dimension and audit issues, where 5 meant that the item was extremely important, 4 as important, 3 as rarely important, 2 as not important, and 1 as not important at all.

Sample: Sample size is used to identify the population to be selected for the purpose of the research (Deviess, 2007; Creswell, 2005). In other words, the sample size plays an important part to identify the accuracy of the data involved. Thus, the level of accuracy of the research can be measured in a suitable appropriate size of the sample (Bartlett *et al.*, 2001). There are 40 audit companies in Johor Bahru, Johor. Hence, to decide the size of the population, the researcher used a range of 36 companies (Krejcie & Morgan, 1970).

Data Collection: A hundred questionnaires were distributed to the auditors, in which the process of collecting data took approximately two weeks to complete, the distribution of questionnaires was from 8 October 2012 to 15 October 2012 plus another week for the respondents to complete the questionnaire. The questionnaires were distributed randomly to the respondents by providing five sets of questionnaire to each company. In the end, only 40 sets were collected. It seemed that some respondents lacked in participation due to having no time to entertain and giving less corporation. These were the major factors that contributed to less questionnaires collected.

Response Rate: Only 40 completed questionnaires were collected which represents a response rate of 40 percent. The percentage involved are in between the percentage from the previous studies with a response rate of 43 percent (Mohd Isa, 2006), 49 percent (Mirshekary & Saudagaran, 2005), followed by other researcher response rates, 13.29 percent (Mohd Isa, 2006), 17.2 percent (Ho & Wong, 2001), 14.4 percent (Ku Ismail & Chandler, 2005), and 15.11 percent (Ali Khan, 2010). Hence, the response rate in this research is acceptable and reliable when compared to previous studies. In addition, many efforts had been taken to improve the response rate, including extending the period of answering the questionnaires for the respondents and also shortening the length of the questionnaire.

Data Analysis: After the questionnaires have been collected by the researcher, all the data were entered into computer software named Statistical Package for Social Science (SPSS) to process the raw data. The analysis of the data collected uses three steps to measure the accuracy and validity, namely Cronbach's Alpha Reliability Test, Descriptive and Frequency Analysis. Thus, the data analysis identified the result structure and interpretation about the data collected (Marshall & Rossman, 1999). In other words, data analysis is an importance tool to measure the accuracy and validity of the data to obtain the result. To measure the accuracy of the research, descriptive statistics was used in order to explore the data collected. Descriptive figure is used to examine the validity of the sample data (Heller & Greene, 2012). Mean is used to make some general information about the date collected. In this study, descriptive analysis is used to determine the important items of disclosure in the content and presentation dimensions, and audit issues. Meanwhile, standard deviation and variance give more information about the distribution of each variable. Thus, by adopting Descriptive Analysis, the major types of descriptive statistics such as frequencies, mean, variance, standard deviation, measure of control tendency, range, maximum and minimum score can be identified. Furthermore, to make the classification of mean easy to identify, the group of classification of mean from previous studies is used: greatly important for mean exceeding 4.00, moderately important for mean in the range of 3.00 to 4.00, and slightly important for mean less than 2.00 (Mirshekary & Saudagaran, 2005; Ali Khan, 2010).

4. Findings and Discussions

Table 1 below displays the demographic background details obtained from 40 respondents, which are auditor in Johor Bahru, Johor who are involved in this study. Out of 40 auditors, 10 were males 25 percent and 30 were females' respondents 75percent. In terms of age, 26 auditors are aged below 30 years old 65 percent and 14 auditors between 31 to 40 years old 35 percent. Only five auditors are diploma holders 12.5 percent while 32 respondents are degree holders 80 percent and only three auditors are master holder 7.5 percent. For the scope of their academic field, most auditors are from an accounting background 85 percent and a small amount is from accounting and finance which is only six auditors 15 percent. Meanwhile, most of the respondents have an experience in the auditing field for less than five years which are 27 people 67.5 percent, while in between five to ten years there are 10 respondents 25.2 percent, only one auditor has between 11 to 15 years 2.5 percent and only two auditors has working experience around 16 to 20 years 5.0 percent.

Table 1: Profile of Auditors (n=40)

Demographic	Item	Frequency	Percentage (%)
Gender	Male	10	25
	Female	30	75
Age	< 30 years	26	65
	31 - 40 years	14	35
Academic qualification	Diploma	5	12.5
	Degree / Professional	32	80
	Master	3	7.5
Majoring	Accounting	34	85.0
	Accounting & Finance	6	15.0
Number of years working in new organization	< 5 years	27	67.5
	5 - 10 years	10	25.2
	11 - 15 years	1	2.5
	16 - 20 years	2	5.0

Table 2 shows the amount of alpha of each dimension present. From the result, each dimension to obtain the auditors perception on IFR must score a reliability coefficient (alpha) of greater than 0.7 to be accepted as reliable in this study (Radhakrishna, 2007; Field, 2005). Overall, the alpha value in Table 2 of each dimension is consistent.

Table 2: The Level of Reliability (n=40)

Dimension	No of Item	Cronbach's Alpha
Content	97	0.973
Presentation	58	0.971
Audit issues	7	0.890

Next, to determine the importance of content dimension in Table 3, respondents were required to provide feedback on 97 items. Thus, Table 3 shows the items important in content dimension measured by the value of mean. From the result obtained, 30 items exceeded the mean value of 4.00. Meanwhile, findings showed that 90 items listed under content dimension were categorised as important item as the mean exceeded 3.50. The balance of seven items was categorised as unimportant with a mean lesser than 3.50. This showed the importance of IFR from previous studies in content dimension (Ali Khan *et al.*, 2012; Ali Khan, 2010; Ali Khan & Ismail, 2010; Ali Khan & Ismail, 2008; Ho & Kar, 2001) was used to measure the content dimension of IFR index. Thus, from the 97 disclosure index items that were presented, only 30 items were categorised as very important the mean exceeded 4.00. In addition, the ranking among the top five disclosure items to show the level of IFR for content dimension are (1) income statement of current year, (2) income statement of past years, (3) cash flow statement of current year, (4) notes to financial statement of current year, and (5) balance sheet of current year. The result are quite consistent with the previous study which stated income statement, balance sheet, cash flow statement, note to accounts and director report as the five most important items in financial reporting (Ho & Kar, 2001). Other than that, another previous research indicated the five important items in financial reporting as profit and loss account, auditor's report, balance sheet, notes to accounts and statement of cash flow (Mirshekary & Saudagaran, 2005). Moreover, a different researcher classified five important items in user's rating of the degree of credibility in financial reporting as financial statement, financial position, notes to financial statements, directors' report and auditor's report (Naser *et al.*, 2003). On the other hand, five important items in the financial reporting section are: balance sheet, notes to the account, income statement, auditor's report and cash flow statement (Alattar & Al-Khater, 2007). Meanwhile, the lowest five items to determine content dimension are: (1) past year resolutions of the Supervisory Board, (2) phone number to investor relations, (3) postal address to investor relations, (4) monthly or weekly sale or operating data, and (5) e-mail to investor relations. In summary, basically in annual report, the important part users usually analyse is profit and loss account, which classifies as income statement, followed by balance sheet and the statement of cash flows (Abdul Rahman, 2001). All the result in Table 3 is consistent with previous study.

Table 3: Auditors' Perception on the Disclosure Item for Content Dimension

Disclosure Item	Mean	Std. Dev.	Rank
Great Importance			
1 Income statement of current year	4.62	.586	1
2 Income statement of past years	4.60	.545	2
3 Cash flow statement of current year	4.60	.545	3
4 Notes to financial statements of current year	4.57	.501	4
5 Balance sheet of current year	4.57	.594	5
6 Auditor report of current year	4.55	.597	6
7 Balance sheet of past years	4.52	.599	7
8 Annual report of current year (full text)	4.50	.679	8
9 Cash flow statement of past year	4.45	.504	9
10 Statement of changes in shareholders' equity	4.45	.597	10
11 Auditor report of past years	4.42	.594	11
12 Notes to financial statements of past years	4.35	.533	12
13 Auditor signature of current year	4.30	.687	13
14 Financial Reporting Standard (FRS) basis in the current year	4.25	.707	14
15 English version of annual report	4.20	.723	15
16 Supplement or amendment to current year annual report	4.18	.594	16

17	Accounting policy	4.17	.844	17
18	Annual report of past years (full text)	4.15	.662	18
19	Changes in stockholders' equity in the current year	4.15	.736	19
20	Summary of annual report of current year	4.15	.736	20
21	Company address	4.12	.648	21
22	Auditor signature in past years report	4.12	.791	22
23	Financial ratios	4.08	.656	23
24	Analyses of main business risks	4.07	.694	24
25	Management report/analysis in current year	4.07	.730	25
26	Dividend information	4.05	.714	26
27	Current share prices	4.02	.577	27
28	Web page in English	4.02	.891	28
29	Share price performance in relation to stock market index	4.00	.784	29
30	CEO signature in the report	4.00	.847	30

Moderate Important

31	Users quickly find the financial information	3.98	.660	31
32	Sales of key products	3.98	.800	32
33	Summary of financial data over a period of at least five years	3.95	.639	33
34	Segmental reporting by line of business in current year	3.95	.639	34
35	Members of the Board of Directors	3.95	.714	35
36	Indicator for finding current information directly	3.95	.714	36
37	Half-year report of current year	3.92	.656	37
38	Summary of key ratios over a period of at least five years	3.92	.764	38
39	Shareholder information	3.90	.672	39
40	Other than English web page (such as Malay)	3.90	.744	40
41	Disclaimer	3.88	.686	41
42	Charters for the audit committee	3.88	.883	42
43	Corporate information	3.85	.580	43
44	Number of share traded	3.85	.700	44
45	Classes of shares	3.82	.594	45
46	Directors shareholding information	3.82	.747	46
47	Segmental reporting by line of business in past years	3.78	.577	47
48	Current year information can be distinguished from last year's information	3.78	.620	48
49	Projected information	3.78	.660	49
50	Share quote	3.78	.660	50
51	Information on the date of latest websites update	3.78	.733	51
52	Company's charter in the current year	3.78	.768	52
53	Annual report of current year (excerpt)	3.78	.800	53
54	Quarterly report of current year	3.78	.800	54
55	Information on intellectual capital	3.75	.630	55
56	Historical share prices	3.75	.630	56
57	Frequently Asked Question (FAQ)	3.75	.776	57
58	Specific update time for the stock/share price data	3.75	.776	58
59	Current press releases or news	3.75	.809	59
60	Link to Bursa Malaysia websites	3.75	.809	60

61	Annual report of past years (excerpt)	3.75	.840	61
62	Segmental reporting by region in current year	3.72	.679	62
63	Chairman's report	3.72	.877	63
64	Monthly share prices	3.70	.564	64
65	Indication of audited and unaudited information (half yearly and quarterly)	3.70	.723	65
66	Half-year report of past years	3.70	.648	66
67	Quarterly report of past years	3.70	.648	67
68	Annual general meetings information	3.70	.853	68
69	Recent monthly financial data	3.68	.797	69
70	Corporate social responsibility report	3.68	.797	70
71	Corporate governance principles/guidelines	3.68	.797	71
72	Segmental reporting by region in past years	3.65	.662	72
73	Information regarding a dividend reinvestment plan	3.63	.667	73
74	Current year resolutions of the Board of Directors	3.63	.807	74
75	Calendar of events of interests to investors	3.63	.807	75
76	Calendar of future financial activities	3.63	.952	76
77	Share price graphs	3.62	.740	77
78	Information on corporate strategy	3.60	.778	78
79	Current year resolutions of the Supervisory Board	3.60	.810	79
80	Code of conduct and ethics for directors, officers and employee (employer)	3.58	.813	80
81	Current year resolutions of shareholders' meeting	3.58	.874	81
82	Past year resolutions of shareholders' meeting	3.58	.874	82
83	Top 10 stockholders in current year	3.55	.677	83
84	Employee shareholding information	3.55	.749	84
85	Listing of analysts following the firm	3.55	.749	85
86	Option provided to register for future email alerts regarding press releases, newsletters, etc.	3.53	.640	86
87	Charters of others committees	3.53	.751	87
88	Information of third party opinion about company	3.50	.679	88
89	Glossaries	3.50	.641	89
90	Past year resolutions of the Board of Directors	3.50	.847	90
91	Information about managers, at least the identity and curriculum vitae of executives	3.43	.712	91
92	Text of speeches and presentations	3.40	.709	92
93	Past year resolutions of the Supervisory Board	3.40	.810	93
94	Phone number to investor relations	3.40	1.033	94
95	Postal address to investor relations	3.32	.917	95
96	Monthly or weekly sale or operating data	3.25	.840	96
97	E-mail to investor relations	3.15	.834	97

(1 = not important at all; 5 = very important)

Meanwhile, Table 4 shows items important in presentation dimension based on the mean value. The findings show that 52 out of 58 items exceeded the mean value of 3.50 and this shows the importance of IFR similar to previous studies in content dimension (Ali Khan *et al.*, 2012; Ali Khan, 2010; Ali Khan & Ismail, 2010; Ali Khan & Ismail, 2008; Ho & Kar, 2001). Furthermore, 15 items were categorised as very important by exceeding 4.00 of the level of index presentation dimension. Meanwhile, six items were categorised as unimportant with a mean lesser than 3.50. The top five IFR disclosure items for presentation dimension are: (1) loading time of

the website below 10 seconds, (2) annual report in PDF format, (3) hyperlinks inside the annual report, (4) ability to download reports, and (5) hyperlinks to financial analysts; while, the lowest five items in presentation dimension are: (1) use of frames, (2) video files,(3) chat room, (4) flashes, and (5) sound files. Previous studies indicated that the reasons an increasing number of users are dissatisfied in regards to financial reporting are that it is not updated in the current year which will put delay in publishing the financial report and it lacks access to adequate information (Mirshekary & Saudagaran, 2005; Joshi & Modhahki, 2003; Naser *et al.*, 2003; Ho & Kar, 2001). Therefore, using PDF, which is an Acrobat format, makes it easier for users to obtain information in IFR, consequently making it an attractive medium when accessing financial reports on the web browser, search engine, or hyperlinks (Lymer & Debreceny, 2003; Ho & Kar, 2001). Another way IFR should be attractive for users is that the ability to search the content of the report by using keywords would improve the accessibility of the information download that results in more equitable information dissemination (Fisher *et al.*, 2004; Oyelere *et al.*, 2003; Fisher *et al.*, 2000). In short, the findings on the presentation dimension are quite consistent with the previous researches in this field of study.

Table 4: Auditors' Perception on the Disclosure Item for Presentation Dimension

Disclosure Item	Mean	Std. Dev.	Rank
Great importance			
1 Loading time of the website below 10 seconds	4.32	.616	1
2 Annual report in PDF format	4.32	.616	2
3 Hyperlinks inside the annual report	4.18	.712	3
4 Ability to download reports	4.12	.607	4
5 Hyperlinks to financial analysts	4.10	.709	5
6 Link to table of contents	4.08	.474	6
7 Link to homepage	4.08	.572	7
8 There are investment calculators available (e.g. investment return or dividend calculator)	4.07	.730	8
9 Internal search engine	4.05	.552	9
10 Help information/site	4.05	.783	10
11 Users can download the full annual reports in sections	4.05	.846	11
12 Financial information can be viewed in more than one currency (UK£ & US\$)	4.05	.904	12
13 Table of content/sitemap	4.02	.620	13
14 Financial data in processable format (such as Excel)	4.02	.768	14
15 Use of presentation slides	4.00	.716	15
Moderate Important			
16 Link to top homepage	3.95	.552	16
17 Annual report in HTML format	3.93	.797	17
18 Next/previous bottoms to navigate sequentially	3.90	.545	18
19 Users can compare and analyse comparative stock or other performance on the same screen	3.90	.841	19
20 Menu click over	3.85	.662	20
21 Menu pull-down	3.85	.662	21
22 One click to get to investors relations information	3.85	.700	22
23 Format of reports suitable for calculations	3.85	.802	23
24 Change to printing friendly format possible	3.82	.675	24
25 Hyperlinks texts	3.82	.712	25
26 Clear boundaries for annual reports	3.80	.648	26
27 Online feedback	3.80	.687	27

28	Online shareholder services available (e.g. change address, dividend paid directly into account)	3.80	.966	28
29	Annual report in multiple file format	3.78	.862	29
30	Use of multimedia technology (in general)	3.78	.768	30
31	Users can download the financial information in more than one type of format	3.78	.920	31
32	Hyperlinks to data on a third-party's website	3.75	.707	32
33	Direct e-mail hyperlinks to investor relations	3.75	.707	33
34	Direct e-mail contacts (feedback) available	3.75	.742	34
35	Content can be viewed in different browsers (Internet Explorer and Netscape)	3.72	.640	35
36	Download plug-in on spot	3.72	.679	36
37	One click to get to press releases or news	3.70	.648	37
38	External links to related content	3.70	.723	38
39	Online investor information order service	3.68	.730	39
40	User can subscribe to public announcement via e-mail	3.68	.797	40
41	There is information concerning technical devices (formats, size of downloads)	3.68	.829	41
42	Moving picture such as JAVA applications	3.68	.944	42
43	Annual meeting	3.65	.736	43
44	Notice book	3.63	.628	44
45	Mail listings	3.60	.672	45
46	Function to recommend the page	3.60	.709	46
47	Users have a choice of download (black and white or full colour)	3.58	.931	47
48	Technical hints for the user (browsers, screen resolution)	3.57	.813	48
49	Contact to the webmaster	3.55	.749	49
50	E-mail alerts	3.55	.749	50
51	Service to change data in the Share register online	3.50	.784	51
52	Conferences	3.50	.816	52
53	Graphic images	3.37	.838	53
54	Use of frames	3.35	.802	54
55	Video files	3.35	.893	55
56	Chat room	3.28	.877	56
57	Flashes	3.18	.844	57
58	Sound files	3.18	.984	58

(1 = not important at all; 5 = very important)

As a conclusion, based on the auditors' views and feedback, a number of 90 out of 97 items were identified as the basis for IFR index measurement for content dimension. On the other hand, 52 out of 58 items were identified as the basis for IFR index measurement for presentation dimension. The overall findings indicate that a total of 142 items out of 155 items were identified as the basic measurement to evaluate the level of IFR for Bursa Malaysia's listed companies. Therefore, the minimum total score of 3.50 is similar to previous studies (Ali Khan *et al.*, 2012; Ali Khan, 2010; Ali Khan & Ismail, 2010; Ali Khan & Ismail, 2008; Ho & Kar, 2001).

5. Conclusion and Research Implication

The aim of this study is to explore the perception of auditors in Malaysia on the important of items of content and presentation dimension in indices of IFR. The findings showed that the five most important items of disclosure for content dimension are income statement of current year, income statement of past years, cash

flow statement of current year, notes to financial statement of current years and balance sheet of current year. Secondly, auditors ranked their perception on the importance of five most important items for presentation dimension as loading time of the website below ten seconds, annual report in PDF format, hyperlinks inside the annual report, ability to download reports and hyperlinks to financial analysts. As a conclusion, based on the auditors' views and feedback, a number of 90 out of 97 items were identified as the basis for IFR index measurement for content dimension. On the other hand, 52 out of 58 items were identified as the basis for IFR index measurement for presentation dimension. The overall findings indicated that a total of 142 items out of 155 items were identified as the basic measurement to evaluate the level of IFR for Bursa Malaysia listed companies (Ali Khan *et al.*, 2012; Ali Khan, 2010; Ali Khan & Ismail, 2010; Ali Khan & Ismail, 2008; Ho & Kar, 2001). Furthermore, three items important for audit issues as perceived by auditors are the conversion or transposition process involved in publishing information on the internet is susceptible to error, information on the internet is exposed to accessibility and modification by unauthorised users both external and internal to the reporting entity, and information on the internet has the potential to be very fluid.

This study is being conducted in order to evaluate the important of IFR in terms of content and presentation dimension presented in order to know the level of index disclosure of financial reporting in IFR. The result of the study is contributed to the understanding among users in order to obtain information regarding the important items on IFR and also as information to list items in Bursa Malaysia to identify the important items in IFR for user's information. Based on the literature review, there are limited efforts from the previous studies regarding analysing the need of item checklist for annual report such as the content and presentation dimensions present in this field of study. Within the limited knowledge of the researchers, some of the previous studies only highlighted the content of annual report but did not take into consideration the needs of users in financial reporting such as presentation dimension as in this study, which brings to the effectiveness of using IFR as an attraction for users to obtain information. Moreover, there are limited efforts to study in detail the contribution on auditor by which IFR can create unique opportunities, challenges and implications for the auditing profession, or in other words, not simplifying the needs of auditors and the ways to minimise the problems that occur. Thus, the result of this study is important because it seeks to contribute to the empirical evidence of the items needed in content and presentation dimensions, which are present in Bursa Malaysia. There are no actions from the professional body issuing a formal standard of IFR (Fisher *et al.*, 2004). In other words, no standardisation is written to improve the quality of IFR to make it more attractive and useful towards users. Hence, the result gained from the study acts as a guideline for preparers of financial reports to take action for continuous improvement and to minimise past mistakes to be repeated such as security problems and high degree of data manipulation. On the other hand, as discusses before, the implementation of IFR has contributed to the benefit of users but there are some limitations that should be minimised. Therefore, this paper provides important insights on item disclosure of IFR from the perspective of auditors in financial reporting which were not specifically highlighted by previous studies.

From the result of this study, there are some limitations, where this study should have been conducted with more time and more respondents so that perhaps a different result may be achieved to measure higher potential on accuracy of data. In addition, the scope of the study is only focused in Johor Bahru, Johor due to the time constraint of this study. Most of the respondents came from the auditors group, which is part of the users of financial reporting. Hence, the result of this study might not produce comprehensive result as they were only for auditors and not the variety of user of financial reporting such as accountant, manager, academician, student, tax officer, bank officer, investor, potential investor, etc. There was also less participation in answering the set of questionnaires due to time constraints on respondents and less effort to fill up the questionnaire. Implementation has brought dissatisfaction towards the users of financial reporting. Furthermore, it may also affect the perception of auditors on IFR, which are the main users of financial reporting. There are several suggestions provided by the researcher, mainly based on the limitation of the study. I hope that further research can be carried out involving a larger sample size. Besides that, the research can also be expanded to other states in Malaysia to obtain more perception and feedback. In addition, by extending the duration of collecting the questionnaire, it enables respondents to spend more time to answer the set of questionnaire. There may also be other research procedures that can be used such as email or interview to obtain more feedback on IFR. Further research can be carried out not only focusing on the auditors, but other users of financial reporting as well as those who study in detail about the audit issues in IFR. To make it more interesting, future researchers can make comparison between preparers and users'

perception on the IFR issues and for the evaluation of perception, they should address the varying opinion among these groups. In addition, future research can be carried out to investigate the contributions of IFR in creating unique opportunities, challenges and implications for the auditing profession. Lastly, it can obtain feedback from the professional bodies regarding auditing issues in IFR.

Acknowledgement: The financial support for the authors' research from Ministry of Higher Education (MOHE), Malaysia and Research Management Center (RMC), Universiti Teknologi Malaysia, Johor Bahru, Johor, Malaysia vote no. Q.130000.2629.07J40 by Research University Grant (RUG) also appreciated.

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