

## Mandatory Financial Disclosure Harmonisation of Local Governments in Peninsular Malaysia

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### Abstract

Harmonisation in accounting refers to either disclosure or measurement harmonisation where two financial reports are comparable in terms of one specific event, if under the same circumstances, this event is accounted for the same way in both reports. This study focuses on the actual reporting practices, i.e. disclosure harmonisation, rather than measurement harmonisation. Since one of the characteristics of public sector accounting among the local governments in Malaysia is lack of harmonisation in financial disclosure, therefore the objective of this study are to examine the extent of mandatory financial disclosure harmonisation of local governments in Peninsular Malaysia. Annual reports from 76 local governments in Peninsular Malaysia for the financial year ended 2008 were scrutinised. Each local government was rated based on the Mandatory Financial Disclosure Harmonisation Index (MFDHI) and scoring procedure. Seventy one items (divided into seven sections) were included in the MFDHI, and this requirement is in accordance with the Local Government Act 1971, FTC No. 4/2007 and FRS. The study shows that the level of mandatory financial disclosure harmonisation (MFDH) by local governments in Peninsular Malaysia is high, i.e. 79.62 percent. The result of this study supports the stewardship theory as it is able to explain the objective of a mandatory financial statement to provide useful information to assess management's stewardship. This is reflective of the expected relationship between the public and the local governments in managing their resources efficiently and effectively so as to discharge their accountability through harmonised financial statements.

**Keywords:** Mandatory Financial Disclosure Harmonisation, Local Government, Harmonisation, Mandatory Financial Disclosure Harmonisation Index