

The Implementation Of Accrual Accounting In The Malaysian Public Sector: Issues And Strategies From The Implementer Point Of View

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<https://doi.org/10.58458/ipnj.v04.01.03.0034>

ABSTRACT

Like any other reform, implementation of accrual accounting in the public sector will be challenging. To prepare for eventual adoption of accrual accounting, there must be change in management where the structured approach for organization change is supposed to take place. This paper examines the issues and strategies faced by the entity entrusted to be responsible to implement the accrual accounting in the public sector. To advocate the research issue, a qualitative method is utilized whereby data was collected through semi-structured interviews and document reviews. The findings showed that the main challenge faced by the implementer is to equip the employees with sufficient knowledge and skills in handling new sets of accounting systems and information. Besides that, issue in choosing the right accounting evaluation and recognition standards has slowed down the speed of the transition. The preliminary findings also revealed that software customization,

systems familiarization and lack of equipment have hindered the migration process. To resolve these issues, the implementer has utilized several strategies. Training program, systems synchronization, standards harmonization, and engagement with other stakeholders are among the strategies taken in corresponding with the issues raised.

Keywords: Public Sector Accounting, Accrual Accounting, Malaysia

INTRODUCTION

Migration from cash accounting to accrual accounting has been stipulated as one of the policy measures in the New Economic Model (NEM)¹ as a mean to improve decision-making processes and strengthen public finance management of Malaysian public sector (Raja Abdullah, 2010). According to Datuk Wan Selamah, Accountant General of Malaysia, this will put the public sector of Malaysia in line with developed countries. On 11th May 2011, the Prime Minister of Malaysia mandated the implementation of accrual accounting by 2015 (Pasukan Pelaksanaan Perakaunan Akruan [PPPA], 2013a). The implementation of accrual accounting will contribute to a more prudent fiscal management and can enhance the effectiveness of the financial management of the public sector (Accountant General's Department of Malaysia, 2013).

¹ New Economic Model (NEM) outlining strategies to transform Malaysia to become a high-income country. The goal of NEM is for Malaysia to be a developed country, whose people enjoy high quality of life with high level of income resulting from growth that is both inclusive and sustainable by 2020 (National Economic Advisory Council, 2010). To achieve the goals of NEM, there are 8 Strategic Reform Initiatives (SRIs) outlined in the Economic Transformation Programme (ETP) which include strengthening public sector (Raja Abdullah, 2010).

All federal ministries and departments will be moving to accrual in 2015 and will be closely followed by the state governments in 2016 (International Public Sector Accounting Standards Board [IPSASB], 2013). IPSASB has identified four main areas to be focused on for the success of implementation of accrual accounting namely policies and standards, laws and regulations, process and technology and human resources. Subsequently, PricewaterhouseCoopers (PwC) was appointed to be the service provider (SP) for the implementation of accrual accounting activities (PPPA, 2013b).

The scope of services is include data collection for assets and liabilities, preparation of accrual accounting manual, proposed and implement change management plan, and implementation of data collection training and accrual accounting manual training (Accountant General's Department, 2013).

The journey towards accrual accounting has been challenging where commitment, full support and cooperation from everyone is needed to make this transition meet its objectives. Despite all the efforts put in place, the transition of management styles has always cause turbulence within the organization. The turbulence manifested thru internal and external issues that might be hampered the flow of transition. On the one hand, internal issue that rooted within the organization such as low level of employee's knowledge and skills in handling new set of accounting practice has always become a central problem that hinder the process of change. On the other hand, external issue that originated from uncontrollable forces, for instance, changes in international accounting standards and

techniques might pull down the speed of change in implementing new set of accounting practice. Hence, identifying the origin of the issues is crucially important in addressing the exit strategies. Meanwhile, the strategies formed should imperatively justified and appropriately address the issues.

Thus, a preliminary research study had been conducted to identify what are the issues faced by the policy executer in implementing accrual accounting in Malaysia and how the strategies employed able to suppress the emerging issues. This paper reveals the importance of the research context in understanding the issues and strategies of a policy initiative such as this. Implicitly, this paper explores the potential for conflict when management change took place, particularly from the discretion of the implementers in their interpretation of the issues and the strategies taken to counter the issues.

The preliminary findings in this study show that the main issue that disrupted the flow of transition is how the implementer ensures the level of knowledge and skills of the employees are sufficiently equipped to handle the new set of accounting regulation and information. The readiness of accounting information systems applications such as the software customization, systems familiarization and lack of equipment has a significant impact on the systems migration process. Besides that, issue in choosing the right accounting evaluation and recognition standards has slowing down the speed of the transition. To combat these issues, the implementer has prepared various strategies. Such as, training program, systems synchronization, standards harmonization, and engagement with other stakeholders are among the

strategies taken by the implementer in corresponding with the issues raised.

This paper starts with the revision of previous literature reviews about accrual accounting and the issues surround the development and implementation of accrual accounting in several countries. Then follow with findings and discussion and ended with conclusion.

LITERATURE REVIEW

A new concept called New Public Management (NPM) that addresses the needs of efficiency, effectiveness, transparency and accountability of public sector (Pollitt, 1993, cited in Sevic, 2006; Guthrie, 1998; Ron and Mellet, 2003; Nistor et al., 2009) has become a worldwide trend where accrual accounting is one of the reforms (Barton, 2005). One of the reforms under NPM is adoption of accrual accounting which is believed to be able to provide more information for decision makers, lead to a better decision making (Conolly and Hyndman, 2010) and to enhance efficiency, effectiveness, transparency and accountability (Guthrie, 1998; Chan, 2003; Ron and Mellet, 2003; Barton, 2005; Nistor et al., 2009; Monteiro and Gomes, 2013).

The movement from cash accounting to accrual accounting benefits the governments by providing better information such as information on how the resources controlled by an entity, the cost of providing goods and services, enhanced cash flow information and other financial information for assessing financial position of an entity (Arnaboldi and Lapsley, 2009; Lapsley et al., 2009). Relevance financial data which is

not provided by cash accounting provides a better overview of the government's financial activities and financial position (Rowles, 2004; Sevic, 2006; Nesbakk, 2011). Accrual accounting information allows better decision making by ensuring public resources to be used in a more efficient and economically manner and improve communication with stakeholders (Sevic, 2006; Lapsley et al., 2009). Furthermore, accrual accounting information also enhances comparability across government agencies, sectors and countries (Nesbakk, 2011; IFAC, 2014).

Moreover, the pressure to shift from cash accounting to accrual accounting came from the greater demand for accountability in public sector (Chan, 2003). Accountability means answerability (Siddique, 2005). It refers to government officials being held accountable or responsible for their actions and performance for their stewardship of both financial and capital assets (Chan, 2003). Growing public concern over the performance of a government has provided the impetus for a 'clean and efficient' government movement in the early 1980s (Siddique, 2005). Accrual accounting information provides better decision making for public sector agencies because the costs or revenues are better understood. This contributes to more informed policy choices, stronger performance and a more comprehensive basis of accountability (McPhee, 2006).

Over the years, a number of governments have successfully implemented accrual accounting. The earliest countries that had in view of the change were New Zealand and Australia.(Guthrie, 1998; Marti, 2006; Pina and Torres, 2003, cited in Tiron Tudor and Mutiu, 2006; Deaconu, 2010). The shift

from cash accounting to accrual accounting was initially proposed in Australia and New Zealand in 1980s (Funnell and Cooper, 1998; Pallot, 2002, cited in Arnaboldi and Lapsley, 2009). New Zealand became the first country to produce Whole of Government financial statements on a full accrual basis in 1992 (Marti, 2006). New Zealand implemented accrual accounting comprehensively compared to other countries (Tiron Tudor and Mutiu, 2006) and became one of the countries that produce the most extensive set of accrual accounting disclosures (Pina and Torres, 2003, cited in Tiron Tudor and Mutiu, 2006; Nistor et al., 2009).

Soon, this reform was followed by another countries such as United Kingdom, United States of America, Netherlands, Romania, Brazil, Sweden and many more (Saleh & Pendlebury, 2006; Gomes, 2013). Meanwhile, Malaysian government introduced New Economic Model (NEM) in 2010 which outlined the strategies to transform Malaysia to become a developed country and accrual accounting is one of the policy measures to improve decision-making processes and strengthen public finance management of Malaysian public sector (Raja Abdullah, 2010). Malaysia is targeting the adoption of accrual accounting by 1 January 2015 (Gomes, 2013) and will be closely followed by the state governments in 2016 (International Public Sector Accounting Standards Board [IPSASB], 2013).

In United Kingdom (UK), the change to accrual accounting took place in 2001/2002 (Marti, 2006). Accrual accounting and reporting was implemented in UK executive agencies and subsequently become the key element in their budgeting systems (Khan and Meyes, 2009). UK became the

first country to include local authorities and the National Health Service trust in the Whole of Government Accounts (WGA) (Marti, 2006). It was then followed by other governments such as Sweden, Spain, France, Netherlands, Brazil, Romania and many more. Subsequently, the Federal Government of Malaysia is set to adopt full accrual-based accounting for financial reporting by 1 January 2015 (Gomes, 2013).

Besides the benefits gained from implementing accrual accounting in the public sector agencies, the adoption of accrual accounting has always become a debatable subject on what are the real issues that hinder the process of implementing accrual accounting in public sector agencies. One of the major issues is the recognition and valuation of assets and liabilities (Hodges and Mellett, 2003; Chan, 2003; Marti, 2006; Saleh and Pendlebury, 2006; Lapsley et al., 2009). For example, it is hard to identify and measure heritage assets such as monuments and national parks; infrastructure assets such as roads; and military equipments. It is argued that assets such as public monuments should actually be regarded as liabilities because these assets are the subject of cash flows rather than inflows (Robert Mautz, 1988, cited in Lapsley et al., 2009; Monteiro and Gomes, 2013).

Furthermore, there are no agreed standards for recognition and valuation of those assets and liabilities (Tiron Tudor and Mutiu, 2006). However, the UK government has come out with applicable strategy by suggested that the value of the insurance premium on the asset in question to be used. The UK government also solved the issue by determining a nominal value for non-

operating assets that were already owned while evaluating new acquisitions at their purchase price (Diamond, 2006, cited in Monteiro and Gomes, 2013).

The other issue is in regard to the internal issue which is staffing or human competency. Generally, most of employees who were familiar and used to cash basis accounting have a high tendency to resist in practicing a new set of accounting systems (Nistor et al., 2009). Previous studies suggested that a cultural change is a paramount strategy in order to increase the success in implementing accrual accounting (Monteiro and Gomes, 2013). This is noted in Monteiro and Gomez (2013) findings, they have found that among the countries adopted accrual accounting, they are able to accommodate the resistance to change by gradually change the employees' negative perception towards accrual accounting practices.

Moreover, to entice the right attitude of employees' in accepting changes, several others strategies can be put in practices. Among them, re-education and retraining of staff are needed to support the change (Gomes, 2013). Gomes (2013) suggested that by having a better communication and technology like e-learning, it could level up the employees' skills and knowledge about accrual accounting. Consequently, it will be able to reduce the employees' agitation towards embracing new practices and it will increase the level of success of practicing new accounting systems. However, the costs of implementation will be much higher and the efficiency of the new public sector system is still in question (Nistor et al., 2009). The costs and benefits of the change are not necessarily well understood where it can result to an enormous wasted

investment and a risk of losing financial control (Hepworth, 2003; Nesbakk, 2011).

In Malaysian context, the existence of conflicting systems, which is maintaining cash budgeting after the introduction of accrual accounting had caused a compatibility problem between the accounting information and budgetary documents. This is due to the conflicting goals of the accrual and cash regimes (Gomes, 2013; Monteiro and Gomes, 2013). To solve this issue, the Malaysian government has introduced 1GFMAS system in their strategic plan for 2015 accrual accounting implementation. This integrated accounting system will have the capability of maintaining two ledgers, namely, the cash ledger and accrual ledger to keep track of both accrual and cash transactions (Gomes, 2013).

However, the implementation of accrual accounting is not fully commenced yet. Thus, less empirical studies have been done in exploring the subjects related with implementation of accrual accounting in Malaysia. Most of the studies related to accrual accounting in Malaysia focusing on the subject of accounting techniques and standards development issued by Pasukan Pelaksanaan Perakaunan Akruan [PPPA] (see also (Pasukan Pelaksanaan Perakaunan Akruan [PPPA], 2013a)).

Therefore, this research might be able to provide empirical insights in understanding the real issues that related with the implementation of accrual accounting in Malaysia.

METHODOLOGY

In this research, a qualitative approach is considered as an appropriate method to investigate the research issues of this study. The aim for this research is to understand what are the issues faced by the Malaysian government while implementing accrual accounting, and how the strategies employed able to suppress the emerging issues. Thus, the process of “how” is unable to be solved only by searching on the surface, as Gillham (2000) commented, it needs “to get under the skin” of the organization to know what is really happening, and the informal reality which can only perceived from the inside. To view the reality from the inside, the researcher needs to see it from the perspective of those involved.

This approach requires data from various sources such as semi-structured and unstructured interviews, informal conversation, observation, review of internal documents, published reports or statements, and press releases (Yin, 2003). Several data collections strategies such as interviews and documentation reviews have enabled triangulation of the data and this provides a better understanding of the organization as a whole.

To advocate the research issue, Jabatan Akauntan Negara Malaysia (JANM) or General Accountant’s Department was chosen as a subject of study due to its role as the primary government agency that directly involved in the implementation of accrual accounting in Malaysia. In ensuring the implementation process smoothly as it’s planning, JANM has established Accrual Accounting Implementation Team (PPPA) to develop and implement Federal

Government Accrual Accounting System in 2015 (PPPA, 2013a).

Since this research is a preliminary research, only two key officers were interviewed to capture the essential evidence of the main issues. One of them is a Deputy Director of Accountancy Development section at Accounting General Department. Meanwhile, the other interviewee is a Head of Assistant Director of Change Management section. Both of them are the key officers that directly in-charged for the implementation of accrual accounting in Malaysia.

The research used semi-structured interviews since the method give a comprehensive idea or concept about the subject of inquiry. The main reference used to structure the main interview questions are derived from the accrual accounting strategic implementation plan promulgated by the Accounting General Department. The strategic plan was used as a basic instrument in order to validate whether it’s workable or not, and if it was not workable, what are the main issues that hinder the process of executing the plan. The interview was conducted in April 2014 with one to one meeting session and the interview was conducted in English as the main medium of communication. The interview lasted about one to one and a half hours. In analyzing the data, the interview was transcribed and coded into thematic style of analysis.

FINDINGS AND DISCUSSION

From the analysis, two main themes have been identified in explaining the research issues. The issues that related with the

obstacle that hinder the implementation process of accrual accounting is divided into two, the internal issue and external issue. The internal issues are originated from what is happening within the organization. Contrary, the external issues are resembled from any related forces that occurred beyond the control of the organization. This finding section starts with discussing the internal and external issues that caused the government problems in implementing their plans. Subsequently, the issues discussed are espoused with the explanation of what are the strategies deployed by the government in solving the issues raised.

The issues and strategies in implementing accrual accounting

Issues and challenges are inevitable wherever change is instituted (Gomes, 2013). Despite the fact that many countries have moved to accrual accounting, objections and arguments continued to be raised by critics. One of the issues is accrual accounting is difficult to implement especially when bottom up approach is taken as it is difficult to push the political master from below (Ouda, 2013). According to Deputy Director of Accountancy Development Section, Accountant General's Department (AGD), the recommendation of accrual accounting to be implemented in Malaysia has been proposed around 20 years ago but the attempts failed. The implementation of accrual accounting was made possible by the support from the Prime Minister of Malaysia after he announced the NEM (Raja Abdullah, 2010). This is supported by the Deputy Director of Accountancy Development Section, AGD as following comment:

We have been trying to implement accrual accounting earlier on but it has not been successful in the sense that earlier on, we tried to bottom up the policy. From below, we have to push the political master which is very difficult. In fact, twice attempts were made. The first attempt was around 20 years ago, especially after New Zealand and Australia who had already implemented accrual accounting. There was an initiative where we visited all these countries who have implemented accrual accounting to explore the possibilities whether it is possible to implement it in Malaysia. The initiative was not successful. So, this would be the third attempt and it is successful in the sense that the policy is from the top down. The top down approach is easier where you do not have to convince them already.

Moreover, one of the major issues being discussed is the standards and procedures of valuation and recognition of assets (Mellett, 1997; Chan, 2003; Marti, 2006; Saleh and Pendlebury, 2006; Lapsley et al., 2009; Monteiro and Gomes, 2013). It is difficult to identify and value heritage assets such as art and museum collections, public monuments, and national parks where the acquisition cost of these assets is unknown (Saleh and Pendlebury, 2006; Lapsley et al., 2009). Malaysia is no exception to this where it is supported by the Deputy Director of Accountancy Development Section, AGD, as the following:

One thing is the difficulty of the records and cost information. A lot of

assets don't have cost information. For lands and buildings, we will send it to the Valuation and Property Services Department for valuation.

In addition, there is no universally agreed approach on valuation of assets (Tiron Tudor and Mutiu, 2006). As a result, governments need to develop their own standards in those areas. Malaysia has also made a modification of international standards so it can be fitted and relevance with the Malaysian context, as mentioned below:

We are following International Public Sector Accounting Standard (IPSAS). There are 32 of them. Out of 32, we are going to adopt 30 standards and it will be converted as Malaysian Public Sector Accounting Standards (MPSAS). All of this IPSAS, if there is anything that we cannot follow, we will amend it. We got the approval from the IPSAS Board.

(Deputy Director of Accountancy
Development Section, AGD)

Another challenge in implementation of accrual accounting is the employees (Guthrie, 1998; Gomes, 2013). A cultural change of the employees is needed to ensure success in transition to accrual accounting (Monteiro & Gomes, 2013). All employees who need to move from cash accounting to accrual accounting may resist to change (Nistor et al., 2009); especially senior employees. As per Malaysia experienced;

We already experienced resistance of change especially from senior staff in state level when we implemented Government Financial Management and Accounting System (GFMAS)

(Head of Assistant Director of Change
Management Section, AGD)

Furthermore, the agitation towards the new system also poses a challenge for the conversion to accrual accounting. This statement is further explained by the Head of Assistant Director of Change Management Section, AGD with the following comment:

The employees are apprehensive of this change, but we are trying to emphasize that this is not a significant change. They are more concerned with the issues that will directly affect themselves such as if their workloads will increase and if the new system is difficult to use and many more.

Overall, there are some concerns raised by the employees such as how the new system will affect them and how will the new system works. To make the conversion smoother, Innovation Associates Group System Integrator has been appointed to develop 1Government Financial Management Accounting System (1GFMAS) (PPPA, 2013b) where they are making the new system more user-friendly, as illustrated in the following comment:

*As told by the system integrator/
system developer, the new system*

will be made similar to the current system to make the end users feel more familiar with the modules in SAP. The new system interface will be similar with the current system interface.

(Head of Assistant Director of Change Management Section, AGD)

Subsequently, the Deputy Director of Accountancy Development Section, AGD mentioned that the level of knowledge and skills of the employees also plays a significant role in ensuring the success of accrual accounting implementation. This poses a threat where the employees need to know the basic of the accrual accounting and the new system. To reduce this threat, training programmes have been conducted to help the employees for this transition (AGD, 2014). Few workshops such as IPSAS workshops and MPSAS workshops have been conducted to facilitate learning along with user training on the system (PPPA, 2013). System training consists of training of trainers (TOT) and end user training (EUT) (PPPA, 2013). 1,000 trainers are appointed to be trained under TOT programme where it will be conducted in phases and hands-on training. This is further elaborated by the Head of Assistant Director of Change Management Section, AGD:

We will split the modules. For example, 300 trainers will concentrate on finance and controlling (FICO) module, another 300 trainers will focus on material management module and the remaining trainers will focus on human capital management (HCM) module. They won't be trained on all modules...

It is a challenge to train the trainers. However, it will be a bigger challenge for the trainers to train the end users as this is something new for them. Because of that, we are trying to minimize the chain management. As I mentioned earlier, we will not teach them all modules in the system.

Thus, the 1,000 trainers will then need to train the end users under EUT programme which is expected to be conducted in August 2014 and expected to be finished by early December. In addition, AGD has engaged the Institut Tadbiran Awam Negara (INTAN) (National Institute of Public Administration) to give an online IPSAS course to enable public sector employees to attend the course online. Apart from that, to reduce the worries of the employees, it is important to address the target group carefully where training syllabus must be appropriate and effective. Through dialogue sessions conducted by AGD, concerns raised by employees are gathered to facilitate the delivery of the system, as explained by the Head of Assistant Director of Change Management Section, AGD in the following comment:

Apart from doing surveys, we have conducted dialogue sessions where we asked every ministry to send a representative from responsibility centers to discuss what are the problems or their concerns towards this change. One of the concerns raised by them was training. As our system is still in development phase, we cannot conduct the training yet.

Above all, the readiness of the employees is crucial for this reform to be a success. Their attitude and willingness towards the change are important as stated by the Deputy Director of Accountancy Development Section, AGD:

The second important thing is the readiness of the staff. Attitude of the staff and the willingness of them to move are very important. If they have the knowledge but do not want to accept the change, it will cause a big problem.

As a mean to increase the readiness of the staff, awareness programmes were carried out since 2011 to encourage the public sector employees to gain a better understanding on accrual accounting and the new system, 1GFMAS. This is elaborated by the Head of Assistant Director of Change Management Section, AGD in the following comment:

The awareness programme for introduction of accrual accounting has started back in 2011. The trainers involved were around 100 trainers...

Awareness programmes have been conducted to instill a better understanding of accrual accounting where meetings with the 1,000 trainers will be conducted around the country starting on the 21st of April. We have 10 series where they will be brief on the overview of 1GFMAS. We will give them information on the current processes and future processes. This is a very important part. For example, we will tell them the procedure to release

a voucher with the current system and compare it with the procedure in the new system later.

Apart from that, the issue of readiness also extends to the stakeholders. Their readiness also plays an important role where stakeholders such as the auditors will involve directly with the change from cash accounting to accrual accounting (Blondal, 2003). If the auditors are not ready, they will not be able to catch up and thus, hinder the success of the accrual accounting implementation. Hence, an agreement between the implementer and the auditors are achieved as commented by the Deputy of Accountancy Development Section, AGD:

Definitely we have a session with National Audit Department (NAD) and we get them involved in setting the accounting standards like determining the opening balance of assets and liabilities. We make sure that they agree to our matter, transitional approach. We are not going to take in all assets and liabilities in one go. This is the approach engagement with the auditors and it is one of the critical success methods.

Additionally, another challenge in the adoption of accrual accounting is system or technology (Guthrie, 1998; Blondal, 2003). The major problem associated with system or technology is time constraint. In order for the implementation of accrual accounting to take place, the new system based on accrual basis should be completed to facilitate the transition and hence, the training can be conducted. This is both supported by the following comments:

The new accrue based system is called 1GFMAS. We outsourced to Innovation Associates Group System Integrator (IA) to develop the new system. They are our system integrator (SI). The system is in the midst of development, which is a bit delayed. We are hoping we can catch up.

(Deputy Director of Accountancy
Development Section, AGD)

We are taking a big bang approach. We know that we have time constraint where we only have around 4 to 5 more months to conduct the training. We were hoping to finish the training before December as December is a peak period. However during the meeting yesterday, we can only finish the training by 5 December.

(Head of Assistant Director of Change
Management Section, AGD)

Next, there is also a challenge to obtain training facilities such as computer labs. Since the training will be conducted in classes, computers are needed where the trainers will be able to have direct practical experience in operating the new system. Apart from that, there are concerns about the security of the system. The main criticism of cash accounting is it can easily be manipulated whereby, this criticism can also be pointed to accrual accounting where it offers a greater scope for manipulation (Hepworth, 2003; Nesbakk, 2011; Monteiro & Gomes, 2013). To reduce this threat, 1GFMAS is designed with controls such as further explained in the following comments:

Data manipulation is not just an issue that affects accrual system, but it also affects cash system. However, there is system log and audit trail for the new system. If you enter the system, it will be recorded in the system log. There is authorization control. Hence, with the existence of audit trail, it should minimize the threat of manipulation.

(Deputy Director of Accountancy
Development Section, AGD)

Anything can be traced in the system since we are using user ID. For example, we can even trace which employees who printed out reports through audit trail.

(Head of Assistant Director of Change
Management Section, AGD)

Finally, there are some issues with customization of modules and consolidation. 1GFMAS is using the standard SAP but some of the modules are customized. Modification and customization of modules will take time as mentioned by the Head of Assistant Director of Change Management Section, AGD. As for now, Malaysian government is using different accounting system such as Government Financial Management Accounting System (GFMAS) and Budget Planning and Control System Electronic or familiarly known as Sistem Perancangan dan Kawalan Belanjawan Elektronik (eSPKB) (PPPA, 2013) which is difficult to consolidate. As a result, to make consolidation easier, 1GFMAS will be used by every department and responsibility

centers, as explained by the Head of Assistant Director of Change Management Section, AGD:

Now our accounting offices are using GFMAS while responsibilities centers are using eSPKB. We will use 1GFMAS as we want to make it centralized with one data management system for all.

SUMMARY AND CONCLUSION

To conclude, it is undeniable that the adoption of accrual accounting possesses some issues and challenges in implementing it to the public sector. In this research, the researcher assumes that there are internal and external issues that hinder the process of implementing accrual accounting in Malaysia. Initially, the international accounting standard setting has been identified as an external issue that might slow down the process of the implementation. However, the findings show that there is no interruption of international accounting standards setting in Malaysia case and this problem is actually internal related issue which is not derived from the external forces. The modification of the original standards is made by followed the guidelines provided by the IPSAS. Thus, this modification is permitted by the IPSAS itself and the problem is how well the regulator molds the standards that fitted with the local context.

Furthermore, this study can provide valuable insights to the governmental agencies in indentifying the potential issues related with the implementation of accrual accounting at the agency level. In addition, if the agency

faced the similar issues, the strategies discussed in this research are able to provide potential solutions for them in future. In better off this research in future, a similar research approach can be undertaken by adding other governmental agencies as case subjects. By doing so, the findings generated from the various governmental agencies will be able to provide a substantial explanation and wide-range of discussions about the implementation of accrual accounting in the public sectors. Thus, the adoption to accrual accounting will be a long challenge and it needs support from everyone to make it as a success with the hope for Malaysia to be one of the developed countries by 2020.

ACKNOWLEDGEMENT

The authors acknowledge the financial support of the Malaysia Ministry of Education (Higher Education) on FRGS fund (FRG0346-SS-2/2013 / Exploring The Readiness To Adopt Accrual Accounting System Among Public Sector Organizations in Sabah). In addition, a special acknowledgement and thanks to the Accountant's General Department for their helps in making this research workable.

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