

Integrated Reporting Disclosures: Evidence from Local Councils in Malaysia

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Abstract

Purpose: The objective is to determine the degree of Integrated Reporting (IR) disclosure in annual reports of selected city councils based on seven IR Framework Guiding Principles, namely (1) Strategic focus and future orientation, (2) Connectivity of information, (3) Stakeholder relationships, (4) Materiality, (5) Conciseness, (6) Reliability and completeness and (7) Consistency and comparability.

Design/Methodology/Approach: This study performs content analysis on recent online annual reports of ten city councils against the IR Guiding Principles.

Findings: Overall, the results indicate that IR is still at infancy and receives low acceptance by city councils. The results demonstrate that strategic aims and objectives were reported without indicating the time frame of the objectives. It was found that the annual report focuses more on the achievements of the department. All the city councils that were under study disclosed engagement activities with the community; used a combination of narrative statements, figures, pictures, and graphs; and disclosed positive information. The executive summary and Mayor's message were provided at the beginning

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of the annual report to give an overview of the organization's performance. Comparative data was used to benchmark performance across several years, but comparative data against other local authorities was limited.

Research Limitation: The limitations include the small sample size, thus the findings from this study should not be generalized. However, it justified the objective to examine the individual disclosure of IR guiding principles by large public sector organizations. Second, the content analysis was performed on the most recent annual reports of selected city councils which may not reflect the overall practice on consistency and comparability. Third, this study focused on seven guiding principles of IR, which is only part of the comprehensive IR framework.

Practical Implication: The findings from this study could be used as an input for regulators and other public sector entities to facilitate IR implementation in public sector organizations.

Originality/Value: The paper contributes to the existing literature on the current stage of IR implementation in public sector. The findings obtained show that IR, which was initially observed as a private sector initiative, has implications in public sector organizations.

Keywords: Integrated reporting, annual report, guiding principles, local council.

Introduction

Integrated reporting (IR), enabling firms to allocate resources more effectively and make strategic decisions geared toward value generation, is the future of corporate reporting. The 2017 Malaysian Code of Corporate Governance (or MCCG) recommended that large corporations apply IR practises in their annual reports (Securities Commission Malaysia, 2017). Several studies on IR disclosure were conducted in the context of Malaysia (Ghani et al., 2018; Singh et al., 2012; Jamal and Ghani, 2016; Abdullah et al., 2017; Wen and Heong, 2017; Amirrudin et al., 2021; Masduki and Zaid, 2019). However, all these studies utilized data reported prior to the implementation of the revised MCCG 2017. Before 2017, the findings show that IR was rarely used in the Malaysian market. Abdullah et al. (2017) mention that IR in Malaysia is still in its infancy. In a more recent study, Qaderi et al. (2021) discovered that IR laws as well as IR adoption in Malaysia are in their infancy, and optional to use among Malaysian publicly traded enterprises. They also mention that Malaysian corporations have shifted toward the preparation of IR, and that both the level and quality of IR disclosure have greatly increased. Additionally, they reported statistically significant disparities in the mean level and quality of IR disclosure across small and large enterprises.

The Securities Commission Malaysia (SCM), the Malaysian Institute of Accountants (MIA), Bursa Malaysia, as well as the Association of Chartered Certified Accountants (ACCA) Malaysia, have all taken the effort to increase public knowledge and awareness about IR. The MIA formed the Malaysian Integrated Reporting Steering Committee to increase the comprehension of IR among Malaysian businesses (Ghani et al., 2018). Pricewaterhouse Coopers (PwC) (2015), MIA and ACCA (2016) carried out surveys to indicate the low adoption of IR by companies. However, recent surveys show that more than 12 percent of Malaysian listed companies adopted IR (SCM 2020), and that the overall quality of the information published in IR has greatly improved (PwC 2018).

Numerous studies have shown that there are concerns involving regional government budget accountability and transparency (Fjeldstad et al., 2004). They were founded based on the fact that individuals do not acquire data on regional finance, the lack of communication on certain decisions, the absence of cost analysis, as well as the poor quality of information. Khalid et al. (2016) discovered that fraud control is the least prevalent in the Malaysian public sector. In conjunction with government efforts to improve the public's impression of accountability, the public sector's system of good governance is vital. Crespo et al. (2017) discovered that accounting information systems can increase the transparency of regional administration, while de Jesus and Eirado (2012) discovered that accounting information impacts the accountability of the public sector.

In Malaysia, the government system is structured into three tiers. Local councils play a vital role in this structure, as they are responsible for the everyday operations of the population. As the third tier of the government, the local councils also serve to further state and federal government programmes and policies. Thus, the annual report could be used to disclose information on the overall profile of the organization, as well as its plans and strategies, financial position, various activities done and other important matters to the stakeholders. IR allows for the local councils to show how its strategy, performance, governance, as well as prospects impact organization value, both in the short term and the long term. The question is to what extent do the local councils in Malaysia embrace IR?

IR has gained an increasing interest among regulators, practitioners, and academics in Malaysia. In recent years, IR has gained prominence in the private sector and attracted increasing attention in the public sector. There have been continuous efforts to improve governmental accounting through the preparation of financial as well as non-financial data. For example, sustainability reports and popular financial reports have been introduced to improve accountability. Studies on IR focus on the private sector. While companies have shown progression in adopting IR, little is known about IR adoption in the public sector. This work aims to apply a content analysis methodology to investigate the annual reports of ten city councils against the IR Guiding Principles (IIRC 2021), in the context of Malaysia. The objective is to determine the degree of IR disclosure in annual reports of selected city councils based on seven IR Framework Guiding Principles.

Literature Review

The existing types of corporate reporting have evolved in isolation, resulting in two main reporting streams, namely, standard financial reporting as well as sustainability reporting. Financial reporting is based on broadly recognised accounting rules in the past. It was criticised for lacking future-oriented information and inadequately accounting for intangible assets. Global competitiveness, technology improvements, strict regulations, and the global financial crisis have shed more attention on the deficiencies of traditional financial reporting. Relatively new, sustainability reporting acknowledges that environmental and social concerns are crucial and must be adequately conveyed to stakeholders. Social and environmental disclosures are increasingly isolated from financial disclosures, making it impossible to measure their impact (Cho et al., 2009; de Villiers and Hsiao, 2018).

Amidst these advancements, there has been a growing discussion over the necessity of a single, succinct report to convey business performance in regard to not just financial, but also environmental and social issues. Integrated reporting (IR) has gained significance in this area, since it has the ability to overcome these difficulties. IR gives a clear and comprehensive illustration of how a company produces value by connecting its numerous assets, opportunities, business plans, business strategies, and risks to future economic value in the short-, medium-, and long-term (IIRC, 2013).

The International Integrated Reporting Council (IIRC) has had a crucial role in IR advice. Through its pilot case studies, the IIRC has encouraged organisations to participate in integrated reporting (IIRC, 2012), since they may gain expertise and guidance on IR and share their experiences with other organisations. Prior research reveals that IR may be advantageous to the public sector (Guthrie et al., 2017) and enhance stewardship and accountability (IIRC, 2013). Initially, the IIRC Framework was believed to be largely focused on the commercial sector, but its application might be broader: "it can also be utilised, and changed as needed, by public sector and non-profit organisations" (IIRC, 2013). Prior studies recognise the possibility of expanding the scope of IR activities beyond the private sector (Adams and Simnett, 2011; Bartocci and Picciaia, 2013; Lodhia, 2015).

According to Lodhia (2014), the switch to IR allows organisations to differentiate themselves from their competitors and other organisations. Due to a shortage of resources, an expansion in the variety of operations, the diversity of stakeholders, and a broad definition of the value creation process, public sector institutions have been faced with several challenges. This evolution necessitates greater accountability and openness on the part of public sector entities in the value generation process (Greiling 2013). IR represents a good opportunity to communicate with all stakeholders by presenting an integrated view of the organization's activities and strategies, resource utilisation, opportunities, risks, and financial and non-financial information. Therefore, adopting IR contributes to addressing multiple conflicting public accountability requirements (Nada 2021; IIRC and CIPFA 2016). In an effort to produce a more comprehensive reporting format, IR also offers the opportunity to

recognise the connections between the financial, social, and environmental aspects of company performance (Brown and Dillard, 2014).

Researchers have also voiced issues about the IIRC Framework's emphasis on the private sector (Oprisor et al., 2016; Manes-Rossi and Orelli, 2019). The literature has examined potential advantages that IR could offer the public sector, such moving beyond conventional reporting practises (Bartocci and Picciaia, 2013; Cohen and Karatzimas, 2015; Veltri and Silvestri, 2015; Katsikas et al., 2017; Manes-Rossi and Orelli, 2019; Montecalvo et al., 2018; Farneti et al., 2019); a densely connected perspective of sustainability; or reporting in the direction of the ends of the organization (Guthrie et al., 2017; Veltri and Silvestri, 2015; Lodhia, 2015; Oprisor et al., 2016).

Accountants were inhibited from participating in IR by the voluntary nature of the practise and the absence of suitable rules (Arora, Lodhia and Stone 2022; Gerwanski 2020; de Villiers et al. 2017). In similar situations, inadequate norms and the absence of legislation prevented accountants from providing environmental performance data (Laine et al., 2017; Senn and Giordano-Spring, 2020). The lack of a clear understanding on how to approach IR has led to diverse conceptions among organisations (Gibassier et al. 2018). Arora et al. (2022) discovered that accountants' competence in corporate reporting, knowledge of the assurance process, in-depth understanding of the institution, as well as their analytical and interpersonal abilities were beneficial when generating an integrated report.

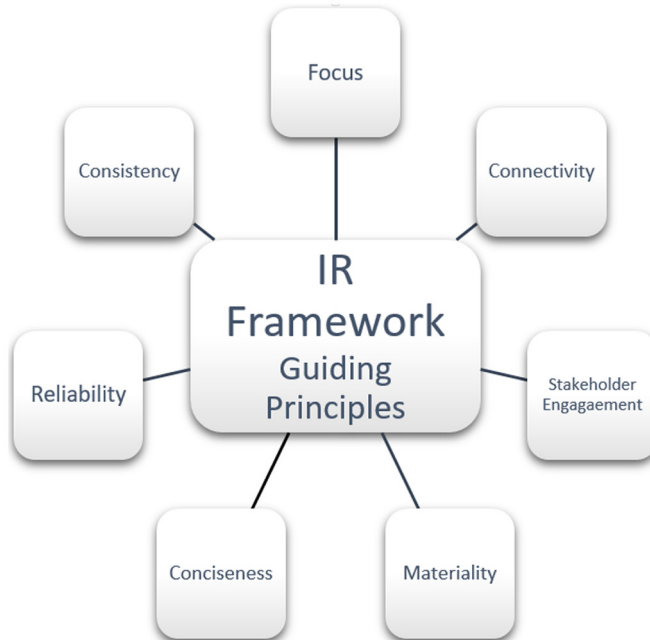
Non-financial reporting is predominated by qualitative narratives, with little disclosure of financial facts (Amoako et al., 2017). Arora et al. (2022) also mentioned that accountants' engagement in IR was restricted because they did not value IR and found it difficult to transform numerical data to narratives. Numerous accountants lack the education, expertise, and experience required when dealing with narrative social and environmental data (Parker, 2001; Owen, 2013; Williams, 2015). Organizations that apply IR express their value creation narrative by combining financial, social, and environmental performance data into a unified report. Financial and non-financial information reporting in a single report lends itself to the involvement of accountants in the reporting process.

Adhariani and de Villiers (2019) investigate the viewpoints of corporate report preparers and other stakeholders in Indonesia towards integrated reporting (IR). The results reveal a low degree of understanding regarding international relations, but a high level of curiosity. Although corporate report writers recognise the benefits of IR, many are reluctant to adopt it. Adhariani and de Villiers (2019) indicate that modifications to university curricula, training sessions, seminars, and conferences may be necessary to convey information about international relations. Other problems in the public sector include resistance to change in the acceptance of any new reporting (Guthrie et al., 2017); the relevance of reporting against all six capitals within public sector; and a simpler reporting method that combines IR and popular reporting (Cohen and Karatzimas, 2015).

Research Framework

This study utilized the seven Guiding Principles, namely, strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability, underpinning the preparation and presentation of IR. Figure 1 depicts the Guiding Principles underlying the presentation and production of an IR.

Figure 1: IR Framework Guiding Principles



Adapted from IIRC (2021)

The seven Guiding Principles on the content of reporting and the manner in which information is presented (Figure 1). Table 1 lists the IR Guiding Principles and a description of each.

Table 1: Guiding Principles of IR

IR Guiding Principle	Description
Strategic focus as well as future orientation.	Should offer insight on the strategy of the organization and the manner in which it produces value in the short, medium, as well as long term, and its impact on capital.
Information connectivity.	Should show the interrelations among the elements that impact the organization's ability to offer value through time.
Stakeholder relationships.	Should show the quality of the organization's interactions with its main stakeholders, and the degree the organisation comprehends the legitimate interests and requirements.

IR Guiding Principle	Description
Materiality.	An in-depth report should comprise information on issues that possess a material influence on the organization's potential to offer value.
Conciseness.	An in-depth report should be succinct.
Reliability as well as completeness.	An integrated report should contain both negative and positive material matters without great inaccuracy.
Consistency as well as comparability.	The information in a report should be presented: (a) consistently; and (b) by facilitating a comparison with other organisations based on the organization's ability to offer value.

Source: IIRC (2021)

Methodology

This study performs content analysis on municipal councils' annual reports for the 2019-2020 timeframe. The core principle of content analysis is that the contents of documents are analysed to identify interpretable patterns. The dissection of documents into smaller components can be recognised as units of analysis. This smaller unit inside the document may be a word, phrase, or paragraph. Each unit is labelled with the corresponding IR Guiding Principle. To enhance reliability, three researchers performed content analysis independently before the results is discussed and agreed finalized.

Consistent with Eccles et al. (2015), Manes-Rossi (2018), and the IR framework, this study focused on the annual report disclosures of seven IR guiding principles. The first involves emphasis on the business model, which includes the quantity and kind of capitals regarded for the process of value generation. The second involves the interconnectedness of value generation components. The third involves stakeholder participation which pertains to the fundamental principles of public organisations, such as democratic participation and openness (Thomson and Bebbington 2005; Manes-Rossi 2018). The fourth involves the significance to comprehend what has been deemed as significant by stakeholders. The fifth involves brevity, because acquiring credibility and demonstrating value for money is essential and necessitates the capacity to deliver easily available and clear information (Curtin and Meijer, 2006). The sixth involves dependability, including both good and negative subject matter. The seventh involves consistency over time and organisation comparability. IR guiding principles disclosure was measured by a total of 27 criteria. The following table offers an overview of each IR guiding concept utilised in this investigation.

Table 2: IR Guiding Principle

No	IR Guiding Principle	Measurement Items
1	Strategic focus and future orientation.	<ol style="list-style-type: none"> 1. Describe how the entities intend to utilise "the capitals" and the effect of commercial operations on the capitals. 2. Describe the short-term, medium-term, and long-term time spans related with strategic objectives. 3. Explain the strategic significance of material opportunities and risks in corporate strategy discussions.
2	Connectivity of information.	<ol style="list-style-type: none"> 4. Connectivity between content pieces. 5. A review of the organization's operations from the past to the present. 6. Interdependencies as well as trade-offs among the capitals, as well as how changes in their availability, quality, and cost influence the organization's capacity to produce value. 7. The significance of financial and other data. 8. Qualitative as well as quantitative information. 9. Quantitative metrics congruent with the indicators utilised internally by management and those responsible for governance. 10. Flow of the organization's communications must be consistent, and the information it delivers must not be viewed in isolation.
3	Stakeholder relationships.	<ol style="list-style-type: none"> 11. Have the stakeholders participated in defining the significant issues? 12. Has the main definition of the external environment considered the requirements and expectations of the stakeholders? 13. Have the stakeholders been identified in the business model definition? 14. Does the organisation participate in stakeholder engagement? 15. If the answer to the preceding question is affirmative, are the inputs utilised in the strategy definition?
4	Materiality.	<ol style="list-style-type: none"> 16. Describe in detail material risks and opportunities, focusing on their known or projected implications on financial, social, environmental, and governance performance. 17. Determine the time periods associated with significant risks and possibilities 18. Prioritize material risks as well as opportunities in accordance with their degree and significance. 19. Prioritize the feedback of stakeholders
5	Conciseness.	<ol style="list-style-type: none"> 20. Information provides adequate context to comprehend the organization's strategy, performance, governance, and future prospects, without burdening users with irrelevant data. 21. A balance exists between brevity and the other guiding criteria, especially exhaustiveness and comparability.
6	Reliability and completeness.	<ol style="list-style-type: none"> 22. No prejudice is apparent in the report's selection or presentation of material. 23. When information contains estimations, this is disclosed explicitly and constraints of the estimating process are elucidated. 24. A comprehensive integrated report covers both negative and positive information.
7	Consistency and comparability.	<ol style="list-style-type: none"> 25. The information is given on a consistent way over time. 26. When a substantial change is applied, the organisation discusses the cause for the change and describes (and quantifies, if possible and significant) the change's impact. 27. The information is presented so that comparisons with other organisations are possible (i.e benchmark data, ratios, common quantitative indicators).

Adapted from IIRC (2021)

A total of 151 authorities exists, comprising municipal, city, and district councils. Table 3 lists the geographical distribution of these local authorities.

Table 3: Distribution of Authorities

State	City Councils	Municipal Councils	District Councils	Total
Johor	3	7	6	16
Kedah	1	46	6	11
Kelantan	0	1	11	12
Melaka	1	3	0	4
Negeri Sembilan	1	2	4	7
Pahang	1	2	8	11
Pulau Pinang	2	0	0	2
Perak	1	4	10	15
Perlis	0	1	0	1
Selangor	3	8	1	12
Terengganu	1	2	4	7
Sabah	1	2	23	26
Sarawak	3	4	19	26
Wilayah Persekutuan	1	0	0	1
Total	19	40	92	151

The Housing and Local Government Ministry provides the following description of local authorities in Malaysia:

City Council is a local body that has been raised from the level of the municipal council after meeting particular conditions, such as a population of over 500,000 and a revenue of over RM100 million.

Municipal Council is a local body in a town center with a population of over 150,000 and a budget of over RM20 million.

District Council is a rural local government. The requirements for the District Council status comprise a population of less than 150,000 and a revenue of less than RM20 million.

Prior studies have shown that the IR adoption rate is higher among large size organizations. Thus, based on the description above, this study focuses on city councils. Table 3 shows the availability of online annual reports for all 19 city councils. The performance of the latest annual reports of ten city councils publish online in 2019 and 2020 are highlighted in Table 4.

Table 4: Availability of Online Annual Reports of City Councils

City Council	Link to online annual report	Period covered
Majlis Bandaraya Johor Bahru	https://www.mbjb.gov.my/ms/laporan-tahunan-mbjb FY 2020- 291 pages, no comprehensive financial statement included	2016-2020

Majlis Bandaraya Iskandar Puteri Skudai		N/A
Majlis Bandaraya Pasir Gudang	https://www.mbpbg.gov.my/ms/mppg/sumber/penerbitan FY 2020 – 124 pages including pages 57-78 on financial information	2019-2020
Majlis Bandaraya Alor Setar		N/A
Majlis Bandaraya Melaka Bersejarah	https://www.mmbmb.gov.my/ms/mmbmb/sumber/muat-turun-borang/jabatan-pengurusan-korporat-dan-komuniti FY 2020 – 184 pages, including pages 25-30 on financial information	2015-2020
Majlis Bandaraya Seremban	https://www.mbs.gov.my/ms/mbs/pusat-media/penerbitan FY 2020- 516 pages, no comprehensive financial statement included	2020
Majlis Bandaraya Kuantan		N/A
Majlis Bandaraya Pulau Pinang	http://www.mbpp.gov.my/ms/mbpp/sumber/penerbitan FY 2019 – 229 pages, no comprehensive financial statement	2003-2019
Majlis Bandaraya Seberang Perai	https://www.mbsp.gov.my/laporan_tahunan/lampiran FY 2020 - 315 pages, no comprehensive financial statement included	2020
Majlis Bandaraya Ipoh	https://www.mbi.gov.my/ms/mbi/sumber/penerbitan e-book FY 2020 – 232 pages, including pages 72-76 on financial information	2018-2020
Majlis Bandaraya Shah Alam	http://www.mbpp.gov.my/ms/mbpp/sumber/penerbitan FY 2020 - 86 pages, no comprehensive financial statement included	2013-2020
Majlis Bandaraya Petaling Jaya	https://www.mbpj.gov.my/ms/mbpj/pusat-media/laporan-tahunan FY 2020 – 410 pages including financial information 48 pages	2006-2020
Majlis Bandaraya Subang Jaya	https://portal.mbsj.gov.my/ms/laporan-tahunan-mps-j-0	2014-2016
Majlis Bandaraya Kuala Terengganu		N/A
Dewan Bandaraya Kota Kinabalu		N/A
Dewan Bandaraya Kuching Utara		N/A
Majlis Bandaraya Kuching Selatan		N/A
Majlis Bandaraya Miri		N/A
Dewan Bandaraya Kuala Lumpur	https://www.dbkl.gov.my/laporan-tahunan-dbkl/ FY 2020 – 382 pages including pages 333-382 on financial information	2014-2019

Results and Discussion

Based on the seven guiding principles, the annual reports were examined for signs of IR. Each IR guiding concept revealed in yearly reports was examined. The examination of 10 chosen city councils' annual reports demonstrates that the IR framework offers a reference point for developing an IR that was acceptable for communicating financial and non-financial information to stakeholders. Table 5 presents a comparative summary of IR disclosure in relation to the IR Guiding Principles for the participating municipal councils (the respective city council protects the confidentiality of the information).

Table 5: IR Disclosures in relation to IR Framework Guiding Principles

IR Guiding Principle	Description	1	2	3	4	5	6	7	8	9	10
Strategic focus and future orientation	Explain the manner in which the entities intend to utilise 'the capitals' and how commercial activities will affect the capitals.	-	-	-	-	-	-	-	-	-	-
	Describe the short-, medium-, and long-term time spans related with strategic objectives.	-	-	-	-	-	-	-	-	-	-
	Explain the strategic significance of material opportunities and risks within the context of the company strategy conversation.	-	-	-	-	-	-	-	-	-	-
Connectivity of information	Connectivity between content components.	-	-	-	-	√	-	-	-	-	-
	A review of the organization's operations from the past to the present.	-	-	-	-	-	-	-	-	-	-
	Interdependencies as well as trade-offs between the capitals, as well as the impact of changes in their availability, quality, and cost on the organization's capacity to produce value.	-	-	-	-	-	-	-	-	-	-
	Consequences of financial and other data.	-	-	-	-	-	-	-	-	-	-
	Qualitative as well as quantitative information	√	√	√	√	√	√	√	√	√	√
	The same quantitative metrics utilised internally by the management and those responsible for oversight.	-	-	-	-	-	-	-	-	-	-
Stakeholder relationships	All organisation communications must be consistent, and the information provided by the organisation is not viewed in isolation.	-	-	-	-	-	-	-	-	-	-
	Have stakeholders participated in the identification of material issues?	-	-	-	-	√	-	-	-	-	-
	Has the definition of the external environment considered the requirements and expectations of the stakeholders?	-	-	-	-	-	-	-	-	-	-
	Have the stakeholders been recognised in the business model definition?	-	-	-	-	-	-	-	-	-	-
Stakeholder relationships	Does the organisation participate in engagement with stakeholders?	√	√	√	√	√	√	√	√	√	√
	If the response to the preceding question is yes, are the inputs utilised in the strategy definition?	-	-	-	-	-	-	-	-	-	-

Materiality	Describe in fully the material risks and opportunities, focusing on their known or projected implications on financial, environmental, social, and governance performance. Identify the short-, medium-, and long-term time frames associated with substantial risk and opportunity. Prioritize material hazards and opportunities according to their degree and significance. Prioritize the viewpoints of consulted stakeholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conciseness	Information provides adequate context to comprehend the organization's strategy, performance, governance, and future prospects, without burdening users with irrelevant data. There is a balance between brevity and the other guiding criteria, especially exhaustiveness and comparability.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reliability and completeness	Report is objective in its selection and presentation of data. When information contains estimations, this is made apparent, and the nature and constraints of the estimating process are described. A comprehensive integrated report covers both negative and positive information.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consistency and comparability	The information is provided in a consistent manner across time. When a substantial change has been made, the organisation discusses the change's rationale and describes (and quantifies, if possible and relevant) the change's impact. The information is supplied so that comparisons with other organisations are possible.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	
		-	√	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

- | | | | |
|-----|----------------|------|----------------|
| (1) | City Council A | (6) | City Council F |
| (2) | City Council B | (7) | City Council G |
| (3) | City Council C | (8) | City Council H |
| (4) | City Council D | (9) | City Council I |
| (5) | City Council E | (10) | City Council J |

As shown in Table 5, none of city councils meet the first principle, which is strategic focus and future orientation. However, two criteria for the second principle were disclosed. The first criteria were disclosed only by City Council E, which is 10 percent from the sample. This finding is similar to a prior study by Brown and Dillard (2014), who suggest that IR provides a chance to acknowledge the links between the financial, environmental, as well as social elements of corporate performance. Next, the second criteria disclosed by all city councils. This finding is in compliance with Nada (2021), IIRC and CIPFA (2016), suggesting that IR represents a good opportunity to communicate to all stakeholders through providing an integrated view of the organization's activities and strategies, resource utilization, opportunities, risks, and financial as well as non-financial information. In this regard, IR aims to empower stakeholders to make better judgments and assessments of a company by combining its social and financial values rather than relying solely on its book value. The other five criteria were not disclosed by any of the city councils. This indicates that only two out of seven criteria were disclosed (28.57 percent).

Similarly, only two criteria have been provided for the third principle. This was also provided by only by City Council E (10 percent of the sample) and by all city councils for "Does the organisation engage in stakeholder engagement activities?" This result is consistent with Farneti et al. (2019), who mention that IR impacts the disclosure of social information and enhances stakeholder interactions in a public sector environment. Thus, IR will contribute to the enhancement of company transparency and the creation of organisational value. It is a new concept to encourage companies and stakeholders to have meaningful conversations based on the long-term value generation plan. None of the other criteria were disclosed by city governments. Only two out of five criteria (40 percent) were provided.

Next, for the principles of materiality, conciseness and reliability, and comparability, none of the city councils met the disclosure requirements. For the last principle, consistency and comparability, all disclosure requirements were disclosed. For the first criteria, all city councils met the disclosure requirements of "The information is shown based on consistency across time". This criterion is in line with conventional reporting. For "When a drastic change was performed, the organization discusses the primary reason for this particular change, describing its impact" only three city councils (City Council B, I and J) met the disclosure requirements, which represent 30 percent from the sample. The last criteria, which is "The information is displayed in a manner that allows for a feasible comparison with related organizations (i.e benchmark data, ratios, common quantitative indicators)" was only disclosed by City Council E and I, representing 20 percent from the sample. This finding is consistent with the results reported by Lodhia (2014), showing that the transition to IR enabled the organization to differentiate itself from its competitors and other organisations. The scope of comparison would be broader as IR discloses both financial as well as non-financial information compared to traditional reporting, which is restricted to financial information only.

Summary of IR disclosures among selected city councils is shown in Table 6. All ten city councils disclosed in their annual report the following three items: (1) Qualitative and quantitative information; (2) The organisation activates stakeholder engagement activities; and (3) The information is presented on a basis that is consistent over time.

Table 6: Summary of IR Disclosures among Selected City Councils

IR Guiding Principle	Item	No of Reports
Strategic focus and future orientation	-	-
Connectivity of information	<ul style="list-style-type: none"> Connectivity between content elements. Qualitative and quantitative information. 	1/10 10/10
Stakeholder relationships	<ul style="list-style-type: none"> Stakeholders have been involved in the definition of the material issues. The organisation activates stakeholder engagement activities. 	1/10 10/10
Materiality	-	-
Conciseness	-	-
Reliability and completeness	-	-
Consistency and comparability	<ul style="list-style-type: none"> The information is presented on a basis that is consistent over time. When a significant change has been made, the organization explains the reason for the change, describing (and quantifying if practicable and material) its effect. The information is presented in a way that enables comparison with other organizations (i.e benchmark data, ratios, common quantitative indicators). 	10/10 3/10 2/10

Strategic Focus and Future Orientation

The value of a public sector organisation relies on its capacity to accomplish its short, medium, and long-term service delivery and governance objectives. This study indicates that City Councils H, A, E, G, and C outline their strategic objectives within the first few pages of their annual reports without giving a time frame.

On the other hand, City Council B devotes a section of its annual report on the future planning of the municipality. The City Council B Strategic Plan (2021-2025) outlines six core aims towards achieving Industrial City and Port status by year 2025. However, little is known about how the organization plans to use its capital, time frame, risks and opportunities of this plan for its business strategy.

Connectivity of Information

The IIRC (2021) framework does not require distinct parts to be prepared in the report. Nonetheless, organisations should ensure that all pertinent components are covered, and that information content is connected. It is predicted that the significance of information would vary amongst different enterprises. An examination of the yearly reports of City Councils A, I, E, F, B, H, and G reveals that these entities disclose their operations by department. The

presentation of material lacks cohesion in yearly reports that highlight departmental accomplishments.

Stakeholder Relationships

Public sector organisations are of interest to a vast array of stakeholders with diverse expectations. Thus, companies are constantly under pressure to improve their reporting. There is a rising societal and legal imperative for public sector organisations to offer performance reporting that can be utilized to evaluate the execution of their goals. It is possible to implement IR in the public sector such that reporting incorporates stakeholder inclusion and satisfies the crucial requirement for economic, environmental, social, and governance sustainability. Through the disclosure of the involvement of stakeholders, companies demonstrate that they are able to balance the requirements of diverse stakeholder groups (Hoffman 2012).

All city councils examined in this study disclosed engagement activities with the community. Various social activities (such as fun runs, campaign poster competitions, water safety programs, cooking in the park, and back lane upgrading) and environmental activities (such as recycling, no plastic campaigns, cleaning, green school competitions, Earth Day, and community gardens) are also considered. Photos of such programs are prominent in the annual reports. However, evidence on engagement with other groups of stakeholders is lacking.

Materiality

IR allows organizations the opportunity to align their reports with their risks, opportunities, and management accountability by taking into consideration current development and limitations. City Council H (2020) has the initiative to provide a five-page executive summary that highlights the performance of the organization throughout the year. The executive summary is endorsed by the City Mayor. Meanwhile, the executive summary is absent from other annual reports. City Councils A, E, D, I, B, G, and C offer a message from the City Mayor. On the other hand, the annual report of City Council F does not provide any opening message on the overall performance of the organization.

Conciseness

The annual report of selected city councils is lengthy and comprises between 86 to 516 pages. This is due to the drive to provide detailed financial information in the annual report, since it is the only councils' published report. A combination of narrative statements and figures, pictures, and graphs are shown, with the aim to disclose the annual performance of the organizations. City Council H for example disclosed revenues from the sale of compost for three years using a narrative description, table format and graph presentation.

Reliability and Completeness

City Council I designated a specific section of 48 pages to disclose the financial information of the organization. Similarly, City Council B published a Cash Flow Statement, Income Statement, as well as Change in Net Assets Statement with a total of 42 notes to accounts. Other annual reports (including City Councils E, A, H, E, D, and G) report financial information on revenues and expenses under the Finance Department. City Council D, for example, disclosed the Income Statement with brief general notes.

City Council C allocates one section for financial statements, which consists of auditor report and performance for comparative data between budget and actual, is shown for receipts as well as expenses.

City Council J has a section on the financial report with comparative data for years 2018 and 2019, disclosing the Income Statement, Financial Position Statement, Cash Flow Statement, and Change in Net Assets Statement, complete with a total of 27 notes to accounts. Comparative data between budget and actual is shown for receipts as well as expenses.

All annual reports analysed in this study indicate that positive information was disclosed. Awards and recognition were reported at the departmental and organizational level. However, there is a lack of evidence and negative incidence was reported. For example, City Council H documents the awards and recognition received by the organization in a specific section of its annual report.

Consistency and Comparability

City Council I provided comparative data on Commissioner of Buildings (COB) local authorities throughout Malaysia. The data could be used to benchmark its performance against other local authorities of the same category. The annual report of City Council E provides comparative monthly data on environmental activities with the community between the period of 2014-2019, as shown in Table 7.

Table 7: Comparative Monthly Data on Environmental Activities for Year 2014-2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	15	17	63	17	17	34	1	16	26	16	25	33	280
2015	17	11	18	30	37	33	1	16	18	21	36	14	252
2016	20	16	21	19	38	7	13	20	15	20	14	12	215
2017	15	19	20	29	43	6	12	23	17	29	21	19	253
2018	10	8	12	29	12	40	26	16	13	28	25	18	237
2019	27	13	32	51	17	14	19	20	20	24	27	24	288

Conclusion

In summary, the results obtained demonstrate that limited IR Guiding Principles are disclosed in the annual reports of selected city councils in Malaysia. At the centre of the mentioned reports is the consensus of the mentioned city councils to discuss values, actions, and strategies carried out by their organizations. This study also shows that the city councils share the outcomes and stakeholder engagement of their respective organizations. The findings are important to justify the need to promote IR among public sector entities. Furthermore, the city councils chosen in this study have the potential to pioneer IR disclosures in their annual reports.

This study satisfies the underlying objectives of the research and fills the research gap in the field of IR disclosures in public sector organizations by providing empirical evidence from the perspective of local authorities in emerging economies such as that of Malaysia. However, this study has several limitations. First, the findings from this study should not be generalized, as they did not cover the entire population. Analysis on annual reports of ten large local authorities justified the objective to examine the individual disclosure of IR guiding principles by public sector organizations. Second, the content analysis was performed on the most recent annual reports of selected city councils. Thus, it may not reflect the overall practice on consistency and comparability. Third, this study focused on seven guiding principles of IR, which are part of the IIRC (2021) framework that provides comprehensive guidelines for IR implementation. Future studies should examine more samples to provide a better overview of the IR disclosures, and to compare disclosures across the size of the local authorities. It is suggested that future studies expand the content analysis to cover multiple years of the annual report for a better understanding on the consistency and comparability element. Interviews with the organization representatives can also shed some insight on IR practices. In addition, the International IR Framework (Jan 2021), which supersedes the International IR Framework (Dec 2013), should be further explored against the IR disclosure practices.

The findings obtained show that IR, which was initially observed as a private sector initiative, has implications in public sector organizations. The findings could be used as input to the regulators and other public sector entities to facilitate the adoption of IR. It is expected that the guiding principles of IR will continue to receive acceptance and been adopted to demonstrate accountability for service delivery by local authorities and other public sector organizations in Malaysia.

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