

Determinants of Readiness for Consolidated Financial Reporting Among Controlled Entities under the Federal Government of Malaysia

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Abstract

Purpose: Organisational changes in the public sector have led public services to experience greater decentralisation. Nonetheless, the formal separation of governmental annual accounts and service providers via legally independent, government-owned entities have frequently undermined the accountability and decision-making capabilities of public sector accounts. This study aims to examine the key factors influencing government-controlled entities' readiness for implementing consolidated financial reporting (CFR) in Malaysia and their level of readiness.

Design/ Methodology/ Approach: A quantitative approach was employed, and data collection involved a questionnaire survey, which was distributed via email and postal mail to 70 entities controlled by the Federal Government of Malaysia. The descriptive and correlation tests were employed to facilitate data analysis.

Findings: Based on the elicited outcomes, the respondents demonstrated positive feedback on equity and consolidation methods. Their responses indicate their general acceptance and applicability in financial reporting.

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While IT support and facilities, staff adequacy and skills, top management commitment, and strategic considerations significantly and positively influenced CFR implementation readiness, reporting complexity negatively and significantly impacted CFR. Rules and regulations were not significantly associated with CFR readiness.

Practical Implication: The study offers insights for public sector accountants and relevant policy makers on key considerations for implementing the consolidation method. This includes aligning accounting policies, training staff, synchronising closing periods, establishing clear reporting procedures, assessing and integrating finance systems, monitoring currency exchange, and ensuring subsidiaries use a chart of accounts aligned with the parent company.

Originality/ Value: This study offers a crucial perspective on how consolidated financial reporting functions as a strategic governance tool to enhance transparency and accountability within the context of government-controlled entities, while critically examining the organisational factors that influence readiness for its adoption.

Keywords: Consolidated financial reporting, public sector accounting, public financial management, government-controlled entities, Malaysia