

# Review of Literature on Factors Influencing Public Sector Disclosure: The Way Forward

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## ABSTRACT

This study aims to review the development of research undertaken in understanding the factors influencing public sector disclosure and to suggest future research in this area. This study focuses on academic online databases by conducting keyword searches which are supplemented by backward and forward searching techniques. Relevant articles found are then reviewed and discussed based on four phases of their publication period: prior to 1990, from 1990 to 1999, from 2000 to 2009, and from 2010 and after. Three important observations are made. First, studies on US dominated research in this area but in recent years, more European and other developed countries are being included. Second, a vast majority of these studies tend to focus on local authorities. Third, the financial aspect of disclosure appears to be receiving the greatest attention but it is noted that researchers are starting to show a greater interest in reporting the concept of sustainability. From these observations, it is suggested that more studies be conducted on developing countries and other types of governments besides those carried out on local governments. Apart from focusing on financial disclosures, it is also recommended that future research should look at other aspects such as accountability disclosure.

**Keywords:** Disclosure, Factors, Literature Review, Motivations, Public Sector, Reporting

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## 1. Introduction

Public sector organisations are entities funded by public money through various means such as state appropriations, levies, and loans, hence, they ought to be held accountable to the public at large (Coy, Fischer, & Gordon, 2001). Examples of public sector organisations are federal governments, state governments, local governments, ministries and statutory bodies. Their duty is to fulfil their accountability to a broad spectrum of stakeholders covering both internal and external sectors of the organisation. The internal stakeholders may include the executives, board of directors, ministers, treasury, parliament and auditor generals while the external stakeholders include taxpayers, interest groups, suppliers and the media (Ryan, Dunstan, & Brown, 2002). Given the substantial amount of public money spent on the public sector organisations, it is therefore, indispensable for these bodies to report on and be transparent about their activities, events, financial standings and performance so as to discharge their accountability, among other duties. Accountability can be effectively achieved by providing a reasonable level of disclosure in their public reports. It is the lack of proper disclosure and transparency that leads to inadequate accountability being discharged. This occurrence has, in fact, been highlighted as one of the main causes of the fall of Greece as a nation (Soll, 2014). Nevertheless, prior studies have generally found results that were not very encouraging with regards to the extent and quality of disclosures made among public sector organisations (e.g. Blanco, Lennard, & Lamontagne, 2011; Herawaty & Hoque, 2007). This observation has partly brought about some interest among public sector researchers who wish to gain further insights on understanding the factors that could influence disclosure (or non-disclosure) among public sector entities.

The aim of this study is hence, to review the development of research conducted previously in order to understand the factors which could influence public sector disclosures. The approach taken is based on four phases of publication periods: prior to 1990, from 1990 to 1999, from 2000 to 2009, and from 2010 and after. This study offers insights into the various types of disclosure, the contexts of those disclosures, countries involved with disclosure as well as the main factors that could influence public sector disclosures. This study expands on the previous study conducted by Abu Bakar and Saleh (2011a) by including literature from the period of 2010 onwards as well as those literature that were prior to 2010, a gap not addressed by the said authors. Consequently, these were added to the present study to further enhance the value of

this study. Gaining insights into the various aspects of research (types of disclosure, contexts, countries researched, and main findings) may be useful for paving the way for future research and this can provide a bigger research agenda for the future. This kind of research is essential in providing an understanding of what may or may not be influential in improving public sector disclosures. In turn, the findings may be useful in assisting public sector organisations to discharge their public accountability. By understanding and appreciating the circumstances affecting the disclosure behaviours of these public sector organisations, it is hoped that these organisations may be further encouraged to act in a more accountable manner as a result of greater stakeholders' demand.

The paper will proceed as follows. Section 2 provides the literature review followed by section 3 which discusses the methodology. Section 4 talks about the development of studies focusing on factors influencing public sector disclosure based on the approach of four phases mentioned earlier. Section 5 analyses the research trends and section 6 concludes with recommendations for future research.

## **2. Literature Review**

The term, public sector disclosure, can be simply defined as the disclosing of information - financial or non-financial - by public sector bodies, to their stakeholders. The disclosure medium may include any publicly available reports such as annual reports, financial reports, budgets or information published in their respective websites. It is the right of the public to know how their money has been spent by the public sector managers in fulfilling their duties and accountabilities (Abu Bakar & Saleh, 2011b). In this respect, Ferlie and Pollitt (2005) agree that the disclosure of information is the main means to provide a wider and better accountability to the public. At the same time, according to Marcuccio and Steccolini (2005), many public bodies are also trying to improve their accountability by practising wider public disclosures. This practice, in turn, may exert greater pressures on the managers and the public bodies as a whole, to improve their performance in various areas (Abu Bakar & Ismail, 2011). Through this increased public documentation, public confidence on government's accountability can be further enhanced (Abu Bakar, Saleh, & Mohamad, 2011) thereby, creating a positive political and social atmosphere.

Previous public sector accounting review studies have either been reviewing all public sector studies, or focusing only on specific fields or

kinds of research such as management accounting. None, except for Abu Bakar and Saleh (2011a), had provided review of studies focusing on factors influencing public disclosures. More specifically, Abu Bakar and Saleh (2011a) had conducted a literature survey on studies focusing on factors supporting or hindering public sector disclosures. They reviewed relevant research across six aspects namely the publication year, country of research, journal published, government type, sample size, and the disclosure factors included in those studies. They also pointed out the gaps found. Only 21 studies were published during the span of 25 years from 1984 to 2009. The descriptive statistics collected by Abu Bakar and Saleh (2011a), which were mainly frequencies and percentages, show that earlier studies were primarily conducted in developed countries, focused on local authorities and looked at financially-related disclosure factors. Additionally, almost half of these researches were published in the *Journal of Accounting and Public Policy (JAPP)*, one of the high-ranked and reputable journals in the accounting discipline, thereby, implying the importance and worthiness of researching this area. Various studies focusing on journal rankings, for example, those by Glover, Prawitt, and Wood (2006) and Smith (1994) placed the JAPP as among the top 10 accounting journals. The journal is also indexed in the Web of Science's Core Collections and Scopus..

The current research serves both as a complementary and follow-up to Abu Bakar and Saleh's (2011a) work. Abu Bakar and Saleh's work surveyed research done on public sectors and published from 1984 to the year 2009. Their work discussed disclosure factors and focused on providing a descriptive statistic (frequencies, percentages) on the information set (country, year, journal, setting, factor and sample size) which were extracted from the literatures. They had aimed to identify the gaps related to this line of research. In the present study, additional literatures published from 1977 to August 2015 are included. Unlike Abu Bakar and Saleh's (2011a) work, the emphasis of the present study not only covers descriptive statistics or frequency counts but it also reviews, discusses and synthesises each relevant research found in discussing factors influencing public sector disclosures. Specifically, the literatures reviewed and discussed in this area are not only in terms of the research settings but also include the countries involved and the main findings. In this regard, the work of Abu Bakar and Saleh (2011a) serves as a base for the present study. As they had rightly highlighted, the study provides a baseline information which may serve as a precursor for other future research in this less-developed line of study.

### **3. Methodology**

In the present study, the approach used to obtain relevant articles was adopted from Abu Bakar and Saleh (2011a) where keyword searches were made through several academic online databases including EBSCOhost, Emerald Management Xtra Plus with Backfiles, Expanded Academic ASAP, ProQuest Social Science Journals and ScienceDirect. The keywords include *disclos\*/report\**, *public sector/government/e-government*, *factor/variable/determinant* and *information*. Once a given article was extracted, backward and forward searching was also performed manually and virtually. The criterion for inclusion is that articles must contain discussion on factors influencing disclosure of information among public sector entities.

Once the relevant articles were extracted, they were reviewed so as to understand the research development in this area. However, before doing that, the literatures were separated into four groups based on the year of publication: (i) prior to 1990s, (ii) from 1990 to 1999, (iii) 2000 to 2009, and (iv) 2010 and beyond. This is done mainly to see the different trend, if any, within certain span of years or within each decade. Further, specific aspects of each research including the types of disclosure, contexts, countries researched, and main findings were also identified.

### **4. Studies on Factors Influencing Public Sector Disclosure**

Overall, there is a dearth of studies identifying factors influencing public sector disclosures. On average, only one research was published every year on this area given that within a 38-year timeframe (1977 to 2015), only a total of 37 published articles were available. This figure is quite discouraging as public entities should be given more scrutiny and attention by researchers, so as to be able to assist the public entities in discharging their public accountability. As stated earlier, understanding the circumstances that may or may not influence public sector disclosure practices may possibly oblige public entities to behave in a more accountable manner if greater stakeholders' demand exists.

This section presents the outcome of the research where analytical discussion on the public sector disclosure research development is provided and where important aspects of each research are highlighted.

#### ***4.1 Prior to 1990s***

Studies determining factors that can influence public sector organisations to report information have been conducted from as early as the 1970s.

Zimmerman's (1977) study which focuses on municipalities in the United States (US) is among the earliest studies looking at factors influencing reporting practices. By using the length of the report and auditor type as his measure for quality reporting, Zimmerman finds that the council/manager form of government is more likely to adopt higher quality reporting methods than the strong mayor form of government.

Unlike most studies published before the 1990s which focus on US financial disclosures, the study by Singh and Bhargava (1978) concentrates on the disclosure of both financial and non-financial information (which is referred as disclosure quality) in the context of Indian public sector enterprises. Their study finds that the quality of information disclosure is associated with the nature of the industry. In particular, companies manufacturing capital goods disclosed most information while those engaged in rehabilitation of sick industries and technical consultancy services have poorer disclosure. It should be noted, however, that organisational patterns on the other hand, are not associated with disclosure quality. In other words, government companies and public corporations disclosed similar information.

In a later study, Baber and Sen (1984) find sufficient evidence to support their general claim that political agents in the US state government adopt standard financial reporting practices (namely, the Governmental Accounting, Auditing and Financial Reporting) to reduce costs resulting from political factors namely the intraparty competition, wages to state officials, debt financing, legislator turnover and bureaucratic restrictions. No conclusive evidence, however, could be made based on their study. This is due to the non-significant associations between the variables and the reporting practices.

Unlike Baber and Sen (1984) who focus on political incentives, Ingram (1984) focuses on economic incentives in testing the determinants of financial disclosure. His study examines the financial disclosures of 50 US state government annual financial reports and he finds that the extent of disclosure is greatly affected by the demands and needs for information exhibited by constituents and administrators rather than recommendations made for accounting disclosure standards. Specifically, positive associations are found between (i) voters' incentives to monitor government finances, (ii) internal incentives of appointed administrators to monitor political behaviour, (iii) incentives to reduce debt costs, and (iv) higher-paid administrative personnel and financial accounting disclosure.

In contrast to the above studies which use simple measures for their disclosure index, Robbins and Austin (1986) apply both simple and

compounded measures of disclosure index to measure the disclosure quality in government financial reports. They later compare the results which arose from both indices. Based on 99 annual reports for the year 1981/2 of US cities, they provide evidence which shows that regardless of which measures used, three factors namely the city government form (mayoral versus manager/council), reliance on debt, and reliance on federal funds remain as significant variables in determining disclosure quality.

In 1987, Ingram and DeJong published their research on the effects of state disclosure regulations on local governments' financial reporting practices in the US. Based on the 1981 and 1982 annual reports and input of financial managers of 544 cities, their findings suggest that there is no significant difference in the disclosure practices between cities in the states that do not regulate local government practices and cities which are regulated by the Generally Accepted Accounting Principles (GAAP). They conclude that the study provides no evidence on the need to have additional regulation for cities to comply with the GAAP.

An earlier study that focuses on factors influencing financial disclosure is that by Giroux (1989). Giroux models the relationship between political and economic incentives of the groups actively involved in the governmental processes of municipalities and the financial disclosure quality in the 1983 financial reports and operating budgets of 97 US cities. Data on political competition were obtained through telephone calls. Using regression analysis, Giroux finds that disclosure quality is only limitedly influenced by each group with political power.

Table 1 summarises the relevant literatures related to factors influencing public disclosure that were published from 1977 up to August 2015 which highlight the research context, disclosure aspect, and the significant factors identified by each study. It is apparent that the focus of studies done before the 1990s is on financial disclosures and they mainly involve the US public sectors (e.g. Baber & Sen, 1984; Giroux, 1989; Ingram, 1984; Ingram & DeJong, 1987; Robbins & Austin, 1986; Zimmerman, 1977). Singh and Bhargava (1978), however, study both financial and non-financial disclosures in the context of Indian public sector enterprises. Various factors including the type of government, nature of industry, organisational pattern, regulation as well as various other economic and political incentives have been studied. Table 1 lists the significant factors influencing disclosure as found by each study. The factors include form of government, nature of the industry,

voters' incentives to monitor government finances, internal incentives of appointed administrators to monitor political behaviour, incentives to reduce debt costs, higher-paid administrative personnel, reliance on debt and reliance on federal fund.

Table 1: Summary of Literature on Factors Influencing Public Sector Disclosure

Authors	Year	Context	Aspect of disclosure	Significant factors
<u>Prior to 1990s</u> (7 studies)				
Zimmerman	1977	US cities/ municipalities	Quality (length of the report and auditor type)	Form of government
Singh & Bhargava	1978	Indian public sector enterprises	Quality (both financial and non-financial)	Nature of the industry
Baber & Sen	1984	US state government	Financial	None
Ingram	1984	US state government	Financial	Voters' incentives to monitor government finances; internal incentives of appointed administrators to monitor political behaviour; incentives to reduce debt costs; higher-paid administrative personnel
Robbins & Austin	1986	US cities/ municipalities	Financial	City government form; reliance on debt; reliance on federal fund
Ingram & DeJong	1987	US cities/ municipalities	Financial	None
Giroux	1989	US cities/ municipalities	Financial	None
<u>1990 to 1999</u> (8 studies)				
Dixon et al.	1991	New Zealand higher educational institutions	Financial	Timeliness
Copley	1991	US cities/ municipalities	Financial	Audit quality



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Cheng	1992	US state government	Financial	Political environment; institutional forces
Lim & Mckinnon	1993	Australian statutory authorities	Financial and nonfinancial (voluntary)	Political visibility
Pendlebury et al.	1994	UK executive agencies	Financial and performance	Trading fund status
Allen & Sanders	1994	US cities/ municipalities	Financial	Participation in the Government Finance Officers Association's Certificate of Excellence in Financial Reporting; CFO's professional orientation
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Christiaens	1999	Belgian municipalities	Financial	Municipal experience; professional accounting consultants' support; accounting staff graduated at provincial school or participated in training courses; training per person; municipal size
<u>2000 to 2009</u> <u>(14 studies)</u>				
Taylor & Rosair	2000	Australian state government	Fiduciary and managerial accountability-based	Both fiduciary and managerial accountability-based disclosure: user groups; fiduciary-based disclosure: extent of a government department's exposure to political costs (measured by size of organisation)
Ryan et al.	2002b	Australian local councils	Accountability (referred as quality)	Size of local government
Gordon et al.	2002	US higher educational institutions	Financial and performance	Total extent of disclosure: institution size; public/private status; extent of disclosure of non-financial information: tuition rates; dependence on tuition revenue; auditor type

Giroux & McLelland	2003	US cities/ municipalities	Financial	Governance structure (form of government)
Gore	2004	US cities/ municipalities	Financial	In GAAP regulated environment: bond market-induced incentives. In GAAP unregulated environment: government debt level
Smith	2004	US cities/ municipalities	Performance	Socioeconomic status; press coverage; reliance on debt concerning US voters
Groff & Pitmann	2004	US cities/ municipalities	Financial (internet)	Size of the government
Laswad et al.	2005	New Zealand local authorities	Financial (internet)	Leverage; municipal wealth; press visibility; type of council
Bolivar et al.	2006	Anglo-Saxon, South American and Continental European central governments	Financial (internet)	Administrative culture
Bolivar et al.	2007	Spanish regional governments	Financial (internet)	Household internet access
Perez et al.	2008	Spanish municipalities	Financial (internet)	Cost of debt; household internet access
Yang	2008	Taipei city	Performance	Supportive external environments; harmonious internal environments
Gordon & Fischer	2008	US higher educational institutions	Performance	Extent and effectiveness: level of education provided; regional accreditation agency; extent: size; effectiveness: extent of disclosure
Marcuccio & Steccolini	2009	Italian local authorities	Social	Type of activities performed; local authorities' strategic priorities
<u>2010 to 2015</u> (8 studies)				
Tagesson et al.	2013	Swedish municipalities	Social	Size; tax base; tax rate; financial performance; political majority

García-Sánchez	2013	Spanish local governments	Sustainability (internet)	Presence of conservative government; political rivalry
Alcaraz-Quiles et al.	2014	Spanish regional governments	Sustainability (internet)	Education; population density; internet access; provision of public information online; procedures completed after online start; level of online services provided; broadband availability
Joseph et al.	2014	Malaysian local governments	Sustainability (internet)	Size; local agenda 21; public sector award
Navarro Galera et al.	2014	European local governments	Sustainability (internet)	Respective traditions
Bairral et al.	2015	Brazilian federal government bodies	Accountability	Entity type; accessibility; personnel demographic; public bureaucracy
Alcaraz-Quiles et al.	2015	Spanish local governments	Sustainability (internet)	Population structure
Mir et al.	2015	New Zealand local governments	Environmental	Political competition

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#### 4.2 From Year 1990 to 1999

The beginning of the 1990s marks a new beginning of research in looking at public disclosures as studies began to inch into other developed countries such as New Zealand. This started from Dixon, Coy, and Tower (1991) who analyse the 1988 and 1989 annual financial accounts of seven universities in New Zealand. They find that timeliness has a significant influence on the comprehensiveness or compliance of financial reporting. In other words, the more quickly a report is published, the more compliant it is to the reporting guidelines as promulgated by the New Zealand Society of Accountant.

One study attempted to advance a model for looking at factors influencing disclosure through more advanced statistical technique. Cheng (1992), in particular, hypothesises four categories of factors namely socioeconomic, political system, characteristics of the bureaucracy, and factors that represent other external demands and constraints as influencing the US state government's choice of financial

disclosure. Employing the Linear Structural Relations (LISREL) method of analysis to test the model based on 50 US states' 1986 financial reports, Cheng (1992) finds that the political and institutional factors can influence the choice of state governments' accounting disclosure.

Lim and Mckinnon (1993) interestingly, focus on semi-governmental bodies in Australia, hereby referred to as statutory authorities. Their pioneer project is consistent with the fact that Australia is said to be the first to introduce this form of public entity (McCrae & Aiken, 1988). Their study examines the association between political visibility and voluntary disclosure. The political visibility item is proxied by total assets, total revenues, total employees and coverage of parliamentary debate. Their analysis of the 1984 annual reports of 50 statutory authorities (commercial and semi-commercial) in New South Wales, Australia, reveals a positive association between political visibility and disclosure of voluntary non-sensitive nature of financial and non-financial information.

A subsequent study by Pendlebury, Jones, and Karbhari (1994) look at the UK executive agencies' reporting practices. Based on their analysis of the 1992 annual reports of 53 executive agencies which concentrated on financial and performance information, their findings reveal that the form and content of annual reports and accounts varied and thus, not useful for comparison purposes (i.e. comparing either between one agency's report with another or with the private sector). The variation in the financial reporting appears to have been influenced by the trading fund status. As for the reporting of performance measures, the competitive position of an agency does not appear to have much influence on its performance measure selection.

To date, the common approach to study factors influencing public sector disclosure has been to use secondary reports. However, a few authors have opted to use survey or census data to explore the issue of reporting (e.g. Allen & Sanders, 1994; Copley, 1991; Sanders, Berman, & West, 1994). The study by Allen and Sanders (1994) is based on a mail survey gathered from 439 US cities. Their study finds that (i) participation in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial reporting and (ii) the Chief Financial Officer professional orientation significantly increase the level of financial disclosure whereas other factors namely city size and externally mandated GAAP compliance are not significant factors. Sanders et al. (1994) also find similar results in their study when they report:

Municipal efforts to promote a climate of openness and responsiveness are associated with the amount of financial disclosure indirectly through the professional activities of the CFO and through participation in the GFOA's Certificate of Excellence Program. Specifically, cities that have adopted a code of ethics have a more professionally-knowledgeable CFO and are more likely to participate in GFOA's Certificate of Excellence in Financial Reporting. Both of these factors are strongly associated with increased financial disclosure.

(Sanders et al., 1994, p. 77)

Copley (1991), on the other hand, uses census data of 262 US municipal governments, available from the US Census Bureau's Survey of Governments, namely the annual financial statistics as well as Ingram and Robbin's (1987) self-developed database. Copley finds that the financial disclosure level in audit clients' financial statements is positively influenced by their respective independent auditors. This is due to the latter seeking to maintain a reputation of higher quality.

A study by Christiaens (1999) uses both annual reports and survey data to explore factors influencing reporting compliance in the Belgium public sector. The study examines 100 annual reports published in 1995 and a verbal survey done on 18 Belgian municipalities. Christiaens finds that the (i) municipal experience, (ii) professional accounting consultants' support, (iii) accounting staff graduated at provincial school or participated in training courses, (iv) training per person, and (v) municipal size have positive relationships with the reporting compliance.

In sum, similar to studies before the 1990s, studies done in the 1990s also appear to put much focus on US municipalities' financial reporting (e.g. Copley, 1991; Sanders et al., 1994) as can be clearly seen in Table 1. The preceding discussion, however, shows how studies looking at factors influencing public sector disclosure have slowly evolved and expanded to encompass other aspects of reporting such as non-financial reporting (Lim & Mckinnon, 1993) including looking at other public sector settings such as executive agencies (Pendlebury et al., 1994) and higher educational institutions (Dixon et al., 1991) besides incorporating other advanced nations such as New Zealand (Dixon et al., 1991) and Belgium (Christiaens, 1999). Nonetheless, it appears still that there has been no study done on less-developed nations. In this respect, Goddard (2010) emphasises that it is relatively more crucial to conduct public sector studies on developing nations than in the more developed ones.

This is primarily due to the fact that a developing country depends on its public sector to drive its economy, and its relatively more worrying state of accountability issues (see, for example, Mimba, Helden, & Tillema, 2007). On a different note, compared to studies in the previous decades, more factors influencing public sector disclosure including timeliness, trading fund status, auditors, and participation in continuing education by public managers have been tested.

#### ***4.3 From Year 2000 to 2009***

In the first 10 years of the 21st century, it is observed that studies looking at factors influencing public sector disclosure had grown to become more diverse in terms of the aspect of reporting, countries covered, and medium of reporting. With respect to the aspect of reporting, there has been an increasing interest shown in non-financial reporting, particularly on performance and social reporting. An example is Smith (2004) whose study focuses on performance reporting. Furthermore, research also includes looking at European states such as Italy and Spain (see Marcuccio & Steccolini, 2009; Bolivar, Caba Perez, & Lopez Hernandez, 2007). Besides, a new reporting medium which includes internet reporting is also attracting the attention of researchers. Such a phenomenon appears to be consistent with the development and growth of more advanced technologies during that era. More detailed discussions of these studies are provided below.

Smith (2004) examines the determinants of non-financial performance reporting in US cities. He reports that socioeconomic status, press coverage, and reliance on debt concerning US voters are factors which influence non-financial performance reporting practices. He also notes that two factors limited the growth of US cities and they are variability in practice and managerial resistance. Data for Smith's study were gathered from 128 annual financial reports, 111 adopted budgets, and 16 other publicly available documents containing performance measures as well as 204 mail surveys.

In 2008, Yang published his study on the potential determining factors of honest performance reporting. Based on a mail survey of 684 Taipei government employees comprising performance specialists, senior managers and regular administrators, Yang (2008) finds that external and internal environment that is supportive and harmonious respectively, enhances stakeholders' participation and innovation

culture. He claims that this will consequently encourage honest performance reporting.

In the context of social reporting, Marcuccio and Steccolini (2009) report that the content of the local authorities' social reports are significantly influenced by their type of activities and strategic priorities. Their study is based on the 2002 social reports of all 15 Italian local authorities.

Besides studying performance and social reporting, factors influencing disclosures encompassing a wider aspect of reporting such as accountability reporting also became an interest of researchers. Ryan, Stanley, and Nelson (2002), for example, refer to accountability reporting as quality reporting or the type of reporting representing the important features of best disclosure practice. They examine the 2007-2009 annual reports of 36 Australian local councils and they find that the size of the local government is positively associated with the quality of reporting. However, report timeliness is not associated with the quality of disclosures.

Despite the growing scope of reporting issues, majority of the studies identified in the first decade of the 21st century remain focused on financial disclosure (e.g. Bolivar et al., 2007; Gore, 2004). Based on 175 financial reports of the US municipal governments for the year ending 1995, Gore (2004) examines the impact of GAAP-regulated in Michigan and unregulated disclosure in Pennsylvania. He reports that bond market-induced incentives influence managers of unregulated disclosure to disclose information. On the other hand, in regulated disclosure environments, the findings suggest that only the low-debt governments are induced to provide additional disclosures.

A study by Giroux and McLelland (2003) finds that governance structure is a significant variable that can influence accounting disclosure in the 1983 and 1996 annual reports of 92 US cities. Their finding is consistent with the results of Robbins and Austin (1986). They also claim that in particular, accounting disclosure of council-manager cities are more superior than mayor-council cities.

Studies also began to focus on looking at the combination of both private and public sector reporting (e.g. Gordon, Fischer, Malone, & Tower, 2002; Gordon & Fischer, 2008). In the context of colleges and universities for example, Gordon et al. (2002) examine the annual reports of 100 US higher educational institutions for the year 1984 and they report that:

Institution size and public/private status were associated with total extent of disclosure but leverage and audit firm size were not significant. Extent of disclosure of non-financial performance information was associated with high tuition rates and low dependence on tuition revenue and with state auditors as opposed to public accounting firm auditors. Highly visible institutions, those larger in size or audited by the state, disclosed more information. Moreover, some institutions used a corporate-style report to better promote their interests.

(Gordon et al., 2002, p. 235)

In their study, Gordon and Fischer (2008) use survey data taken from the National Association of College and University Business Officers. Their findings suggest that the education level provided and the regional accreditation agency are associated with the extent and effectiveness of performance reporting in 262 public and not-for-profit US colleges and universities. Simultaneously, they report that size also influences the disclosure extent where the extent and effectiveness of disclosure are both associated with each other.

As stated earlier, the advancement of technology has enabled reporting from hardcopy reports to include website reports and so studies looking at public sector disclosure now encompass looking at public sector organisations' websites and examining the factors influencing their disclosures (e.g. Bolivar et al., 2007; Laswad, Fisher, & Oyelere, 2005). Laswad et al. (2005) for example, report that New Zealand local authorities' financial disclosure practices on the web are associated to leverage, municipal wealth, press visibility, and type of council.

Several studies looking at internet financial disclosure were carried out in Spain (e.g. Bolivar et al., 2007; Caba Perez, Bolivar, & Lopez Hernandez, 2008). Bolivar et al. (2007) for example, do not find any apparent association between demographic or socioeconomic characteristic and better internet financial disclosure practices in the context of the regional governments in Spain. However, they find that regional governments with high financial disclosures appear to be those with highest percentage of homes having internet access. In a separate study, Caba Perez et al. (2008) look at Spain's municipalities and find that of all the factors tested, only the cost of debt and household's internet access appear to have some influence on the internet financial disclosure. Factors which used to be found as influencing paper-based reporting namely political competition, fiscal pressure, population size,



reliance on state/regional funds, citizens' education level, are no longer significant in internet reporting.

Another study looking at internet financial disclosure of the US municipalities was performed by Groff and Pitman (2004). They conclude that the size of the government plays an important role in internet financial reporting. In addition to intra-country studies, internet financial disclosure has also been conducted across various other countries. Bolivar, Caba Perez, and Lopez Hernandez (2006), for example, compare the approaches taken by Anglo-Saxon, South American and Continental European central governments in making financial disclosures through the internet. Their findings suggest that administrative culture is the influential factor in determining how a particular country uses the web for financial disclosure.

Studies have also grouped annual report disclosures into different types and tested them against potentially influential factors. Taylor and Rosair (2000), for example, dichotomises disclosure items into two separate groups namely fiduciary and managerial accountability-based disclosure. Based on their examination of the Australian state government departments' annual reports, they find that:

The extent of both fiduciary and managerial accountability-based disclosure provided by government departments is influenced by those user groups that directly participate in the decision processes of the department (e.g., Treasury, the Minister, the CEO and lobby groups), not by the ultimate accountees of governments (e.g., taxpayers and recipients of public goods and services). Further, the extent of a government department's exposure to political costs (measured by size of organisation) is found to be related to the amount of fiduciary, but not managerial, accountability-based disclosure.

(Taylor & Rosair, 2000, p. 77)

The various literature focusing on the factors influencing public sector disclosure is summarised and tabulated in Table 1. It is apparent, that compared to studies published in the first two eras (prior to the 1990s and from 1990 to 1999), there was a move from studying hardcopy reports towards internet-based reporting in the first decade of the 21st century (e.g. Groff & Pitman, 2004; Laswad et al., 2005). There are also more studies focusing on non-financial aspects of reporting namely accountability (Taylor & Rosair, 2000; Ryan, Stanley, & Nelson, 2002), performance (Smith, 2004), and social reporting (Marcuccio & Steccolini,

2009). A comparison also shows that there is a wider coverage of countries studied including a few European nations such as Spain (Bolivar et al., 2007) and Italy (Marcuccio & Steccolini, 2009) and one Eastern country namely Taiwan (Yang, 2008). Nevertheless, in terms of research context, studying the local government remains to be the most researched type of public sector entities, an entity similar to previous eras. In looking at the factors tested, it appears that there are new factors which are found to be significant in influencing public disclosures as is illustrated in Table 1. The new factors include user groups, tuition rates, dependence on tuition revenue, socioeconomic status, press coverage, press visibility, administrative culture, household internet access, and local authorities' strategic priorities (refer to Table 1). The most significant factor appears to be the size of public sector entity.

#### ***4.4 From Year 2010 to Present (2015)***

Following the development of research in the previous decade, it is interesting to note that the move towards looking at non-financial as well as website reporting have been more remarkable from the year 2010 onwards. More specifically, all except one of the identified studies, focused on sustainability reporting. Sustainability reporting is sometimes termed differently, for example, social and environmental reporting (Villiers & Staden, 2014). From the year 2010 onwards, it appears that European countries are dominating these research and that most of these studies focused on web-based reporting rather than hardcopy reports.

A review done of all the research extracted shows there are five published studies on website sustainability reporting, with four of them done in European nations (i.e. Alcaraz-Quiles, Navarro-Galera, & Ortiz-Rodríguez, 2014; Alcaraz-Quiles, Navarro-Galera, & Ortiz-Rodríguez, 2015; García-Sánchez, Frías-Aceituno, & Rodríguez-Domínguez, 2013; Navarro Galera, de los Ríos Berjillos, Ruiz Lozano, & Tirado Valencia, 2014) and one in Malaysia (i.e. Joseph, Pilcher, & Taplin, 2014).

In Spain, García-Sánchez et al. (2013) assess the website sustainability reporting practices of 102 Spanish municipalities, and find several political factors, more specifically, the presence of conservative governments and political rivalry as negatively influencing transparency. On the other hand, Alcaraz-Quiles et al. (2015) who examine the websites of 55 major towns and cities in Spain, show that dependent population positively influences sustainability disclosures. In

their earlier study, Alcaraz-Quiles et al. (2014) look at 17 Spanish regional governments' websites and they note that more factors influence website sustainability disclosure and this include socio-economic factors such as education, population density and access to internet, and e-government factors such as the provision of public information online, the percentage of procedures completed, the level of online services provided and broadband availability.

Navarro Galera et al. (2014), on the other hand, study website sustainability reporting on a larger scale. They examine the website disclosure of sustainability information by major European cities. Based on the prevailing administrative culture, these cities are classified into either Anglo-Saxon (English-speaking) or Nordic. Navarro Galera et al. (2014) conclude that the respective traditions of these countries may influence their development of practices of transparency and accountability with respect to sustainability. In the context of non-European countries, Joseph et al.'s (2014) study 139 Malaysian local council websites and their findings support that size, Local Agenda (LA) 21 and public sector award serve as significant predictors of website sustainability disclosure.

There are also studies looking at sustainability reporting in public sector annual reports and other types of data, besides websites. Tagesson, Klugman, and Ekström (2013), for example, study the 2006 annual reports of all 290 Swedish municipalities and also the archived data of official statistics supplied by the Swedish Association of Local Authorities. They report that size, tax rate, tax base, political majority and financial performance are associated with the extent of social disclosure. Another study looking at annual reports sustainability disclosure is by Mir, Chatterjee, and Taplin (2015). Looking at the annual reports of New Zealand local governments for the financial years 2005-2006 to 2009-2010, they find a positive relationship between political competition and environmental reporting for the 2007-2008 annual reports.

In the period between 2010 to 2015, there appears to be only one study that does not look at sustainability disclosure, but on a more comprehensive and general aspect of reporting, namely annual reporting. Bairral, Silva, and Alves (2015) analyse the level of public transparency in the 2010 annual reports of 115 federal public bodies. They find a positive association of the entity type, accessibility and personnel demographic with the public transparency index, while public bureaucracy shows a significant but negative relationship.

The discussions of the literature looking at factors influencing disclosure published from the year 2010 to August 2015 are summarised and tabulated in Table 1. Overall, there seems to be a substantial increase in attention given towards sustainability and website reporting, and European nations. In addition, various new significant factors are also detected as influencing disclosure and they include tax base, tax rate, political majority, political rivalry, provision of public information online, level of online services provided, broadband availability, Local Agenda 21, public sector award, respective traditions and public bureaucracy. Many of these factors understandably, are internet-related factors.

Section 4 has discussed in length the development of research looking at factors influencing public sector disclosure and it also highlighted the coverage of literature in this area thus far. The summary of the literature is provided in Table 1. The next section looks at the trends of the research on factors influencing public sector disclosure.

## 5. Trends

This study categorised the literatures into four groups based on their year of publication i.e. (i) prior to 1990, (ii) from 1990 to 1999, (iii) from 2000 to 2009, and (iv) from 2010 onwards. From the literature review, it is apparent that the trend in the research related to factors influencing public sector disclosure changes over time, with respect to types of disclosure and countries researched, but not on the context or settings of study (refer to Table 2).

The fourth phase of published studies focuses on sustainability disclosure on European countries including Spain and Sweden whereas those in the first phase concentrated on financial disclosure in the US. Published studies before the year 2000 concentrated on financial disclosure; however, there is no publication in this area in the latest phase, and in fact, it is the same for the last seven years (refer also to Table 1). Likewise, the US which was the most frequently studied country as shown in the first three phases of study, was not given any attention in the most recent phase of study, or even in the last seven years of study (refer to Table 1). On the other hand, interestingly enough, with regards to the study contexts, it appears that local authorities remain the main focal of attention throughout the 38 years (1977 to 2015) of research.

In looking at the factors influencing public disclosure, Abu Bakar and Saleh (2011a) claim that they can be categorised into different themes namely political, social, financial, institutional, and governance.

Table 2: Trends throughout the Four Phases of Study

Phases/ Era	No. of studies	Type of disclosure		Contexts		Countries	
Prior to 1990s	7	Financial	5	Local authorities	4	US	6
		Quality	2	State government Public enterprise	2 1	India	1
1991-2000	8	Financial	6	Local authorities	4	US	4
		Mixed	2	State government	1	UK	1
			1	Colleges/ Universities	1	Australia	1
			2	Statutory authorities	2	New Zealand Belgium	1 1
2001-2010	14	Financial	7	Local authorities	9	US	6
		Performance	3	State government	2	Australia	2
		Social	1	Central government	1	Spain	2
		Accountability	1	Colleges/ Universities	2	Italy	1
		Mixed	2			Taiwan New Zealand Mixed	1 1 1
2011-2015	8	Sustainability	7	Local authorities	6	Spain	3
		Accountability	1	State government	1	New Zealand	1
			1	Federal government	1	Sweden	1
						Brazil	1
						Malaysia Europe- Mixed	1 1

Table 3 tabulates these factors within each category. For instance, voters' participation, interest group competition, political competition, and legislative power are seen as political factors as has been tested by prior studies on public sector disclosure. The present study, in looking at the comparison of studies, finds additional factors as influencing public sector disclosure but they come under different themes. Examples are the presence of conservative government (political), population density (social), tax base (financial) and Local Agenda 21 (governance). These additional factors are mostly related to studies in the period of 2010 and beyond (see Table 3).

It has to be emphasised here that the factors included above may be referred to differently in different papers. For example, voter participation is also termed as electoral competition by a separate study. An additional term located in the present study is political rivalry which may be referred to as parliamentary competition. Table 3 tabulates the equivalent terms respectively.

Given the various factors which have been researched and uncovered so far, it may be reiterated here that research in this area may contribute meaningfully to public sector organisations such that it enables them to improve their quality of public disclosure and in discharging their accountability. Nevertheless, there are still various factors that could be tested and this will be further discussed in section 6 below.

Table 3: Factors Influencing Public Sector Disclosure

Themes	Factors	Other Terms Used
Political	Bureaucratic power	Bureaucracy needs and abilities; statutory or bureaucratic restrictions; public bureaucracy*
	Conservative government*	
	Interest group competition	Interest-group strength
	Legislative power	
	Political competition	Electoral competition; parliamentary competition political rivalry*
	Political majority* Voter participation	
Social	Activity	Industrial; geographic coalition; firms' activity; company town

	Internet access	Internet access in households; technology; broadband availability*
	Interparty competition	
	Population density*	
	Public media	Internet visibility; press visibility; press; strength of press
	Regional culture	Administrative culture
	Respective tradition	
	Voter demographic	Voters' level of education; demographic characteristics; population structure*
	Voter wealth	Voters' socio-economic level; income per capita/citizens' wealth; socioeconomic characteristics; socioeconomic development and diversity
Financial	Government wealth	City wealth; municipal wealth; municipal resources; fiscal pressure; financial condition; financial performance*
	Reliance on debt	Cost of debt; debt; leverage; the use of debt financing; bond market interaction; contracting; capital market
	Reliance on federal	State-regional funds; state and federal intergovernmental transfers; federal influence; tuition dependence & tuition rates
	Tax base*	
	Tax rate*	
Institutional	Government size*	Institution size & wealth; internal ability; total assets; total revenues; number of employees
	Government type	Form of government; council type; type of institution; administrative culture; public vs. private U&C
	IT sophistication	E-politician; website design; provision of public information online*; procedures completed after online start*; level of online services provided*; broadband availability*

Population size	Complexity of government; population density*
Professionalism	COE participation; CFO informed
Staff demographic	Demographic of public officials; education; salaries & wages; experience; experience; training; professional support; personnel demographic*
Staff selection	Administrative selection process (selection of auditor, accounting system administrator, appointive power of governor)
Government Accessibility*	
Accounting quality	Quality of accounting disclosure; qualitative characteristics of accounting information; timeliness; performance reporting
Audit quality	Outside audit; audit firm size
Code of ethics	
Disclosure regulation	GAAP disclosure regulation; GAAP state; non-GAAP state; state regulation; state disclosure practices
Governance power	Governance structure; corporate governance structure; power of governor
Local Agenda 21*	
Public sector award*	
System endorsement	Endorsement of the most advanced governmental financial information systems

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Source: Adapted from Abu Bakar and Saleh (2011a)

\*newly added factors from the present study

## 6. The Way Forward

The review of the literature in this area of research has revealed several gaps which may be addressed by future research. First, there is a lack of study focusing on a more comprehensive aspect of reporting namely the accountability of reporting as seen in the study by Ryan et al. (2002).



Many studies have focused on certain aspects of reporting mainly financial and sustainability reporting. In this regard, accountability disclosure would cover various aspects of reporting such as financial, performance, governance, social and environmental, intellectual capital, infrastructure reporting and others. This would be in line with the public accountability paradigm which addresses the wide-ranging group of stakeholders who have vested interests in the well-being of the entity (Abu Hasan & Abu Bakar, 2015; Coy et al., 2001). Hence, it should be embraced by any public sector organisations.

Secondly, a vast majority of prior studies tend to focus on local authorities; there appears to be very limited studies conducted on other types of public sector organisations such as federal and state governments, higher educational institutions, and semi-governmental bodies. In the context of semi-governmental organisations such as executive agencies or statutory bodies, it is important to have more research looking at these bodies due to their unique characteristics arising from their embracement of corporate style management which makes them more similar to governance structure of private sectors. Hence, factors to be tested against their disclosure practices may also differ from other public entities such as board composition.

Thirdly, despite the fact that studies have gradually expanded to include other developed nations (e.g. New Zealand, Australia, UK) and European countries (e.g. Belgium, Italy, Spain) instead of merely emphasising on the US as in the case of studies published prior to the 1990s, there is still a general lack of published studies looking at less developed countries and Asian countries, in particular. It is very important to have an insight of public sector disclosure practices and the factors influencing their practices in developing nations as this knowledge can develop a truly comprehensive understanding of public sector disclosures (Goddard, 2010). However, it is noted that there are a few unpublished doctoral studies which focus on this area in the Malaysian context (i.e. Johl, 1993; Mucciarone, 2008). Nonetheless, despite their availability, more can be done in the context of Malaysia and other Asian nations given the public sector importance in these nations as highlighted by Goddard (2010). More studies conducted in this area of looking at factors influencing public sector disclosure may eventually enable public managers to discharge their accountability through the need to have greater transparency and disclosure. Additionally, regulatory authorities may also benefit from more research in this area as findings may allow them to formulate practical policies

that can better guide the public bodies on best practices in discharging their accountability to the diverse group of stakeholders.

This study is useful for related future research as it has comprehensively discussed the research development in this area throughout a span of 38 years thereby providing a deep and rich insight on what has been done so far in this area. From here on, many worthwhile research which would benefit the public sector agencies in particular and the larger public in general, can be initiated through the greater accountability demonstrated by the former. Public sector regulators may take heed of what the factors are that may or may not influence disclosure in public bodies and therefore, take necessary remedial actions wherever possible to promote disclosure in public sector bodies. This is because it is, undeniably, an important mechanism to fulfil in public accountability.

Like any other studies, this study has a few limitations. Research identified and discussed are those available on the stated online databases hence, studies outside this domain might have been left out. Also, the study is not based on a meta-analytical work hence, the magnitude of each factor is not weighed and ranked on its level of importance or significance. Notwithstanding these limitations, it is believed that this study would be able to provide rich insights for both interested researchers and practitioners.

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