Readiness in Accrual-Based Accounting Implementation among Malaysian Public Healthcare Sector

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Article History: Received: 10 November 2020; Revised: 12 January 2021; Accepted: 27 January 2021; Published online: 05 April 2021

Abstract: The aim of this study is to identify the level of readiness in the implementation of accrual-based accounting among Malaysian public healthcare sector and to examine the relationships between human resources competency, software and technology capability, accounting policies and standards suitability and the level of readiness in the implementation of accrual-based accounting. Data were collected using questionnaires from a sample of 200 administrative officers in the Finance Department at 20 public hospitals and State Health Departments. The finding showed that the level of readiness to implement accrual-based accounting in Malaysian public healthcare was moderately high. The results also revealed that there were significant relationships between human resources competency, software and technology capability and accounting policies and standards suitability and the level of readiness to implement accrual-based accounting. The results implicated that users of accounting system in Northern Malaysian public healthcare are ready to implement accrual-based accounting. However, improvement should be directed towards relevant areas as identified in the study to ensure a more successful and beneficial implementation of this new accounting system in Malaysian public sector.

Keywords: Accounting, Healthcare, Human Resource

1. Introduction

Over the last 20 years, there have been increasing calls for the government and public sector organizations to move towards accrual-based accounting and adopt private-sector style financial statements. The move from cash-based accounting to accrual-based accounting in the public sector has always been an interchanging debate and widely discussed. The main argument is that traditional cash accounting method is perceived as no longer relevant (Ropidah et al., 2005), causing many countries to move towards accrual-based accounting for more efficient and prudent fiscal management (Mosuin et al., 2019; Hassan, 2012; Irvine, 2011). Among the presumed benefits of accrual-based accounting include the provision of more comprehensive financial information such as the full cost of public services and better asset management which subsequently leads to better financial management and more accurate information for better fiscal decision making process (Wynne, 2007; NurulNadijahAhmad et al., 2015; Care, 2016). Nonetheless, some scholars argued that accrual-based accounting is unsuitable to be implemented in public sector due to the different nature of economic reasoning in the public sector from its private sector counterpart (Ouda, 2004; Rowles, 2004; Khan and Meyes, 2009). For example, the government has certain types of assets and liabilities that do not exist in the private sector such as heritage, infrastructure and environmental assets and full accrual-based accounting are irrelevant to the assessment of the efficiency of these assets since the performance measurement is different (Rowles, 2004). Besides that, government also needs to make selection on the appropriate accounting policies that are relevant to the local accounting standards as well as to ensure that accounting system and budgeting system are closely aligned to provide good financial information (Khan and Meyes, 2009). Additionally, these obstacles to accrual-based accounting can only be detected fully after the system has been in implementation several years as shown by the experience of countries such as Australia and Canada (Khan and Meyes, 2009). In Malaysia, the initiative to implement accrual-based accounting in the public sector started back in 2000. At the federal level, the accounting system follows the Malaysia Public Sector Accounting Standards (MPSAS) which is drawn primarily from the International Public Sector Accounting Standards (IPSAS) with some minor changes in order to accommodate the national circumstances. The transition plan has been developed whereby the opening balances of assets and liabilities will be taken in progressively from 2015 to 2019. The planning shows that they will be a change of accounting practice in the Malaysian public entities. The process had forced the accountants of governmental financial reporting to develop the strategies to ensure successful implementation of accrual-based accounting in the public sector. However, there are many aspects that need to be taken into consideration especially since the migration process involves a high implementation cost. This is emphasised by Gomes (2013) who stated that customisation was necessary in accrual-based accounting due to differences in socio-economics and political environment across countries. Up to this date, it has been more than five years since the process of implementation of full accrual-based accounting in public sector in Malaysia.
begun. However, compared to the previous experiences of other countries, the period given by the Malaysian government is shorter, which means there is a limited time for the public sector to be fully prepared to implement accrual-based accounting. Within the short period of time, the government has faced many challenges, in terms of creating awareness about accrual-based accounting and actions taken to reform the legislative and regulatory structure (MIA, 2011).

Additionally, the International Public Sector Accounting Standards Board (IPSASB) has identified three main aspects that are essential in the implementation of accrual-based accounting, which are accounting policies and standards, software and technology and human resources (IPSASB, 2015). These need to be emphasised by the government to ensure successful implementation of accrual-based accounting in Malaysian public sector. Public sector in Malaysia, just like in any other countries, consists of various services such as education, healthcare, transportation, military and law enforcement, infrastructure and so on. However, this research will be focusing on public healthcare sector mainly because it is a leading driver of economic growth in Malaysia, growing at a rapid rate of 11% a year compared to other sectors such as education and transportation (Ribbink, 2014). This opinion is echoed by Lee (2015), who stated that healthcare has been recognised with a strong public sector presence as it acted as a primary source in improving the health status in Malaysia.

Therefore, this study is conducted with the aim to investigate the level of readiness of Malaysian public healthcare sector in the implementation of accrual-based accounting. Further, it also seeks to examine the relationships between human resources, software and technology and accounting policies and standards and the level of readiness to implement accrual-based accounting. To this date, very limited studies have examined healthcare sector in developing country in this particular field of research. Previous studies have focus more on the issues and challenges faced by developing countries in implementing accrual-based accounting in general. Therefore, the outcomes of this study will provide more useful insights on accrual-based accounting particularly in the light of its implementation in public healthcare, which is one of the most significant sectors in Malaysia.

The move towards accrual-based accounting: opportunities and challenges

For the past 10 years significant changes in the Malaysian political landscape has resulted in more public awareness concerning the need for amore accountable government framework, leading to pressures on the government to improve its governance machinery (Laurence Ferry et al., 2017). Nonetheless, it is difficult for the public and other users such as investors or stakeholders to make informed judgement on the performance of Malaysian government without knowing the true cost of the services provided as well as the quantity and quality of services. The implementation of accrual-based accounting is viewed as one of the best ways in helping these users to evaluate the entity’s performance by presenting the true cost of the services through financial reporting. One of the reasons for Malaysian government to implement accrual-based accounting in the public sector is to seek for better transparency and accountability as well as to reduce the level of corruption in Malaysian public sector (Wan Selamah Wan Sulaiman, 2013).

According to the Corruption Perception Index in 2019, Malaysia was ranked at 51 from a total of 180 countries surveyed in the world with corruption score of 53, suggesting that the level of public sector corruption in Malaysia is on average. Accounting standards for accrual-based accounting set by International Public Sector Accounting Standards (IPSAS) promote openness and access to information by citizens and their understanding on decision-making mechanisms (Ijeomam, 2014). As a result the decision making will be more transparent and consequently corruption can be reduced. Xavier (2018) for example, stated the International Monetary Fund (IMF) found that governments that use accrual accounting have lower debts, smaller deficits and better bond yields. This is because the government will invariably face greater pressure to pare down the debt and deficit as accrual accounting allows the public to dig deeper into its financial statements. Besides that, accrual-based accounting is to be implemented in Malaysian public sector as it can determine the full cost of the whole government activities including non-cash costs such as depreciation and pension. According to Khan and Meyes (2009), the full cost information will help the government to identify assets and liabilities in the public sector. Thus, it will improve public sector performance and the government can provide better financial planning since they have complete information regarding the cost of government activities including assets and liabilities in a particular sector (Abolhallaje et al., 2014) which will subsequently lead to better allocation of resources, enables more effective evaluation of alternatives in achieving better decision making and improved accountability (NurulNadiah Ahmad et al., 2015). Moreover, the implementation of accrual-based accounting has been established as one of the policy measures in the New Economic Model (NEM) as a means to improve decision making processes and strengthen public finance management of Malaysian public sector (Raja Abdullahand Nik Mustapha, 2010).
Although many countries have move to accrual-based accounting, there are still arguments and critics on the implementation. The recommendation to implement the accounting system in Malaysia has been proposed around 20 years ago but the attempts failed because there was no universal agreement on the approaches to the valuation of assets (RozaidyMahadi et al., 2014). The Organizations for Economic Co-operation and Development (OECD) stated that specific accounting policy and standards need to be developed for the implementation of accrual-based accounting in the public sector (OECD, 1993). Due to differences between public sector and private sector, some issues arise in applying the accounting standards. The issue that had been common to all countries is the valuation of assets and liabilities present in the public sector such as heritage assets, pension, and infrastructure (NoridaBasnan et al., 2015; Wynne, 2003). Besides, the government need to convert to accrual-based IPSAS or equivalent standards to make sure the financial information using accrual-based accounting is useful to the intended users (Sturesson et al., 2013). For example in Malaysia, MPSAS have been formulated to mirror the international accounting standards as well as to accommodate the needs of national public sector (NurShawallizaYusof and HartiniJaafar, 2018). Although IPSAS have their advantages, they also brought about many challenges for the government mainly because reformulation of the accounting policies and standard that comply with IPSAS is required. This is further supported by Sharifah Sabrina et al., (2019) who found no full compliance to relevant accounting standards when examining asset management system in Malaysian public agencies which may be caused by the timing and speed of change required by the government. Further, the implementation of the accounting standards is oftenproved to be time and money consuming (Biraud, 2010).

Another reason why Malaysian public sector did not manage to fully implement accrual-based accounting according to the preliminary plan is because of the inadequacy in the readiness of accounting information system applications such as equipment, software customization and systems familiarisation (RozaidyMahadi et al., 2014). Similarly, previous studies on accrual-based accounting implementation also highlight this shortcoming in terms of technology and software (Tickell, 2010; Mohammadi et al., 2012; Azrina Hani Azmiand Nafisiah Mohamed, 2014). Tickell (2010) for example, investigated the migration to accrual-based accounting in Fiji and found that the first attempt made by the Fijian government to adopt accrual-based accounting did not materialise. This is because most respondents viewed the software purchased by the government was too complex, expensive and required a lot of system changes. Sturesson et al. (2013) also found that almost half of the respondents in their study identify Information Technology (IT) system requirement as one of top three challenges in implementing accrual-based accounting in public sector. Azrina Hani Azmiand Nafisiah Mohamed (2014) explored the readiness of Malaysian public sector employee in moving towards accrual-based accounting in an effort to improve accountability. The findings showed that respondents were ready to move to accrual-based accounting. However, some challenges that were perceived to occur, which include the new IT system. The respondents stated that integration of existing accounting system with a new accounting system may be difficult due to insufficient capacity and availability of subsystems and functionalities required. Specifically, the government is facing problem in building new software based on accrual-based accounting because it takes times since training in using the software is also needed (RozaidyMahadi et al., 2014). The implementation of accrual-based accounting involves changes to a wide range of information systems. Wynne (2003) argued that the IT capacity of a country must be able to respond to the additional requirement in the implementation of accrual-based accounting in public sector. This entails that the government needs to consider redesigning the existing system to make sure that it supports accrual-based accounting.

The transition to accrual-based system not only requires enormous financial resources but also technical skills of IT specialists. According to scholars, the readiness of skilled technical resources is one of the major obstacles for successful implementation of accrual-based accounting (NoridaBasnan et al., 2015; Khan and Mayes, 2009). Training for human resources is the key element of the success of any project and especially in the implementation of accrual-based accounting in public sector (Mohammadi et al., 2012). The government needs to consider hiring outside consultant to develop systems that suit the national circumstances and to reduce the gap between the capabilities of existing staff. Muhammad Iqbal Mohamed Azahari (2013) found that there are still many civil servants in Malaysia with limited knowledge in accrual-based accounting despite already being provided with training and workshop. FauziahMahat and Noor Azman Ali (2014) examined the perceptions, acceptance and capabilities of the clients and employees who are involved in the process of implementation of accrual-based accounting in Malaysian public sector. They found that employee capability is the highest concern compared to employee perception and acceptance. Apart from that, the findings also suggest that the government need to consider the employee acceptance to make sure the implementation of accrual-based accounting more successful. In Malaysian public sector, a strong believe in the benefits of accrual accounting combined with adequate knowledge on accrual accounting including compliance to, and recording of, financial information according to MPSAS and reasonably adequate resources to support the transition process will lead to higher level of readiness for accrual accounting implementation (Suhaiza Ismail et al., 2018).

Accrual-based accounting in public healthcare sector
The increasing demand on public healthcare in Malaysia urged the government to provide a better management in this sector. Statistics have shown that there has been a steady increase of both domestic and foreign investments in Malaysian healthcare services since 2016 (Ministry of Health, 2016). Most importantly, under the Malaysian Economic Transformation Programme (ETP), healthcare industry has been identified as one of the National Key Economic Areas (NKEAs) which means the sector will receive prioritised government support. In order to ensure the growth of this sector in NKEAs, Strategic Reform Initiatives (SRIs) that includes public policy areas are built to support the government’s goal of transforming Malaysia into a high-income economy. Accrual-based accounting is one of the initiatives under Public Finance Reform (PFR) which aims to strengthen government’s finances. Further, there are many initiatives to increase healthcare economic growth under NKEAs. One of them is to provide a retirement village where its residents will be provided with medical services, daily convenience and nursing care. Therefore, accrual-based accounting will help in to efficiently manage the retirement villages by providing accurate and relevant cost information. This example suggests how accrual-based accounting would benefit Malaysian public healthcare sector. In addition, healthcare sector in Malaysia is one of Asia’s most recognized developing countries that has the potential as a preferred healthcare travel destination for the world (Malaysian Investment Development Authority, 2016). More recently in 2019, Malaysia was ranked first in the Best Healthcare in the World Category of the International Living Annual Global Retirement Index with a score of 95 out of 100, primarily due to its world-class healthcare services and infrastructure (The Star, 2019). These recognitions indicate that healthcare is a highly significant sector that contributes to Malaysia’s economic growth. Thus, Malaysian public healthcare is being chosen because of limited research focusing on the implementation of accrual-based accounting in public healthcare.

However, a study conducted by Vasichek and Roje (2010) indicated that accrual-based accounting in financial system of Croatian public healthcare is complex and not probable to be implemented across the whole public sector. They argued that a standardized accounting system in all public sectors is not the best accounting solution due to different circumstances of each public sector including public healthcare. For example, public healthcare has wide and various types of assets and it is hard to determine the value of each asset. In Greek public health sector, findings by Eriotis et al. (2011) also suggested that the implementation process faces the same problems in which they find that there were no sufficient guidelines for the practitioner on the implementation of accrual-based accounting. Besides that, the researcher also found that there was a lack of operational capacity and resources in terms of organizational, technological and human resources in complying with the laws and regulations introduced in Greek public healthcare sector. Robbestad (2011) also found that there were issues related to human resources, accounting policies and also accounting standards in the Norwegian Public Hospital. For example, the organizational team lack guidelines and the accounting standards were difficult to apply in a setting where profit is not the main objective. Moreover, there were also problems regarding human resource knowledge in interpreting the information from accrual-based accounting.

In Iran, Mehrolhasani et al. (2015) found that there was a lack of strategy in the accrual-based accounting implementation and many problems arise in the process including low interest and commitment shown by the management and insufficient skills, experience, and training of human resources. In spite of the shortage of expertise in accrual-based accounting, the researcher also found that the way accrual-based accounting software is used and recorded was not standardized. However, Abolhallaje et al. (2014) found that the accrual-based accounting has many positive impacts in public healthcare of developed countries such as New Zealand, Canada, Britain and Australia. The findings suggested that in New Zealand public healthcare, accrual-based accounting helps in providing better financial control and asset management while in Canada, accrual-based accounting enables the public healthcare sector to explore the financial condition and show the true cost of the sector. In Britain and Australia, the adoption of accrual-based accounting in public healthcare is found to enhance government performance and improves accountability.

However, Muhammad Iqbal Mohamed Azahari (2013) argued that countries that implement accrual-based accounting experience longer adoption time than what was initially expected. For example, countries such as New Zealand, Sweden and the UK took more than 10 years in order to fully gain the benefits (Connolly and Hyndman, 2005). Muhammad Iqbal Mohamed Azahari (2013) also found that most of the accountants in Malaysian public sector believed that the period given to fully implement accrual-based accounting system is insufficient and that the training provided is inadequate to increase their knowledge on financial reporting using accrual-based accounting. Similarly, Xavier (2018) argued that more extension is needed and that the full transition of accrual basis of accounting can only reach full compliance by 2021.

The review of literature in this area implies that the implementation of accrual-based accounting in developing nations to be more difficult than their developed counterparts. Based on the experiences of developed
countries’ public healthcare it can be concluded that despite the length of time taken, implementation of accrualbased accounting leads to improved decision making and organisational performance. In contrast to the developing countries, the implementation process requires more effort from their government primarily because of the low skilled labour forces. According to Tickell (2010), the process of implementation is effective to countries that have highly-skilled labour forces such as New Zealand and Australia. Besides that, outdated infrastructures also become one of the main problems in implementing accrual-based accounting. In comparison to developed nations, the implementation of accrual-based accounting in public healthcare lack support from human resources such as top management as well as the government servant itself. Further, there are also problems in terms of reformulating the accounting policies and standards and choosing suitable and feasible accounting software due to the shortage in accounting expertise in developing nations.

2. Research Methodology

The purpose of this study is to gain information on the level of readiness of Malaysian public healthcare and factors associated in implementing accrual-based accounting. Survey method through the use of online questionnaire is utilised to collect data. The sample of this study consists of 360 administrative officers from the Finance Department across 17 public hospitals and three state health departments in the northern region of Malaysia (Perlis, Kedah and Pulau Pinang). It is estimated that respondents will take around ten to fifteen minutes to answer the questionnaire.

The instrument used by researcher in this study is a five-point Likert scale questionnaire which is divided into 3 sections. Section A includes questions on the demographic profile of the respondent while Section B includes questions related to the factors affecting the implementation of accrual-based accounting in the public healthcare. Finally Section C covers questions on their readiness to implement full accrual-based accounting. The items used in Sections B and C were adopted and adapted from Eliotis et al. (2011) and Muhammad Iqbal Mohamed Azahari (2013). After the questionnaire has been developed, it was sent for expert review for validity check. The questionnaire was checked and approved by a senior auditor from an audit firm and a Senior Assistant Director of Asset Management at one of Malaysian public hospitals. The two experts agreed on the appropriateness of the questionnaire and suggested some minor amendments to structure and contents. These are taken into consideration and amendments were made to reflect the suggestions. These questionnaires were then distributed to 30 respondents who are the administrative officers at the finance department in two public hospitals in the Klang Valley. The results from reliability analysis suggest that all items have a correlation value of more than 0.8. Before distributing the final questionnaires, the researcher had identified and compiled the email addresses of all the 360 administrative officers in finance department from the selected sample. Then, a cover letter with the link of the survey was sent to be completed by the respondents. The data collection process took 3 months to complete and a total of 200 useable responses were finally obtained making the response rate to be at 56%, which is reasonably high.

3. Findings

The respondent background is analysed through the questionnaire which includes gender, age group, job position, years of service, education level and qualification background. Table 1 shows the distribution of the respondents based on their demographic profiles. Based on Table 1, the results indicate that most of the respondents are from the operational job position (77%), have worked in their organizations for less than 5 years (51%) or 5 – 10 years (32%). Table 1 also reveals most of the respondents have accounting qualification (45%). Therefore, this indicates that most of the respondents have wide experience in handling the accounting system in their organization and have proper and adequate accounting knowledge to answer the questions.

Table 2 shows the mean and the standard deviation for the level of readiness in implementing accrual-based accounting in public healthcare sector. Overall, Malaysian public healthcare sector have high level of readiness to implement accrual-based accounting with albeit more need to be done to improve the migration success rate. The results show that the mean score was between 3.88 and 4.10 with an overall average mean of 3.97. This is consistent with the findings of Muhamad Iqbal et al. (2018) in which they found evidence to suggest that Malaysian public sector accountants have a high intention to implement accruals accounting system in the public sector accounting system.

<table>
<thead>
<tr>
<th>Table 1. Demographic profiles</th>
<th>Frequency</th>
<th>Percentage (%)</th>
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Further, based on the results in Table 2, it can be seen that almost all of the respondents agree that the implementation of accrual-based accounting can improve decision making process, provide better financial management and increase accountability and transparency. Although the overall mean can be considered as high but the score is at the lower end of the cut-off point for high level for a five-point scale (Landell,1997). Further, the highest mean of 4.10 (SD = .668) for item C58 indicates that most of the respondents are ready to be involved in changing the current accounting system in Malaysian public healthcare. Oliorilanto (2008) found that lack of commitment of government servants in changing the accounting system had become one of the factors that led to the failure of implementing accrual-based accounting in Madagascar public sector. Therefore, the readiness to be involved in changing the accounting system is significantly crucial in ensuring successful implementation of accrual-based accounting in Malaysian public healthcare. This finding is consistent with Ruhaya Atan and Faziyatun Mohamed Yahya (2015) in which accounting personnel of Malaysian federal government are ready to change to accrual accounting and reacted positively towards the change.

<table>
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<tr>
<th>Item No.</th>
<th>Mean</th>
<th>SD</th>
<th>Level</th>
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<tbody>
<tr>
<td>C48</td>
<td>3.99</td>
<td>.667</td>
<td>High</td>
</tr>
<tr>
<td>C49</td>
<td>3.91</td>
<td>.710</td>
<td>High</td>
</tr>
<tr>
<td>C50</td>
<td>3.90</td>
<td>.665</td>
<td>High</td>
</tr>
<tr>
<td>C51</td>
<td>3.88</td>
<td>.736</td>
<td>High</td>
</tr>
<tr>
<td>C52</td>
<td>3.91</td>
<td>.677</td>
<td>High</td>
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The second highest mean is 4.04 (SD = .664) for item C53 where the respondents believe that the implementation of accrual-based accounting helps in evaluating entity’s performance. This is mainly due to the acquisition of financial information that reflects the true financial position of public healthcare including their assets and liabilities. This will help users such as the stakeholders to assess accurately the performance of the organisation. Apart from that, the Table 2 also shows that most of the respondents also believe that the implementation of accrual-based accounting will help in making better financial decisions (mean = 4.01, SD = .661) and helps in improving the decision making process (mean = 4.00, SD = .705). Better financial information will help the management to make better decisions. This echoes the findings by De Sousa et al. (2012) in which it is found that the implementation of accrual-based accounting in Brazilian public sector provide better information that improves managerial decision making.

Table 3. Correlation between human resources competency, software and technology capabilities and accounting policies and standards suitability with the level of readiness with the level of readiness in implementing accrual-based accounting in public healthcare sector

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<th>HR</th>
<th>IT</th>
<th>POLICIES</th>
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<tbody>
<tr>
<td>R</td>
<td>Pearson Correlation</td>
<td>.300***</td>
<td>.514***</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
<td>200</td>
</tr>
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*** Correlation is significant at the 0.01 level (2-tailed).

Where
- R = Level of readiness in implementing accrual-based accounting in public healthcare
- HR = Human resources factor
- IT = Software and technology factor
- POLICIES = Accounting policies and standards factor

The result in Table 3 indicates that human resources and the level of readiness in implementing accrual-based accounting to be strongly positively correlated, r(198) = .300, p < .001. This finding is consistent with previous research conducted by Muhammad Iqbal Mohamed Azahari(2013) where he found that there is significant relationship between government servants’ attitude with the preparedness in implementing accrual-based accounting in public sector. Based on the total average mean of 4.02 (results not tabulated), most of the respondents agree that human resources play a role in the implementation process of accrual-based accounting in Malaysian public healthcare. In addition, the highest mean (4.21) indicates that the top management encourages the respondents to use accrual-based accounting in public healthcare. Nevertheless, employee acceptance in using accrual-based accounting is also very important to ensure its successful implementation (Muhammad Iqbal, et al., 2018; Fauziah Mahat and Noor AzmanAli, 2014) in addition to having full support from the top management. Since the government servants have various qualification backgrounds, more training is required especially for those with no accounting background as they might not be previously exposed fully with the concept of accrual-based accounting. The findings is consistent with the research conducted by Blidisel et al. (2008) whereby the implementation of accrual-based accounting requires the government to train the managers and responsible officers to be fully equipped with knowledge on accrual-based accounting.

Table 3 illustrates that software and technology factor has a strong positive relationship with the level of readiness in implementing accrual-based accounting r(198) = .514, p < .001. The findings are consistent with Mohammadi et.al. (2012) where they found suitable accounting software to be one of the most important
prerequisites in ensuring successful implementation of accrual-based accounting in Iranian public sector. According to Tickell (2010), appropriate software and IT facilities is important because unsuitable software is found to be one of the factors that causes the failure of implementation in Fijian public sector. This results indicate that the government will need to develop a software that match accrual-based accounting and public sector needs and to make sure that adequate IT facilities and equipment is provided. Table 3 also shows accounting policies and standards to have a strong positive relationship with the level of readiness in implementing accrual-based accounting $r(198)=.706, p < .001$. The finding provide support to Sturesson et al. (2013) in which they concluded that the government need to convert to accrual-based IPSAS or any other equivalent standards to make sure the financial information using accrual-based accounting can be understood and utilised fully by the users. Further, descriptive results (not tabulated) also reveal that the respondents agree that accounting policies and standards suitability is critical in the readiness to implement accrual-based accounting in Malaysian public healthcare (mean = 3.91). Meanwhile the highest mean of 4.00 shows that the respondents agree the existing accounting policies and standards are being adhered to by top management. However, the respondents also agree that it takes time to reformulate the accounting standards that meet IPSAS (mean = 3.96). The findings is consistent with the research done by Der Hock (2005) who argued that accrual-based accounting cannot be implement in a certain time until the accounting policies and standards that suit public sector’s requirements are formulated.

4. Conclusion

This study examines the level of readiness in the implementation of accrual-based accounting in Malaysian public healthcare and the relationships between human resources competency, software and technology capability and accounting policies and standards suitability with the level of readiness in the implementation of accrual-based accounting in public healthcare. Overall, it is found that there is a high level of readiness among administrative staff in finance departments examined. Most of the respondents agree on the advantages of accrual-based accounting and are ready to be involved in the process of accrual-based accounting implementation in Malaysian public healthcare.

The results also suggest that human resources, software and technology and accounting policies and standards affect the level of readiness in implementation of accrual-based accounting in Malaysian public healthcare. The respondents also agree that they look forward in migrating from modified cash-based to accrual-based accounting and that the new accounting regime will help to provide better financial information, improve allocation of resources and enhance decision making process. Consequently, these will lead to a more transparent and increased accountability of public sector performance particularly among healthcare sector. Initially, the Malaysian government expected to implement accrual-based accounting in public sector in beginning 2015. However, to this date, the implementation of accrual-based accounting is still on-going indicating some barriers or difficulties in implementing fully and effectively this system in the Malaysian public sector. Therefore, this study is useful in providing more insights into the issues and challenges faced by the government leading to the delay of this process. Finally, it is hoped that findings of this study will contribute to further transform the existing accounting system in Malaysia.

References


