

UNIVERSITI TEKNOLOGI MARA

**THE DEVELOPMENT OF A
DISCLOSURE FRAMEWORK FOR
TANGIBLE HERITAGE ASSET IN
THE FINANCIAL REPORTING OF
THE MALAYSIAN PUBLIC SECTOR**

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ABSTRACT

Accounting for Heritage Asset (HA) is always in the interest of many accounting researchers and has become a concern for public sector entities and the International Public Sector Accounting Standards Board (IPSASB). The accounting issues of HA focus on the recognition, measurement, and disclosure. The present accounting standards for HA namely the International Public Sector Accounting Standards (IPSAS) locally known as Malaysian Public Sector Accounting Standard (MPSAS) 17 Property, Plant and Equipment unable to reflect the significance and importance of the HA resulted in difficulties in incorporating HA into the public sector's financial statement. HA possesses unique characteristics such as being priceless, irreplaceable, and rare making it important to the country's history, culture and society. This study provides a suitable Tangible HA Disclosure Index, combining financial information and non-financial information of the HA. In addition, this study also describes the issues and challenges in accounting for HA faced by the Malaysian Government Agencies in Malaysia. This study adopts an exploratory sequential mixed-method research approach, beginning with a qualitative approach and followed by a quantitative approach. Data were collected through individual face-to-face interviews, document reviews, and a survey questionnaire. Face-to-face interviews were conducted with accountants and curators involved in the accounting and managing of HA in the Ministry of Tourism, Arts and Culture (MOTAC) and its agencies, including the Department of National Heritage (JWN), Department of Museums Malaysia (JMM), National Archives Malaysia (ANM) and National Art Gallery (BSN). The aim was to obtain an in-depth understanding of the issues and challenges in accounting for HA, as well as to gather the financial and non-financial information for the Tangible HA Disclosure Index. The data collection through document review includes the National Heritage Register and annual report of MOTAC and BSN, which were used as input in the development of the index. The disclosure index was developed based on the analyses of data from face-to-face interviews and document reviews. Furthermore, survey questionnaires were distributed to the accountants and curators of HA reporting, to gather their perceptions on the Tangible HA Disclosure Index. The findings revealed five issues and challenges in accounting for HA, namely policy, guidelines and legislation; administrative issues, valuation issues; supports; and supplementary reporting of HA. The development of the Tangible HA Disclosure Index consists of four disclosure themes namely Accountability, Narrative and Recognition and Measurement and Performance, with a total of 42 disclosure items. These items have been gathered from the present accounting standards, face-to-face interviews, document reviews and literature reviews. The quantitative analysis reported that 89% of the respondents agree for the HA to be reported in a separate financial reporting. The accountability, narrative and recognition and measurement components are highly rated to be included in the disclosure as compared to the performance theme. This study contributes to the enhancement of HA literature. It also provides valuable insight to the preparers and policymakers in enhancing their accounting and management policy, procedures and practices in HA reporting. With improved disclosure, the public sector can discharge their accountability to the public and support the aim of sustainable development goal (SDG) 11 on sustainable cities and communities. These findings also offer insight to the standard setter in establishing the appropriate and informative disclosure and presentation of HA.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter provides an overview of the study in section 1.2. Further, section 1.3 to 1.5 explains the research background, problem statement and motivation for the study of HA. The following sections 1.6 and 1.7 provides the research objective and research question. The next section 1.8 and 1.9 discusses the scope and significance of the study to enhance the understanding particularly on HA disclosure. The remaining section 1.10 offers the operational definition of HA and section 1.11 the organisation of the whole thesis. Finally, section 1.12 concludes the first chapter.

1.2 Overview of Study

The Malaysian government is committed to implement the full accrual-based accounting by 2021 to replace cash-based accounting. This implementation has resulted in changing the government's accounting policy and practices, including the way the government account for its assets. It has been reported in prior research, including in the mainstream local newspaper, the transition to accrual-based accounting would result in the betterment of the public sector's financial reporting and improve the government's accountability to its stakeholders, especially to the public (Mayston 1992; Barton, 2000; 2005, Hooper, Kearins, & Green, 2005; MalaysiaGazette, 2018; Lim, 2018; Biondi & Lapsley, 2014; Ellwood & Greenwood, 2016; Aversano, Christiaens, Tartaglia Polcini, & Sannino, 2019; De Wolf, Christiaens, & Aversano, 2020; Biondi, Grandis, & Mattei, 2021; Redmayne, Laswad, & Ehalaiye, 2022). The government started to account for its asset under the accrual-based concept in 2018 (Accountant General's Department of Malaysia, 2017). This has included a unique asset, namely heritage asset (HA).

HA encompass static and movable historical items possessing significance characteristics in terms of cultural, environmental and historical, for instance buildings and monuments, archaeological sites, conservation areas and nature reserves, museum collections and works of art which has been gazetted under Malaysia's National