

UNIVERSITI TEKNOLOGI MARA

**ACCOUNTABILITY IN MALAYSIAN FEDERAL
STATUTORY BODIES: INFLUENCE OF
ORGANIZATIONAL CULTURE, INTEGRITY,
ETHICAL CLIMATE, LEADERSHIP AND AUDIT
COMMITTEE**

AMIRAH MUHAMAD NOR

Thesis submitted in fulfilment
of the requirements for the degree of
Doctor of Philosophy

Faculty of Accountancy

August 2013

ABSTRACT

The research examined the concept, need and requirements for accountability in Malaysian Federal Statutory Bodies (FSBs) and how the independent variables such as organizational culture, ethical climate, transformational leadership, integrity and existence of the Audit Committee affect accountability in the FSBs. This research adopts both a quantitative and qualitative approach to understand the three types of accountability such as Managerial Accountability, Fiduciary Accountability and Public Accountability. Questionnaires were posted to 118 FSBs in Malaysia. Five Face-to-face interviews were also conducted with the President of Malaysian Institute of Integrity, three senior management of Malaysian National Audit Department and Deputy Director General of Ministry of Higher Learning to gauge their perceptions relating to the research area. Four, structured interviews with four respondents from three FSBs were conducted. Out of 118 FSBs, only 68 (57.6%) FSBs responded to the survey by returning the questionnaires. The number of questionnaires returned to the researcher were 266 (45%) out of 590 questionnaires that were mailed or sent by hand. Data was analysed using Statistical Package for Social Science (SPSS Version 14). Suggestions and comments made by respondents on ways to improve accountability, integrity, organizational culture, ethical climate, leadership and audit committee were summarised. A summary of the Auditor General's Annual Reports on FSBs from year 2002 to 2009 was carried out. Triangulation was done to ensure that all the information from the various sources were well supported. The findings showed that FSBs must address the various challenges in order to remain relevant in promoting accountability in the public sector. There is an increasing expectation that the FSBs should, through concerted action, play an effective role in promoting a culture that values honesty, responsibility and accountability in the exercise of authority. The occurrence of mismanagement, fraud and benefit of trust among staff entrusted to carry out managerial responsibilities and non-compliance in Federal Statutory Bodies is on the rise. Public resources or funds are either misused or misappropriated. It is believed that corporate governance and risk management practices, will minimize the weaknesses that are still occurring in FSBs. Lastly, recommendations were made to policymakers, FSBs and board of directors on some of the ways to improve accountability of FSBs. It was concluded that transformational leadership, integrity, organizational culture, ethical climate and presence of audit committee can affect accountability in FSBs.

ACKNOWLEDGEMENTS

In the Name of Allah, the Most Benevolent, the Most Merciful

In accomplishing this thesis, many individuals and organisations have assisted me in numerous ways, for which without their efforts, this task would not have been viable.

I am ever indebted to my supervisor, Associate Professor Dr. Asmah binti Abdul Aziz, whose excellence guidance, concern and supervision throughout my thesis preparation, was most generous.

My further appreciation goes to Associate Professor Hamdan Maad, Cik Zaitul Anna Melissa at the Faculty of Quantitative Studies, UiTM Shah Alam and Cik Siti Norhafizah and for their generous help during the data analysis period. I would like to give particular thanks to all my coordinators of Postgraduate Studies at the Faculty of Accounting, Shah Alam and En. Ahmad Hamdan bin Jemiran and also thank you for all the support from IPSIS for their encouragement and assistance throughout my studies.

My heartfelt appreciation to En. Muhammad Andrew Charles Bucksey, who diligently assisted me in the editing of my thesis. My sincere gratitude is extended to all the Federal Statutory Bodies that responded to my surveys, the nine respondents that agreed to the face-to-face interviews, the Heads of Department from the National Audit Department, the President of the Institute of Integrity Malaysia, the Deputy Director General, Strategic Department, Ministry of Higher learning who contributed their ideas and expertise in the initial data gathering sessions and interviews, particular thanks go to the Public Service Agency for the five year scholarship that supported my studies.

Finally, and most importantly, I am massively indebted to my family especially my beloved husband, Shah, my children Imran, Izzat, Irshad, Intan and Iskandar, my daughters-in-law, Akmar, Nadya and grandson Aimar for all their love, support and patience in giving me time and space to research and write this thesis.

TABLE OF CONTENTS

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGMENTS	iv
TABLE OF CONTENTS	v
LIST OF TABLES	xi
LIST OF FIGURES	xiii
LIST OF DEFINITIONS	xiv
LIST OF ABBREVIATIONS	xv
CHAPTER ONE: INTRODUCTION	
1.1 Introduction	1
1.2 Background	2
1.2.1 Development of Statutory Bodies in Malaysia	2
1.2.2 The Types of Federal Statutory Bodies	5
1.2.3 Findings of Performance Audit	6
1.2.4 Financial Management Audit	8
1.3 Problem Statement	16
1.4 Objective of the Study	20
1.5 The Research Questions	21
1.6 Significance and Contribution of the Research	22
1.7 Motivation for the Study	23
1.8 Scope and Limitation of the study	24
1.9 Organization of the Thesis	25

CHAPTER TWO: REVIEWS ON FEDERAL STATUTORY BODIES STRUCTURES AND PROCESSES

2.1	Introduction	27
2.2	Organizational Structure and Processes	27
2.3	External Reporting	29
2.4	Accountability for public money and performance	30
2.5	Roles and Responsibilities of the National Audit Department in Ensuring Accountability in Federal Statutory Bodies	32
2.6	Whistle-Blowing Policy	33
2.7	Summary	33

CHAPTER THREE: LITERATURE REVIEW

3.1	Introduction	34
3.2	Accountability	34
3.2.1	Multidimensional Forms of Accountability	40
3.2.2	Managerial Accountability	42
3.2.3	Fiduciary Accountability	43
3.2.4	Public Accountability	44
3.2.5	Good Governance in the Public Sector	46
3.3	Integrity	48
3.4	Malaysian Government Directives to Improve Public Service Delivery in Malaysia	54
3.5	Problem Affecting the FSBs	55
3.6	The Corruption Perception Index (CPI)	56
3.7	Organizational Culture	58
3.7.1	Power Culture	59
3.7.2	Role Culture	59
3.7.3	Task Culture	60
3.7.4	Person- Oriented Culture	61
3.8	Ethical Climate	62
3.9	Transformational Leadership	64
3.9.1	Transformational Leadership	69
3.10	Existence of Audit Committee	71