

UNIVERSITI TEKNOLOGI MARA

**ACCOUNTING REFORMS : A CASE STUDY OF
DEWAN BANDARAYA KUCHING UTARA
(DBKU)**

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DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my dissertation.

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ABSTRACT

This dissertation examines organisational change in a Malaysian local council using Dewan Bandaraya Kuching Utara (DBKU) as the case study. Specifically, this dissertation examines the process of accounting reforms in DBKU. This dissertation also identifies the factors influencing accounting reforms in an organisation. This dissertation employs semi-structured interview and content analysis on 10 respondents who are currently employees in the finance department. Drawing from the institutional theory comprising of coercive, mimetic and normative isomorphism, this dissertation found that accounting reformation has led DBKU to achieve several recognitions particularly, during the financial and management audit. The accounting reformation are categorised into four components namely, organisation's accounting system, organisation's internal policies, division's management that is the finance division and financial reporting. Since its establishment in 2005 to 2014, DBKU has implemented accrual accounting. In support of the accrual accounting in the organisation, few initiatives were implemented such as upgrading its accounting system, diversifying its revenue collection efforts in attempt to reduce its liability and also upgrading the online payment system. This dissertation found that the factors influencing the accounting reforms in DBKU consists of positive factors and negative factors. These factors include budget allocated, auditor's opinion, staff knowledge and capabilities and the management decision. The findings in this dissertation benefit other local authorities particularly in Sarawak in becoming more effective in their service delivery and in facilitating the Financial Management Transformation.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Information Technology (IT) plays an important role towards smart environment both in the private and public sectors. The rapid IT developments in the past two decades especially in financial management have influenced organisations to develop and implement new systems for organisational success. IT is not limited to computers. It also includes all forms of technology that are used to create, store, exchange and use information in various forms.

An accounting information system is part of IT and it refers to a computer-based method for tracking accounting activities using IT resources. The report is often in the form of a financial statement that can be used internally by the management or externally by other interested parties including investors, creditors and tax authorities. Therefore, the importance of an organisation to improve its accounting information system is evident. For public sector, the adoption of accrual accounting represents part of the accounting information system.

Cash accounting is a common practice among organisations in the public sector. However, in order for the government entities to disclose more meaningful information in the financial statement, there has been an international trend towards accrual accounting. Many government entities in various countries have successfully transformed cash accounting to accrual accounting such as Australia, New Zealand, Canada and United Kingdom (UK). The accounting transformation from cash accounting to accrual accounting forms part of the public sector reform agenda in enhancing financial accountability and transparency (Isa, Che Ruhana, Zakiah Saleh, and Haslinda Abu Hasan, 2014) and providing a true and fair view of the financial position and results of operations in accordance with the relevant financial reporting framework (FEE 2008).

According to Isa et al (2014), accrual accounting provides more accurate reflections of the government agencies' financial position and their assets and liabilities would be disclosed in the financial report. In contrary, cash accounting