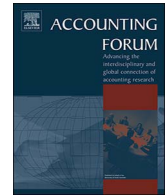


Contents lists available at [ScienceDirect](https://www.sciencedirect.com)

Accounting Forum

journal homepage: www.elsevier.com/locate/accfor

Framing public governance in Malaysia: Rhetorical appeals through accrual accounting

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ARTICLE INFO

Keywords:

Framing
Rhetoric
Accrual accounting
Governance
Corruption
New public management (NPM)
Malaysia
Developing countries

ABSTRACT

In government, the challenges of governance and anti-corruption are exacerbated by accounting not being fit for purpose. In developing countries, many governments adopt accrual accounting as a panacea. Drawing on Goffman's frame analysis, and rhetorical appeals to logic, credibility and emotion, this paper examines the adoption of accrual accounting in Malaysia. It was found accrual accounting has potential for keying governance and anti-corruption. However, rhetorical appeals that attempt to legitimate neo-liberalism and engender public support in the name of progress were hindered by perceptions of endemic corruption and relatively weak democratic institutions of 'good' governance common to developing countries.

1. Introduction

Public corruption, experienced by many developing countries, has been arguably exacerbated by weak governmental accounting practices (Cohen, Guillamon, Lapsley, & Robbins, 2015). The criticisms of governmental accounting stem from its failure to address the needs of users. For instance, the disconnection from macro-economic management (Premchand, 1995), its inadequacy to detect fraudulent activities, and in concealing corruption scandals (Neu, Everett, Rahaman, & Martinez, 2013). As a response, to help enable better governance practices to facilitate anti-corruption, many governments in developing countries are implementing accrual accounting (PricewaterhouseCoopers, 2013). This accords with advice from the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) who issued an international framework for public governance. This set out the importance of accrual accounting in the public sector, and argued that better financial reporting is critical to reduce levels of public corruption (see Ace, 2014; IFAC/CIPFA, 2014). More widely, there has been coverage by international media on the role of accounting in the context of corruption (Lehman & Thorne, 2015).

Prior research has noted the technical nature of accrual accounting for sound financial management in public sector organisations (Christiaens & Rommel, 2008; Ellwood & Newberry, 2007; Groot & Budding, 2008; Hyndman & Connolly, 2011; Lapsley, Mussari, & Paulsson, 2009; Saleh & Pendlebury, 2006) especially concerning its 'perceived' benefits for decision usefulness and accountability (Bergmann, 2012; Laughlin, 2012). However, accounting arguably has a broader governance potential (Ferry and Ahrens, 2017; Ferry, Eckersley, & Zakaria, 2015). Indeed, 'Accounting Forum' has called for more research into governance and anti-corruption and

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<http://dx.doi.org/10.1016/j.accfor.2017.07.002>

Received 30 June 2017; Accepted 8 July 2017

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how calculative practices such as accounting can be significant beyond their logic of a technical potential (Ahmad Khair, Haniffa, & Abdul Karim, 2015; Lehman & Thorne, 2015). Accrual accounting can play a key role in improving the governance of public sector organisations (IFAC/CIFPA, 2014) and in maintaining their integrity (Doig & McIvor, 2003; Espejo, Bula, & Zarama, 2001). However, if accounting is analysed merely at a logic level of its technical potential, it would miss the rhetorical appeals to credibility and emotion that engender a broader governance and socio-economic potential (Ahrens & Ferry, 2015, 2016; Broadbent & Laughlin, 2002).

This paper addresses the rhetorical appeal of accrual accounting beyond its technical logic, and considers its credibility and emotional potential for governance and anti-corruption through the case of Malaysia. This is pertinent at a time of serious corruption allegations in Malaysia up to Prime Ministerial level and public anti-corruption (and by implication anti-governmental) protests. Further, whilst there has been a history of neo-liberal reforms in the public sector it has been questioned whether the Malaysian populace has actually benefitted (Ahmad Khair et al., 2015). Such a case is particularly illustrative for the international community, not least due to the globalization of developing nations, such as Malaysia, evidenced through increasing international trade levels and inward and outward investment.

Prior studies on the adoption of accrual accounting have focused primarily on its logic of the technical and how the specificity of a public sector context poses implementation challenges (Arnaboldi & Lapsley, 2009; Caperchione & Lapsley, 2011; Chow, Humphrey, & Moll, 2007; Pina, Torres, & Yetano, 2009). In contrast, the present study discusses logics of the technical potential of accrual accounting but also emphasizes discourses surrounding the implementation of accrual accounting that draws on rhetorical appeals of credibility and emotion. It also considers how accounting co-exists with other governance infrastructure as a means to 'key' confidence in the government by 'framing' public accountability in a broader social context. In other words, this study does not take for granted that the logic of technical potential promised by advocates of accrual accounting is a panacea for the proper governance of public sector organisations. On the contrary, this study grounds the discussion with how the logic of technical potential inter-relates with governmental rhetorical appeals to credibility and emotion in promoting accrual accounting as part of the political agenda and related socio-economic issues (Botzem & Quack, 2009; Gallhofer & Haslam, 2007).

The technical potential of accrual accounting over the modified cash basis in improving public sector financial management has been staged as a Key Result Area (KRA) by the Malaysian government for its adoption. Specifically, accrual accounting has been cited as a KRA in enabling the accounting system to be ready for the implementation of Outcome Based Budgeting (OBB) in 2016. For example, Treasury Circular 1.1/2013 on OBB, and 1.2/2013 on accrual accounting, explain how these accounting changes are important logics of technical potential supporting the broader Government Transformation Programme (GTP). The GTP encompasses various structural changes in public sector service delivery, rooted on the concept of 1Malaysia – 'People First, Performance Now' – launched by the Prime Minister, Najib Razak, in 2010. This called upon the rhetorical appeals of emotion around social cohesion and unity among the multi-racial society in Malaysia (Ahmad Khair et al., 2015; Ferry, Zakaria, & Eckersley, 2014).

While this study presents a brief narration of the history of neo-liberalism and alleged corruption in Malaysia, the analysis is limited to ways in which discourses on accrual accounting are implicated within GTP's governance reform. Fighting corruption is one of the GTP's National Key Results Areas (NKRAs). To build on the potential of accrual accounting for better governance, this paper draws on Goffman's (1974) frame analysis to consider rhetorical appeals around logic, credibility and emotion. In doing so, it considers the ways in which accounting can be 'keyed' to go beyond its logic of technical potential in 'framing' governance. Accrual accounting is socially constructed from logics of economic and financial technicalities. However, discourses surrounding its adoption are keyed by governance and political ambitions that draw on credibility and emotional rhetorical appeals to provide a framing.

The present study contributes to frame studies in the accounting field by analysing discourses surrounding the adoption of accrual accounting in the Malaysian public sector with regards to their logic, credibility and emotion rhetorical appeals for governance and anti-corruption potential. Within this theoretical framing, this study adopts a qualitative approach to analysing data obtained through publicly available documents, circulars, texts, government websites and speeches on the adoption of accrual accounting. In line with the interest in studying discourses surrounding the adoption of accrual accounting, particular attention is given to the text and the examination of rhetoric use, i.e. the claims that a text appears to inscribe and its relation to other texts (Atkinson & Coffey, 2004). From this, the paper critically analyses accrual accounting as a technology of good governance to illustrate framing governance and anti-corruption through the keying of accrual accounting with rhetorical appeals to logic of technical potential, credibility and emotion.

The paper proceeds as follows. In the next section, we provide a background to public sector governance and corruption issues in Malaysia. Within this setting, in Section 3, we review accrual accounting, neo-liberalism and anti-corruption before setting out the theoretical framing employed to analyse accrual accounting in Section 4. In Section 5, the study considers the development of accrual accounting in Malaysia in terms of the rhetorical appeal to a logic of technical potential. We then present empirical data highlighting the ways in which the discourses surrounding the adoption of accrual accounting within the context of Malaysia are keyed through rhetorical appeals to credibility and emotion. This is followed by Section 6 which considers the move beyond governance to anti-corruption. Finally, this study offers thoughts on governance and the anti-corruption potential of accrual accounting in the context of public sector organisations by framing inter-relationships between logic, credibility and emotion rhetoric.

2. Background to Malaysia and corruption

During 1980's and mid 1990's, Malaysia became recognised as one of the South East Asian 'Tiger' economies (Selvarajah, 1994; Yusuf & Nabeshima, 2009). However, at the onset of the 1997 East Asian financial crisis, the then prime minister, Mahathir Mohamad looked to protect Malaysian businesses through organised bail-outs. He faced criticism that these measures advantaged cronies who

Table 1

Core areas and underpinning initiatives of anti-corruption NKRA's.

Source: GTP Annual report 2014, page 157.

Enforcement Agency	Grand Corruption	Government Procurement	Education and Public Support
Underpinning initiatives			
1. Special committee on Corruption to answer questions concerning Malaysian Anti-Corruption Commission (MACC) annual report in parliament	8. Engagement with judges	12. Fast-tracking access to Auditor General Performance Audit Report for immediate action	19. Setting up of Corruption Prevention Secretariat in Teacher's Training College
2. Executive Review Committee in MACC	9. Complete prosecution of corruption cases within one year.	13. Action Committee on Auditor General report	20. Training of MPs
3. Project Management Office on Prevention	10. Improve political financing governance framework	14. Auditor General's online dashboard	21. Incorporate anti-corruption element in textbooks in primary and secondary schools ^a
4. Monitor compliance unit activities ^a	11. Insertion of Corporate Liability Provision into MACC Act.	15. Putrajaya Inquisition	
5. Monitor "name and shame"		16. Implementation of comprehensive integrity pact for PPP projects ^a	
6. Corporate Integrity System		17. Upgrading My Procurement and Integration with related procurement portals ^a	
7. Streamline oversight committees		18. Guidelines for middle-men/ lobbyist	

^a GTP 1.0.

had previously benefited from 1980's privatization policies and thus did so again by having debts and liabilities mitigated through bail-outs using public funds (Jomo, 2003). Indeed, Malaysia has been dogged by allegations of public corruption involving scandals of state-owned companies such as Malaysian Airlines, Port Klang Free Zone and Perwaja Steel.

Since the 1990's, changes in the Malaysian political landscape has resulted in more public awareness concerning the need for a more accountable government framework. This has led to pressure on the government to enhance its governance machinery. The GTP first introduced in 2010, over three phases (2010–2013; 2013–2015 and 2015–2020), sets out seven NKRA's, which significantly includes fighting corruption. Further, GTP 3.0 aims to establish an innovative governance structure that is citizen-centred to enable the country to help achieve developed nation status.

From an anti-corruption perspective, GTP 1.0 aimed to deal with corruption from the top-down. This included tightening the procurement system designed to reduce opportunities to commit corruption. The main focus of GTP 1.0 was to establish compliance units in key enforcement agencies such as the Malaysian Anti-Corruption Commission. While the government reported the success of GTP 1.0 it also acknowledged far more progress was needed to regain public confidence in the credibility of the government and its anti-corruption stance (GTP annual report, 2013). Indeed, during the implementation of GTP 1.0 and GTP 2.0, there was a drop from 36th in 2011 to 50th in 2014 in the Corruption Perceptions Index (CPI) ranking (Global Financial and Integrity, 2014). This result indicated that the transformation process needed to be enhanced, for instance, through stronger anti-corruption initiatives and through raising public awareness of the actions taken against public corruption. As a result, GTP 2.0 focused on more substantive mechanisms around four core areas comprising an enforcement agency, grand corruption, government procurement and education underpinned by 21 anti-corruption initiatives. These are shown in Table 1.

As an example, in implementing initiative 4, on strengthening compliance in enforcement agencies, the Integrity and Compliance Department Standard in the Royal Malaysia Police now includes integrity testing as part of the recruitment process for new police recruits starting in 2014. The test is designed to ensure recruits meet a set standard of ethics and integrity as part of the overall assessment of their suitability for the job. Achievements against these initiatives at end of 2014 are presented in Table 2.

Whilst some progress was made by these initiatives, as shown in Table 2, the actual result is below 50% of the target KPI. Thus, Malaysia still faces considerable challenges to improve its international rating measured in terms of the global corruption index score. Moreover, the public perception that corruption is endemic in Malaysia, strengthened in 2015 when Prime Minister Najib Razak was investigated as part of the 1Malaysia Development Berhad (1MDB) scandal.¹In 2009, Malaysian Prime Minister Najib Razak established a sovereign wealth fund, 1MDB, to help the country attract foreign investment and boost its economy. By 2015, 1MDB owed investors \$11 billion. As investigations of the state fund commenced, it was revealed that over \$681 million dollars had been deposited into the Prime Minister's personal account. Najib claimed that this was a 'gift' from the Saudi royal family of which about \$620 million had been returned. The 1MDB investigation subsequently uncovered that the amount that had gone into Najib's personal account total was closer to \$1 billion. In the wake of the scandal, deputy Prime Minister, Muhyiddin Yassin was removed from

¹ Bloomberg (2016) provides a detailed timeline of the events that are merely summarised here. Please see <http://www.bloomberg.com/news/articles/2016-02-02/timeline-malaysia-s-spiraling-1mdb-state-fund-controversy>.

Table 2

Achievements against Initiatives at end of 2014.

Source: GTP Annual report 2014, page 169.

No	KPI	Target(Score/%)	Actual(Score/%)
1	National Performance Integrity Index: Corruption Index Score	7.1	6.9
2	Transparency International (TI): Global corruption Barometer (GCB) Score	60	28
3	Transparency International (TI): Corruption Perception Index (CPI) score	55	52
4	Increase conviction rate for corruption cases	85	78.3
5	Complete trial of corruption cases within 1 year	85	71.8
6	Tabling of AuG report in every Parliament Session	100	100
7	Publish online results of direct negotiation contracts excluding Strategic and Security contracts	100	100
8	100% of MPs attended the Integrity Training for MPs	67	30.18
9	Insertion of corporate liability provision in MACC Act	100	80

office after making critical comments concerning Najib's handling of the issue that he was implicated in. After lengthy investigations, in January 2016 Malaysia's attorney general exonerated the Prime Minister.²

It is within this strained background of seeking to strengthen the governance mechanisms whilst combating various allegations of corruption to help promote economic balance among a multi-racial society, and trying to maintain a stable political landscape, that the government of Malaysia announced its intention to adopt accrual accounting. This measure sought to promote greater social cohesion and public confidence in the government through showcasing its credibility in managing the finances of the country. As such, it was repeatedly articulated in public discourses such as the annual budget speech (Ferry et al., 2014). In this paper, as a contribution to the debate, it is suggested that accrual accounting can build upon the cash-based system that had historically operated in Malaysia, both technically and in terms of its governance potential. However, accrual accounting on its own is not a panacea for good governance. Other 'effective' institutions are necessary.

3. Accrual accounting, neo-liberalism and anti-corruption

Accounting tools and practices have long been used as a logic of technical potential to enable the New Public Management (NPM) agenda to become more embedded internationally, and in particular, for developing countries to support the idea of neo-liberalism (Ahmad Khair et al., 2015; Ferry, Murphy, Zakaria, & Zakaria, 2015). Accrual accounting has often underpinned neo-liberalism (Ellwood & Newberry, 2007). Neo-liberal debates have seen 'individualism' over-ride the 'common good', with a shift towards the market and minimal state intervention in the economic sphere in a quest for social efficiency (Funnell, 2000). In 2011, the Malaysian government announced its intention to adopt accrual accounting in the public sector by 1 January 2015. This would replace the modified cash basis for the preparation of Federal Government Financial Statements.

The neo-liberal agenda, which includes the privatization of state-owned companies, has evidenced the significance of accounting and calculative practices in altering government accountability but also the ways accounting might be detrimental to public well-being (Dent, 1991; Eckersley, Ferry, & Zakaria, 2014; Ogden, 1995, 1997). On the latter, the limitations of performance appraisal criteria in Public Private Partnerships (PPPs) and Private Finance Initiative (PFI) arrangements are examples of ways in which the deficiencies in accounting can ameliorate its benefits (Broadbent, Gill, & Laughlin, 2003; Demirag and Khadaroo, 2008; Froud, 2003; Froud & Shaoul, 2001; Mayston, 1999). If unchecked, such accounting practices could manifest in greed and selfishness (Roberts & Jones, 2009) or even corruption itself (Everett, Neu, & Rahaman, 2007; Lehman & Thorne, 2015).

Corruption is a 'global' problem entailing abuse of public power, roles or resources for private benefit (Free & Murphy, 2015; Nye, 1967). Causes can be demand-side (taking) or supply-side (giving) (Neu, Everett, & Rahaman, 2015; Sikka and Lehman, 2015). Preventive strategies involve control, exit and voice (Everett, Neu, & Rahaman, 2006). However, the problems and solutions are debatable. Perceptions of what is 'corrupt' vary across different contexts (Sargiacomo, Ianni, D'Andreamatteo, & Servalli, 2015). Some commentators argue that the diffusion of the neo-liberalism ideology within emerging economies has magnified the problem of corruption in such jurisdictions (Kaufmann, 1997).

Neo-liberal tools are meant to help modernise and improve economies. They have been embraced by political elites in the developing world. This brand of neo-liberal ideology has been exported from western countries to developing countries through aid, foreign direct investments and in name of modernization of their supposedly 'inferior' socio-political-economic setting (Ahmad Khair et al., 2015; Yeung, 1999). However, under neo-liberalism, politicians have become linked to business elites. Thus, there is less separation of the public and private sectors with a risk of more personalised political relations, clientele effects and political corruption (Chabal & Daloz, 1999).

² Internationally, this case is still under investigation. On 31 December 2015, it was reported in the Staronline that MACC has completed the investigation and handed over its report to the Attorney General for further action. On 20 July 2016, this issue further rose to prominence when the US Department of Justice filed a civil suit to 1MDB under the Kleptocracy Asset Recovery Initiative, a federal initiative to recover assets stolen by foreign officials and laundered in the US. As part of this, the US Department of Justice has forced the Board of Directors of 1MDB to issue a statement that the 2013 and 2014 audited financial statements should no longer be relied upon by any party.

4. Framing governance through keying accrual accounting with rhetorical appeals

Within the context of Malaysia, this paper contends ‘framing’ governance can occur through ‘keying’ of accrual accounting with rhetorical appeals to logic, credibility and emotion with wider organisational and societal consequences. Discourses surrounding the adoption of accrual accounting are analysed using Goffman’s (1974) frame analysis that calls on keying rhetorical appeals of logic, credibility and emotion in framing an argument. He defined a frame as, “principles of organisation which govern events and our involvement in them” (p. 10), and frame analysis as an “examination of organisational experience” (p. 11). These frames are socially constructed and not dependent on individual agency. They are mainly concerned with the interpretive issue or “schemata of interpretation” (p. 21) one experiences in everyday life. The most fundamental scheme of interpretation is called a primary framework within which an individual would be “able to locate, perceive, identify and label” (p. 21) social occurrences.

One central concept in frame analysis is the ‘key’. Goffman explains ‘keying’ is a process that transforms a meaningful activity in terms of some primary framework into something patterned on this activity, but seen by the participants to be something else (p. 44). The crucial role is for participants to determine what is actually going on in the activity or event and that they are aware a systematic alteration is involved (p. 45). The keying process can be classified into two broad categories; the transformation of global interpretive frames, and the transformation of domain specific interpretive frames. The former refers to emergence of a new frame that will act as a master frame over the other frames and interpret activities in a new key (Snow, Rochford, Worden, & Benford, 1986: p. 475). For instance, in a public sector context, this could be acceptance of NPM principles in managing public sector affairs which requires reframing of entire public sector practices. The latter refers to transformation in a specific field or segment of social life. This would be illustrated by changing bureaucratic labelling in the operation of public sector organisations, thus changing the perception of public servant job status from administrators to managers.

Framing could be through keying of accrual accounting with rhetorical appeals of logic, credibility and emotion. Such rhetorical appeals draw on Aristotle’s art of persuasion where ethos, pathos and logos are three rhetorical tools that actors may employ to speak and write effectively in appealing to an audience. Within the context of this paper, logos is logic, ethos is credibility and pathos is emotion. Logos refers to appeals to reason through logical arguments laid out to prove the actor’s perspective or disprove an opposing view. Ethos determines the actor’s good character to build authority and credibility. Pathos appeals to emotion for predisposing favourably an audience to the actor’s perspective. These appeals can be analysed separately, but work together in persuasion. For example, the speaker’s credibility can give extra appeal to an argument or detract from a logical argument depending on an audience’s perception of him. Emotions can sometimes be strong enough to overcome logical argument. Nevertheless, logical arguments can have an enduring strength. This is especially so when put forward by elites such as the accounting profession or when being translated into a developing country from a developed one. Hence, although logical they can add to both the emotional appeal and credibility of a speaker thereby giving greater credibility and legitimation (Ahrens & Ferry, 2015, 2016).

In the context of framing technical reform such as of accrual accounting in a government setting, the keying process is often reflective of politically motivated discourses. The rhetorical framing of technical reform in an organisational setting must engage with the audience’s emotions and also should appeal to the sense of respect and trust to the speaker (Triadafilopoulos, 1999) or writer (Hudson, 1923). For example, in the context of the early diffusion of double entry book keeping, the rhetoric employed was mainly attributed to the writing of Pacioli that appealed to the emotion of the skeptics regarding the legitimacy and integrity of double entry for businesses (Carruthers & Espeland, 1991). Modern examples include the rhetorical appeal to adopt neo-liberal management ideas to promote efficiency in the public sector (Hood, 1995) or a discursive effort to construct public auditors’ expertise in measuring government performance (Gendron, Cooper, & Townley, 2007). In the specific domain of the organisation, Nørreklit (2003) has shown that rhetoric plays a significant role in enrolling organisational members to support the adoption of new accounting tools such as the Balanced Scorecard.

A significant number of studies using Goffman’s framing concept are noted in media and communication disciplines (Vliegenthart & Zoonen, 2011). The proliferation of such studies is traceable to Entman (1993) who called for framing as a research paradigm. The frame concept was interpreted by Entman as a tool for the individual provider of information to promote a particular version of reality, which was heavily influenced by social psychology methods (Vliegenthart & Zoonen, 2011, p. 107). However, this ignored the shared knowledge of what was going on in reality (Solomon, Solomon, Joseph, & Norton, 2013) between the producer and users of the information, and the existence of power struggles, conflicts, and political, social and cultural aspects of life that Goffman suggests are routine aspects of everyday interactions. In contrast, frame studies in the accounting field have adopted a sociological approach and cast light on aspects less explored by the literature in the communication disciplines (Mueller, 2017; Solomon et al., 2013; Vollmer, 2007). For example, Jeacle & Carter (2012) draw on Goffman’s work on impression management in their study of tensions of creativity and control within the price competitive world of the UK fashion chain store.

5. Accrual accounting as rhetorical appeals of logic, credibility and emotion

From this study of the adoption of accrual accounting in Malaysian public sector organisations, the analysis is used to highlight that government ministers looked to legitimate reforms through adopting rhetorical appeals. In turn, logic, credibility and emotion are reviewed through a keying of accrual accounting as a catalyst for anti-corruption beyond cash accounting.

5.1. Rhetorical appeal of logic

The rhetorical appeal to logic was grounded in deficiencies of cash accounting that could be overcome by the technical potential



Fig. 1. Implementation Strategies.

Source: Accountant General Office (Wan Sulaiman, CAPAM Biennial Conference, 2014).

of accrual accounting as means of better stewardship, decision-making and governance. Treasury Circular 1.2/2013 specified the benefits of accrual accounting implementation. These included the following; providing a comprehensive and accurate financial position of government; improving transparency and accountability of the government; improving the management of government accounting and finance through good governance and value for money; increasing efficiency and effectiveness of government in providing performance reports; measuring outcome of policies effectively through management accounting, and providing better indicators of prudent financial management. An important part of these improvements was the Statement of Financial Position (Balance Sheet) under accrual accounting that shows the underlying assets and liabilities of the government and public organisations. This allows the government and public organisations to make better use of their assets and assess their ability to meet short term and long term obligations. Such financial obligations have become increasingly visible and of public importance to the government in light of the financial crisis 2007–2009 and on-going public corruption scandals.

The adoption of accrual accounting was part of policy measures for the Malaysian Public Sector Transformation Agenda and New Economic Model (Treasury Circular 1.2, 2013). It was predicated on strengthening government public financial management (Treasury Circular 1.2, 2013). The implementation strategies outlined by Accountant General Office followed logic of the technical potential of accrual accounting in policy and standards, law and regulations, processes and technology, and human resources as depicted in Fig. 1 which are considered in turn.

Policy and standards were a logic of technical potential that provided guidance to strengthen governance processes. This included an implementation manual and Accountant General guidelines detailing the ways that opening balances of assets and liabilities would need to be accounted for in the transition from cash to accrual accounting. Accrual accounting policies for Federal Government consisting of assets, liabilities, revenues and expenses were approved by the Steering Committee of Accrual Accounting. In 2013, 11 Malaysian Public Sector Accounting Standards (MPSAS) were introduced and uploaded to the Accountant General's website. These were a joint effort of the members of the Government Accounting Standard Advisory Committee (GASAC) that consisted of selected State Chief Accountants and Treasurers and representatives from the accounting professional bodies and universities.

Law and regulations provided a second logic of technical potential. In 2013, as part of accrual implementation, four acts were proposed for revision. These were; the Financial Procedure Act 1957; the Housing Loan Act 1971; the National Trust Fund Act 1988, and the Unclaimed Moneys Act 1965. These acts were the most significant in the financial management of the Malaysian public sector and demonstrated the reach of accrual accounting across the public sector.

A third logic of technical potential related to process and technology. A new computerised accounting system, '1 Government Financial and Management Accounting System' (1GFMAS), was purposively developed for accrual accounting. A System Integrator consulting firm was appointed to work with the Accountant General office. In 2013, there were 189 workshops. They developed a blueprint that compared the current cash system with users and stakeholders requirements, and determined the 1GFMAS development process. This included the General Ledger, Funds Management, Controlling, Accounts Payable, Material Management, Accounts Receivable, Treasury, Cash Management, Loans Management System, Assets Accounting, Human Capital Management, Government Unclaimed Moneys Integrated System and Activity Based Costing modules (Accountant General, Annual Report 2013, p. 87).

The fourth logic of technical potential concerned human resources. The Accountant General office facilitated awareness and education programmes on accrual accounting. A dedicated page on the Accountant General's website specifically disseminated information on accrual accounting. It also published the internal bulletin, 'Focus AKRUAN' that provided progress on the implementation of accrual accounting, explaining technical aspects and reminding civil servants of their role to support the transition process. This internal bulletin was distributed to divisions and branches of the Accountant General, the State Office of the Accountant General, and other ministries.

The Accountant General of Malaysia identified critical success factors for the implementation of accrual accounting. These included top management commitment, change management, involvement of the Auditor General, accounting system change and data collection. Fig. 2 summarises the critical success factors by the activities that would need to be conducted in support of accrual accounting implementation.

To enable the implementation, Treasury Circular 1.2/2013 also specified the governance framework as shown in Fig. 3.

Despite the establishment of a comprehensive governance infrastructure and guidelines for implementation of accrual accounting,

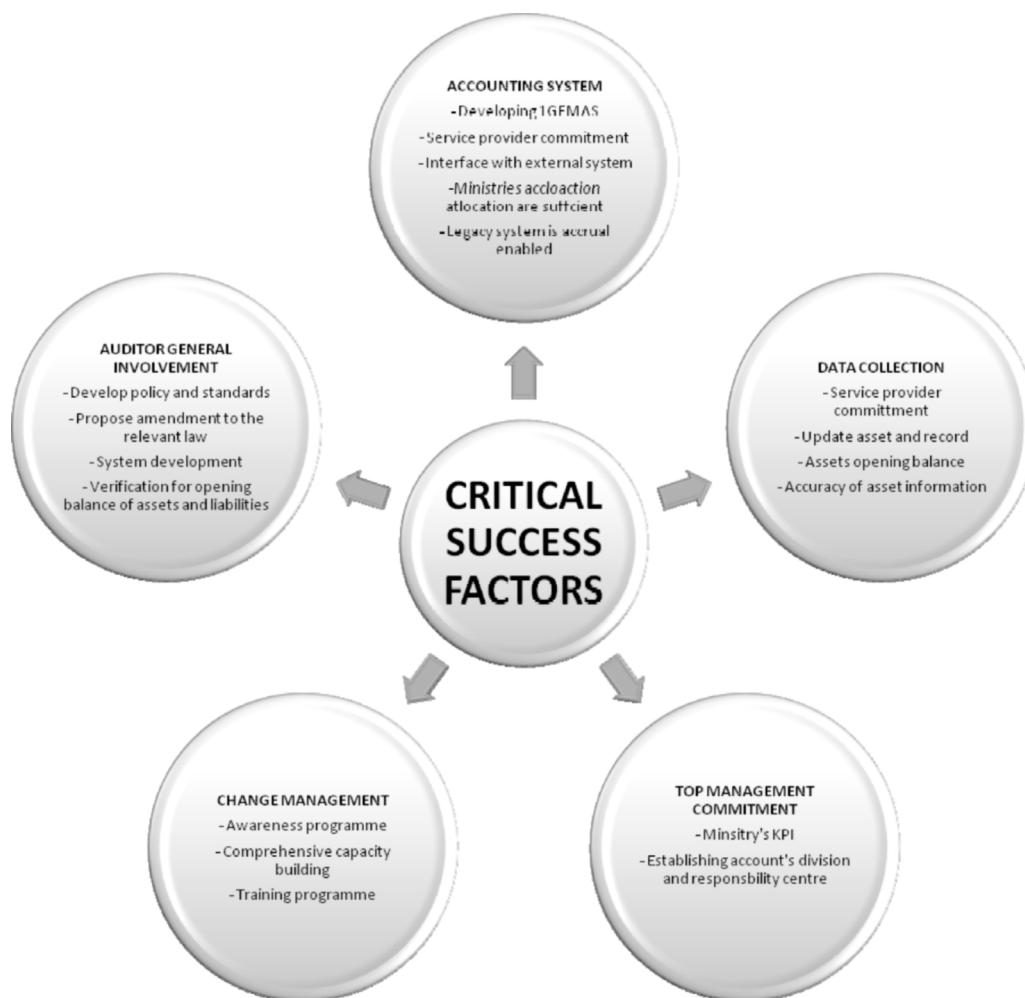


Fig. 2. Critical Success Factors.

Source: Accountant General Office (Wan Sulaiman, CAPAM Biennial Conference, 2014).

the Accountant General acknowledged that the main challenge was to educate and create wider awareness of accrual accounting in the Ministries and Federal agencies. She explained;

“After so many decades the government of Malaysia uses modified cash basis, this transformation is really a great challenge to Accountant General, especially to give awareness and understanding on the concept of accrual accounting to the stakeholders which are Ministries and Federal agencies..... All civil servants need to be efficient and effective ...” (Fokus Akruan, 2013 p. 3).

As part of the efforts to increase such awareness, there were a number of structured training programmes facilitated by the Accountant General office. For example, targeted briefings were held for state officials in 2012 and 2013 to provide a general overview and initial information of accrual accounting and its implementation.

Logic was set out to support the technical potential of accrual accounting over cash accounting for better stewardship, performance and governance. This logic was to be implemented through a series of policies and standards, law and regulations, processes and technology and human resources. Having said that, while the logic was set out, it could not stand alone; education and awareness were necessary if the technical potential of accrual accounting were to have more widespread credibility as a means to help combat corruption.

5.2. Rhetorical appeal to credibility

The rhetorical appeal to credibility of accrual accounting, fostered by increased awareness and education, was its more comprehensive accounting compared to a cash basis, and thereby gave greater potential for better management information and public accountability. Appeals to its credibility are noted in both the OBB and GTP, reflecting KRAs of the Ministry of Finance and discourses in Treasury Circulars No.1.1/2013 on OBB and No. 1.2 on accrual accounting. Such rhetorical appeals included discourses around comprehensiveness, better information for tax management, debt management, performance management and financing decisions,

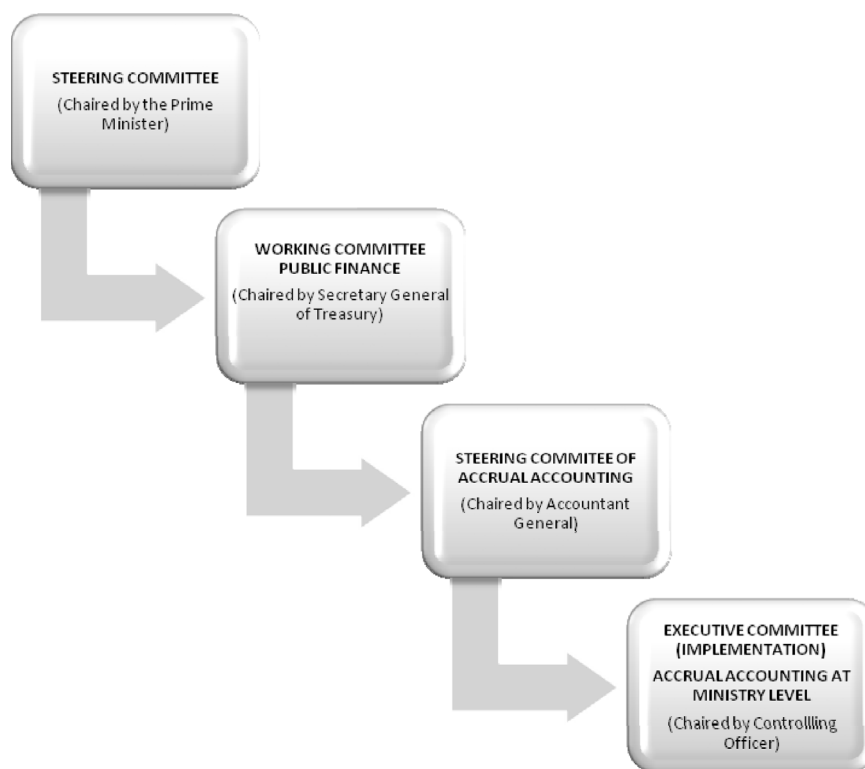


Fig. 3. Governance Framework.
Source: Treasury Circular 1.2/2013.

and improved accountability for taxation, public accountability of civil servants, accountability to citizens, and accountability for Foreign Direct Investment (FDI).

The main problem articulated was that a pure cash-based system only reports cash payments or receipts which are usually only part of a transaction's history, and thus provides only partial visibility for stewardship and performance management. In contrast, accrual accounting provides a more systematic and comprehensive method of recording and managing transactions. Credibility was therefore keyed through accrual accounting by rhetorical appeals in discourses around the comprehensiveness of information to provide a more complete accountability,

"In other words, it is a complete accountability of resources. It is also a better measure of policy effect as it is an effective measure to complement the results framework of OBB which leads to a better accountability of executive government... and is compatible with developed economies" (Accountant General, quoted in Accountant Today August 2011, p. 10).

"Accrual accounting will facilitate the costing of resources, which is essential to the effectiveness of OBB in promoting the sustainability of fiscal policies. It will also add depth to the accountability and transparency of the management of public sector resources" (Head of Project Team, OBB Project Team, Ministry of Finance, quoted in Accountant Today, August 2011, p. 9–10).

The more comprehensive nature of information under accrual accounting has advantages over cash accounting from a credibility perspective. For example, using accrual accounting, there is a comprehensive reporting of assets and liabilities. This facilitates governmental asset management decision-making including better maintenance, replacement policies, identification and disposal of assets, and helps to reduce risks such as the loss due to asset theft or damage. These are particularly important as the government is largest asset owner in Malaysia. Accrual accounting provides greater information content to inform financing decisions and enables the government to take a longer term view. For instance, regarding liabilities, it highlights expenses for accrued public sector pension liabilities that were not visible under cash accounting. Further, accrual accounting lays the foundation for better governmental performance management. The identification of assets and the recognition of depreciation helps managers understand the impact of using fixed assets in the delivery of public services, and encouraging managers to evaluate the effectiveness of those assets in delivering services. Depreciation expenses are not captured by cash accounting.

Improved information provides the basis for better accountability, fostering a greater level of credibility. For example, the information on required tax revenues, and on what the funds would be spent on, was employed to convince constituencies of the need for a new government service tax in April 2015 and for citizens to be more able to hold the government to account. Central to the new socio-economic landscape envisioned by the GTP was a greater efficiency of public service delivery, and the adoption of accrual accounting was argued by the Chairman of Public Accounts Committee (PAC) as being timely for improving the public accountability

of civil servants;

“Under the system, the directors-general will have to sign-off their respective ministry’s accounts and will not be able to say that they are not aware of disparities or that the problems happen when they had moved to other departments” (Nur Jazlan Mohamed, The Star, 13 March, 2014).

The GTP programme also provided a new landscape for the management of public sector organisations. This was aimed at altering the shared understandings among the business community and citizens on public sector performance and on the credibility of government in managing the country. The statement by the Prime Minister below suggests the importance of a strong government that could ensure the delivery of better services to private citizens and businesses;

“We need a government that enables and empowers the private sector. This means re-shaping and energising the public sector to be more responsive and accountable to the needs of private citizens and businesses” (Quoted in editorial, Accountants Today June 2011, p. 5).

Moreover, accrual accounting, as well as its anti-corruption impact, is positively portrayed in affecting the ability of government to attract foreign direct investment and in improving the country’s credit rating;

“I believe the initiative (migration to accrual accounting) is timely as it would facilitate greater inflow of foreign direct investments (FDIs) which the nation needs to achieve developed status by 2020...”

“The Malaysian economy is very open. The country depends on FDIs and the world perceives us by how we manage our affairs. With the implementation of a world-class system for financial management and reporting system we will be able to show better accountability and transparency in our overall governance” (Manyin, quoted in Accountants Today August 2011, p.11).

These rhetorical appeals of credibility are strong arguments for accrual accounting but there remain challenges, in particular for developing countries that have more limited resources. Further, there may be limited institutional capacity, requirements for modernization of ICT and higher priorities for scarce resources. Thus, the credibility that could be garnered from accrual accounting hinged on better management information and the accountability offered. This credibility was subject to the vagaries of rhetorical appeals to emotion that included socio-economic and political discourses.

5.3. Rhetorical appeals of emotion

The discourses around the emotional appeal of accrual accounting, as more than just a technical accounting exercise, encompass a broader perspective that shapes the whole system of governmental governance. The statement by the Chief Secretary of the Malaysian Government in his opening speech of a seminar on embedding accrual accounting in the public sector aims to capture the public emotion of the role of accrual accounting as an agent for the better governance of government;

“Bear in mind that the change to the accrual-based accounting is much more than just an accounting exercise. It is a transformation of the Government finance function which will impact the entire Government machinery. This initiative, requiring the shift from a cash basis of accounting to an accrual basis, will enable increased budget transparency, especially in terms of the Government’s ability to account for long-term assets and liabilities, as well as a tool for increasing government efficiency through performance-based management” (Chief Secretary, 2014).

While transparency, accounting for long term liabilities and performance management were the main technical accounting concerns, the quote above started by an appeal to the emotion of the non-accountant audience that positioned accrual accounting as, “much more than an accounting exercise”. The rhetorical appeal to emotion from the potential of accrual accounting engendered accomplishing socio-economic and political goals. For instance, through the ‘People First, Performance Now’ government policy. These emotions suggested that accrual accounting could make differences to wider socio-economic goals, the lives of citizens, equity and safety, managing business and investment, and anti-corruption.

Firstly, with regards to socio-economic goals. In Malaysia, the GTP was for the transformation of the global interpretive frame that acts as the master frame to other public sector transformation evident in accrual accounting and OBB. The Treasury Circular 1.1/2013 on OBB refers to the 1Malaysia Concept as one of the pillars to move the country towards developed nation status. The concept of 1Malaysia is part of a continuing effort to strengthen unity among multi-racial societies in Malaysia. The Treasury circular states the significance of the 1Malaysia concept as a discourse that focuses on the transparency and responsibility of the government in providing the services needed by its citizens.

Thus, the implementation of accrual accounting and OBB are not merely technical accounting exercises but they support a broader rhetorical appeal to emotion in an agenda of social cohesion among a multi-racial society. Here the potential of accounting in public sector organisations is evident through framing the social dimensions of the GTP and keying the messages through the mechanism of accrual accounting. In other words, while the Accountant General Office speaks for the technical advantage of accrual accounting over the cash basis, the discourses around accrual accounting adoption are clearly keyed by the social governance agenda that has been framed in the GTP and OBB. These surface issues of improved accountability for stewardship, reducing corruption, better social outcomes and changes regarding the governance of public sector organisations.

The rhetorical appeal to emotion in achieving socio-economic goals was evident in the GTP, as stated by the Prime Minister of Malaysia;

“The Government Transformation Programme (GTP) was developed to make the government more efficient and responsive to the needs of

the citizen. It remains a key instrument of the National Transformation Programme (NTP) in achieving our socio-economic goals and obtains developed nation status by 2020” (GTP Annual Report 2013, p. 4).

The Deputy Prime Minister further outlines the GTP’s role in not only changing Malaysia’s socio-economic landscape but also in making a difference to the lives of citizens;

“The fact remains that the impact of the GTP is indisputable; whether it is the delivery of basic infrastructure to the hundreds of thousands of Malaysians living in the rural areas, or ensuring the availability of affordable homes for low-to-middle income urbanites, the GTP is making a difference in the lives of the citizen” (GTP Annual Report 2013, p. 6).

The rhetorical appeals around the socio-economic landscape also led to demand for a more equitable distribution of public resources and a safer environment not only for living conditions of citizens but also business activities. For example, the Chairman of the performance management and delivery unit suggests;

“Malaysia, in aiming to become more inclusive in its public policies, continues to face challenges in making the country more equitable and safer for Malaysians. There is a need to improve efficiency in public service delivery to enable the country, or at the very least the central business capital, to be more attractive for investment by being less corrupt and more transparent” (GTP Annual Report 2013, p. 9).

Thus, the rhetoric behind the implementation of accrual accounting in public sector organisations is a strategic move that has neo-liberal undertones suggesting a greater accountability of the government to both citizens and businesses. Importantly, the rhetorical appeal to emotion keyed into accrual accounting moves beyond governance to anti-corruption. Accrual accounting essentially becomes portrayed as a mechanism to combat corruption – an issue that has dogged Malaysia for decades and retains prominence as evidenced by the case of 1MDB implicating the Prime Minister.

6. Accrual accounting – moving beyond governance to anti-corruption

Emphasised through rhetorical appeals to emotion, is the claim that accrual accounting can reduce the possibility of fraud and corruption in the public sector. While fighting corruption is a NKRA, the role of accounting remains questionable. Thus, much hope is placed on adoption of accrual accounting to help strengthen anti-corruption efforts within government departments and agencies. However, as suggested below by professional institutions, accrual accounting is merely one mechanism of governance and it needs other mechanisms to be in place in order to be most effective;

“Governance and accounting complement each other, if any one of the two is faulty, there is little chance of getting it right” (Bergmann, Chairman of International Public Sector Accounting Standards Board, quoted on [Accountants Today](#), August 2011, p.16).

“This (accrual accounting) will make it harder to manipulate and hide financial misstatements and will thus make some fraud harder to accomplish. However, it is not a cure-all as there have been too many cases of fraud in the private sector, where accrual accounting is commonly used” (Executive Director, Audit Services, KPMG, Quoted in [Accountant Today](#), August 2011, p. 16).

Indeed, the recent high profile case of 1MDB highlights accrual accounting is not itself a panacea for the corruption dilemma in Malaysia. This paper does not comment on the right or wrong in this case, but merely used it to illustrate how anti-corruption drives can fall short in countries with relatively weak governing institutions (compounded by a single governing political party). In other words, for the purposes of this paper, it highlights the point that accrual accounting on its own is not a panacea for good governance and anti-corruption but merely one accounting instrument that requires a strong institutional setting. Nevertheless whilst accrual accounting has challenges in overcoming corruption and the perception of corruption, this does not mean it should not help in providing an underlying keying of rhetorical appeals for logic of technical potential, credibility and emotion that at least puts in place the building blocks for better governance and anti-corruption.

It is important at this point to generalise beyond Malaysia, and very briefly highlight some other cases concerning accrual accounting and anti-corruption that help garner a broader understanding. For example, China highlights that accrual accounting and anti-corruption have been heavily supported by the government in recent years. Indeed, since 2013, President Xi Jinping has presided over a far-reaching anti-corruption campaign. Significantly, this has included the implementation of accrual accounting as a government priority, partly to help curb and manage wasteful public spending. Corruption inspection teams have grown and received over quarter of a million tip offs from the public with reporting made easier by launching of a WeChat account. However, given the direct involvement of the President it has inevitably led to emotional counter claims that the anti-corruption push is politically useful for side-lining opponents and diverting attention from a slowing economy.

Brazil also provides an example where accounting and anti-corruption have been visible. However, unlike China and Malaysia the institutions are perceived as more independent. This follows the impeachment of Brazil President Dilma Rousseff in May 2016 for breaches of accounting rules.

“Brazil is a country with a genuinely independent and empowered investigator capable of putting the country’s most powerful under a public microscope. Anti-corruption drives can create political chaos in the short-term, but they can benefit the country in the long-term if sunlight is used properly as a disinfectant” (Bremmer, 2016).

In this case, Brazil’s ‘Car Wash’ corruption scandal centred on Petrobras, the state run oil organisation. In March 2015, a senior official admitted Petrobras had been awarded contracts for bribes, some of which were used to form political slush funds. Rousseff was the energy minister and chairwoman of Petrobras during the alleged bribery. The case illustrates that accounting’s logic of technical

potential was supported by robust rhetorical appeals to credibility of an independent empowered investigator alongside emotions that accounting could be a sunlight and disinfectant. The sunlight may therefore be merely rhetorical appeals to the logic of the technical potential of accrual accounting.

More broadly, this may extend to establishing the credibility of institutions and decisions or emotionally in socio-economic drives and combatting corruption. If sunlight is shone on a case, it does not mean the disinfectant will always be used. Indeed, in some cases there may not be a wrongdoing found. However, the sunlight at least provides an important starting point to make visible what was not as visible before. This was encapsulated by Ian Ball, Chair of CIPFA International and former chief executive of the International Federation of Accountants at the Financial Reform for Economic Development, at the Asia Public Sector Forum event in Malaysia in May 2016;

“Internationally, a number of forces are combining that are likely to reduce the incentives and increase the risks associated with corrupt activities. The reduced tolerance within political systems towards combined with the willingness of individuals to disclose evidence of potentially corrupt activity increase the probability of detection, exposure and prosecution. Together these forces have the potential to make corruption both more discoverable and less likely to be tolerated. That would be a very good thing, both for its own sake and as a means of restoring trust in political institutions” (Ball, 2016).

Thus, within a wider international context, the awareness of the contribution that public financial management makes to good governance and in helping to tackle corruption is becoming more visible. Accrual accounting, the focus of this research, is a constituent element of public sector financial reforms contributing to such an environment in mitigating corruption and seeking to foster a greater public accountability.

7. Discussion and conclusions

The study has examined the framing of rhetoric surrounding the adoption of accrual accounting in Malaysia. The findings show that rhetorical appeals to accrual accounting were keyed by technical logic of accrual accounting over the modified cash basis, the credibility of accrual accounting in supporting various economic objectives and the emotional appeal for social governance.

Through this study, the paper has contributed to the literature in several ways. First, using Goffman's frame analysis, the paper has shown how accrual accounting can be used to 'key' change with rhetorical appeals to a logic of technical potential for financial management purposes but also with social discourses that had been 'framed' in the GTP as part of credibility and emotional rhetorical appeals. The GTP was the transformation of the global interpretive frame that acts as the master frame to the other public sector transformation programmes such as accrual accounting. The findings of this study therefore suggest that the discourses surrounding the implementation of accrual accounting are meshed with the discourses on the GTP, the master frame that shapes the shared understandings of public sector governance. This keying enables the government to demonstrate that the adoption of accrual accounting is not merely a logic of technical potential exercise but a framing of credibility and emotions for social governance and for public accountability.

The findings indicate that the adoption of accrual accounting was rhetorically framed to appeal for good governance and anti-corruption of public sector organisations. Drawing on Aristotle's art of persuasion and Goffman Frame analysis, we noted that the keying of logic of accrual accounting, embedded in its technical characteristics, is primarily located in the Treasury circulars, laws and regulations and implementations strategies outlined by the Accountant General. When technical logic of accrual accounting was set out in widely circulated documents in government such as Treasury Circulars, they act as a source of empowerment to the implementation team in enabling a smoother transition to accrual accounting.

In terms of rhetorical appeals to credibility of accrual accounting, the study noted that the keying to the credibility of accrual accounting centres around better financial governance. Statements such as 'complete accountability for resources', 'compatible with developed countries', 'facilitate the costing of resources', and 'facilitate inflow of foreign direct investments' are among the prevalent discourses persuading the audience of the credibility of accrual accounting. While rhetorical appeals to the logic of accrual accounting are primarily aimed at an internal government audience (the implementation team), rhetorical appeals to credibility are more widely appropriate to an external audience beyond the implementation team.

Second, the paper illustrated that Malaysia, in common with other developing countries, has followed more developed countries through initiating public sector reform following the advancement of neo-liberalism and NPM ideas through governance technologies underpinned with accounting. The intention to adopt accrual accounting in 2015 as a replacement for the cash accounting system is concerned with improving accountability through financial reporting and disclosure by the public sector. This could be viewed as just another reform seen as necessary by the government to be at par with developed countries. Nevertheless, accountability and governance discourses have become increasingly prominent in Malaysia since the Asian financial crisis 1997, the global financial crisis 2008, and recent 1MDB case. There is now an expectation that the government faces substantial scrutiny of their financial affairs and hence needs to strengthen its financial controls as part of enhancing public accountability and transparency. Accrual accounting helps support the overall governance and anti-corruption activities of public sector organisations, and this discourse is very evident in Treasury circulars and associated government public documents.

This study has shown that accrual accounting implementation was one of the important ingredients in the GTP Programme and aligned with 1Malaysia rhetoric, politically developed to foster support to the government. The framing of rhetorical appeals to emotion are keyed by making the audience believe that accrual accounting is one of the ingredients to address the social and economic governance needs in Malaysia. Thus, rhetorical appeals to emotion are targeted to its external audience, the populace, in order to engender their support to the government, which is especially sensitive from the episode of the alleged 1MDB corruption

case.

The discourses around accrual accounting and its link to OBB highlight the relationship between technical accounting and service delivery. For instance, accrual accounting practices cost and account for assets and liabilities in the balance sheet as technical characteristics. However, it is the linking to OBB that enables the government to demonstrate to the wider public that the shift to accrual accounting is a domain specific keying that can impact on the management of public sector resources. The discourses around the adoption of accrual accounting also point to the potential of accounting for public sector organisations to embrace not only issues of economic growth but broader social outcomes as part of their role in society.

By placing the most recent financial reform in the context of the overall governance of the government, it helps to develop our understanding on the relationship between financial control and other governance mechanisms of the country. This study shows that when the discourses on accrual accounting is meshed with the discourses on GTP, OBB and comprehensive tax, it can offer a greater coherence to the overall picture of public sector governance. It also demonstrates that the transformation of the domain specific interpretive frame such as the discourses surrounding the adoption of accrual accounting has its effect on the way we understand the transformation of the global interpretive frame. In this case, demonstrated by the GTP programme. In the context of Malaysia, the adoption of accrual accounting is part of the overall package in the GTP which aims at increasing confidence in the credibility of the government, and that fosters social cohesion among a multi-racial society for socio-economic growth. In other words, the change moves beyond the purely organisational management of resources and becomes a more social orientation.

Nevertheless, in Malaysia issues of transparency and accountability have become a politically sensitive and a media intensive issue following corruption investigations that go up to the Prime Minister level. These have led to public protests and have undermined international confidence (Transparency International, 2015). Accrual accounting whilst a way to potentially improve governance and anti-corruption is not a panacea, because other institutions also need to be strong. Otherwise accrual accounting will be no more than a way to legitimate neo-liberalism and an illustration of how a developing country can mirror a developed country on the path to 'so called' progress without addressing the fundamental underlying problems. This is especially a challenge of governance and anti-corruption in developing countries that may have relatively weaker democratic institutions of 'good' governance to hold the government to account and ensure robust scrutiny.

In conclusion, with regards to policy making it can be seen that for policies to have an effective 'framing' during implementation it is important to understand how their rhetoric are 'keyed' by appealing to the logic, credibility and emotion of the target actors. In terms of practice, given that the technical accounting changes can be linked to governance changes, the accounting profession is an important influence but may have limited institutional capacity especially in developing countries. It is the regulatory framework that needs to deal with this aspect. Also, it is fundamentally important to recognise that accrual accounting is only one pillar of governance and anti-corruption and needs to be embedded with other effective institutions. More research is needed into how accrual accounting can have greater governance and anti-corruption potential, particularly in different contexts with varying strengths of institution.

Funding

This research did not receive any specific grant from funding agencies in the public, commercial or not-for-profit sectors.

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