

Determinants of Auditors' Readiness for Accrual Accounting Adoption



Erlane K Ghani, Wan Nur Hafidah Wan Jusoh, Razinah Hassan, Kamaruzzaman Muhammad

Abstract: *This study examines the factors that influence the readiness of the auditors in the National Audit Department of Malaysia for accrual accounting adoption. The factors examined were change valence, task knowledge and resource availability while the auditors' readiness were measured through change commitment and change efficacy in embracing the accrual accounting adoption. Eighty-one responses of a questionnaire survey were obtained from the auditors in the organisation in charge of auditing the Malaysian Federal Government. Multiple regressions were performed to analyse the data. The findings showed that change valence and task knowledge have a positive and significant influence on change commitment and change efficacy which reflect the auditors' readiness for accrual accounting adoption. However, no significant positive relationship was observed for resource availability with change commitment and change efficacy. This study is important as it is the first study that examined the determinants of auditors' readiness for accrual accounting adoption in the National Audit Department. Therefore, it would serve as a cornerstone towards supporting the National Audit Department in embracing the accrual accounting adoption.*

Keywords: *Accrual Accounting, Auditors, Public Sector, Readiness*

I. INTRODUCTION

Malaysia aspires to become a developed nation by 2020. In order to achieve this vision, the New Economic Model (NEM) which aims to attain an inclusive and sustainable high income economy was introduced by the sixth Prime Minister of Malaysia, Dato' Seri Mohd. Najib Tun Abdul Razak in 2010 (National Economic Advisory Council, 2010b). Under the NEM, eight (8) Strategic Reform Initiatives were put in place which include strengthening the public sector through public sector transformation and reforms (National Economic Advisory Council, 2010b). Among the policies established for the public sector transformation under the NEM is the

adoption of accrual accounting for prudent fiscal management (National Economic Advisory Council, 2010a). Although it was supposed to be implemented beginning from 1st January 2015, it had been postponed for a few years due to system development issues. The Accountant General's Department of Malaysia (AGD) finally announced that accrual accounting would be adopted starting from 1st January 2018 (AGD, 2017).

Accrual accounting will gradually replace the modified cash accounting basis which was previously used in preparing the financial statements of the Federal Government of Malaysia starting from 2018. Despite the cash accounting basis being easier to understand and prepare, it has been criticized for failing to provide accurate information on overall costs (Connolly & Hyndman, 2006; Lapsley, Mussari, & Paulsson, 2009; Mosuin, Tuan Mat, Ghani, Alzeban & Gunardi, 2019) as well as providing insufficient information on amounts due, amounts owed (Connolly & Hyndman, 2006) and other financial information that is relevant for assessing the financial position of an entity (Lapsley et al., 2009). Accrual accounting, on the other hand, will provide full costs of government activities (Cavanagh, Flynn, & Moretti, 2016; Connolly & Hyndman, 2006; Hodges & Mellett, 2003; Khan & Mayes, 2009; Moretti, 2016; Shanmugam et al. 2019a) and more information for better decision making (Cavanagh et al., 2016; Connolly & Hyndman, 2006; Hodges & Mellett, 2003; Moretti, 2016; Pearson, 2014; Shanmugam et al. 2019b). In other words, the use of accrual accounting would result in more transparent and better quality reporting. It would also enable the users to assess whether public money has been used effectively or not (PWC, 2015).

The adoption of accrual accounting in the public sector is not something new. In fact, it was first introduced in the public sector by the Chilean government in the early 70s (Tiron Tudor & Mutiu, 2006). Developed countries, such as Australia, New Zealand, and United Kingdom, have also implemented accrual accounting. Meanwhile, according to the survey conducted by the Organisation for Economic Co-operation and Development (OECD), 25 out of 34 OECD countries (73%) use accrual accounting as the basis for their annual reports (Moretti, 2016). Amidst the sovereign debt and financial crisis issues, there is an increased need in sound and transparent financial reporting. Therefore, Malaysia's move to adopt accrual accounting is in tandem with the international practice and would enable Malaysia to be at the same level as other developed countries.

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* Correspondence Author

Erlane K Ghani *, Faculty of Accountancy, Universiti Teknologi MARA, Malaysia Email: erlanekg@itm.edu.my

Wan Nur Hafidah Wan Jusoh, Faculty of Accountancy, Universiti Teknologi MARA, Malaysia Email: fairuz@ukm.edu.my

Razinah Hassan, Faculty of Accountancy, Universiti Teknologi MARA, Malaysia Email: razin111@uitm.edu.my

Kamaruzzaman Muhammad, Faculty of Accountancy, Universiti Teknologi MARA, Malaysia Email: kamaruzzaman@itm.edu.my)

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This study examines the factors that influence the readiness of the auditors in the National Audit Department of Malaysia for accrual accounting adoption by the Malaysian Federal Government. The findings of this study provide understanding on the determinants of auditors' readiness for accrual accounting adoption in the National Audit Department. The remainder of this paper is organized as follows. Section 2 proceeds to reviews related literature. This is followed by research method in Section 3. The empirical results and discussions are presented in Section 4. Final section concludes the paper which includes suggestions for future research.

II. LITERATURE REVIEW

Accrual accounting is an accounting basis which records economic events that can reflect an entity's financial position and performance regardless of when the cash transactions occur (Ismail, Siraj, & Baharim, 2018; Khan & Mayes, 2009). Accrual accounting exists as an alternative in financial reporting preparation due to the weaknesses noted in cash accounting. Cash accounting is an accounting basis which records the transactions based on when the cash is received or paid only (Cavanagh et al., 2016). Therefore, any economic events that do not involve immediate cash exchange will not be recorded in financial reporting (Cavanagh et al., 2016). As a result, it fails to provide sufficient necessary information required by users of financial statements such as information on liabilities and assets (Cavanagh et al., 2016; Connolly & Hyndman, 2006; Khan & Mayes, 2009). In contrast, with accrual accounting, both cash and non-cash transactions will be captured in financial reporting and, hence, it provides a more comprehensive view of the entity's financial performance and position (Cavanagh et al., 2016).

Despite the advantages of accrual accounting, the adoption of it does not come without any challenges. For Malaysia, the implementation of accrual accounting starting from 2018 would see the Federal Government using new accounting standard and system which are the Malaysia Public Sector Accounting Standard (MPSAS) and 1 Government Financial Management and Accounting System (IGFMAS). The unfamiliarity with accrual accounting standards and new systems as well as lack of skilled staffs are the major challenges for accrual accounting implementation (Azmi & Mohamed, 2014; Sariman, Mahadi, Mail & Noordin, 2017). Although the study focused on challenges faced by the accountants, the challenges would also apply to auditors.

According to the International Standards of Supreme Audit Institution [ISSAI] (2009), auditors are responsible to issue an opinion by obtaining reasonable assurance on whether the financial statements are free from material misstatement. For the Government of Malaysia, this responsibility lies with the National Audit Department as the supreme audit institution. In line with the implementation of accrual accounting, the National Audit Department will start to audit the accrual basis Federal Government's financial statements for the year ended 2018 in 2019. The first main task would be to verify the opening balance figures. Therefore, the National Audit Department needs to be ready to audit the accrual basis financial statements as they will be significantly different than cash basis financial statements and more complex in nature. This is pertinent so that auditors can provide high quality

audit which will then result in the appropriate type of audit opinion to be issued.

Readiness is one of the most important aspects of support for change initiatives (Armenakis, Harris, & Mossholder, 1993; Holt, Armenakis, Feild, & Harris, 2007; Stevens, 2013; Weiner, 2009). Although it does not guarantee that the implementation of change will succeed (Weiner, 2009), readiness might prevent the likelihood of reluctance to change and, thus, increase the chance of the change to be successful (Armenakis et al., 1993). High organisational readiness might result in the organisation's members to be more likely to initiate change, exert greater effort in support of the change and be more persistent in embracing the challenges during its implementation (Bandura, 1977; Shea, Jacobs, Esserman, Bruce, & Weiner, 2014; Weiner, 2009). Failure to establish sufficient readiness might contribute to unsuccessful change effort. For example, Kotter (2007) mentioned that more than half of the change initiatives failed because organisational leaders failed to establish sufficient readiness within the organisation. In the context of accrual accounting adoption, the responsibilities of auditors will increase. Therefore, failure to establish sufficient organisational readiness might result in low quality audit which will lead to inappropriate audit opinion being issued by the National Audit Department.

The Theory of Organisational Readiness for Change will be used in determining factors that contribute to auditors' readiness for accrual accounting adoption. Since the establishment of the theory in 2009, the theory has been used in studies relating to organisational readiness for change in several disciplines such as health (Helfrich, Kohn, Stapleton, Allen, Ryan, Weiner & Hannon, 2018; Sanders, Wolcott, McLaughlin, D'Ostroph, Shea & Pinelli, 2017; Shaw, Kaufman, Bosworth, Weiner, Zullig, Lee & Jackson, 2013; Shea et al., 2014), software (Phillips, 2017) and accounting (Ismail et al., 2018). For the purpose of this study, three factors are chosen namely, change valence, task knowledge and resource availability.

Change valence refers to how the organisational members value the proposed change (Weiner, 2009). Generally, a change is considered valuable if the organisational members believe that the change has favourable consequences or benefits. The Theory of Organisational Readiness for Change predicts that the higher the change valence, the greater would be the organisational readiness which is reflected through change commitment and change efficacy (Weiner, 2009). When the proposed change is valued more by the organisational members, they would become more willing to support and engage in the change implementation.

Weiner (2009) asserted that change commitment, which is one of the components of organisational readiness, is heavily influenced by change valence. Based on the research conducted by Phillips (2017), he found that change valence has a significant positive impact on organisational readiness for changes in software which includes change commitment. A similar result was found by Ismail et al. (2018) who conducted a study on accountants' readiness for accrual accounting adoption. They found that change valence is positively significant in affecting change commitment.

Therefore, based on the above studies, it is believed that change valence will have a positive impact on auditors' change commitment towards the adoption of accrual accounting. Hence, the hypothesis proposed is as follows:

H1a: Change valence positively influences change commitment

According to a research conducted by Ismail et al. (2018) on accountants' readiness for accrual accounting adoption, it was found that change valence has a positive impact on change efficacy. In other words, when a proposed change is valued more by the organisational members, it would result in higher perceived capability in implementing the change. The finding was in line with the findings from Phillips (2017) as well as with the Theory of Organisational Readiness for Change which predicts that the higher the change valence, the greater would be the change efficacy (Weiner, 2009). Therefore, the following hypothesis is proposed:

H1b: Change valence positively influences change efficacy

Task knowledge is knowledge that is required to implement change (Weiner, 2009). Task knowledge is important for implementing change and change process. According to Ouda (2004), one of the reasons behind the failure of accounting changes in the public sector in the past is the organisational members were not adequately informed on the direction of change. The Theory of Organisational Readiness for Change proposed that task knowledge will influence organisational readiness especially through change efficacy (Weiner, 2009).

Several studies related to the adoption of accrual accounting found that having sufficient knowledge is important for better commitment and successful adoption (Lye, Perera, & Rahman, 2005; Ouda, 2014; Upping & Oliver, 2012). This is in line with the Theory of Organisational Readiness for Change which proposed that task knowledge will influence change commitment (Weiner, 2009). Similar results were also found in studies relating to organisational readiness for changes of software (Phillips, 2017). However, a recent study by Ismail et al. (2018) did not find any significant relationship between task knowledge and change commitment of accountants' readiness for accrual accounting adoption. From the studies above, it can be deduced that when organisational members, which are the auditors in the context of the study, have higher task knowledge, it would result in higher change commitment. Therefore, the hypothesis proposed is as follows:

H2a: Task knowledge positively influences change commitment

In relation to change efficacy, a study by Ismail et al. (2018) found that task knowledge has a significant positive impact on change efficacy. Similarly, Phillips (2017) found that informational assessment, which include task knowledge, has a significant positive impact on the organisational readiness for changes of software through change efficacy. In line with the above studies, it is believed that when the auditors are not sufficiently informed on the task knowledge, it might result in low level of perceived ability in implementing accrual accounting adoption (i.e. low change efficacy) and vice versa. Therefore, the following hypothesis is proposed:

H2b: Task knowledge positively influences change efficacy

Resource availability refers to the availability of resources, such as human, material and financial, that are necessary to implement the change (Weiner, 2009). According to the Theory of Organisational Readiness for Change, resource availability can affect organisational readiness for change especially through change efficacy (Weiner, 2009). This is also in line with the Theory of Planned Behaviour proposed by Ajzen (1991) which suggested that the perceived ease or difficulty in performing a behaviour (perceived behavioural control) depends on the availability of resources and opportunities to perform the behaviour. A study conducted by Basri, Fadhlevi, and Soraya (2016) found that human resource capacity, such as training and coaching, has a positive influence on the organisational readiness in implementing accrual accounting.

In relation to change commitment, Ismail et al. (2018) found that resource availability have no significant influence on change commitment. However, in line with the theory, Phillips (2017) found that informational assessment, which include resource availability, has a significant positive impact on the organisational readiness for changes of software through change commitment. Following the findings by Phillips (2017), it is believed that when auditors assess that they have more resources that would enable them to audit the accrual basis financial statements appropriately, the higher would be the change commitment. Therefore, the following hypothesis is proposed:

H3a: Resource availability positively influences change commitment

With regards to change efficacy, a study by Ismail et al. (2018) found that resource availability has a significant positive impact on change efficacy. Similarly, Phillips (2017) found that informational assessment, which include resource availability, has a significant positive impact on the organisational readiness for changes of software through change efficacy. Based on the above studies, it is believed that when auditors assess that they have more available resources, the higher would be the change efficacy. This is in accordance with the International Federation of Accountants' (2011) suggestion that emphasised adequate resources to ensure smooth transition of accrual accounting. Hence, the following hypothesis is proposed:

H3b: Resource availability positively influences change efficacy

III. RESEARCH DESIGN

A. Respondents

The target respondents for this research were the employees of the National Audit Department who are responsible to audit the financial statements of the Federal Government of Malaysia. They are stationed at the Finance Audit Sector across Malaysia and are in charge of auditing various ministries, department and agencies of the Federal Government of Malaysia.

The auditors are suitable respondents to give inputs on the factors that influence their readiness for accrual accounting adoption as they are the one who are facing the changes from cash accounting to accrual accounting. Therefore, the input obtained from them is relevant for this study.

For the purpose of determining the number of units required in the sample for this research, there are several guidelines provided by researchers in accounting literature. Stevens (2002) suggested the use of 15 respondents per independent variable or at least 45 numbers of respondents for a reliable social science research. Meanwhile, Roscoe (1975) suggested that the minimum size of sample should be at least 10% of the population and the appropriate sample size should not be larger than 500 but must not be less than 30. In this study, there were a total of 150 questionnaires distributed.

B. Research Instrument

For the purpose of this study, data was obtained by using a questionnaire as the primary data source. The questionnaire consisted of five sections. The first section of the questionnaire, which is Section A, required the respondents to provide information on their demographic profile such as gender, age, work position, education level, professional qualification, working experience and accrual accounting training attended. This was then followed by all four variables studied in this research which are auditors' readiness for accrual accounting adoption, change valence, task knowledge and resource availability.

The second section of the questionnaire, Section B, required the respondents to provide information regarding their perception of their readiness for accrual accounting adoption. There were two parts to this section, namely Part I which measured change commitment and Part II which measured change efficacy. There were five questions asked for each part making the total questions asked for this section 10 questions. Both parts used a five-point scale from '1' being 'strongly disagree' to '5' being 'strongly agree'.

The third section of the questionnaire, Section C, required the respondents to provide information regarding their perception on their change valence to measure the extent of which they value the accrual accounting adoption. There were seven questions asked in this section and each question used a five-point scale from '1' being 'strongly disagree' to '5' being 'strongly agree'.

The fourth section, which is Section D, required the respondents to provide information regarding their perception on task knowledge. This section measured the extent of which the respondents have the knowledge required to embrace the accrual accounting adoption. There were five questions asked in this section. This section also used a five-point scale from '1' being 'strongly disagree' to '5' being 'strongly agree'.

The last section, which is Section E, required the respondents to provide information on their perception of the resources that are available to embrace the accrual accounting adoption. There were seven questions in this section. Similar to the other variables studied, this section also used a five-point scale from '1' being 'strongly disagree' to '5' being 'strongly agree'.

C. Data Collection

The questionnaire was first sent to an academic lecturer who holds a Doctor of Philosophy (PhD) in accounting for reviewing purposes. After obtaining feedbacks from the

lecturer, a pilot study was then conducted by handing out the modified questionnaire to three auditors of the National Audit Department. The purpose of the pilot study was to examine whether or not the instruments used were understandable and suitable for research purposes. Following the pilot study analysis, any unclear words or vague questions raised were either deleted or rephrased. Some questions had also been modified in accordance with the recommendations made by the auditors so that they can be understood easily by other auditors.

After the preparation of the questionnaire was completed, an email was sent to the university to seek an approval letter for conducting the research. Prior to the distribution of the questionnaires to the auditors, an email was sent to the special officer of the Auditor General of Malaysia to obtain permission for distributing the questionnaires to the staff of the National Audit Department. The approval letter from the university was also attached with the email.

The survey was conducted through the electronic online survey form by Google. The link to the address of the Google online survey form was distributed through email and the Whatsapp application to make it faster to reach the respondents and easier for the respondents to answer the survey. A cover letter explaining the objective of the research and confidentiality assurance of all information provided was also attached with the questionnaires distributed. A total of 150 questionnaires were distributed to the auditors. Reminders were then sent to those who did not respond within the first week. Some of them responded that they forgot to answer the survey because they were outstation. Eighty one out of the 150 selected respondents answered the survey resulting in a response rate of 54%.

IV. RESULTS

A. Descriptive Statistics

Table 1 presents the details of the descriptive statistics for all constructs of change commitment in descending order (declining agreeability). For the descriptive statistics, the table below provides the number of non-missing value in the sample that is denoted as N, the mean score which indicates the average score for each measure and the standard deviation (SD) that measures the spread of the data are from the mean. N is 81 which implied that there was no missing value as the number is the same as the number of feedbacks. Only one item which is "I want to audit accrual accounting financial statements" has achieved the 4.00 mean. The means of the remaining items range from 3.85 to 3.95. On average, the mean score for change commitment is 3.94. This indicates that the respondents basically agreed on their change commitment in embracing the accrual accounting adoption.

Table 1: Descriptive Statistics of Change Commitment

No.	List of Item	N	Mean	SD
1.	I want to audit accrual accounting financial statements.	81	4.00	0.79



No.	List of Item	N	Mean	SD
2.	I will do whatever it takes to audit accrual accounting financial statements.	81	3.95	0.773
3.	I am motivated to audit accrual accounting financial statements.	81	3.94	0.796
4.	I am committed to audit accrual accounting financial statements.	81	3.94	0.927
5.	I am determined to audit accrual accounting financial statements.	81	3.85	0.882
All Items		81	3.94	0.834

Meanwhile, the highest standard deviation is 0.927 which was recorded for item "I am committed to audit accrual accounting financial statements" whereas the lowest standard deviation is 0.773 for item "I will do whatever it takes to audit accrual accounting financial statements". The average standard deviation for change commitment is 0.834 which implied that the overall dispersion from the mean is small.

Table 2 shows the details of the descriptive statistics, which are mean, standard deviation and non-missing values, for all constructs of change efficacy in descending order (declining score). There were no missing values for the scores as the total number of feedbacks collected is 81. The means of the change efficacy items range from 3.70 to 3.83 in which the highest score is for item "I feel confident that we can support each other in auditing the accrual accounting financial statements". On average, the mean score for change efficacy is 3.78. This indicates that the respondents slightly agreed on their perception that they have the required ability to embrace the accrual accounting adoption. On the other hand, the standard deviations for change efficacy range from 0.738 to 0.798 and the overall standard deviation for change efficacy is 0.775.

Table 2: Descriptive Statistics of Change Efficacy

No.	List of Item	N	Mean	SD
1.	I feel confident that we can support each other in auditing the accrual accounting financial statements.	81	3.83	0.738
2.	I feel confident that we can keep track of progress in auditing the accrual accounting financial statements.	81	3.81	0.776
3.	I feel confident that we can handle the challenges that might arise in accrual accounting adoption.	81	3.79	0.770
4.	I feel confident that we can coordinate tasks so that the auditing of accrual accounting financial statements goes smoothly.	81	3.77	0.795
5.	I feel confident that the organisation can support us as	81	3.70	0.798

No.	List of Item	N	Mean	SD
.	we adjust to accrual accounting financial statements.	81	3.78	0.775
All Items		81	3.78	0.775

Table 3 presents the details of the descriptive statistics for all constructs of change valence in descending order (declining agreeability). There are five items which have surpassed the 4.00 mean which indicate their agreement with the statement. The mean scores for the two remaining items are 3.88 and 3.99. The mean score for overall change valence is 4.08. This implies that the majority of the respondents agreed that they value the accrual accounting adoption. The average standard deviation for change valence is 0.801 which indicates that the overall dispersion from the mean is small.

Table 3: Descriptive Statistics of Change Valence

No.	List of Item	N	Mean	SD
1.	I believe the audit of accrual accounting financial statements will be useful for better decision making.	81	4.16	0.798
2.	I believe that the audit of accrual accounting financial statements will benefit the public.	81	4.15	0.808
3.	I believe it is necessary to audit accrual accounting financial statements.	81	4.15	0.823
4.	I feel that the implementation of accrual accounting is a good idea.	81	4.14	0.787
5.	I value the implementation of accrual accounting.	81	4.06	0.796
6.	I believe the audit of accrual accounting financial statements will be successful.	81	3.99	0.783
7.	I see the implementation of accrual accounting is timely.	81	3.88	0.812
All Items		81	4.08	0.801

Table 4 shows the details of the descriptive statistics for all constructs of task knowledge in descending order (declining score). There were no missing values for the scores as N=81. The means of task knowledge's items range from 3.35 to 4.02 in which the highest score is for item "I am aware of the accrual accounting implementation". On average, the mean score for change efficacy is 3.72. This indicates that the respondents slightly agreed on their perception that they have the required knowledge to embrace the accrual accounting adoption. On the other hand, the standard deviations for change efficacy range from 0.742 to 0.829 whereas the overall standard deviation for change efficacy is 0.793.

Table 4: Descriptive Statistics of Task Knowledge

No.	List of Item	N	Mean	SD
1	I am aware of the accrual accounting implementation.	81	4.0	0.790
2	I know the resources that are needed to audit the accrual accounting financial statements (e.g. expertise, manpower, training).	81	3.8	0.829
3	I know what each of us has to do to audit the accrual accounting financial statements.	81	3.7	0.742
4	I know how much time it will take to prepare us for the accrual accounting changes.	81	3.64	0.795
5	I have sufficient understanding on the accounting standard which is MPSAS.	81	3.35	0.809
All Items		81	3.72	0.793

Table 5 presents the details of the descriptive statistics for all constructs of resource availability in descending order (declining agreeability). The lowest mean score for resource availability is recorded for item “there are adequate trainings on auditing the accrual accounting financial statements” whereas the highest mean score is recorded for item “there are experts that we can refer to for accrual accounting standards and issues”. The mean scores for resource availability range from 3.11 to 3.52 with the overall mean score at 3.30. This implies that the majority of the respondents have a neutral perception or slightly agreed that there are available resources to support the accrual accounting adoption. Meanwhile, the average standard deviation for the resource availability is 0.822 which indicates that the overall dispersion from the mean is small.

Table 5: Descriptive Statistics of Resource Availability

No.	List of Item	N	Mean	SD
1	There are experts that we can refer to for accrual accounting standards and issues.	81	3.52	0.838
2	There are specific auditing guidelines for accrual accounting financial statements.	81	3.46	0.837
3	There is sufficient time to prepare for the accrual accounting implementation.	81	3.40	0.817
4	I have sufficient skills required to audit accrual accounting financial statements.	81	3.22	0.894
5	There are adequate trainings on accrual accounting standard which is MPSAS.	81	3.21	0.817
6	There are sufficient auditors for the implementation of the accrual accounting.	81	3.15	0.776
7	There are adequate trainings on auditing the accrual accounting financial statements.	81	3.11	0.775
All Items		81	3.30	0.822

B. Reliability and Normality Test

Table 6 shows the values of Cronbach’s alpha for every factor (variable). The Cronbach’s alpha for change commitment, change efficacy, change valence and resource availability are all above 0.90, which are 0.970, 0.964, 0.960 and 0.904 respectively. Meanwhile, task knowledge has the value of 0.879 for Cronbach’s alpha. George and Mallery (2003) interpreted the result of Cronbach’s alpha as excellent if it is above 0.90 and good if it is from 0.8 to 0.89. Therefore, the results of Cronbach’s alpha in this study indicate that the items or statements used can reliably measure each variable examined.

Table 6: Reliability of Construct

Variable’s Name	No. of Items	Cronbach’s Alpha
Change Commitment	5	0.970
Change Efficacy	5	0.964
Change Valence	7	0.960
Task Knowledge	5	0.879
Resource Availability	7	0.904

Normality test was carried out to determine whether the data was normally distributed or not. It was conducted by using the skewness and kurtosis values on change commitment, change efficacy, change valence, task knowledge and resource availability. According to George and Mallery (2010), the values for skewness and kurtosis that range from -2 to +2 are acceptable to be considered as normal distribution. Table-4.13 shows that the values of skewness and kurtosis for all variables in this study are in the range of -0.009 to 2. This implies that the mean score for change commitment, change efficacy, change valence, task knowledge and resource availability are normally distributed.

Table 7: Normality Test Results

Variables	Normality Test		
	Skewness	Kurtosis	Mean
Change Commitment	-0.214	-0.646	3.94
Change Efficacy	-0.009	-0.408	3.78
Change Valence	-0.925	2.000	4.08
Task Knowledge	0.009	-0.470	3.72
Resource Availability	-0.374	1.129	3.30

C. Correlation Analysis

Table 8 shows that change efficacy has a moderate positive correlation with change commitment ($r = 0.697, p < 0.001$). This indicates that an increase in change efficacy will moderately result in an increase in change commitment and vice versa.

Table 8: Correlation Analysis between Change Commitment and Change Efficacy



Variables	Change Commitment	
	Pearson Correlation Coefficient (r)	p-value
Change Efficacy	0.697	0.000*

*Correlation is significant at the 0.01

Table 9 shows that change valence is positively and highly correlated with change commitment ($r = 0.744, p < 0.001$). The result implies that higher change valence will result in higher change commitment and vice versa. Table-4.15 also shows that change valence has a moderate positive correlation with change efficacy ($r = 0.659, p < 0.001$). This indicates that an increase in change valence will moderately result in an increase in change efficacy and vice versa.

Table 9: Correlation Analysis between Change Valence with Change Commitment and Change Efficacy

Variables	Change Valence	
	Pearson Correlation Coefficient (r)	p-value
Change Commitment	0.744	0.000*
Change Efficacy	0.659	0.000*

*Correlation is significant at the 0.01

Table 10 shows that task knowledge has a moderate positive correlation with change commitment and change efficacy ($r = 0.647, p < 0.001$ and $r = 0.616, p < 0.001$ respectively). These indicate that an increase in task knowledge will moderately result in an increase in both change commitment and change efficacy and vice versa.

Table 10: Correlation Analysis between Task Knowledge with Change Commitment and Change Efficacy

Variables	Task Knowledge	
	Pearson Correlation Coefficient (r)	p-value
Change Commitment	0.647	0.000*
Change Efficacy	0.616	0.000*

*Correlation is significant at the 0.01

Table 11 shows that resource availability has a moderate positive correlation with change commitment ($r = 0.517, p < 0.001$). This indicates that an increase in resource availability will moderately result in an increase in change commitment and vice versa. Meanwhile, there is positive but low correlation between resource availability and change efficacy. This implies that, to a small extent, an increase in resource availability would result in an increase in change efficacy and vice versa.

Table 11: Correlation Analysis between Resource Availability with Change Commitment and Change Efficacy

Variables	Resource Availability	
	Pearson Correlation Coefficient (r)	p-value

Change Commitment	0.517	0.000*
Change Efficacy	0.409	0.000*

*Correlation is significant at the 0.01

Table 12 shows the summary of the multiple regression results for Model 1 and the statistics of its overall fit. From the R^2 results, it shows that 62.5% of the variation in change commitment is explained by the variation of change valence, task knowledge and resource availability. F-test is used for the overall significance of the model and it shows whether or not there is a linear relationship between all of the independent variables with the dependent variable. Based on the F value, the model is deemed significant [$F(3,77) = 42.798, p < 0.001$] which implies that at least one of the independent variables has a significant linear relationship with change commitment (dependent variable). It can be seen in Table-4.19 that p-value of change valence (p-value < 0.001) and task knowledge (p-value = 0.037) are both less than 0.05 indicating that there is evidence that change valence and task knowledge affects change commitment at 5% significance level ($\alpha = 0.05$). As such, H_{1a} and H_{2a} are supported. Meanwhile, resource availability with a p-value = 0.059 which is higher than 0.05, at 5% significance level ($\alpha = 0.05$), implies that there is evidence that resource availability does not significantly affect change commitment. Therefore, H_{3a} is not supported. The multiple regression equation for Model 1 is as follows:

$$\text{Change Commitment} = -0.493 + 0.425 (\text{Change Valence}) + 0.258 (\text{Task Knowledge}) + 0.142 (\text{Resource Availability}) + e$$

Table 12: Multiple Regression Results for Model 1: Change Commitment

Variables	Unstandardized Coefficient Beta	t-value	Significance
Constant	-0.493	-0.269	0.789
Change Valence	0.425	6.023	0.000
Task Knowledge	0.258	2.125	0.037
Resource Availability	0.142	1.914	0.059

R square (R^2) = 0.625

F value = 42.798

Significance = 0.000

The next model of multiple regression analysis, Model 2, was conducted using change efficacy as the dependent variable and change valence, task knowledge and resource availability as the independent variables. Table 13 shows the summary of the multiple regression results for Model 2 and the statistics of its overall fit.

Table 13: Multiple Regression Results for Model 2: Change Efficacy

Variables	Unstandardized Coefficient Beta	t-value	Significance
Constant	2.538	1.310	0.194
Change Valence	0.321	4.305	0.000
Task Knowledge	0.352	2.746	0.008
Resource Availability	0.030	0.377	0.707
R square = 0.503			
F value = 25.944			
Significance = 0.000			

From the R² results, it shows that 50.3% of the variation in change efficacy is explained by the variation of change valence, task knowledge and resource availability. Based on the F value, the model is deemed significant [F(3,77) = 25.944, p < 0.001] which implies that at least one of the independent variables has a significant linear relationship with change efficacy (dependent variable). This can be seen from the p-values of the independent variables. Both the p-value of change valence (p-value < 0.001) and task knowledge (p-value = 0.008) are less than 0.05 indicating that there is evidence that change valence and task knowledge positively influence change efficacy at 5% significance level (α=0.05). Therefore, H_{1b} and H_{2b} are supported. Meanwhile, resource availability with a p-value = 0.707 which is higher than 0.05, at 5% significance level (α=0.05), implies that there is evidence that resource availability does not significantly affect change efficacy and, hence, H_{3b} is not supported. The multiple regression equation for Model 2 is as follows:

$$\text{Change Efficacy} = 2.538 + 0.321 (\text{Change Valence}) + 0.352 (\text{Task Knowledge}) + 0.030 (\text{Resource Availability}) + e$$

V. CONCLUSION

This study examines the factors influencing accrual accounting adoption in a government audit department. The first objective of the study is to examine the influence of change valence on the auditors' readiness for accrual accounting adoption. The test results showed that change valence has a positive and significant influence on change commitment and change efficacy. This indicates that when auditors value the accrual accounting adoption, it positively influence their commitment and perceived ability to audit the accrual accounting transactions and, hence, reflect their readiness for accrual accounting adoption.

The second objective of the study is to examine the influence of task knowledge on the auditors' readiness for accrual accounting adoption. The test results revealed that task knowledge has a significant and positive influence on change commitment and change efficacy. This implies that that when auditors have knowledge of accrual accounting and its adoption, it positively influences their commitment and their perceived ability to audit the accrual accounting transactions which, in turn, reflects their readiness for accrual

accounting adoption. As noted by Ouda (2004), one of the reasons behind the failure of accounting changes in the public sector in the past is organisational members are not adequately informed of the direction of change. Therefore, this study provides evidence that when auditors have more knowledge of the accrual accounting changes, it would result in higher auditors' readiness for accrual accounting adoption and, hence, might avoid the adoption failure.

The third objective of the study is to examine the influence of resource availability on the auditors' readiness for accrual accounting adoption. The test results showed that resource availability does not significantly influence change commitment and change efficacy. In other words, it does not influence the auditors' readiness for accrual accounting adoption. One possible reason that can explain the insignificant influence of resource availability on the auditors' readiness for accrual accounting adoption is that this is the first time the auditors will be facing accrual accounting transactions and, therefore, they might not be too sure whether or not certain resources would assist them in increasing their commitment and ability in auditing the accrual accounting financial statements.

The findings of this study provide evidence that change valence and task knowledge have significant positive influence on the auditors' readiness for accrual accounting adoption. On the other hand, the findings reveal that resource availability does not have significant influence on the auditors' readiness for the accrual accounting adoption. As change valence and task knowledge were proven to have significant positive influence on the readiness, the National Audit Department may want to take strategic and proactive measures or policies, such as increase the number of seminars or workshops to promote the advantages of moving towards accrual accounting and benefits of auditing the accrual basis financial statements, as well as equip the auditors' with the necessary knowledge required so that they are fully informed of the overall process and of the accounting standards for accrual accounting.

This study is not without limitations. First, it is limited to only the employees in the National Audit Department who audit the Federal Government's financial statements in peninsular Malaysia. Hence, the findings in this research may not be generalisable to the entire population of the National Audit Department's employees that audit the financial statements. Secondly, the number of respondents answering the survey was also considerably low partly due to the month in which the survey conducted being a peak period for the auditors and, hence, they might not have had sufficient time to answer the survey. A higher number of respondents may lead to a more concrete analysis and findings.

In sum, this study provides additional findings to the literature of accrual accounting adoption for the public sector. Specifically, it provides empirical evidence on factors that influence auditors' readiness for accrual accounting adoption which was never tested in any of the previous studies. The findings can assist the National Audit Department to enhance its readiness to audit the Federal Government's financial statements that will be prepared using accrual accounting basis by developing specific or proactive measures based on the findings.



This study is not only useful for the National Audit Department but might also be beneficial to the statutory audit institutions of other emerging economies which have yet to adopt accrual accounting or are in the process of adopting accrual accounting.

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AUTHORS PROFILE

Erlane K Ghani (e-mail: erlanekg@itm.edu.my) is an associate professor at Faculty of Accountancy, Universiti Teknologi MARA, Malaysia. She has 25 years of teaching experience in the field of Financial Reporting and Accounting Information System. Her research interest is on Financial Reporting and Accounting Education.

Wan Nur Hafidah Wan Jusoh (e-mail: fairuz@ukm.edu.my) is a master graduate at the Faculty of Accountancy, Universiti Teknologi MARA, Malaysia. Her research interest is on Financial Reporting and Auditing.

Razinah Hassan (e-mail: razin111@uitm.edu.my) is a senior lecturer at Faculty of Accountancy, Universiti Teknologi MARA, Malaysia. She has 26 years of teaching experience in the field of Auditing and Public Sector Accounting. Her research interest is on Public Sector Accounting.

Kamaruzzaman Muhammad (e-mail: kamaruzzaman@itm.edu.my) is a senior lecturer at Faculty of Accountancy, Universiti Teknologi MARA, Malaysia. He has 16 years of teaching experience in the field of Financial Reporting and Accounting Information System. His research interest is on Financial Reporting and Accounting Information System.