PREFACE AND REPORT SUMMARY

AUDITOR GENERAL’S REPORT 2011
ON THE SARAWAK STATE GOVERNMENT
FINANCIAL STATEMENT AND THE
FINANCIAL MANAGEMENT OF THE STATE
MINISTRIES/DEPARTMENTS AND AGENCIES

NATIONAL AUDIT DEPARTMENT
MALAYSIA
1. Article 106 and 107 of the Federal Constitution and the Audit Act 1957 requires the Auditor General to audit the State Government’s Financial Statements as well as its activities and to report to the Supreme Head of Malaysia, His Majesty, Seri Paduka Baginda Yang di-Pertuan Agong and His Excellency, the Head of State of Sarawak. His Majesty would grant his Royal Assent for the tabling of the Report to Parliament while His Excellency will then consent for the tabling of the Report in the State Legislative Assembly. To fulfill these obligations, the National Audit Department has carried out two types of audit as follows:

1.1. **Attestation Audit** - The aim of these audits is to give opinion whether the State Government’s Financial Statements for the year concerned shows a true and fair view and that its accounting records are properly maintain and updated. The attestation audits on the financial statements of the State Statutory Bodies, Local Authorities and the Islamic Religious Council were also undertaken.

1.2. **Financial Management Audit** - This audit is to evaluate the financial management of the State Ministries, Departments and Agencies in adhering to the rules and regulations. The National Audit Department introduced the rating system based on Accountability Index (AI) to evaluate the financial management since year 2007 and 2011 is the fifth year of its implementation. The purpose of AI is to evaluate objectively and improve the financial management of the State Ministries, Departments and Agencies. AI encompasses elements such as management controls, budgetary controls, receipt controls, expenditure controls, the management of trusts funds/trust accounts/deposits, assets and stores, loans, investment as well as the submission of financial statements. The implementation of AI helps to instill a work culture of best practices. Besides, the culture of “*rectify the normal shortcomings, avoid their recurrences*” not only enhances excellence in financial management but also the integrity, transparency and accountability of the State Ministries, Departments and Agencies.

2. My report on the State Government’s Financial Statements and the Financial Management of Ministries/Department/Agencies in Sarawak for the year 2011 was prepared based on the audit findings throughout the year. For the purpose of financial statements certification, the audit of the accounting system and documents related to receipts and expenditures conducted at the State Treasury Department.
3. My report on the State Government’s Financial Statements and the Financial Management of Ministries/Departments/Agencies in Sarawak for the year 2011 consists of the following:

- **Part I** - Certification of the State Government’s Financial Statements for the year ended 31 December 2011
- **Part II** - Financial Analysis of the State Government
- **Part III** - The State Government’s Development Plan
- **Part IV** - Financial Management Performance of the State Ministries/Departments/Agencies
- **Part V** - Submission, Certification and Tabling of State Agencies Financial Statements
- **Part VI** - Tabling of the Auditor General’s Report and Meetings of the State Public Accounts Committee

4. Apart from fulfilling the statutory requirement, I hope this Report be used as one of the basis to rectify all shortcomings and further enhance the management of public funds. This is vital to ensure that every Ringgit collected and spent contributes towards the development and well-being of the citizens.

5. In my opinion, the financial performance of the state is very good and the financial management of the state can further enhanced. In addition, I would also like to urge the State Government to strengthen the financial management at the Ministries, Departments and Agencies level particularly in the aspect of assets and inventories management as a preparatory in tandem with the Federal Government’s implementation policy of **Accrual Accounting** in 2015. Implementation of Accrual Accounting principles requires evaluation of all government assets whether movable, immovable and living assets to be fully reflected in the Financial Statements of Federal or State Government.

6. I wish to express my gratitude to all the state officers in the various Ministries, Departments and Agencies whom have given their fullest cooperation to my officers during the audit. I would also like to extend my appreciation and thanks to all my officers who have worked diligently and for their commitment to complete this report.

(TAN SRI DATO’ SETIA HAJI AMBRIN BIN BUANG)
Auditor General of Malaysia

Putrajaya
22 June 2012
PART I - CERTIFICATION OF THE STATE GOVERNMENT'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. The State Government Financial Statement for the year ended 31 December 2011 had been certified. Supporting documents for the purpose of confirming all the figures were submitted as required. The accounting records were properly maintained and up to date. Generally, the Financial Statement reflected a true and fair view of the financial affairs of the State Government as at 31 December 2011.

PART II - FINANCIAL ANALYSIS OF THE STATE GOVERNMENT

2. Generally, audit analysis showed that the financial position of the State Government of Sarawak for the year ended 2011 was very good as the Consolidated Fund increased by RM2.75 billion to RM18.46 billion as compared to RM15.71 billion for the year ended 2010. The current year surplus was recorded at RM2.60 billion as compared to RM2.22 billion in 2010. The revenue collection for the year recorded an increase of RM1.02 billion or 18.2% to RM6.63 billion against RM5.61 billion in 2010. Overall Operating Expenditure of the State Government also increased by RM635.02 million or 1.4% from RM2.30 billion in 2010 to RM2.34 billion in 2011. Loan Recoverable Balance registered an increase of RM31.80 million or 1.4% from RM2.30 billion in 2010 to RM2.34 billion in 2011. The outstanding payment of Recoverable Loan also recorded an increase of RM82.40 million or 18.2% from RM483.58 million in 2010 to RM565.98 million in 2011. Investment in shares increased by RM116.06 million or 3% in 2011 and return from investment also showed an increase of RM390.56 million to RM2.03 billion in 2011 as compared to RM1.64 billion in 2010. Public debt recorded an increase of RM120.77 million or 5.7% to RM2.22 billion against RM2.10 billion in year 2010. There was no outstanding in loan repayment of Public Debt due to the Federal Government as State Government was able to pay its debt inclusive of interest on schedule.

PART III - THE STATE GOVERNMENT’S DEVELOPMENT PLAN

3. The development projects implementation under the Tenth Malaysia Plan (10thMP) as at end of 2011 was fair whereby RM2.70 billion or 74.4% from the total of RM3.63 billion was spent and 9 or 3.6% from 249 projects planned for were completed. The performance of development projects under the Economic Stimulus Package as at end of 2011 was good whereby RM269.57 million out of RM300 million or 89.9% was spent and 447 or 95.7% from a total 467 project were completed. The performance of projects under the RM1 Billion Allocation as at end of 2011 was fair whereby RM766.01 million or 76.6% from the RM1 billion allocations was spent and 180 or 88.2% from a total of 209 projects were successfully completed.
PART IV - FINANCIAL MANAGEMENT PERFORMANCE OF THE STATE MINISTRIES/DEPARTMENTS/AGENCIES

4. The overall performance of the financial management of the Ministries/Departments/Agencies of Sarawak State Government in 2011 was good. In 2011, the National Audit Department carried out financial management audit in 40 Ministries/Departments/Agencies compared to 31 in 2010. The audit observations in 2011 showed that the performance of 6 Ministries/Departments/Agencies were excellent, 32 Ministries/Departments/Agencies were good while 2 Departments/Agencies were satisfactory.

PART V - SUBMISSION, CERTIFICATION AND TABLING OF STATE AGENCIES FINANCIAL STATEMENTS

5. Overall, the submission of the Financial Statements for the year 2011 by 23 State Statutory Bodies, 25 Local Authorities and the Sarawak Islamic Council as at 30 April 2012 was improving as compared to the year 2010. Two Local Authorities have applied officially to the Ministry Of Local Government And Community Development and Chief Minister Office for extension of time in the submission of the financial statements for the year ended 2011 in accordance with Rule 38, the Local Authorities Financial Regulations, 1997. As for State Statutory Bodies, only Bintulu Development Authority has officially applied to the State Executive Council for extension of time in the submission of the financial statement for the year ended 2011 in accordance with Section 5(1), Statutory Body Ordinance (Financial and Accounting Procedure) 1995. All the financial statements of State Statutory Bodies, Local Authorities and Sarawak Islamic Council for the year ended 2010 were audited and certified before 30 September 2011 except the Regional Corridor Development Authority (January 2012) and Bintulu Development Authority (Mac 2012). Qualified Certificates were issued to one State Statutory Body, Sarawak Housing Development Corporation and 3 Local Authorities, District Councils Dalat and Mukah, Simunjan and Lawas for the Financial Statements for the year 2010. As at 22 June 2012, financial statements for all the Local Authorities 2010 were tabled before the Sarawak State Legislative Assembly whereas 2 financial statements 2010 and one financial statement 2009 of State Statutory Bodies are yet to be tabled. The overall financial performance of the State Statutory Bodies in the year 2010 was satisfactory as compared to 2009. As at year end 2010, accumulated surplus or retained earnings showed an increase of RM390.87 million or 20.7%, assets increased by RM562.26 million or 11%, the current year surplus increased by RM113.78 million or 162.1% and the net current asset also increased by RM468.53 million or 24.2% as compared to the year 2009. As at 31 December 2010, 35 active state government companies of the State Statutory Bodies recorded an accumulated profit of RM575.31 million and 23 state government companies posted an accumulated loss of RM198.43 million. Overall, the Local Authorities recorded a surplus of RM46.97 million in 2010. The arrears of assessment tax showed a decrease of RM0.43 million or 0.6% from RM68.92 million in 2009 to RM68.49 million in 2010.