2. At the Perdana Discourse, I was asking the public sector auditors, irrespective whether they are from the JAN or the internal auditors in the various ministries, departments and agencies, whether they have done enough in their role to enhancing accountability and integrity in the public sector in the light of rising public expectations for a higher level of accountability and integrity in the manner public servants manage public funds. As you know, every year the AG Report never fail to report on the
irregularities and weaknesses in financial management and the management of public programmes, projects and activities. The public, including you in the audience today may be wondering whether there has been real improvement after that has been exposed by audit as well as wondering what has really happened to those people responsible for the losses or the unnecessary or avoidable spending Government has incurred.

3. Enhancing accountability and integrity should not be confined to the role of public sector auditors only. In fact it has to be the main responsibility of the head of department or agency. In the case of USM, it has to be the VC who is responsible to the day-to-day running of the university and answerable to the Board of Management. So like I always ask myself whether I have done enough, I am sure the VC always ask himself whether he or USM has done enough. I think in the broader sense there are other parties who have their own roles to enhancing accountability, namely the members of the administration, MPs, politicians, the media, the civil societies etc. Whatever it is, the public sector, the statutory bodies like USM, the local councils and the GLCS will increasingly be subject to public scrutiny given the rapid urbanization in the country where people are better educated and more critical, well connected through ICT which simply means we have to be more vigilant and not repeat past mistakes. Nowadays, it is too dangerous to sweep things under the carpet. we can no longer assume we know better for anything and everything. Certainly changes are constantly happening around us, so it cannot be business as usual!
4. So now let us examine some of the issues relating to accountability and integrity and please allow me to make specific reference to financial management and management of public programmes and projects.

5. The AG Report has just been tabled in Parliament on 15 Oct and as expected has been given wide publicity in the media, as has been the case in recent years. There are certainly many issues pertaining to accountability and integrity raised in the Report. As one newspaper mentioned recently, even without a major scandal, with page after page of improper expenditure, mismanagement and even possible fraud, the report can make for rather depressing reading. Indeed the AG Report is a compilation of the collective behavior of people in Federal Government, State Government and statutory bodies. There are guidelines for every type of procurement, project and activity. And there is supposed to be check and balance at every level. Officer’s and bosses up and down the chain of command are responsible for their link in the chain. If one person fails to do his or her part, this creates a weakness in the chain; and if each subsequent person fails to detect that weakness, it is multiplied up and down the line. The AG Report has given the widest picture of how everything is connected. It is everyone’s duty to ensure integrity – everyone is capable of being the check and balance. But for that there needs to be a strong civic conscientious. Now let me discuss some of these issues.

6. With respect to financial statements, there are 2 main issues. Firstly why are departments and agencies late in submitting their accounts for auditing? Not only for the current year but also for a few years back.
Shouldn’t this be a routine thing? Is it because their financial records are not updated? Or because their accounting system still have glitches? Or is it because of problem of consolidating with the accounts of their subsidiary companies? Whatever it is, how come others can prepare and submit their accounts by the 30 rd April deadline as stipulated by the Treasury? When they are late then their accounts and annual report will be late to be tabled in Parliament or the DUNs. So where is the accountability? In this regard, I am happy to report that overall there has been a significant improvement in the public sector, but there are still a few agencies particularly at the state level struggling with their accounts preparation. Perhaps a bigger issue of accountability is the number of agencies that has not been able to obtain a clean certificate from the AG for their accounts meaning that their accounts are not adhering to government accounting principles, principally in the reporting of assets and liabilities. So where is the accountability towards the government and the rakyat as the main stakeholders? If we look at 2011 performance, out of 413 accounts that were audited, 25 were qualified. This is significantly better than 2010 when 51 out of 450 accounts were qualified. The point to be made here is that most of these agencies have been preparing accounts for years and years yet they are still struggling maybe because their records were not properly maintained or their financial people are not up to mark. Is there an integrity issue here? We may ask.

What about USM? Well I have been told that USM has obtained a clean audit certificate every time we audit your financial statements. Congratulations to you.
7. Next we move on to financial management. For the sake of good governance, compliance with government regulations and procedures is a must for every penjawat awam handling public money. So to measure the level of compliance we introduced the Accountability index 5 years ago. Those who achieved at least 90% mark is given 4-star or excellent rating. Last year 111 departments and agencies were rated excellent which is a big improvement so far. This is a very good development in the context of enhancing accountability and integrity in the public service but it is not good enough isn’t it because based on the principle of accountability, all the Departments and agencies that were subject to AI should have obtained 4 star. So why many were given 3 star, meaning that they have not done enough although we say that 3 star, baik, is ok or not bad? But the thing is 4 star is something achievable, as shown by the 111 departments and agencies, so why are we not achieving.

8. On AI performance we find that most departments or agencies couldn’t attain 4 stars because they have weaknesses in the manner they manage their asset and inventory, where there are so many procedures to follow and so many records to be kept and updated. Leceh, onerous, mundane whatever it is. So if you don’t take action to improve your asset and inventory management, forever you will be stuck with 3-star or below.

9. The good thing about AI is that you know where you stand among your peers, and you and others can monitor your performance from time to time. So you can benchmark performance. Indeed it is now being adopted by the Government as a KPI. Under AI, you will know where exactly you
are weak at, and if you do not do something to address the weakness, then you cannot improve.

10. So after 5 years of its implementation, through the AI, we can see an improving trend in financial management but everybody should strive to obtain the 4-star rating. Now, what about USM? Previously USM was star-rated twice, once in 2007 and the other in 2010. Each time it obtained 3-star but your financial people already knew which aspects of financial management to improve. So I hope next year when we do another round of AI evaluation, you can join the 4-star club. I can tell you that to obtain 4-star is never easy but to maintain your 4-star will be even tougher!

11. Perhaps a more important area to focus when deliberating accountability and integrity issues is the planning, implementing and monitoring of government programmes and projects. We acknowledge that the Government has the best of intentions when allocating resources but invariably the outcome, as reported in our audit report, has not been favorable to the good image of the department or agency, especially when instances of the 3Ps were highlighted. The 3 Ps refer to Pemborosan, Pembaziran and Penyelewengan. When these happen then there is no value for money and the government will face public criticism instead of getting kudos. Value for money which has been given much emphasis these days can be secured, from the audit perspective, only when there is economy, efficiency and effectiveness in government spending, ie the 3Es. So most of the time we find that the planning for such programmes or projects were not done carefully and this has big implications at the
implementation stage. Or the planning could have been done well but the implementation was poorly done resulting in negative outcomes.

12. In this regard, we may ask why is that government projects were always delayed in their completion, cost escalations were incurred and if it involved buildings why were there numerous quality problems! If it involved developing ICT systems, the deliverables were often not reliable resulting in double work. Why should this be the norm when for the private sector doing business with the government is indeed good business because the price is lucrative and you can get your payment pretty fast! I think we can trace all these to the human factor. Why do some people involved in managing government programmes and projects seems to be incompetent and lackadaisical in discharging their responsibilities, that when they were examined by external parties, such as auditors, there were flaws all over. So to the public, public servants are careless in their work and this has possibly caused losses to the government and wasting taxpayers’ money but the impression is that nothing will happen to those who are directly responsible for the losses.

13. Here I think we are talking about reasonableness and being realistic. While it is common that projects are very seldom get completed on time, delay of several months may be acceptable but it is certainly not acceptable if the delay take years because there are cost implications and additional expenditure which the government has to bear. Of course there can be many reasons for the delay, some outside the control of the contractors or vendors and therefore they get compensated through EOTs. 2 or 3 EOTs seem normal but I have also come across where somebody
was given 7 EOTs. There were also cases where the period of the EOT is longer than the original contractual completion period. When this happen the final project costs will escalate, for instance you have to extend the tenure of the consultants. On top of this is the award of VOs which again some are justifiable because of late changes in scope and specifications which suggest that the project has not been well thought out at the planning stage or due to a lack of consultations with the relevant authorities. So costs will increase and may even exceed the project ceiling, in which case will require extra work and extra time to get the additional funds.

14. As we know in some cases, because the contractor could not perform, the project is abandoned. To restart will need to appoint kontraktor penyiap or kontraktor penyelamat. Remeasurement has to be done and price increases of materials have to be imputed so we find the project cost has definitely ballooned. That happens to our new audit building in Pahang where we had to look for an extra 3 million ringgit. The project is already delayed for more than a year, mainly because to appoint a new contractor alone took 7 months! What to do, we are just a client.

15. Now, let’s talk about the poor quality of work or not complying with specifications. This we normally find in newspapers instances of collapsed ceilings or roofs, (even two days ago there was one) not only causing embarrassment all around but also may affect the safety of people. Sometimes we wonder why those responsible for certifying building completion have allowed the handing over of the buildings when there are so many glaring quality problems and these are caused by flaws in design or shoddy workmanship. It is unfortunate that if these were discovered after
the defect liability period in which case the government again may have to bear the cost of repairs. But the question is when all these defects are visible to the eyes, why wait for the auditor to point them out, then only will try to rectify them? So it is a question of attitude isn’t it?

16. I can go on and on to tell you the sad stories about the poor quality of government buildings. Sometimes I think penjawat awam has high tolerance of contractors trying to cut corners and let them get away with shoddy work, even in some cases to pay in full when the work has yet to be completed according to the contract specification. And when it is raised by audit, the answer normally is that they will recover the cost from the contractor later. Imagine what would happen if audit did not highlight this issue? Government will be on the losing end all the time. When you think that audit cover but a little sample of the numerous government projects under construction you tend to shudder the extent of the damage faced by the government.

17. So in the context of accountability, one may ask what is wrong with the quality of supervision by those entrusted to supervise the work of contractors, vendors, suppliers and consultants to prevent government being conned time and time again. Here I find based on my experience with my own buildings, I find that the quality of supervision, especially in design and onsite construction work is very poor. I don’t know but I hope USM doesn’t face this problem.

18. So the critical thing here is the human factor. Why the underperformance? Why the transgressions? Attitude? Habit? Lack of
training, mentoring, guiding? Lack of supervision? All these factors are pertinent when we deliberate on accountability and integrity issues relating to government spending. At this juncture, revenue collection also raises accountability integrity issues and again the human factor is behind most of these issues and again it revolves around the issues of attitude, skill and knowledge. Its interesting to know that after audit has raised certain issues and make certain recommendations, revenue of LHDN, Customs, Pejabat Tanah or the PBTs has increased. Is it a coincidence? I don't know, may be.

19. In this connection, how does USM stack up in managing its programmes and projects. I am sure the top management are aware of the risks and problems and will strive to ensure the university will obtain value for Money in its spending and avoid the 3Ps syndrome I had mentioned earlier. One way is to ensure that your internal audit is really effective to sniff out the 3Ps.

20. Now I like to move on to accountability and integrity issues of GLCS, whether federal or states. It is about practicing good corporate governance. As business entities we expect them to make some profits although we know in business making losses are unavoidable especially in the early years of its operations. But if they have been around for so long yet continued accumulated losses despite all the assistance from the government, clearly they are not competitive and clearly there is something wrong with their corporate governance. For instance, if the board of directors is weak because they don’t have adequate knowledge of the business the GLC is in, surely they cannot check the work of management,
for example in producing a realistic business plan, strategic plan as well as KPI. It is worst when there is no audit committee and internal audit. So internal control is lacking and this would affect overall performance of the company. Many of the GLCS are involved in traditional business such as plantations, housing, quarry, trading which when we benchmark with the industry performance are always lagging. So some become a continuous burden to the government which can forget about getting dividends from their investment. So we have cases of loans been converted into equity with little hope of getting a return. Revenues are hardly increasing but expenditures will continue to expand. There are many reasons why these things happen that are related to the competency of the board of directors, CEOs, managers and the workforce. As we know there are some GLCS got tainted in scandals but who is to be held accountable. Most of the GLCS involved government officials whose duty is to advise on government policies and regulations. When things go wrong, when the company continue to incur losses or when the company failed to follow government rules and regulations should not they also be held accountable. Imagine a few senior government officials sitting on so many boards and something adverse happening, should they not feel guilty for pocketing the allowances?

21. So for USM, now that you are a research university and have more leeway to raise your income through business activities, I hope for the sake of your reputation you will adopt a strict policy of good corporate governance of your subsidiaries.
22. Going back to the theme of enhancing accountability and integrity, let me say that auditors, whether internal or external auditors can only do so much because we all face resource constraints. Equally if not more important is the role of department and agency heads themselves who should do their utmost to strengthen in-house scrutiny and monitoring over how public money entrusted to them is wisely spent. We have to address the growing public concern over mismanagement of public funds as highlighted in the AG Report or the media. The public is increasingly vocal about the perceived lack of action against penjawat awam who are responsible for the leakages in revenue collection as well in spending public money. They are peeved that apparently nobody wants to take responsibility when negligence not only went unpunished, but sometimes get rewarded through promotions and award. And they are questioning the very existence of JAN itself; whether it’s continued existence is justified.

23. Next is the question whether the government itself is doing enough to enhance accountability and integrity. Going by what actions have been taken such as the GTP with its NKRA and KPIs, we can see that policy-wise the government is serious in addressing the issues of accountability and integrity in the public service. For instance the value for money principle is being emphasised, there is greater preference for open tender, e-perolehan and e-bidding in government procurement, value management is made compulsory for projects costing RM50 million and above and greater transparency with regard to tender awards on government websites. These are some examples of how the government has been addressing the issues of accountability and integrity raised by audit. I notice that the government has constantly reminded department and agency
heads to give serious attention and take corrective or follow-up actions on audit reports, be they from us or from their internal audit.

24. In the context of follow-up to audit reports, there seems to be a perception that not enough is being done basing on the nature of issues and weaknesses highlighted by audit which remain the same year in year out, but the people responsible for the leakages and losses seem to escape any sort of punishment. If this trend continues, they argued, what is the purpose of having the AG Report?

25. In this connection, I must inform you that our report is being followed up. We monitor how far the recommendations in our report has been acted upon and this is mentioned in the report. We also know that our report is followed up by the authorities; by the SPRM for possible corruption cases and by the police for possible fraud or cbt cases. Where there are no definite prima facie cases to charge offenders in court but involve serious negligence of not complying with rules and regulations as well as causing losses for the government, offenders should be properly investigated under the existing government disciplinary procedures. The issue then is the attitude of the bosses who out of sympathy or in order to protect the good image of their department or agencies chose to give just a verbal warning instead of a written warning which carry financial implications for the offenders. So nothing really happened to the offenders and they will carry on as usual. It is interesting to note that this offence was first detected by audit. Imagine if all these offences were not detected in the first place!
26. If we want to change public perception, some quarters felt that the government must be seen to mean business in so far as major non-compliance to financial rules and regulations. Today we hear calls for we auditors to be more involved in monitoring what action has been taken against offenders. If we think the punishment does not commensurate with the offence, we can have recourse to the JPA to review the case with a view to impose stiffer punishment. So I think now departmental heads must take a conscious effort to seriously look at how follow-up action is taken on audit reports. It is better to take action once audit has drawn their attention rather than wait until the audit report is tabled at the Dewan Rakyat or DUN. Previously there is a tendency among some heads to trivialize the offences, just recover the money and thats all and consider case closed. But cheating the government is a very serious offence and certainly should not be condoned.

27. So I obviously to me until there is a marked improvement in the manner penjawat awam plan, implement and monitor government programmes and projects we cannot say that they have done enough to enhance accountability and integrity. The tone at the top is very critical in terms of imbuing the culture of accountability in the organization in ensuring the staff not only are aware of the existence of rules and regulations but to conscientiously not ignore or inviolate them. Better still is for the staff to always remember that in their day-to-day work they will be audited and someday there might be investigated and punished for mismanaging public money and subject to grilling by the authorities and the PAC. If this happens, it will be a sad experience and highly regrettable for the rest of your life. Also remember that the government itself now is encouraging
whistle blowing by providing adequate attention to whistleblowers. So let
us collectively work for the betterment of society by enhancing our
accountability and integrity.