
MALAYSIAN PUBLIC SECTOR AUDITING -AT A GLANCE

"Quality Audit Enhances Accountability"



**MALAYSIAN
PUBLIC SECTOR
AUDITING
-AT A GLANCE**

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FOREWORD BY THE AUDITOR GENERAL OF MALAYSIA

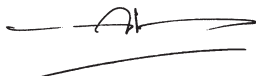
As stipulated in the Federal Constitution and Audit Act 1957, the national audit institution is entrusted with the responsibility to assist the Malaysian public sector in ensuring that good governance and integrity is consistently practised particularly in managing public monies. It is vital that public monies are managed efficiently and with integrity to prevent negative elements such as leakages, wastages, frauds, etc. Through quality auditing, the Government and citizens will obtain an objective and without prejudice, information on the weaknesses in managing public service monies as well as recommendations to improve Government financial management and activity entrusted to the administrators and civil servants.

Even though the audit institution has been in existence for a long time, there is still a need for the National Audit Department (NAD) to clarify its roles and responsibilities in performing public sector auditing to prevent any misunderstandings among the stakeholders.

On that realisation, it is hoped that this information book will enhance the general understanding about NAD and the public sector auditing process. Apart from that, several frequently-asked questions on public sector auditing are presented for clarifications.

NAD welcomes constructive ideas to improve the quality of our services in discharging the mandated responsibilities as an independent and professional audit institution.

Thank you.



TAN SRI DATO' SETIA AMBRIN BIN BUANG
Auditor General of Malaysia

30 April 2014

HISTORY AND AUDIT FUNCTION

The British Era

The Auditor General's institution has been in existence in Malaya since the British colonial administration in the early 19th century. This institution was introduced by the British to strengthen the Government financial administration system. At that time, the audit institution existed separately in the Federated Malay States and the Straits Settlements. The audit institution for the Federated Malay States was established in 1906 with the appointment of the first Auditor General of the Federated Malay States, W.J.P. Hume.

For the Straits Settlements, the audit institution has been traced as early as the end of the 29th century, centred in Singapore comprising two Malay Peninsular States namely Penang and Malacca. In 1932, both institutions were combined and placed under the control of the Colonial Audit Office based in London. The Audit Institution was also introduced to the Non-Federated Malay States and in 1934, the auditor of the Straits Settlements and the Federated Malay States was appointed as an advisor for these states.

The nature of auditing during this era was mainly on certification of accounts and maintenance of records. Surprise inspections or spot audits were also introduced. Before the formulation of the Federal Constitution and the Audit Act 1957, the auditing was based on laws and regulations such as the General Orders of the Federated Malay States Government, directives from the Secretary to the Government, Malayan Union Circulars and also the Colonial Regulations.

Post-Independence Era

When the Federation of Malaya attained its independence in 1957, the name of the audit institution was changed from Audit Institution to the National Audit Department (NAD). The post of the Auditor General of the Federation of Malaya became known as the Auditor General of the Federated Malay States. With the enactment of the Audit Act 1957, the appointment and the responsibilities of the Auditor General were explicitly laid out in this Act and also under Article 105 of the Federal Constitution. The nature of audits still emphasised on certification of accounts and compliance with laws and regulations. Surprise inspections were continued and given top priority.

The introduction of the Programme and Performance Budgeting System in 1968 has changed the nature of audit from traditional audit to cover the evaluation on the implementation of Government activities and programmes. Consequently, the Audit Act 1957 was amended in 1978 providing the mandate for the Auditor General to conduct Performance Audit to determine whether public monies have been spent economically, efficiently and effectively. In 2003, the Auditor General obtained the Government Order to audit companies/subsidiaries which receive grants or loans from the Government as well as companies where more than half of the paid-up shares are held by the Government [Section 5 (1) (d) of the Audit Act 1957].

Presently, the Auditor General conducts four types of audits:

- Financial Statement/Attestation Audit – to give an opinion as to whether the Financial Statements of the Federal Government, State Government, Federal and State Statutory Bodies, Local Government, Islamic Religious Councils and other public entities show a true and fair view as well the financial performance and the cash flow are in accordance with the approved Malaysian Financial Reporting Standards. It is also to ensure that the accounting records are maintained properly and kept up to date.

- Financial Management (Accountability Index) Audit – to evaluate whether the financial management of the Ministries/Departments/Agencies of the Federal and State Governments is in accordance with the relevant financial laws and regulations. This evaluation covers the elements on the organisational management, budget, receipts, expenditure, Trust Fund/Trust Accounts and Deposits, asset and stores, investments and loans as well as financial statements.
- Performance Audit – to evaluate whether the programmes and activities of the Ministries/Departments/Agencies have been carried out economically, efficiently and effectively to achieve its desired objectives/goals.
- Government Companies' Management Audit – to evaluate whether the Government companies/subsidiaries have been managed in a proper manner.

Commencing 2013, apart from auditing and reporting, the Auditor General conducts follow-up on actions taken by Ministries/Departments/Agencies on issues reported in the Auditor General's (AG's) Report.

THE AUDITOR GENERAL'S REPORT

Article 106 and 107 of the Federal Constitution and Section 9 (1) Audit Act 1957 require the Auditor General to audit and submit his reports to His Majesty, The King and obtain his assent before tabling in the Parliament/State Assembly. Once tabled, it becomes a public document. The Auditor General will also issue a press release which will be uploaded in the NAD's portal.

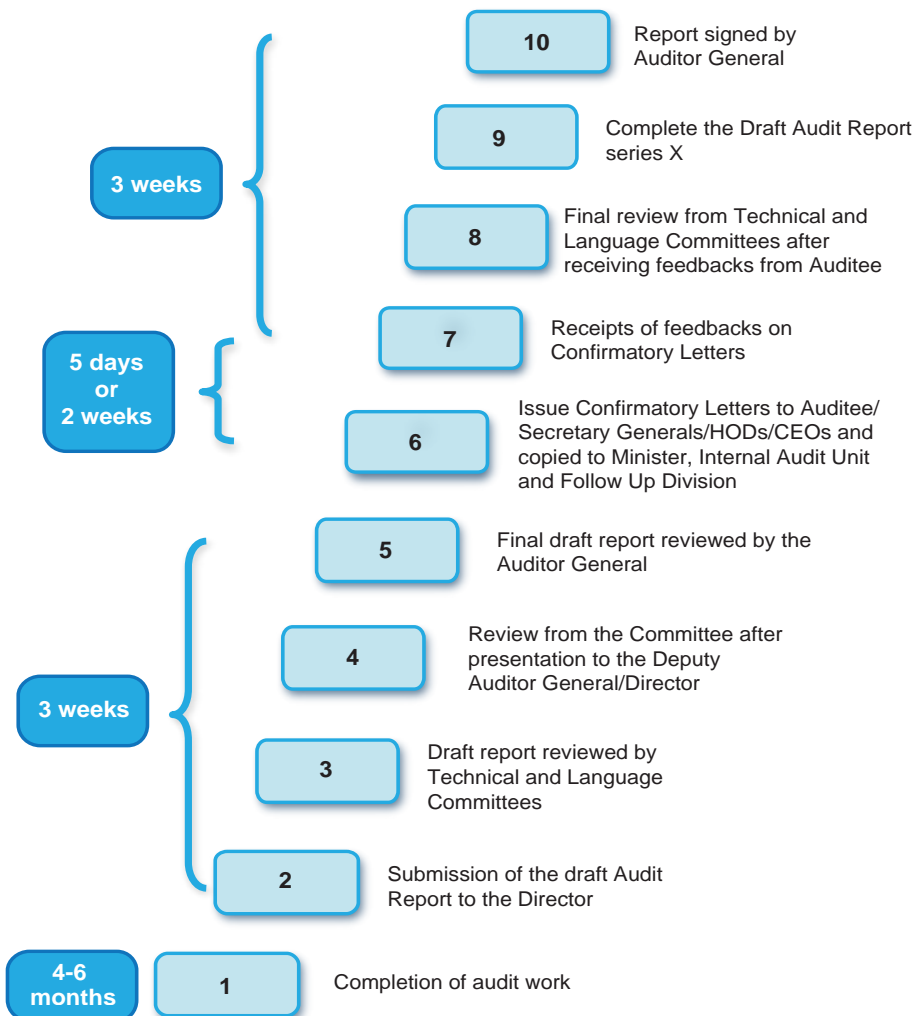
The AG's Report basically present highlights on the management of financial matters of the Government entities as well as the implementation of Government programmes/activities/projects at the Federal and State levels. The weaknesses and irregularities as well as the causes and recommendations are enumerated in the audit report. Positive initiatives and actions taken by the auditees after the submission of the audit observations are also reported.

Prior to 2013, the AG's Report on the Financial Statements and Financial Management of Government Ministries/Departments/Agencies and AG's Report on the Activities of Ministries/Departments/Agencies and Management of Government Companies at the Federal and States were tabled once a year. Beginning 2013, AG's Report on the Activities of Government Ministries/Departments/Agencies and Management of Companies/Subsidiaries at the Federal and State are tabled as and when the Parliament meets or at least 3 times a year as recommended in the Government Transformation Plan 2.0 – Fighting Against Corruption. The objective is to ensure immediate actions are taken by the auditees on issues raised in the AG's Report.

In 2012, the NAD has tabled the AG's Performance Audit Report for the financial year 2012 on the Activities of Ministries/Departments/Agencies and Management of Government Companies of the Federal and States in three series. The AG's Report on the Financial Statements and Financial Management

of Government Ministries/Departments/Agencies were tabled together with the 3rd series of the Performance Audit Report.

PREPARATION TIMELINE OF THE AUDITOR GENERAL'S REPORT



FINANCIAL STATEMENT AUDIT PROCESS

Article 106 and 107 of the Federal Constitution and Audit Act 1957 provide the powers to the Auditor General to audit the Financial Statements of Federal and State Governments, Federal and State Statutory Bodies including Consolidated Fund, Local Authorities and Islamic Religious Councils. Those financial statements have to be audited by NAD every year.

The financial statements are prepared on the accrual basis except for Financial Statements of the Federal and State Governments as well as Financial Statements for the Local Authorities in Sabah and Sarawak which are prepared in a modified cash basis. The financial period is for one year starting 1 January to 31 December.

Accounting Standards Adopted	
1.	International Public Sector Accounting Standard (Cash Basis) for Federal and State Governments. Beginning 2015 and in line with the change to accrual accounting, the Malaysian Public Sector Accounting Standard (accrual basis) will be adopted at the Federal Government whilst at the State Governments level in 2016.
2.	Malaysian Financial Reporting Standards (MFRS) for entities other than private ones.
3.	Private Entity Reporting Standards (PERS) for private entities (will be replaced by Malaysian Private Entity Reporting Standard beginning 1 January 2016).
Auditing Standard Adopted	
International Standards of Supreme Audit Institutions (ISSAI 1000 – 1999).	

NAD performs the Financial Statement Audit in two stages; Interim Audit and Final Audit. Interim Audit is done through two approaches i.e. System Audit and Transactions Audit/Compliance Test.

1. System Audit approach is undertaken to ensure that the internal controls are adequate. Walk-through test procedures are performed to trace the transactions step by step from the inception to the final disposition to establish the reliability of the operating system. This include certification of data integrity to ensure general internal controls, application controls, logical controls and network controls existed and are reliable.
2. Transactions Audit/Compliance Test on the documents are carried out to verify the existence of the transactions and to determine that the transactions are in accordance with the relevant financial laws and regulations. Apart from that, all records and documents are maintained in a complete, correct and proper manner. Among the documents verified monthly are payment vouchers; journal vouchers; bank statements; monthly cash accounts; collection statements and payroll master listing (emoluments audit). The audit is carried out at the Responsibility Centre based on selected samples.

Final Audit is conducted after the NAD has received the Financial Statements for the year ended 31 December in any given year. The audit is carried out to enable NAD to give an opinion whether the financial position of the Federal and State Governments are true and fair as well as the related accounting records are properly maintained and updated.

Financial Statement Audit is carried out either by NAD or outsourced to Private Audit Firm (PAF). The auditing process conducted by NAD or PAF are illustrated in the following chart:

FINANCIAL STATEMENT AUDIT PROCESS

		AUDIT PERFORMED BY NAD	AUDIT PERFORMED BY PAF	
PLANNING		Preparation of Audit Planning Memorandum (APM).	<ul style="list-style-type: none"> • APM prepared by PAF. • NAD will approve the APM. 	
	IMPLEMENTATION	Entrance conference with the agency to brief on the audit that will be carried out and discuss any previous issues, if related.	<ul style="list-style-type: none"> • Entrance conference with the agency and PAF to brief on the audit that will be carried out and discuss any previous issues, if related. • Entrance conference with PAF will be conducted on the first year of the firm's appointment. 	
<ul style="list-style-type: none"> • Conduct interim and final audit after receiving the financial statement from the Accountant General/ Agency. • Prepare the Audit Observation. 		<ul style="list-style-type: none"> • PAF will conduct interim and final audit after receiving the financial statement from the agency. • NAD will monitor the audits. 		
Financial Statement Audits are conducted within the following periods: (a) Large Financial Statement – 3 months (b) Medium Financial Statement – 2 months (c) Small Financial Statement – 1 month				
Prepare the audit working papers and cross-referenced with supporting documents as audit evidence.				
<ul style="list-style-type: none"> • The results from the audit evidence and audit findings on the financial statements will be highlighted in the Management Letter. • Present to the management for views or appropriate corrective actions. 				
<ul style="list-style-type: none"> • Feedback received from the agency within 14 days from issuance of the Management Letter. 		<ul style="list-style-type: none"> • Feedback received from the agency within 14 days from issuance of the Management Letter. • PAF will submit the audit working papers together with the Management Letter to NAD for review. • If necessary, NAD will issue additional Management Letter. 		
Organise a meeting with the Audit Committee, if necessary.				
Organise pre-exit (if necessary) with the Ministry/Department/Agency and/or Exit conference with Treasury Malaysia/Accountant General Office/Management and PAF.				
REPORTING		<ul style="list-style-type: none"> • Issue the AG's Report on financial statements. • Issue AG's Certificate. 		

The types of audit certificate issued on the financial position of Ministries/Departments/Agencies are as follows:

Unqualif ed	Qualif ed	Adverse	Disclaimer
<p>Financial Statement shows a true and fair view. Unqualif ed Opinion on Emphasis of Matter will be included as an additional note which need to be addressed by the management.</p>	<p>Financial Statement shows a true and fair view. However, there are material matters which need to be addressed by the management.</p>	<p>Financial Statement does not show a true and fair position. Effect on the difference of opinion is material and comprehensive which could lead to confusion or imperfections on the financial statement.</p>	<p>Financial Statement does not show a true and fair position. Effect on the difference arise from the restriction on scope is material and comprehensive and could affect the fairness of the financial statements as well as insuffi cient audit evidence to give an opinion on the statement.</p>

FINANCIAL MANAGEMENT (ACCOUNTABILITY INDEX) AUDIT PROCESS

NAD performs Financial Management or Compliance Audit in accordance with the requirements of the Federal Constitution and the Audit Act 1957. This Compliance Audit is consistent with ISSAI 4000-4200. Beginning 2007, NAD has implemented a rating system known as the Accountability Index (AI). The audit on all Ministries, 4 main collecting departments - Immigration Department, Royal Malaysian Customs Department, Road Transport Department, Royal Malaysian Police (RMP) and 13 State Financial Offices and State Treasuries, Islamic Religious Councils and State Economic Development Corporations are conducted annually. Whilst, for other Federal and State Departments/Agencies will be audited on a rotational basis once every 3 years.

The AI Audit is aimed at assessing whether:

- Structural and effective financial management system existed;
- An effective internal control system on the management, budgeting, receipts, expenditure, management of Trust Fund/ Trust Account and Deposits, management of assets and stores, management of investments and loans as well as financial statement;
- Financial management is conducted according to the stipulated laws and regulations; and
- Relevant records are maintained in a complete and updated manner.

8 KEY ELEMENTS TO ASSESS

Management Control
Budgetary Control
Receipts Control
Expenditure Control
Management of Trust Fund/Trust Accounts and Deposits
Management of Assets and Stores
Management Control on Investments/Loans
Financial Statement

Each Ministry/Department/Agency will be evaluated based on the determined criteria for each indicator under the respective elements. The results on the evaluation of the indicators will be given scores of between 1 to 4. The scores will be totalled based on the weightage of each element to obtain the overall scores. The star rating on the performance of each Ministry/Department/Agency being audited is based on the following table:

ACCOUNTABILITY INDEX PERFORMANCE RATING

OVERALL SCORE	PHASE	RATING
90 – 100	Very Good	★★★★
70 – <90	Good	★★★
50 – <70	Satisfactory	★★
<50	Not Satisfactory	★

Interpretation for the Performance Rating is shown below :

LEVEL	EXPLANATION
<p>Very Good ★★★★</p>	<ul style="list-style-type: none"> • Objective of each evaluated element is always achieved and gives good impact. • Compliance 90% to 100% on laws and regulations for each indicator/sub-indicator. • Implementation fulfil the required standards. • The overall internal control is effective and can be a model. • Overall monitoring and supervising are effective and can be a model. • There is innovation/initiative to improve work quality/productivity. • As a benchmark for other Ministries/Departments/Agencies.
<p>Good ★★★</p>	<ul style="list-style-type: none"> • Part of the objective of the evaluated element has been achieved. • Fulfil most of the laws and regulations. • Implementation fulfil most of the required standards. • Internal controls of most of the indicators/sub-indicators are adequate and fully complied. • Overall monitoring and supervision of most of the activities are effective and can be a model. • Require few corrective actions and improvements.
<p>Satisfactory ★★</p>	<ul style="list-style-type: none"> • Part of the objective of the evaluated element has not been achieved. • Comply with the laws and regulations. • Implementation sometimes fulfil the required standards. • Internal controls for part of the indicators/sub-indicators are not sufficient and not consistently implemented. • Monitoring/supervision on main activities are not carried out. • Follow-up actions have been taken by the responsible officer.

LEVEL	EXPLANATION
Unsatisfactory ★	• All or most of the objectives of the evaluated element have not been achieved.
	• Did not comply with most of the stipulated laws and regulations.
	• Implementation did not fulfil the required standards.
	• One or more of the main internal controls is not implemented resulting in uncontrolled situation.
	• Little/no/non-consistent of monitoring or supervision on the main activity resulting in losses and wastage.
	• Follow-up actions must be taken immediately/referred to the management.

With the AI rating, each Ministry/Department/Agency can measure the trends on the level of achievement and as a basis for benchmarking towards improvements and excellence. It also encourages a work culture based on good practices to enhance the level of financial management accountability in the public sector and the quality of the public delivery system. The statistics of Ministries/Departments/Agencies which obtained excellent ratings for the financial year 2007 to 2012 are as follows:

FINANCIAL YEAR	2007	2008	2009	2010	2011	2012
Number of Entity Obtaining 4 Star	10	20	47	77	111	131
Number of Entity Audited	200	274	384	340	341	326

PERFORMANCE AUDIT PROCESS

Performance audit or Value for Money is conducted in accordance with Section 6(d) Audit Act 1957. This section allows the Auditor General to assess or examine the extent to which an entity, programme or activity operates efficiently and effectively with due regard to economy and to prevent fraud, wastage and extravagance. The results of the audit will enhance public sector administration and accountability, assist the authority to impose effective regulatory controls and help the Government to improve good governance.

The audit is conducted based on ISSAI 3000 and 3100. Normally, it takes 4 to 6 months to complete the auditing. During the auditing process, continuous engagement is made with relevant parties including third parties such as vendors, contractors, if necessary. The selection of audit topic is typically based on the following criteria:

- i. Risk to good management
- ii. Overall impact on materiality
- iii. Financial materiality
- iv. Significance of the programme to the auditees activities
- v. Visibility of the programme/activity in terms of political sensitivity and national interest
- vi. Audit scope, limited internal and external controls of the programme/activity
- vii. Auditability

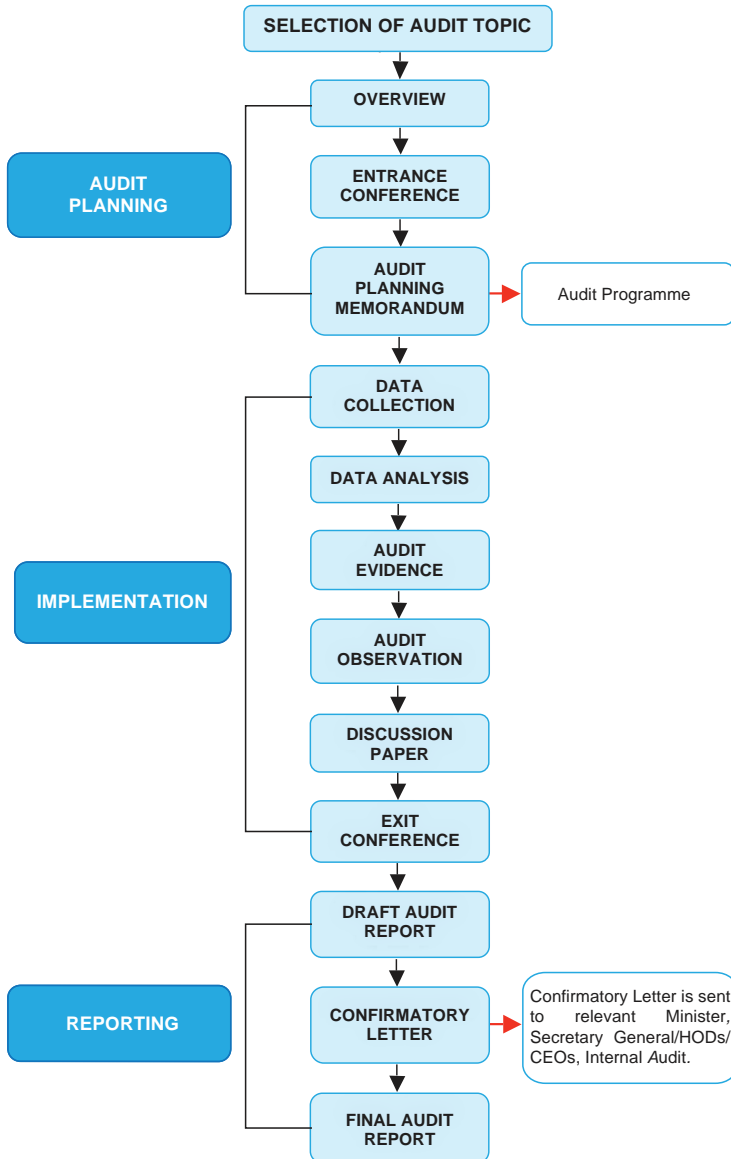
In terms of reporting, NAD used a balanced reporting approach which presents both the favourable and unfavourable management of the programme/activity. The feedbacks from the auditees which represent their explanations or clarifications are also included in the report. The audit opinion is based on the facts gathered from the auditing works. Significance issues are highlighted based on the audit observations. Recommendations to improve efficiency and effectiveness are also stated in the Audit Report.

Once the auditee receives the Confirmatory Letter, the Internal Audit Unit of the Ministry/Department/Agency will arrange the Audit Committee Meeting chaired by the Controlling Officer to discuss the audit findings. The discussions will focus on follow-up actions (corrective or punitive), time frame taken to resolve the issue and the responsible person/agency involved. These information will be published in the AG's Online Dashboard.

STAGES OF PERFORMANCE AUDITING

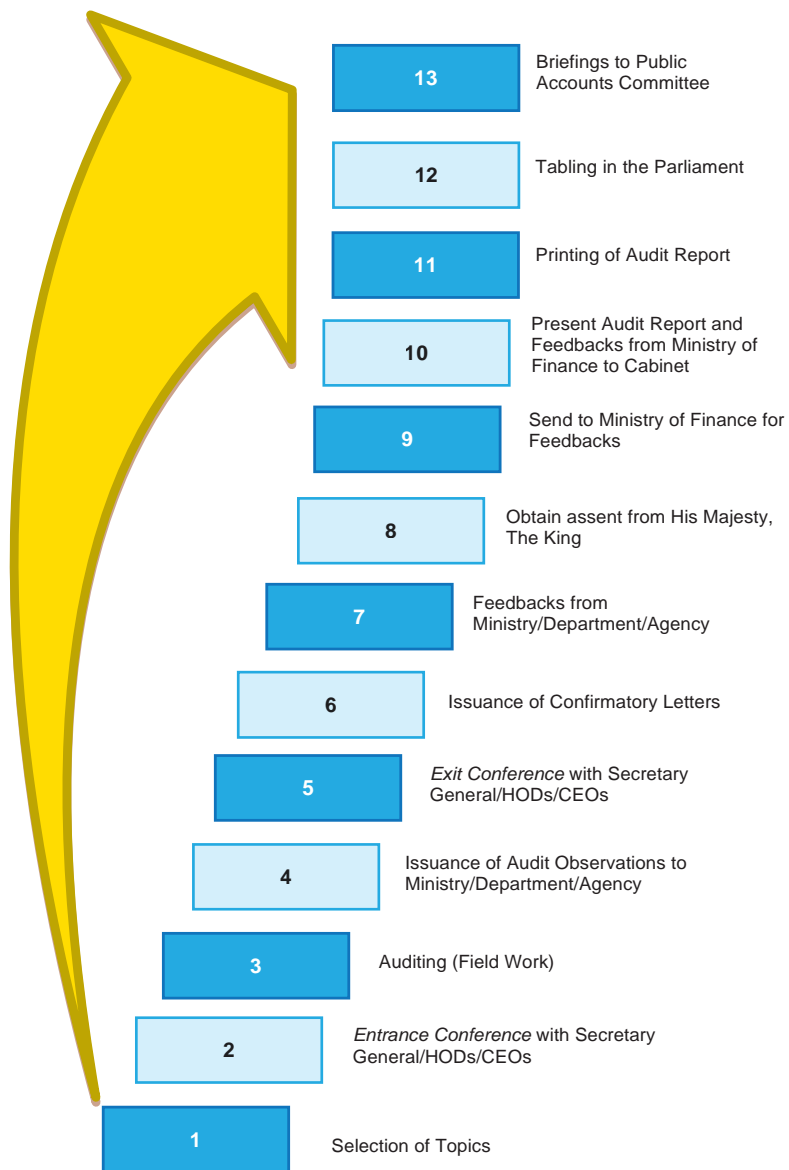


PERFORMANCE AUDIT IMPLEMENTATION PROCESS



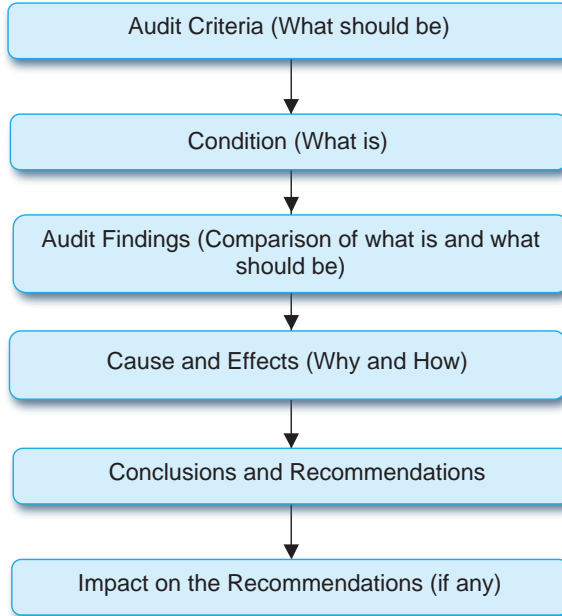
Source : Malaysian Public Sector Auditing Standard based on International Standards of Supreme Audit Institutions (ISSAI)

PERFORMANCE AUDIT REPORT PROCESS



Note: The Performance Audit Report will be tabled in series at every parliamentary session

PROCESS OF DEVELOPING OF THE AUDIT FINDINGS AND RECOMMENDATIONS



Source: Malaysian Public Sector Auditing Standard Based on International Standards of Supreme Audit Institutions (ISSAI)

COMPANY AUDIT PROCESS

Section 5(1)(d) of the Audit Act 1957 gives the mandate to the Auditor General to perform the audit on Government companies and subsidiaries which receive grants or loans from the Federal and States, and include companies where more than 50% of the equity is held by the Government. The consent from His Majesty, The King must be obtained before the audits are carried out. As at April 2014, about 1,708 Government companies/subsidiaries have been gazetted and need to be audited.

NAD audits on the management and activities of Government companies/subsidiaries. Whilst the attestation audit on the Company's financial statements are carried out by the auditors appointed by the company as required under the Companies Act 1965.

AUDIT OBJECTIVE

The audit is conducted to assess whether:

- The company's financial performance is satisfactory or otherwise and to determine the factors which contribute to the performance.
- Financial management and corporate governance are in line with the stipulated rules or governance best practices.
- Management of activities has been carried out in a systematic manner and in accordance with the desired objectives.
- Management of subsidiaries has been monitored by the Government/Holding Company in accordance with the desired objectives.

The audit covers planning, implementation and monitoring of the company's management including the activities/operations undertaken by the company with the aim of determining whether the money contributed by the Government has been managed and used properly in accordance with the desired objectives.

The aspects emphasised are:

- i. Company's Strategic Planning and Management (corporate governance and risk management);
- ii. Financial Performance (evaluation on the financial position and performance analysis);
- iii. Financial Management (control on income/revenue/receipt; control on expenditure; control on budget; management on financial resource – debt and equity; maintenance of financial records and management of financial statements; asset management; loans management; and investment management);
- iv. Management of Activities (production, management, product delivery, productivity, efficiency and service level; research and development; marketing and income generation); and
- v. Monitoring on Government companies/subsidiaries.

AUDIT PROCEDURE

1. Evaluation of Internal Control

- Environmental Control (philosophy and nature of management, organisational structure, duties and responsibilities of the Board of Directors and the Committee particularly the Audit Committee, delegation of power and responsibility, control and follow-up actions on performance which include the implementation of internal audit, human resource management policy and the intervention of outside parties).
- Accounting Control (methods and information used for identifying, classifying, analysing, recording and reporting all transactions of the company and maintain the level of accountability of assets and liabilities).

- Procedure Control (the approval of transactions to be carried out, distribution and segregation of duties, the transaction was recorded, security on accounting data and records, review of the performance and record evaluation which include reconciliation of physical assets, comparison with records and management report).
- Computer Control for company's system based on computer application (aspects on physical control, access control, security data control, input control, processing control and output control).

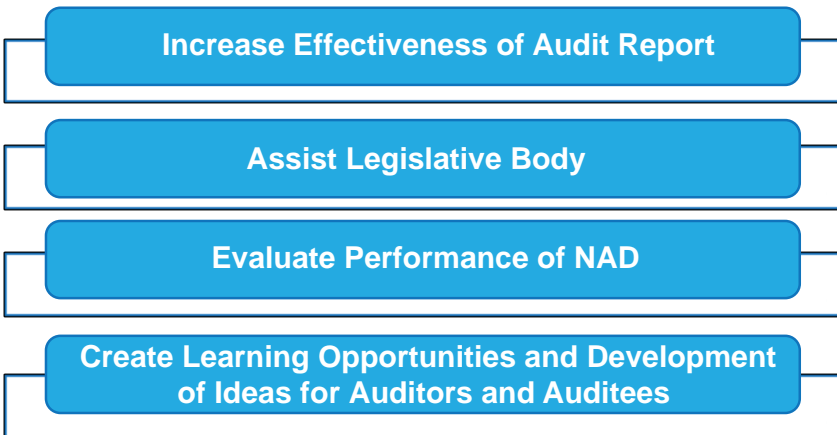
2. Analytical Review

This procedure was carried out to make comparisons between values/figures/ratios/trends/account or transaction balance with the planned values/figures/ratios. The objective of the comparison is to determine and inquire into the causes of unusual or unexpected relationship between the actual value and the expected value. The methods used are reasonableness test, scrutiny, review and ratio analysis.

FOLLOW UP AUDIT

Follow up audit is an activity which provides assurance that improvement and corrective actions are taken by auditees. This audit is in accordance with ISSAI 3000 which require follow-up actions by auditees for every performance audit.

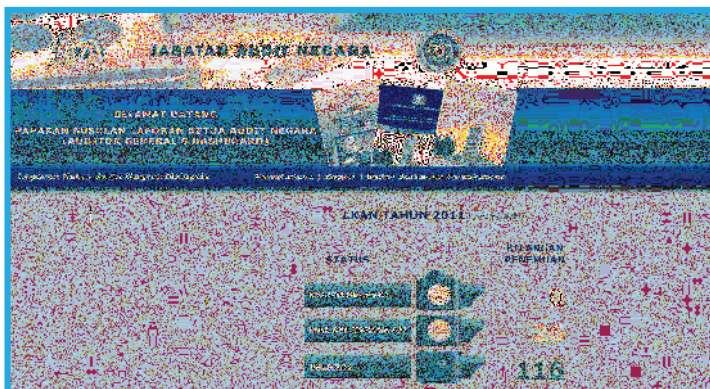
PURPOSE OF FOLLOW UP AUDIT



The AG's Online Dashboard is developed to inform the public on the status of actions taken by the auditees to promote transparency and put a pressure for the auditees to rectify the shortcomings.

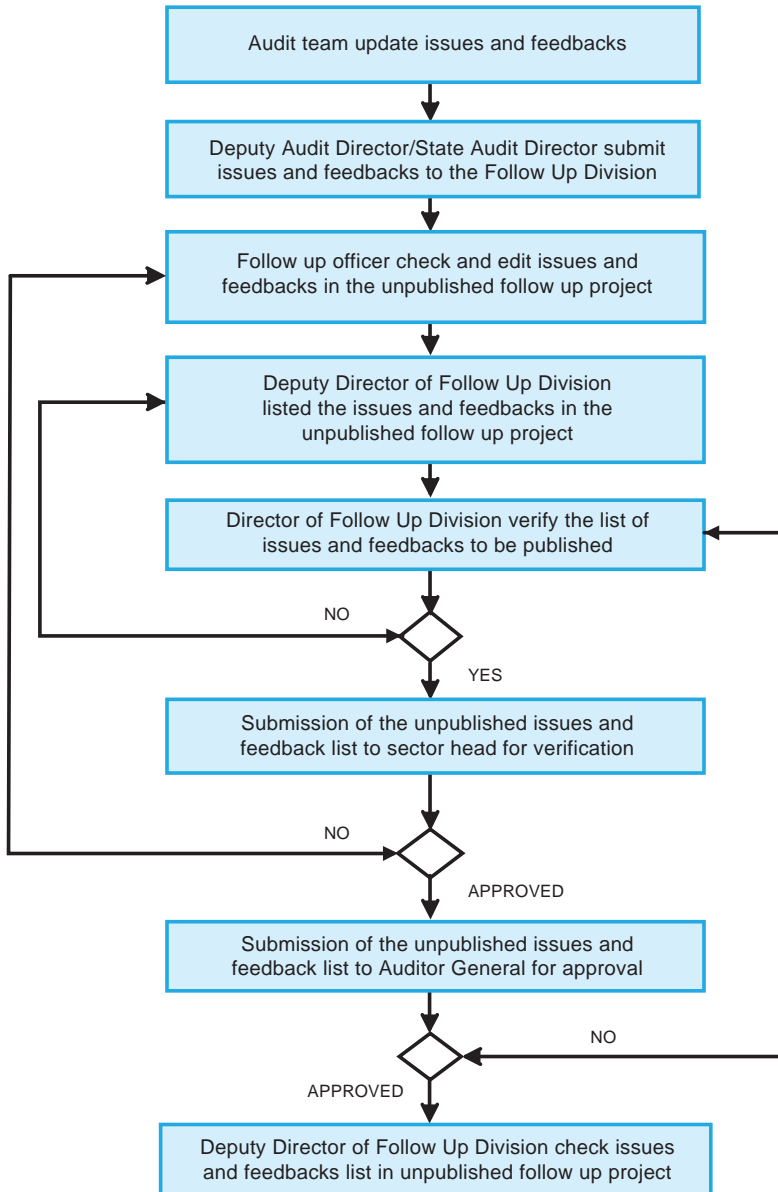
There are three levels of audit follow-up status displayed either in red, yellow or green:

1. Red – Action has not been taken by auditee
2. Yellow – Auditee is in the process of taking action
3. Green – Auditee has taken action on the audit findings



The Action Committee which was formed in August 2013 coordinated the actions and assisted in the investigation process. The objective is to share information with the relevant enforcement authorities so that decision on the reported cases can be taken immediately. This Committee which is chaired by the Auditor General comprises representatives from the enforcement agencies such as the Attorney General Chamber, Malaysian Anti-Corruption Commission (MACC), Public Service Department, Royal Malaysian Police (RMP) and Ministry of Finance. For cases which cannot be resolved, it may be brought up to the Putrajaya Inquisition chaired by the Prime Minister of Malaysia.

**FLOW CHART ON PUBLISHING AUDIT ISSUES
IN AG'S ONLINE DASHBOARD**



FREQUENTLY ASKED QUESTIONS

1. Who appoint the Auditor General of Malaysia?

The Auditor General is appointed by His Majesty, the King on the advice of the Prime Minister after consultation with the Conference of Rulers (Article 105, Federal Constitution). The status, duties, nature of audit, powers and types of reports issued are based on the statutory position of the Auditor General as stipulated in the Federal Constitution and Audit Act 1957.

2. What do you mean by leakages?

In the context of management of public funds, leakages refer to loss of public money due to wastage, extravagance, fraud and corruption emanating from non-compliance with existing legislation, regulations and financial procedures; weaknesses in systems and procedures, inefficiency of public officers in managing public funds due to negligence, lack of skill and low integrity.

3. Is NAD responsible for detecting fraud and corruption?

Auditor General's responsibility is to verify and report on the financial position and performance as well as activities of the Federal and State Governments in an objective and transparent manner. During the course of audit, if there are potential elements of fraud/corruption, these will be communicated to the Controlling Officers of Ministries/Departments/Agencies. The Ministries/Departments/Agencies are duty-bound to follow up on the matter.

4. How does the NAD address the perception that the AG's Report is an annual event which is a momentary storm, after that, the Audit Report will be forgotten and the common practices and weaknesses continue to occur?

Audit issues are often hyped by various parties. In reality, many people do not read the full Audit Report. Sometimes what

is reported is not the same as what has been written in the Audit Report whereas the NAD adopted a balanced reporting approach. This situation has given rise to various perceptions and misconceptions.

NAD's responsibility is to audit and report whether public resources have been managed in an orderly and prudent manner and complied with stipulated regulations. The audit is conducted in a professional and objective manner based on international auditing standards. After the findings have been reported, it is the responsibility of the relevant auditees and the enforcement agencies to take actions. Issues on leakages, extravagance and waste could be reduced if firm and swift actions are taken by the auditees and the enforcement agencies.

It should be noted that although the audit issues reported are rather similar, but the audited entities are different. Each time, as normally practiced internationally, auditing is done on a sampling basis. Therefore, it is difficult to say that the issues raised are isolated cases. It is pertinent that Heads of Departments/Agencies conduct their own investigations to ensure that such issues do not occur in other parts of the organisation.

5. In the Treasury Feedbacks section, NAD has made comments and suggestions to a particular Ministries/ Departments/Agencies involved during the audit process. Does this mean that poor financial management will still continue after the audit has been conducted?

In the process of auditing, NAD has provided ample opportunity for the Ministries/Departments/Agencies to rectify the weaknesses through discussions with the HODs/Agencies in respect of the reported issues, followed by issuing Confirmatory Letters to the Departments/Agencies as well as getting feedbacks from the Treasury. It should be clarified that auditing is performed within a determined time frame and NAD cannot wait for an audit issue to be resolved by concerned parties. After the engagement, NAD will prepare a report to the Cabinet/Executive Committee (EXCO).

It is observed that most of the HODs/Agencies are aware of the occurrence of their financial management shortcomings only after they are revealed by the audit. This may happen because the HODs have not been informed or alerted by their subordinates.

6. Audit issues are often associated with abuse of power and corruption. Is this perception true?

Most audit issues raised are concerning inefficiencies, weaknesses and non-compliance with or because of violation of Government financial rules and regulations. Whether the weaknesses are caused by or resulted from the abuse of power and corruption will depend on the investigation outcome of the enforcement agencies such as the MACC and the RMP.

7. Why does the NAD still report on the management weaknesses even though the auditee has taken corrective action upon the receipt of the audit observation?

Apart from indicating that the civil servants are responsive to audit queries through fast corrective actions, it is important that such weaknesses remain in the report to provide continuous reference to other auditees so that they are also aware of the possibility of similar weaknesses occurring in their own organisations.

If such weaknesses are dropped from the AG's Report, the public service as a whole will not benefit from the lessons learnt and may result in repeated weaknesses in the future. Besides that, the auditees will not have an opportunity to learn from the weaknesses revealed in the Audit Report because they do not have anyone to make them aware of the occurrence of such weaknesses.

8. Can the Auditor General take action against Ministries, Departments and Agencies that fail to correct the shortcomings?

The Auditor General has no power to take action against the Ministries, Departments and Agencies. Actions are taken by the enforcement agencies such as the MACC and the RMP under their respective legislations. Whilst various Disciplinary Boards in Government Ministries, Departments and Agencies are duty bound to take disciplinary action under the relevant disciplinary procedures. NAD will monitor the follow up actions taken by auditees and inform the public through the AG's Online Dashboard.

9. What kinds of actions are taken against individuals who violate the financial rules or commit fraud and corruption?

Disciplinary actions (fines, demotions and warnings) or punitive actions may be taken by the Heads of the Department on offenders depending on the type of offense committed.

10. What kinds of actions are taken by the NAD to control and curb the sensational reports in the media on the audit issues raised?

All efforts have been taken by the NAD to ensure that the audit report is accurate in terms of facts and the audit opinions are based on the facts gathered in the audit process besides ensuring that the report is a balanced one. However, the manner in which the media wants to report on the audit issues is beyond NAD's control. Whenever there are discrepancies of facts associated with the audit report, NAD will request in writing to the media concerned to make immediate corrections.

11. When and how can the interested parties and the general public access the AG's Report?

After the AG's Report has been tabled in the Parliament, the interested parties and the public may access the report on the same day via the NAD portal at www.audit.gov.my. They may also obtain the AG's report in hardcopy form and CD from the NAD.

12. Who audited the NAD?

The Internal Audit Unit, Prime Minister's Department is responsible for auditing the NAD. The Financial Management of NAD is also included in the Index Accountability rating as with other Ministries, Departments and Agencies.

13. Can the Auditor General be sued in court?

The Audit Act 1957 did not have provision on immunity protection on any legal action taken on the Auditor General while carrying out his duties and responsibilities. Therefore, he can be sued in court like any civil servant.

INFORMATION AT A GLANCE

Number of Entities Audited by NAD Yearly	458
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Number of Posts 2014		2,101
Auditors	1,652	
Support Group	449	

Number of State Audit Offices	13
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2014 Budget		RM173,559,300
Operating Expenditure	RM169,087,000	
Development Expenditure	RM4,472,300	

LIST OF ABBREVIATIONS

AG's Report	: Auditor General's Report
AI	: Accountability Index
APM	: Audit Planning Memorandum
CEOs	: Chief Executive Officers
eSPP	: Electronic Auditing Management System
HODs	: Heads of Departments
IAU	: Internal Audit Unit
ISSAI	: International Standards of Supreme Audit Institutions
IPSAS	: International Public Sector Accounting Standards
MFRS	: Malaysian Financial Reporting Standards
MPERS	: Malaysian Private Entity Reporting Standards
MPSAS	: Malaysian Public Sector Accounting Standards
NAD	: National Audit Department
PAF	: Private Audit Firm
PERS	: Private Entity Reporting Standards
MACC	: Malaysian Anti-Corruption Commission
RMP	: Royal Malaysian Police



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