



SAI
FIGHTING
CORRUPTION



AUDIT OF THE INSTITUTIONAL FRAMEWORK FOR PREVENTING CORRUPTION IN PROCUREMENT MANAGEMENT

THE CASE STUDY OF SULTAN IDRIS EDUCATION UNIVERSITY



NATIONAL AUDIT DEPARTMENT OF MALAYSIA

TABLE OF CONTENTS			PAGES
		Executive Summary	1
1.		Introduction	2
2.		Audit Objectives and Audit Questions	2
3.		Audit Scope and Approach	3
4.		Audit Methodology	3
5.		Audit Criteria and Source of Criteria	3
6.		Standards of Audit	3
7.		Overview	4
	7.1	Malaysian Anti-Corruption Commission (MACC)	
	7.2	Ministry of Higher Education (MOHE)	
	7.3	Sultan Idris Education University (UPSI)	
8.		Audit Question 1: Is there an effective Institutional Framework for Fighting Corruption established at National and Sectoral Level for Government Agencies?	5
	8.1	Establishment of an Institutional Framework for Fighting Corruption in Malaysia	
	8.1.1	The Framework of Anti-Corruption Agencies and Legislative Laws at National Level	
	8.1.2	Framework for Fighting Corruption at Sectoral Level	
	8.2	Conclusion	
9.		Audit Question 2: Is There Any Mechanism Developed to Prevent Corruption in Government Agencies?	13
	9.1	Integrity Unit at Federal and State Government	
	9.2	Auditor General's Dashboard	
	9.3	Integrity Pact	
	9.4	Database on Corruption Offenders	
	9.5	Corruption Complaint	
	9.6	Conclusion	
10.		Audit Question 3: Is there Corruption in Government Procurement?	15
11.		Case Study on Government Procurement in Ministry of Higher Education: Sultan Idris Education University	15
	11.1	Audit Question 4: Has the Procurement Management in UPSI been done according to Rules, Regulations and Procurement Guidelines?	
	11.1.1	Transportation Services and Equipment Facilities	
	11.1.2	The Over Value of the Contract Price	
	11.1.3	Differences between Actual Work Done and Bill of Quantity	
	11.1.4	Procurement Made But Not Utilized / Operated	
	11.1.5	Employees Were Not Contributed With EPF/SOCSSO	
	11.1.6	Integrity Pact	
	11.2	Conclusion on UPSI's Compliance to Rules and Regulation Related to Procurement	
12.		Overall Conclusion	24
13.		RECOMMENDATIONS	25

Acronyms and Abbreviations

ACA	Anti-Corruption Agency
AG	Auditor General
BQ	Bill of Quantity
CPC	Certificate of Practical Completion
EPF	Employee Provident Fund
IAU	Internal Audit Unit
ISSAI	International Standards of Supreme Audit Institutions
JTLKAN	Action Committee on Auditor General Report
KSAS	Sultan Azlan Shah Campus
KSAJS	Sultan Abdul Jalis Shah Campus
MACC	Malaysia Anti-Corruption Commission
MOF	Ministry of Finance
MOHE	Ministry of Higher Education
NAD	National Audit Department of Malaysia
PSD	Public Service Department
PU	Public University
SAIs	Supreme Audit Institutions
SDGs	Sustainable Development Goals
SOCSSO	Social Security Organisation Scheme
UNCAC	United Nations Convention Against Corruption
UI	Integrity Unit
UPSI	Sultan Idris Education University

AUDIT OF THE INSTITUTIONAL FRAMEWORK FOR PREVENTING CORRUPTION IN PROCUREMENT MANAGEMENT :THE CASE STUDY OF SULTAN IDRIS EDUCATION UNIVERSITY

EXECUTIVE SUMMARY

In order to achieve the objective of 'Greater Effectiveness of Supreme Audit Institutions (SAIs) in Fighting Corruption', the IDI Global Programme on SAI Fighting Corruption has been introduced to strengthen the capacity development of SAIs. The audit topic of 'The Institutional Framework for Preventing Corruption in Procurement Management: The Case Study of Sultan Idris Education University (UPSI)' has been selected to identify whether there is an effective institutional framework for fighting corruption at the national and sectoral level and whether rules and regulation on procurement have been followed by UPSI. UPSI has been selected as a sample based on the procurement value of RM129.15 million that was made between 2013 to June 2017 and the allocation of the development fund received from Ministry of Higher Education amounted to RM161 million from year 2013 to 2016.

This audit was conducted to identify whether there is an effective institutional framework for fighting corruption at the national and sectoral level and the management of procurement in UPSI had been effectively and efficiently executed with full adherence to related rules and regulations. The scope of this audit included the institutional and legislative framework, mechanisms to prevent corruption in government agencies and the compliance to rules and regulations especially on procurement management.

Audit findings revealed that there is an institutional and legislative framework for fighting corruption at the national and sectoral level and sufficient mechanisms have been developed in order to prevent corruption in the government's departments and agencies. However, in the context of UPSI's procurement management, major weaknesses found were issues of the procurement of the transportation services and equipment was made without the approval of the Controller Officer and not according to stipulated rules; over value of contract price; over payment on actual work done; and procurement made but not utilized or operated effectively and efficiently in accordance to its objective. Factors contributed to the audit findings are lack of knowledge and obliviousness of the procurement officer on the rules and regulations related to procurement, failure to study and monitor the provisions in the contracts and improper planning.

Audit recommendations are to further test whether the mechanisms that have been developed to prevent corruption in government departments and agencies are effective in reducing number of corruption cases; to study on the capability of the existing institutional framework for fighting corruption in reducing the corruption cases over a long run; to create awareness among workforce to stay away from committing corruption/wrongdoing offences; and to provide a lot of seminars/courses in the field of procurement management.

1. Introduction

- 1.1 Corruption is a threat to all countries around the world. It is an old phenomenon of human history where almost all centuries experienced discussions about this topic. In Malaysia, the fight against corruption has become one of the primary focuses among country leaders. In the 71st United Nations General Assembly 2016, Malaysia announced a commitment to support and implement the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) which aims to end extreme poverty plus fight inequality and injustice. This effort has been formulated into the National SDG Roadmap under the 11th Malaysia Plan. The commitment encompasses target 16.5 of SDGs which emphasizes on 'substantially reduce corruption and bribery in all forms' under Goal 16 that is to promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- 1.2 The audit on 'The Institutional Framework for Preventing Corruption in Procurement Management: The Case Study of Sultan Idris Education University (UPSI)' was carried out under the INTOSAI Development Initiative's (IDI) Global Programme on SAI Fighting Corruption. The audit was a cooperative ISSAI-based performance audit, which focused on the strength of the institutional framework for fighting corruption holistically at government level and in a sector at Ministry level. Further, UPSI was selected as a sample of public university for comprehensive assessment on the adherence to rules and regulations related to government procurement.

2. Audit Objectives and Audit Questions

2.1 The audit objectives were as follows:

- to identify whether there is an institutional framework for fighting corruption at the national and sectoral level; and
- to determine whether the procurement management in UPSI has been effectively and efficiently executed with full adherence to related rules and regulations.

2.2 Four main audit questions were as follows:

- i. Is there an effective institutional framework for fighting corruption established at national and sectoral level for government agencies?
- ii. Is there any mechanism developed to prevent corruption in government agencies?
- iii. Is there corruption in government procurement?
- iv. Has the procurement management in UPSI been done according to rules, regulations and procurement guidelines?

3. Audit Scope and Approach

- 3.1 The scope of this audit included the institutional framework for fighting corruption at the national and sectoral level, the mechanism to prevent corruption, the status of compliance to rules and regulations on procurement management and actions that have been taken on UPSI's audit findings in the AG's Report.
- 3.2 The period covered was from 2014 to 2017.
- 3.3 The total number of procurement samples that were selected from UPSI's procurement was 51 (16.1%) out of total 317 overall procurement.
- 3.4 The value of procurement samples was RM96.83 million (75%) of the total cost amounting to RM129.15 million.
- 3.5 The audit approach was based on a mix of the system and result based approach.

4. Audit Methodology

The audit methodology consisted of searching for information from Malaysian Anti-Corruption Commission (MACC), Ministry of Higher Education (MOHE) and UPSI's official website; collecting information directly from MACC and UPSI; and reviewing contract files, records and documents in UPSI. Interviews and discussion with officers-in-charge as well as physical checks were also done in this audit.

5. Audit Criteria and Source of Criteria

Audit criteria were developed based on reliable sources of law, rules, regulations and guidelines which are relevant to audited parties. The sources include:

- ✓ Federal Constitution
- ✓ Anti-Corruption Laws and Regulations
- ✓ Treasury Circulars and Letters
- ✓ Government Services Circulars
- ✓ United Nations Convention Against Corruption
- ✓ Contract Documents

6. Standards of Audit

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) 3000 – Standards for Performance Auditing; ISSAI 100 - Fundamental Principles of Public-Sector Auditing; and ISSAI 300 - Fundamental Principles of Performance Auditing.

7. Overview

7.1 Malaysian Anti-Corruption Commission (MACC)

Malaysian Anti-Corruption Commission (MACC) was established as an independent, transparent and professional body to effectively and efficiently manage the nation's anti-corruption efforts as well as to improve the perception of independence and transparency of the functions of the Commission. MACC was established as an agency on 1st October 1967 and known as the Anti-Corruption Agency. Currently, MACC is headed by a Chief Commissioner and assisted by three Deputy Chief Commissioner of Operation, Prevention and Professionalism and Administration. Through Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694), MACC investigates and brings proceedings against all forms of corruption, abuse of power and malpractice.

7.2 Ministry of Higher Education (MOHE)

The integral role of the Ministry of Higher Education (MOHE) is creating a higher education ecosystem with the finest Public Universities, Private Higher Educational Institutions, Polytechnics and Community Colleges. These institutions are the main components in the national education ecosystem and training to generate first-rate thinkers, scholars, masters, skilled and semi-skilled manpower in accordance with their respective roles. MOHE has three departments that manage the institutions of higher learning, namely Department of Higher Education (public universities and private universities), Department of Polytechnic Education (polytechnics), and Department of Community College Education (Community Colleges).

7.3 Sultan Idris Education University (UPSI)

- i. Sultan Idris Education University (UPSI) was established on 1st May 1997 under the Order of Universiti Pendidikan Sultan Idris (Corporation) 1997 and the Order of Universiti Pendidikan Sultan Idris (Campus) 1997. UPSI is a public higher education institution that is important in the history of education in the country. The institution gradually developed from a college to a university. The objective of UPSI is to provide high quality education-based academic programs to meet customer expectations through excellent organizational management and continuous improvement. UPSI has earned RM1.47 billion in revenue for the period from 2013 to June 2017 through the Ministry of Higher Education funds and other UPSI operating resources.
- ii. As one of the 20 public universities in Malaysia, UPSI receives revenue and allocation of development fund from MOHE to support the university's programme, activities and development projects. MOHE plays an important role in ensuring that the government's education policies are accomplished. MOHE is also responsible to monitor the aspects of good governance and compliance to rules and regulation in financial management in

all its agencies/departments/statutory bodies including public universities. In relation to procurement management, UPSI refers to Financial and Accounting Regulations, Treasury Circulars and Treasury Circular Letters mostly issued by the Ministry of Finance (MOF). Treasury department of UPSI is responsible for planning and managing procurement via tender processes and direct negotiations whilst the Centre of Responsibility at each UPSI faculty/centre/division and unit is responsible for planning and managing procurement via direct purchase and quotation.

8. Audit Question 1: Is there an effective Institutional Framework for Fighting Corruption established at National and Sectoral Level for Government Agencies?

An effective institutional framework for fighting corruption gives confidence to the public on the justice and equitable treatment to every layer of people. Each action taken against corruption offences and sentences of punishment to the convicted individuals depicts the seriousness of the anti-corruption agencies in executing their duties. As such, Malaysia Government has also undertaken various strategies in its efforts to combat corruption. An evident example was the Government Transformation Programme's (GTP) National Key Result Areas (NKRA) – Fighting Corruption which was introduced in July 2009. Fighting corruption was one of the key areas under the NKRA, aimed to improve the perception on corruption in Malaysia. These included the agenda to regain public's confidence in regulatory and enforcement agencies, reduce irregularities in government procurement and fight against corruption. Nevertheless, the various efforts and steps taken were not evident to the experts and corporate leaders. As a result, Malaysia's rank in Corruption Perception Index (CPI) in year 2017 dropped to 62 out of 180 countries as compared rank number 55 in year 2016 and 54 in year 2015.

8.1 Establishment of an Institutional Framework for Fighting Corruption in Malaysia

Malaysia is one of the first countries in the Global South to have an established Anti-Corruption Agency (ACA) and anti-corruption law. Malaysia has also signed the United Nations Convention against Corruption (UNCAC) in 2003. Many measures have been implemented in the effort to combat corruption - the enactment of the Whistleblower Act; the signing of Corporate Integrity Pledges and Integrity Pacts; and the advertisement of open tenders through the media for procurement exercises, thus enhancing transparency and accountability.

8.1.1 The Framework of Anti-Corruption Agencies and Legislative Laws at National Level

Studies have shown that Malaysia has an elaborate set of institutional framework that deals with corruption. One of the studies, Siddique (2010) found that Malaysia has an elaborate set of institutional framework to deal with corruption with the aim to build and strengthen the anti-

corruption infrastructure, for example, the Anti-Corruption Agency (ACA) in 1967, the Public Complaints Bureau, the Auditor General's Office, the Public Accounts Committee, the Royal Malaysia Police and the Attorney-General's Chambers. In addition, Abdullah, N. R. W. (2008), also found that Malaysia has numerous principles, procedures, institutions and the necessary infrastructure to fight corruption. This can be seen from many initiatives taken by the government to eradicate corruption. At the same time, there are ample provisions of Act, law and rules that deal with fighting corruption initiatives as listed in **Appendix I**.

i. Malaysian Anti-Corruption Commission (MACC)

- a. The recognition of the need for an effort to combat corruption in Malaysia began with the introduction of the Prevention of Corruption Ordinance in 1950. The 1950 Ordinance was repealed by the Prevention of Corruption Act 1961 that provided for investigation and prevention of corruption to be carried out by the Special Crimes Unit under Criminal Investigation Department of the Royal Malaysia Police. Later, the Government decided to consolidate the task of investigation, prevention and prosecution by setting up the Anti-Corruption Agency (ACA) which began its operations formally on 1st October 1967.
- b. In 1973, the ACA changed its name to the National Bureau of Investigations ("NBI"). Subsequently, the NBI was re-named again as ACA, making it the special entity for combating corruption in Malaysia. ACA derived its powers from the Prevention Corruption Act 1961, Anti-Corruption Agency Act 1982 and section 11 of the Emergency (Essential Powers) Ordinance No.22/1970. The Prevention of Corruption Act 1961 was revised, and subsequently repealed and replaced with the Anti-Corruption Act 1997. In 2009, the Anti-Corruption Act 1997 was repealed with Malaysian Anti-Corruption Commission (MACC) Act 2009 that gives more power to MACC in fighting corruption in the private sector and to improve public perception on the independence and transparency of MACC.
- c. In line with MACC Act 2009, 3 main strategies were developed in the field of enforcement, prevention and community education. These include detecting corruption offences and investigate corruption offences; detecting the risk of corruption in work practices, systems and procedures; and educating the public as well as enlisting and fostering public support against corruption. The organizational structure of MACC is shown in **Appendix II**.

MACC Act 2009

- d. In relation to offences, MACC Act 2009 contains a comprehensive criminalization of corruption offences which are applicable to both public and private sectors. For example, Section 16 and 17 provide clauses on offences of bribery i.e. giving or accepting gratification; Section 18 covers on false claims offences; Section 20 touches on enticing withdrawal of tender via bribery; and Section 23 is offences related to conflict of interest and abuse of authority by using office or position for gratification. For all these offences, if

convicted, the offender will be sentenced to penalty of imprisonment for a term not exceeding 20 years and fine not less than 5 times the sum or value of the gratification or RM10,000, whichever is higher. Abstract of the sections under MACC Act 2009 is shown in **Appendix III**.

- e. For the year 2015 to 2017, a total of 2,656 offenders had been arrested under the government and civilian sector for various corruption offences. Under the government sector, support staffs were the highest number to be arrested as compared to lower and middle management as well as top management. This might be because the nature of job of the support staffs requires them to deal with public more and thus they are more prone to commit the offences. Statistics on the number of offenders arrested for corruption by MACC is shown in **Table 1**:

TABLE 1
NUMBER OF OFFENDERS ARRESTED AS SUSPECTS INVOLVED IN
CORRUPTION IN YEAR 2015 TO 2017

SECTOR	YEAR			TOTAL
	2015	2016	2017	
<u>GOVERNMENT SERVANT</u>				
Top Management	9	7	12	28
Lower and Middle Management	82	117	102	301
Support Staff	307	341	295	943
Total	398	465	409	1,272
<u>CIVILIAN</u>				
Private sector	127	210	164	501
Public citizen	316	237	276	829
Others	0	24	30	54
Total	443	471	470	1,384
GRAND TOTAL	841	936	879	2,656

Source : MACC

ii. Auditor General's Office

- a. The Auditor General's Office known as the National Audit Department of Malaysia (NAD) was formed in 1906 with the ultimate purpose of strengthening the government financial management system. The main function is to enhance the performance of the public sector and to support accountability and transparency in the government administration through a balanced report to the Parliament.

- b. The Auditor General's mandates are provided by the Federal Constitution and the Audit Act 1957. The Federal Constitution and the Audit Act 1957 outline the Auditor General's responsibility to audit the accounts of the Federal and State Governments, Government Agencies, Public Authorities and other bodies as ordered by His Majesty the Yang di-Pertuan Agong and to table the findings to the Parliament/State Legislative Assembly. The Auditor General has been assured independence by the laws to ensure that the audit report is not bias or being seen to be influenced by any particular parties. The structure of NAD has been transformed lately to be in line with current changes. At present, the NAD comprises of Financial Audit Sector, Performance Audit Sector, Governance Audit Sector, Management Sector, divisions under Office of the Auditor General and State Audit Offices.
- c. As a SAI, NAD plays an important role in combating corruption through the audit work it does in strengthening the financial management of public institutions. The disclosure in the AG's Report of the wrongdoings, abuse of power, fraud, irregularities in financial management and weak financial governance provides the public with information on indications of corruption. Thus, from the public's perspective, NAD is also one of the important agencies in Malaysia for fighting corruption.

The Audit Act 1957

- d. The AG has a main role as a detector and whistle-blower in the framework of fighting corruption. Under Section 6 of the Audit Act 1957, the AG in his audit has responsibilities to ascertain whether all reasonable precautions have been taken to safeguard the collection and custody of public moneys or other moneys subject to his audit; whether issues and payments of moneys subject to his audit were made in accordance with proper authority and payments were properly chargeable and are supported by sufficient vouchers or proof of payment; and other provisions of the Federal Constitution and of the Financial Procedure Act 1957, and any other written law relating to moneys have been in all respects complied with. Under Section 7 of the Act, the AG has full power to request all information and explanation pertaining to the audit. He can have access to any documents and have power to ask any individuals to give statement under oaths as well as to empower any officers to inspect and enquire on his behalf. The AG may also seek legal advice while performing his duties. All information obtained by the AG is deemed confidential.

iii. The Ministry of Finance

- a. Ministry of Finance (MOF) through the Treasury Department is responsible in issuing rules, regulations and guidelines to be adhered by Ministries and government agencies for financial matters such as budget procedures, asset management and procurement. As the budget allocated for government procurement is constantly high every year, it is

important for MOF to issue directives through Treasury Circulars and Letters as well as procurement guidelines to ensure value for money procurements are obtained and government's rights and benefits are protected in all aspects. Treasury Circulars and Letters are sources of legal documents that specify the government's policy, regulations and requirements on government procurement. According to Treasury Circular on the Government Procurement - PK 1, government procurement is essentially based on the following principles:

- i. Public Accountability - Procurement should reflect public accountability entrusted with the government;
 - ii. Transparency - All procurement regulations, conditions, procedures and processes need to be clear and transparent to facilitate better understanding among suppliers and contractors;
 - iii. Value for Money - Government procurement should yield the best returns for every Malaysian Ringgit spent in terms of quality, quantity, timeliness, price and source;
 - iv. Open And Fair Competition - Processes involving government procurement should offer fair and equitable opportunities to all those participating or competing in any procurement; and
 - v. Fair Dealing - All acceptable bids will be processed fairly based on current rules, policies and procedures.
- b. In order to prevent procurement officers, bidders or suppliers from involving in bribery or corruption activities, as well as to enhance the integrity and transparency, PK 1 also requires the related parties to sign an Integrity Pact. Related parties refer to civil servants involved in government procurement, members of procurement related committees, members of procurement boards/committees, bidders and consultants.

Procurement Regulations

- c. The procurement method in Malaysia can be divided into three which are direct purchase, tender (open tender and close tender/quotation) and direct negotiation. For each method, Treasury Circular has outlined the criteria and procedures to be followed to achieve the procurement objectives. For example, procurement of works, supplies and services above the value of RM500,000 must be done through tender processes. The invitation to tender must be advertised in the local newspaper to provide an opportunity for many bidders to participate. Wide publication of tenders can help reduce corruption by increasing transparency and participation. The tender documents should be comprehensive and complete with clear instruction to the bidders whereby the content should include general and specific terms and conditions, specifications, a copy of agreement, price schedule, delivery period, objection period and the scope of works expected. Upon receiving the tender proposals from the bidders, two separate

procurement committee i.e. Technical Evaluation Committee and Price Evaluation Committee will evaluate the tenders and later make ranking based on criteria outlined in the Treasury's Circulars. The evaluation of both committees will result in the ranking of tenders received and the tender secretariat will submit the rankings and evaluations to the Procurement Boards of Ministries/Departments (Agency Procurement Boards) for consideration and decision. The Agency Procurement Boards will consider and select the successful tenderer or bidder. Selection of tenders will be based on the general procurement principles, pre-determined criteria and final evaluation.

UNCAC Provision on System of Procurement

- d. Under the United Nations Convention against Corruption (UNCAC) 2004, a comprehensive set of standards, measures and rules were introduced which all countries can apply in order to strengthen their legal and regulatory regimes to fight corruption. Article 9 of UNCAC 2004 is related to public procurement and the management of public finances. The provision states that necessary steps should be taken to establish appropriate systems of procurement, based on transparency, competition and objective criteria in decision-making, that are effective, inter alia, in preventing corruption. In line with this provision, MOF is empowered to regulate policy, strategy, rules and regulations in regards to public procurement of supplies, services and works. Procurement in Malaysia is largely decentralized. Decentralization of power is given to Ministries and government agencies to procure goods and services on their own by utilizing the allocated annual budget.

iv. Action Committee on Auditor General Report

- a. As the government saw that the AG's Report is one of the important sources which disclose the red flags on irregularities, fraud and corruption indicators, Cabinet Meeting in 2012 decided that a platform should be established to oversee the actions taken by auditees on audit findings that have been reported in the AG's Report. One of the platforms established under this decision is the Action Committee on Auditor General Report (JTLKAN). The main objective of the committee is to review appropriate actions that have been taken by the Ministries/Government Agencies to address the issues that had been highlighted in AG's Report especially in areas of fraud, power abuse and malpractice. JTLKAN meets at least twice a year and is chaired by AG. Members of the committee comprises of MACC, Royal Malaysia Department, Attorney-General's Chambers, Public Service Department (PSD), MOF and other central agencies.
- b. For punitive cases, enforcement agencies i.e. MACC and Royal Malaysia Police will identify cases which are under their jurisdictions for further scrutiny and investigations. In regards to cases of disciplinary violation by civil servants, PSD will conduct further investigation by setting up a Special Investigation Committee. The civil servant who was

found guilty will be liable under the Public Officer Regulations (Conduct and Discipline) 1993 and subject to punishment either in form of warning, fine, forfeiture of emoluments, deferment of salary movement or dismissal.

v. Code of Conduct for Public Officers

In order to fight corruption among the public officials, Article 8 of UNCAC outlined that integrity, honesty and responsibility among public officials should be promoted in accordance with the fundamental principles of legal system, through conception of code of conduct. In Malaysia, discipline and codes of conduct of officers in the public services are regulated under the Public Officers Regulations (Conduct and Discipline) 1993. This code among others requires public service officers to be loyal to the King, the country and the government; put public interest before private interest; ensure that private interest does not conflict with public duty; guard against allowing a conflict of interest to impair their usefulness as public officers; and avoid using public position for personal advantage.

8.1.2 Framework for Fighting Corruption at Sectoral Level

The Malaysian government is clearly vigilant that there is an increasing trend of alertness among the public on the integrity of the civil servants. As for the education sector, MOHE's responsibilities include providing educational needs by creating a higher education ecosystem and meeting high public expectation. The education sector has always enjoyed the highest allocation of development budget which depicts the government's high commitments towards education. Higher education is regulated through a dynamic provision of law and acts, for example, the Education Act 1996 (Act 550), Private Higher Educational Institutions Act, 1996 (amended 2009) and Universities and University Colleges (Amendment) Act, 1996 (amended 2009). As the education sector is generally considered to be prone to corruption due to its large allocation of budget, complex administrative structures and underlying issues of integrity, the government has developed strategies as below:

i. Integrity Unit

Government Service Circular No. 6 Year 2013 effective on 1st January 2013 required all federal and state government agencies to form an Integrity Unit (UI) by positioning a certified integrity officer trained by MACC. The main role of the UI among others are to ensure the practice of good governance in the organization; to detect and verify complaints of crime and violation of the code of conduct and ethics and proper action was taken; to report criminal offences to the relevant enforcement agencies; and to act as a secretariat for Disciplinary Board. Audit findings showed that MOHE has established UI under the Ministry's organizational structure headed by Head of UI who is responsible to report directly to the Secretary General of MOHE.

ii. Internal Audit Unit

MOF through the Treasury's Circular (PS 3.1) required all Ministries/Departments of Federal Government and State Governments to establish an Internal Audit Unit (IAU) which is responsible to report directly to Secretary Generals/Heads of Federal Department/Secretaries of the State Governments on financial governance issues. Treasury is the central agency that holds responsibility to monitor and coordinate the establishment of internal audit function in ministries or federal departments and state secretariat office. As an independence function, IAU assists the organizations to achieve their objective through systematic and disciplined approach by evaluating and monitoring the effectiveness of process control and governance. The role of IAU is conducting financial management audit which include financial system, internal control, and financial record to assure that any expenditures, income, assets and store are according to the laws, rules and instructions stipulated by the authorities. Performance audit is also one of the responsibilities of internal audit function. Besides ascertaining the compliance to policies, laws, rules and regulations, IAU also advises the management on the risk of fraud, malpractice and asset losses. All Secretary Generals/Heads of Federal Department/State Secretaries should take appropriate actions on findings reported by IAU without bias. In practice, if there is concrete evidence on cases of fraud, malpractice or corruption, an Internal Investigation Committee will be set up for further investigation.

8.2 Conclusion

Based on the above disclosures of facts, it can be concluded that there is an institutional framework for fighting corruption at national and sectoral level for government agencies. This is proved as ACAs such as MACC, NAD and JTLKAN have been established as an effort to prevent corruption among public officials from spreading and becoming a culture in the work practice. The ACAs are empowered to enforce related Acts, rules and regulations to improve governance structure and combat corruption as an effort in meeting SDGs' target especially Goal 16 which is to promote peaceful and inclusive societies. In addition, there are sufficient provisions of laws, rules and regulations to cater offences related to corruption such as the MACC Act 2009, Audit Act 1957 and Code of Conduct for Public Officers and to hinder the risks of corruption, power abuse and malpractice in the government workforce. MOF as the central government agency plays a major role in developing rules and regulations to ensure all respective parties gain value for money and the company that has been rewarded with a contract had been gone through a transparent and accountable process in government procurement.

9. Audit Question 2: Is There Any Mechanism Developed to Prevent Corruption in Government Agencies?

Currently, there is an estimation of 1.5 million civil servants in the government workforce with 25 Ministries and hundreds of federal and state departments with different layouts of organizational structures. Each ministry/federal/state department has different nature of responsibilities and tasks to carry out for the purpose of delivering services to the public. The government has taken many forms of precaution and strategic steps to ensure that the levels of governance structure are trusted and well received by the public. In the effort to meet the spirit and provisions of the UNCAC, the audit team found that a few mechanisms had been established by the government to prevent corruption in government agencies as below:

9.1 Integrity Unit at Federal and State Government

In line with Article 5 (Preventive anti-corruption policies and practices) and 7 (Public Sector) of the UNCAC provisions on corruption in the public sector, the Government of Malaysia has established Integrity Unit (UI) in all federal and state government agencies through the Government Service Circular No. 6 Year 2013. Through this Circular, all agencies are required to establish UI by positioning a certified integrity officer trained by MACC. Based on audit findings, MOHE has established UI under its organizational structure which is headed by a Head of UI and assisted by 7 staffs to perform the duties specified in the Circular.

9.2 Auditor General's Dashboard

- i. Auditor General's Dashboard (AGD) was launched in May 2013 to meet public expectation for the government to be more transparent in handling audit findings that were reported in AG's Report. AGD is also being considered as a tool and effort in combating corruption. AGD is accessible online with 24/7 availability, thus enabling the public to monitor the actions that have been taken or action that are under progress by the auditees on major findings highlighted in AG's Report. From the interview conducted with Follow-up Division of NAD, it was highlighted that AGD shows the latest feedback to the public to promote transparency and accelerate resolving issues in department/agencies; contributes towards increasing the collection of government's arrears income; enhances governance and internal control in work; and boosts the monitoring system to prevent wastages and corruption.
- ii. Periodic reports and statistics could be obtained through the AGD to evaluate the effectiveness of actions taken until the issues are resolved whether in the form of corrective or punitive actions. Red light indicates that no action had been taken on the audit findings; yellow light means actions have been taken on staggered basis; whilst green light indicates that corrective and preventive actions had been fully implemented and the issue is resolved.

9.3 Integrity Pact

In order to promote integrity and accountability in all government procurement activities, MOF has come up with the requirement that parties involved in government procurement are to sign an Integrity Pact. This requirement is provided under the Treasury Circular and is detailed out in the Guidelines of the Government Procurement – PK 1. Each party is required to make a declaration of abstention from bribery at all stages including civil servants involved in government procurement, members of procurement related committees, members of procurement boards/committees, bidders, consultants and suppliers who take part in the government procurement. Examples of the standard format of the integrity pact are in **Appendix IV (a) to (c)**.

9.4 Database on Corruption Offenders

As an effort to provide lesson learnt to corruption offenders as well as warning to the public, MACC has taken a step further by introducing the Corruption Offender Database. This database primarily serves as a deterrent measure in sending a clear message in the fight against corruption. This database can be accessed easily by the public on MACC portal. It serves as a vital awareness tool to assist the public and organisations in the due diligence processes concerning hiring, appointment and promotion of employees.

9.5 Corruption Complaint

Section 7(a) and 7(b) of the MACC Act 2009 states that MACC officers must accept, consider, detect and investigate reports on any offence, attempt or conspiracy suspected under the MACC Act 2009 as the Chief Commissioner or the officers deem practicable. The audit team found that MACC has provided various channels for public and government agencies to lodge a complaint on suspected corruption. The complaint can be made via MACC Complaint Management System (CMS), hotline number, MACC mobile application, walk-in to MACC office or informing the Integrity Units at government agencies. Based on MACC Annual Report 2016, it was found that number of corruption complaints received from UI increased from the year 2014 to 2016. The record showed that in the year 2014, a total of 3,185 complaints had been lodged, 11,995 complaints in the year 2015 and 5,507 complaints in the year 2016 covering various offences including bribery, power abuse and weak governance. In order to evaluate the completeness and the truthfulness of the complaints lodged, MACC will conduct a detection and validation process on the information received for enforcement action.

9.6 Conclusion

Several mechanisms have been developed to prevent corruption in government departments and agencies including establishing Integrity Unit in all federal and state government

agencies; introducing corruption offenders’ database; creating various avenues to file complaints on corruption; and also setting up interactive AG Dashboard accessible online with 24/7 availability which serves to motivate heads of ministries and agencies to undertake remedial measures expeditiously.

10. Audit Question 3: Is there Corruption in Government Procurement?

- i. Previous Auditor General of Malaysia Tan Sri Ambrin Buang in his keynote address at Combatting Procurement Fraud in the Public & Private Sectors Forum 2017 at Istana Hotel Kuala Lumpur on 24th January 2017 warned that public procurement is one of the government activities that is most prone to corruption from bid rigging during the pre-contract award phase to false invoicing in the post-contract award phase.
- ii. Based on the audit interview and information obtained from MACC, for the year 2014 to 2017, 345 investigation papers were opened with 62 people being accused of cases related to corruption in government procurement. The offences include false claims and fraudulence in procurement. **Table 2** below shows the statistic on the number of investigation papers that were opened and the number of people accused.

**TABLE 2
STATISTIC ON CORRUPTION CASES IN GOVERNMENT PROCUREMENT
FOR THE YEAR 2014 TO 2017**

NO.	YEAR	INFORMATION RECEIVED ON CORRUPTION	INVESTIGATION PAPER	ACCUSED (person)
1.	2014	354	56	11
2.	2015	440	91	23
3.	2016	533	73	12
4.	2017	531	125	16

Source: Information and Record Management Department, MACC

11. Case Study on Government Procurement in Ministry of Higher Education: Sultan Idris Education University

In order to perform the cooperative ISSAI-based performance audit under INTOSAI Global Programme on SAI Fighting Corruption, the audit team has been instructed to choose a public university as a case study in the public procurement. This public university, Sultan Idris Education University (UPSI), has been audited by NAD from May to August 2017 and has been published in the Auditor General Report Year 2016 Series 2. Therefore UPSI has been chosen as a sample in order to assess whether the procurement management has been effectively and efficiently executed to achieve the objectives of procurement made and

whether actions had been taken to address issues that had been highlighted by the auditee and ACAs (if applicable).

11.1 Audit Question 4: Has the Procurement Management in UPSI been done according to Rules, Regulations and Procurement Guidelines?

The audit conducted from May to August 2017 found the following:

11.1.1 Transportation Services and Equipment Facilities

i. Procurement Was Made without the Approval of the Controller Officer

Treasury Circular Letter No. 13 Year 1999 and Treasury Circular PK 4 on Contract Administration in Government Procurement outlined that the usage of transportation services and equipment facilities are allowed in project management and are subject to the approval of the Controller Officer or Committee on Work Contract Procurement appointed by the Controller Officer. Further, under the component of preliminaries work clause stipulated in the contract, the contractor is required to provide several facilities for the use of Project Director, Project Director's representative, consultant and project engineer in order to ensure smooth running of the project. Nevertheless, based on the Audit review on UPSI's procurement, the procurement of transportation services and equipment facilities amounting to RM489,100 were made without the approval of the Controller Officer. This involved the acquisition of three units of 4-wheel drive vehicles with total value of RM440,000 as well as the acquisition of equipment such as computers, printers, digital cameras and facsimile machines of RM49,100. Details on the vehicles and equipment that were procured without approval are shown in **Table 3** below:

TABLE 3
ACQUISITION OF TRANSPORTATION SERVICES AND EQUIPMENTS WITHOUT THE APPROVAL OF THE CONTROLLER OFFICER

CONTRACT/COST/ PERIOD	VEHICLES		EQUIPMENT		AMOUNT (RM)
	TYPE	VALUE (RM)	TYPE	VALUE (RM)	
Hospitality Training Centre / RM16 million / 20.01.2014 – 19.09.2015	-	-	<ul style="list-style-type: none"> • Computer • Printer • Digital Camera • Facsimile machine • Drawing Cabinet 	15,000	15,000
Sport Complex/ RM23.97 million/ 01.01.2013 – 01.01.2015	<ul style="list-style-type: none"> • 4X4 2500cc 	185,000	<ul style="list-style-type: none"> • Computer • Printer • Digital Camera • Facsimile machine • Drawing Cabinet 	15,000	200,000

CONTRACT/COST/ PERIOD	VEHICLES		EQUIPMENT		AMOUNT (RM)
	TYPE	VALUE (RM)	TYPE	VALUE (RM)	
Academy Complex / RM27.85 million / 01.05.2017 – 01.05.2019	<ul style="list-style-type: none"> 4X4 Toyota Hilux 2.8 Intercooler 	200,000	<ul style="list-style-type: none"> HP Pavilion Computer Laser Printer Digital Camera 	7,100	207,100
Laboratory Research / RM4.87 million/ 01.09.2013 – 31.11.2014	<ul style="list-style-type: none"> Toyota Hilux Double Cab 2.5 AT 	55,000	<ul style="list-style-type: none"> Computer Printer Digital Camera Facsimile machine Drawing Cabinet 	12,000	67,000
AMOUNT (RM)	440,000		49,100		489,100

Source : The Department of Development Management and Assets, UPSI

ii. Procurement of Vehicles for Transportation Services were not in line with Stipulated Regulations

Based on the above-mentioned Treasury Circulars, the usage of transportation services for work projects exceeding the value of RM500,000 is allowed provided that one of the following criteria is met:

- i. roads are unpaved, difficult to access and can only be accessed by four-wheel drive vehicles;
- ii. involves construction of a building complex in a wide construction site area of more than 40 acres; or
- iii. a linear project construction that has no access along the stretch of more than 1 km; or
- iv. involves hard-to-pass through construction sites such as hilly, swamps, etc.

Based on the Audit conducted on four work contracts as shown in **Table 3**, it was found that the provisions for procurement of the transportation services were included in the contract without meeting any of the required criteria stated above. This project was constructed within UPSI's land area which covers only 10 acres. It was located adjacent to the faculty building and auditorium and thus could be accessed easily.

Current status in AGD disclosed that as of 3rd April 2018, UPSI had taken necessary action by forming a Committee on Work Contract Procurement that was appointed by its Controller Officer. The committee is responsible to ascertain that all procurement of transportation services and equipment facilities for project management are approved by the Controller Officer. An Internal Investigation Committee had also been formed to investigate this case and the investigation report would be submitted to relevant authorities for further action.

Auditor's Opinion

In Auditor's opinion, the absence of approval from the Controller Officer for the procurement of vehicles and equipment was not in line with the stipulated regulations. The process of getting an approval may open an opportunity for fraud and corruption. The responsible officer-in-charge for the procurement failed to take care of UPSI's interest. This case is due to lack of knowledge and obliviousness of the procurement officer on the rules and regulations related to procurement of transportation services for project management. The contract should not have included provisions for acquisition of transportation services and equipment worth RM0.49 million as the approval from the Controller Officer was missing and none of the four criteria set in the regulations are met.

11.1.2 The Over Value of the Contract Price

Generally, the underlying objective in government procurement is to conserve the public money by getting great savings and value for money in the procurement of work, goods or services. Based on Paragraph 1.0 Preliminaries provisions in the contract, there were elements and lists of items which should be under the contractor's obligations but has been charged to UPSI. There were also lists of items being charged repetitively. Audit inspection on four work contracts as shown in Table 3 identified that there was an over value or surplus of contract prices specified by the contractor which involved seven work details amounting to RM294,408. The details are as in **Table 4** below:

**TABLE 4
THE OVER VALUE OF THE CONTRACT PRICE**

MATTERS / AUDIT COMMENT	NAME OF THE CONTRACT				AMOUNT (RM)
	HOSPITALITY CENTRE (RM)	SPORT COMPLEX (RM)	RESEARCH LABORATORY (RM)	ACADEMY COMPLEX (RM)	
Design Guarantee Bond – Design Guarantee Bond is the responsibility of the contractor	-	50,000	20,000	-	70,000
Performance Bond – The Contractor choose to deduct from the interim progress payment instead of submitting performance Bond to government	40,000	35,000	-	-	75,000
Contract Document – Based on Paragraph 27 of the Instructions to Tenderers, the contractor shall provide the contract documents without any charge.	* 8,000	-	-	25,000	33,000

MATTERS / AUDIT COMMENT	NAME OF THE CONTRACT				AMOUNT (RM)
	HOSPITALITY CENTRE (RM)	SPORT COMPLEX (RM)	RESEARCH LABORATORY (RM)	ACADEMY COMPLEX (RM)	
Machinery And Equipment - Under Paragraph A Bill 1 / GCP / 22 , contractors do not have to put prices on Plant and Equipment items.	-	-	-	50,000	50,000
Building Work - Roof Construction - Overlapping work for the installation of polyglass fibre	-	-	-	66,408	66,408
TOTAL	48,000	85,000	20,000	141,408	294,408

Note: (*) Payment Was Charged Through Claim from Quantity Surveyor Consultant

Current status in AGD disclosed that as at 3rd April 2018, this issue was still on-going and had not been completely resolved by UPSI. There were still some improvements and efforts to be done to ensure the case of excess price in the contract would not happen again. Among actions that have been taken were issuance of warning notice, deducting the surplus from the payment to the contractors and issuance of guideline on Preliminaries and General Conditions relating to the work project.

Auditor's Opinion

In Auditor's opinion, UPSI has failed to study and monitor the provisions in the contracts for every project. The negligence had caused the rises in contract prices and incurrence of losses of RM0.3 million. Based on UPSI's feedback, the occurrence of the surplus value of the contract price was due to its failure in understanding the guideline issued by the Public Work Department that it should have referred to.

11.1.3 Differences between Actual Work Done and Bill of Quantity

Based on the terms in the contract, the contractors are responsible to perform details of work as specified in the Bill of Quantities (BQ) provided in the contract. Certificate of Practical Completion (CPC) will be issued if the Project Director is satisfied that all work that should be done by the contractor meets all the requirements provided in the contract. Based on the Audit review on some selected scope of work, there were differences between BQ and the actual work, which caused an overpayment of RM20,074. Further Audit inspection on the Certificate of Practical Completion (CPC) showed that the certificate has been issued and the project has been declared completed. Certification has been done by an officer from UPSI's Department of Development and Asset Management (DDAM) and full payment has been made by UPSI Treasurer's Office. Details of work and overpayment are as in **Table 5** and **Picture 1** and **2** below:

**TABLE 5
OVERPAYMENT CAUSED BY THE DIFFERENCES BETWEEN BQ
AND ACTUAL WORK**

SCOPE OF WORK	MEASUREMENT			RM/ UNIT	TOTAL DIFFERENCES (RM)
	BILL OF QUANTITY (BQ)	AUDIT CHECK	DIFFERENCES		
THE UPGRADE OF HOUSE OF ZA'BA					
Supply and install new roofs	330m ²	202m ²	128m ²	80	10,240
Repair work on existing surface floor repairs damaged	170m ²	34.1m ²	135.9m ²	70	9,513
Supplying and sweeping two layers of gloss finish - the surface of the floor	-	*53.51 m ²	53.51m ²	6	321
TOTAL (RM)					20,074

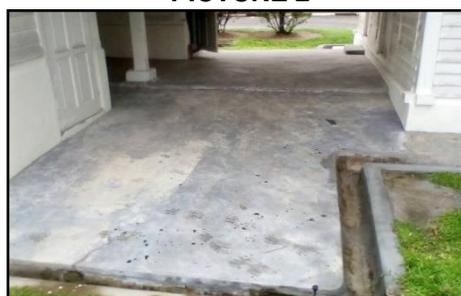
*Based on the total of measurement where gloss finisher paint was not painted

PICTURE 1



'House of Za'ba' - The Surface of The Floor and Wooden Floors Was Not Finished with Gloss (15.06.2017)

PICTURE 2



'House of Za'ba' - The Actual Work Done for Flooring Was Less Compared to the BQ in The Contract Specification (15.06.2017)

Current status in AGD disclosed that as at 15th February 2018, MOHE had formed an Internal Investigation Committee and the report on this investigation had been submitted to Public Service Department on 15th January 2018 dan NAD for further actions.

Auditor's Opinion

Based on the actual work done by the contractor, in Auditor's opinion, UPSI has failed to monitor the contractor's compliance in carrying out the upgrading work according to the specified BQ. This has caused an overpayment of RM20,074 to the contractor.

11.1.4. Procurement Made but Not Utilized / Operated

i. Education Research Laboratory, Sultan Azlan Shah Campus (KSAS)

A Research Laboratory building was built with the purpose to be used as a research centre. The company, Renongan Emas Engineering Sdn. Bhd. was appointed through a tender process to build the laboratory with a contract value of RM4.87 million for the period of 1st September 2013 to 31st November 2014. CPC was issued on 14th February 2015 and the defect period expired on 14th February 2017. Physical Audit check on 15th June 2017 found that a CCTV set worth RM23,900 which was part of the contract cost has been malfunction since March 2017. This is because the report on the breakdown of the CCTV was not reported to UPSI's ICT Department.

Current status in AGD disclosed that as at 15th February 2018, UPSI informed that report on the breakdown of the CCTV had been lodged to its ICT Department and repair work had been done to ensure that the CCTV can function again.

Auditor's Opinion

In Auditor's opinion, as the CCTV was part of the safety measures of the Laboratory Building, the repair action should have been done immediately to ensure all CCTV components work effectively and to avoid wastages.

ii. 'House of Za'ba'

Among the objectives of repairing the 'House of Za'ba' was to use it as a Wax Museum whereby it would be equipped with historical objects such as mumtaz photo, typewriter, old chairs, tables and furniture. The House would be opened to the public with the purpose of providing opportunities to the young generation to appreciate the contribution of Za'ba as the Father of the Malay Language. People would also have the opportunity to see and get to know the country's intellectual figures more closely.

The repair work was completed by Sejahtera Trading Company at cost of RM111,539 and was handed over to UPSI on 26th October 2016. The Audit physical visit on 14th June 2017 found that although the repair work was completed, the plan to make 'House of Za'ba' as a Wax Museum was yet to be implemented. Audit was informed that the plan was delayed because the Wax Museum required large amount of expenditure for its preparation and it exceeded the existing allocation. In addition, the cost of finishing the wax doll of the prominent figure was very high.

Current status in AGD disclosed that as at 3rd April 2018, UPSI informed that 'House of Za'ba' has begun its operation as a gallery of National Education Museum in

October 2017 and is now open to the public. As at 31st January 2018, 102 visitors had visited the House.

iii. Food Processing Laboratory

UPSI had renovated a glass tube building to be used as Food Processing Laboratory at Sultan Abdul Jalil Shah Campus (KSAJS). Renovation work was conducted by Bina Majid Enterprise at a cost of RM377,764. The renovation works were completed on 23rd December 2015. During the Audit visit on 15th June 2017, the Food Processing Laboratory building was found to be left vacant since 7th May to 14th June 2017 as the bread processing workshop has been transferred to the Student Centre Cafeteria.

Current status in AGD disclosed that as at 3rd April 2018, the food processing laboratory is being utilized as a place to conduct teaching and practical training for Food Preparation and Services Course and other courses approved by UPSI effective from September 2017.

Auditor's Opinion

In Auditor's Opinion, the procurement for Research Laboratory Building, repairing work for 'House of Za'ba' and renovation work for Food Processing Laboratory was not efficiently utilized as one component of the Research Laboratory Building i.e. the CCTV was not functioning, the plan to make 'House of Za'ba' as the Wax Museum did not materialise and the Food Processing Laboratory building was left vacant for a period of time. UPSI should utilize the existing facilities as much as possible in accordance with the objectives of the procurement. Improper planning causes the completed work to be abandoned and wastage of the government funds.

11.1.5 Employees Were Not Contributed With EPF/SOCSSO

UPSI had appointed 5 cleaning contractors through a tender process for cleaning services at two campuses under UPSI, Sultan Azlan Shah Campus (KSAS) and Sultan Abdul Jalil Shah Campus (KSAJS) for the period of the year 2016 to 2018. Based on the terms of the contract, the contractors were required to comply with all relevant laws and regulation related to employment such as the Employment Act 1955, the Employment (Restriction) Act 1968, the Employees Provident Fund Ordinance 1951 and Industrial Relations Act 1967. The Audit review revealed the followings:

- a. Semerah Enterprise Company - Contractor had received tender for indoor cleaning for a two-year period from 1st August 2016 to 31st July 2018 with a contract value of RM2,961,064. The Audit found that the contractors had never contributed to the Employees Provident Fund (EPF) for 46 of its 49 employees. Based on the records,

the contractor employed local workers and all workers were paid salary ranging from RM1,000 to RM1,500 per month.

- b. Jaizatiq Enterprise Company - Contractor executed exterior cleaning and landscape maintenance services for a period of two years from 1st November 2015 to 31st October 2017 with a contract value of RM900,470. A total of 21 employees were registered by the company to carry out the cleaning work. The Audit review found that the employer did not contribute to the EPF for 13 (66%) employees. The employer also did not contribute to the Social Security Organisation Scheme (SOCSO) for 14 (67%) employees.

Current status in AGD disclosed that as at 4th April 2018, action had been taken by UPSI by instructing Semerah Enterprise Company and Jaizatiq Enterprise Company to make contribution of EPF and SOCSO for all their workers. As an improvement to its internal control system, UPSI required all companies which had signed contract with the university to submit evidences that they have complied with EPF and SOCSO requirements. This issue has been given a green light in the AGD.

Auditor's Opinion

In the Auditor's opinion, the contract terms were not effectively enforced as what have been provided in the contract. UPSI should put more effort in monitoring the enforcement of the contractual requirements to ensure the contract terms are complied with by the contractor.

11.1.6 Integrity Pact

Based on Treasury Circular on the guidelines of the government procurement, parties who involve in government procurement have to sign an Integrity Pact to declare that they will not engage in any corrupt practice with any parties involved either directly or indirectly in the procurement. Each party is required to make a declaration of abstention from bribery at all stages including civil servants involved in government procurement, members of procurement related committees, members of procurement boards/committees, bidders, consultants and suppliers who take part in the government procurement. Based on UPSI's documentation for all the audited projects, all related parties had signed the Integrity Pact which involved the procurement officer, contractors and all related procurement committee.

11.2 Conclusion on UPSI's Compliance to Rules and Regulation Related to Procurement

The procurement management in UPSI was unsatisfactory based on audit assessment on two key areas of procurement i.e. contract management and the operation of facilities after project completion. Major weaknesses found were (1) procurement was done without the approval of

the Controller Officer; (2) there was an excess of contract price which caused the university to pay more than it should have paid; (3) the work done had been declared as fully completed although it did not meet the details of work as specified in the BQ provided in the contract; (4) procurement made but not utilized or operated effectively and efficiently in accordance to its objective; and (5) the contractors had not contributed to the Employee Provident Fund (EPF) and Social Security Organisation (SOCSO) for their employers. Though UPSI has produced its own policy, rules and regulation by adopting the federal government guideline on public procurement, there were still loopholes in UPSI's procurement management that could contribute to the risk of corruption if it was not addressed properly.

12. Overall Conclusion

- i. There is a comprehensive institutional framework of fighting corruption at national and sectoral level in government agencies. This is proved as ACAs such as MACC, NAD and JTLKAN have been established as an effort to prevent corruption among public officials from spreading and becoming a culture in the work practice. The ACAs are empowered to enforce related Acts, rules and regulations to improve governance structure and combat corruption.
- ii. There are sufficient law, rules and regulations to cater offences related to corruption under the MACC Act 2009 and other Acts as listed in **Appendix II**.
- iii. There is sufficient mechanism related to government effort in fighting for corruption at federal and state government agencies Among the mechanisms are establishing Integrity Unit in all federal and state government agencies; introducing corruption offenders' database; creating various avenues to file complaints on corruption; and also setting up interactive AG Dashboard accessible online with 24/7 availability which serves to motivate heads of ministries and agencies to undertake remedial measures expeditiously.
- iv. Based on UPSI study case, it was found that not all rules and regulations regarding procurement management were followed although extensive rules, regulation and guideline had been provided as a reference to deal with government procurement. Based on the audit conducted, the procurement management in UPSI was unsatisfactory. Significant weaknesses found were that procurement was done without the approval of the Controller Officer; there was an excess of contract price which caused the university to pay more than it should have paid; the work done had been declared as fully completed although it did not meet the details of work as specified in the BQ provided in the contract; procurement made but not utilized or operated effectively and efficiently in accordance to its objective; and the contractors had not contributed to the Employee Provident Fund (EPF) and Social Security Organisation (SOCSO) for their employers.

13. RECOMMENDATIONS

- i. Mechanisms that have been developed to prevent corruption in government departments and agencies should be tested whether it can be effectively executed and capable to reduce number of cases of corruption.
- ii. Study should be done independently to determine whether the existence of the comprehensive institutional framework for fighting corruption at national and sectoral level is capable to stop or reduce cases of corruption/wrongdoing in government sector.
- iii. MOHE should play a significant role in creating awareness among its workforce to stay away from committing corruption/wrongdoing offences especially in the area of procurement through the Integrity Unit that was formed at Ministry and Universities level.
- iv. In the case of the procurement management in UPSI, a lot of seminars/courses in the field of procurement management should be provided to UPSI's officers who involved in the university's procurements.

References:

- i. Siddiquee, N. A. (2010). Combating Corruption and Managing Integrity in Malaysia: A Critical Overview of Recent Strategies and Initiatives. *Public Organization Review*, 10(2), 153–171.
- ii. Abdullah N. R. W. (2008), "Eradicating corruption: The Malaysian experience", Vol. 3. No. 1, *Journal of Administration And Governance (JOAAG)*.
- iii. Norazlan Mohd. Razali, 27 November 2013, Malaysian Anti-Corruption Governance And Initiatives, The Australian Public Sector Anti-Corruption Conference 2013.
- iv. MACC Annual Report Year 2015 and 2016
- v. United Nations Convention Against Corruption, New York, 2004
- vi. International Standards of Supreme Audit Institutions (ISSAI) 5700
- vii. International Standards of Supreme Audit Institutions (ISSAI) 3000