

New rule for MoF firms to toe the line

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June 04, 2012

KUALA LUMPUR, June 4 — Government-owned companies will have to include a rule to follow directives issued by the finance minister despite the latter not being a legal entity on their boards, a move that could ignore corporate governance procedures and transparency.

The Malaysian Insider understands a letter to the effect was issued in late April by the Ministry of Finance (MoF) following a query about instructions given by the minister to such companies despite a lack of rules to allow such directives.



Auditor-General Tan Sri Ambrin Buang(**picture**) confirmed his department had raised the query, saying the move was to ensure firms owned by the MoF complied with Putrajaya's rules and regulations.

"I can now confirm that we did raise the query in the 2010 Auditor-General's Report because we felt that such a clause is necessary to ensure compliance with government rules and regulations in

government-owned companies or GLCs," Ambrin said in an email response to questions by *The Malaysian Insider*.

"A clause like that will mean that it is mandatory that the company will act in compliance with government's legislations and regulations as section 33(1) of the Companies Act 1965 states that the company's M&A binds the company and its members," Ambrin said.

"This clause will empower the minister to issue directives on general policies such as appointment, remuneration and dismissal of directors. In doing so it will enhance clarity, consistency and corporate governance as a whole," he added.

Ambrin also said that the matter was being studied by the MoF.

But *The Malaysian Insider* sighted a copy of a letter issued by the ministry on April 24 to MoF-owned companies indicating the matter was a done deal, allowing the finance minister to override corporate decisions reached by consensus at their board meetings.

The letter told the MoF-owned firms to amend their Memorandum and Articles of Association (M&A) by inserting a clause to allow the minister to issue directives to the corporation that must be followed.

The letter states that the national Audit Department had raised an issue on the lack of a clause in the M&A and told the GLCs and MoF-owned firms to reply as to whether or not their M&A had the clause.

“Official instructions will be issued to the companies to create the clause in their respective M&A if the clause does not currently exist in the M&A,” the MoF said in the letter, signed by the MoF’s investment, incorporated companies and privatisation division secretary, Eshah Meor Suleiman.

However, one MoF-owned company chief told *The Malaysian Insider* that such directives will make its board of directors mere “rubber stamps” for the government instead of making business decisions in the stakeholders’ best interest.

“I chair a board of professionals but if the minister can give directives, then why even have a board? Perhaps Putrajaya should micromanage all these companies,” said the company chief, who declined to be named.

He also pointed out there were corporate governance issues as the companies have to answer to the Companies Commission of Malaysia. “How can we justify a decision if we didn’t make it but it’s made by the minister or the ministry?” he asked.

The company chief believed the issue arose due to excuses given by some company chiefs when queried by the Auditor-General and his staff.

“There are some who pass the buck to the minister and probably the Auditor-General wants this to be in black and white. But this is not how it should be done. Professionals should run the board, not government ministers or civil servants,” he said.