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THE SUNDAY INTERVIEW: It's so simple: Just spend what you have

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State and local governments may not remain financially viable for much longer, says Tan Sri Dr Hadenan Abdul Jalil, the outgoing Auditor-General. This will lead to bankruptcy if corrective measures are not taken, he tells HAMIDAH ATAN and FARRAH NAZ KARIM.



Q: Did you become unpopular with certain parties after publishing reports that were not favourable to them?

A: It is not about being popular. As the Auditor-General, I must be fair. The State Governments cannot be upset with me as my reports were supported by the fact that they were facing problems. I told them that unless there was a change in national revenue-sharing, some States will go into bankruptcy. Their revenue cannot match their expenditure. I think State Governments and local governments are becoming financially non-viable.

Q: Have State Governments improved management practices during your tenure?

A: The State Governments are generally not viable as their responsibility keeps increasing. Some simply believe they are still rich. There is, of course, a limit to what they can do with available resources. Some States are bogged down by loans and do not have much resources, like Kedah for instance, which has an outstanding loan of RM1.6 billion. I have been asking them to do some things to be financially viable. For instance, if they have fully-owned companies which are viable, they should divest part of it.

Q: What other aspects should State Governments consider to improve their finances?

A: They must avoid unnecessary spending. We see all sorts of committees being set up in the States. They meet every month, attending the same functions repeatedly. What is that for? They must review their expenditure. For instance, what is the point of having massive firework displays for festivals when something simple would be sufficient? They must remember that revenue and resources are limited while expenditure is increasing.

Q: What is the extent of unnecessary spending by State Governments?

A: We began a study on this with my staff getting a list of "wasteful" expenditure. This will figure in the 2005 account, which will close soon. Of course, there is an allowable expenditure for entertainment, etc, but there must be an acceptable percentage for the various categories of expenditure.

Q: What are your views on government projects that continue to be plagued by problems?

A: I am tired of talking about accountability. Even if you get 100 engineers to monitor a project, problems will arise if the contractors are poor. Maybe, the solution lies in reviewing existing contracting procedures. The 46,000 registered contractors that we have is a mind-boggling figure not seen in any other country. Everybody wants to be a contractor but at the end we see several stages of sub-contracting. When the project is finally implemented (by an unreliable contractor), there will be a lot of shortcuts taken and the end product is shoddy.

Q: Has the image of auditors changed much over time?

A: Auditing is a job that comes with huge responsibility and accountability. Unlike before, auditors are not seen as fault-finders anymore. We are now seen as among those contributing to the maintenance and strengthening of the Government's financial management. Our reports are fair and highlight weaknesses as well as improvements. We also provide solutions.

Q: Can you say that you have tied all loose ends in the department before your successor, Tan Sri Ambrin Buang, takes over?

A: When I came into office, I promised several things. Among them was a revamp of the department to achieve excellence. I approved numerous promotions and employed more than 180 diploma holders. The National Audit Academy I promised has also materialised. The staff will use it for team-building efforts and to train staff from various departments.

Q: Any regrets in your six years as Auditor-General?

A: There is no professional recognition for auditors. There is no body that monitors the profession, unlike accountants and engineers, which have their respective boards. I have consulted many parties about a body to manage the sector and came up with a Cabinet paper on the establishment of the Board of Auditors. It will license and monitor the conduct and performance of auditors and promote development of the profession. The paper was approved last year. The Government gave a RM5 million launching grant. But just as we were drafting the Bill for its establishment, we hit a snag. Apparently, the Malaysian Institute of Accountants objected to it. I got a letter from the Finance Ministry that the project had been suspended. No reason was given. I wrote to the Cabinet Secretary asking if there was a Cabinet decision to this effect and found there was none. I then completed the draft and submitted it to the Attorney-General's Chambers. That is the one thing that I did not get to complete.

Q: Will the Board of Auditors become a reality?

A: I told my staff to forget about the board for now and push for the setting up of a Malaysian Institute of Government Auditors. This institute can contribute to general financial management. There is already an office at the Academy to run it. The board is important as it will serve to recognise the various kinds of auditors, including those in the finance, information, environment and co-operative sectors. The board can also set standards. If you want to become an environmental auditor, you must have a degree and attend relevant courses. You cannot practise without the board's recognition, unlike now, where there is little control.

Q: What are your retirement plans?

A: I have not made any plans. I'm a simple man leading a simple life. My pension of RM4,000 is more than enough for my family. Many do not know that as a former Auditor-General, I cannot take up appointments with the Government or government-linked companies. One thing is for sure: I intend to visit my only grandchild in Sudan.