

25 October 2009 (Sunday)

It's all about getting the best deal

Since Monday, we have been exposed to daily revelations by the Auditor-General's Department of financial mismanagement and performance bungles. ANIZA DAMIS speaks to Auditor-General Tan Sri Ambrin Buang on the audit, and what might drive some people to pay more than RM42,000 for a laptop. WHEN the market price is RM1,300 for a pole platform, but one government industrial training institute buys six for RM30,510 each, who wouldn't want to go into the pole platform business? And who pays RM480 for a 1GB thumbdrive? Another government industrial training institute bought five of those.

These, and many more such irregularities is what the Auditor-General's Department keeps unearthing, year-in-year-out. But, said Auditor-General Tan Sri Ambrin Buang, it's not all bad news. The truth is, the auditor-general's annual report is a reality-check for the government on whether plans and budgets laid out the previous year have been implemented properly. And, in 2008, there was an improvement from 2007. For, last year, four ministries achieved a four-star "Excellent" rating in the Accountability Index (AI) for financial management. While for 2007, only the Prime Minister's Department achieved this, for 2008, it was not only the PM's Department, but also the International Trade and Industry Ministry, the Housing and Local Government Ministry, and the Women, Family and Community Development Ministry. Most government entities get "Good", some get "Satisfactory", but very few get "Excellent", Ambrin told the New Sunday Times.

"The audit is to encourage controlling officers in each entity to improve. And those who have taken action do improve. The ministries that obtained the four-star rating are proof that the outcome of their efforts will be shown in the AI." Exposes like the pole platform pricing and that of laptops bought by Mara for more than RM42,000 each, are actually uncovered when the auditors do a performance audit. And this is where they find projects delayed, cost over-runs, and quality problems. "If a project is of low quality, why do you accept and pay for the project? And how are these projects being implemented?"

Normally, there are bodies appointed to monitor the work; so, if they don't do their work well, then you have all these things happening. "Do the people involved have the right mindset and attitude needed to do a good job? Often, it's a result of incompetence, lack of diligence, or a poor attitude." And although it seems as if the auditor-general's job is about finding fault, Ambrin said what he and his auditors hoped to achieve with the report is that the departments and agencies would learn from the lessons of the past and do a better job in future. With regard to procurement, for instance, there were already procedures and guidelines prepared and given by the government. So, it's only a matter of whether or not people want to comply with these guidelines. "To achieve this, you need people who are competent, diligent, and of integrity to do the job."

Ambrin said, sometimes, the reason an item is procured at such an exorbitant cost is because the people in charge of procurement misinterpret the spirit of the treasury's approval ceiling. "Let's say the treasury says the ceiling is RM200 million. So, to them (those doing the procuring), so long as you do not exceed RM200 million, it's okay - regardless of whether the price is exorbitant or not. "Those people in charge of procurement must follow procedures. If the treasury says that you must conduct a market survey, and you know that something costs a certain amount, then you shouldn't allow the payment to be too exorbitant.

"The treasury requires that you negotiate down to the lowest price possible. This is what due diligence is about. When you are entrusted to procure something, you must do your best to get the best deal for the government. "But if, in the process, you have 'other considerations', then you are not doing a good job of getting the best deal for the government. "The government wants value for money. So, if the value of something is RM50, why would you allow the government to be charged two or three times that price? "If, in the process, somebody else benefits financially, then that is fraud and they should be charged."

Ambrin said all government servants signed a pledge - the Aku Janji (I Promise) - to provide excellent, honest service, and to protect the interest of the government and the nation. "It's a question of integrity."

HOW AN AUDIT IS DONE

1. ATTESTATION AUDIT

This concerns financial statements -- whether the accounts show a true and fair picture of income, assets, liabilities and debts, and if accounting records have been maintained properly, follow acceptable accounting principles and kept up-to-date.

2. ACCOUNTABILITY INDEX (COMPLIANCE) AUDIT

This looks at the financial management of public entities; how they manage receipts, expenditure, budget, trust accounts, investments and assets. It also looks at whether rules and regulations had been observed in the management of these elements. The regulations provide the necessary checks and balances to prevent fraud and misuse of funds from happening. The Accountability Index, introduced in 2006, puts this audit on a more objective platform, where ratings are given for compliance. Those with 49 per cent and below will be considered unsatisfactory; 50 to 69 is satisfactory; 70 to 89 is good; and 90 to 100 is excellent.

3. PERFORMANCE AUDIT

This looks at how well government programmes and projects have been planned, implemented and monitored, in order to achieve the desired outcome and objective.

4. SPOT AUDIT

This is a spot-check to see if appropriate financial management controls are in place at all times. The focus is usually on entities that collect revenue.

Time Frame –

While spot audits may take one or two days, the other three audits take about four months per entity. This gives auditors enough time to get all the documents, facts and figures. There are two types of auditors: internal auditors, who are stationed at ministries and do internal audits on the instruction of the secretary-general, and external auditors from the Auditor-General's Department who check on ministries annually.

Entrance and exit conference –

An audit starts with an entrance conference. Officers from the Auditor-General's Department will go to a specific entity and meet with management to inform them of their intention to audit. The management will have to provide the officers with all the documentation. The auditing is usually done by a team of three or four officers, who will check files, bills, contracts and other documents. Sometimes, site visits are carried out, and when this happens, auditors are accompanied by an officer from that entity. At the end of the audit, a draft report will be submitted to the management of the entity being audited and the latter will have to check if the auditors' observations were correct.

During this time, the auditors will write in to seek confirmation from the management about any issues they are uncertain of. The answers they receive will be kept as documentary evidence. Then an exit conference is held, which is usually conducted by the auditor-general, his two deputies or the state director. The conference gives the management an opportunity to comment or explain to the auditors before the report is finalised. Once finalised, the report goes to the auditor-general for approval and then to the printer. It is then submitted to the Yang di-Pertuan Agong, before being tabled in Parliament.

26 October 2009 (Monday)

Research grants for four universities

KUALA LUMPUR: Four public universities were given grants totalling RM150,000 from ExxonMobil (Malaysia) Sdn Bhd recently. Universiti Malaya (UM), Universiti Sains Malaysia (USM) and Universiti Teknologi Malaysia (UTM) received RM30,000 grant each, while Universiti Kebangsaan Malaysia (UKM) received two grants. ExxonMobil received 62 proposals from which the top five were selected. "As a company, we're dedicated to meeting the world's growing energy needs in a manner that is efficient, safe, and respectful of the environment," said Exxonmobil Subsidiaries public and government affairs manager Farid Jaafar.

"Today, technology is more important than ever, since a significant portion of the world's oil and gas resources is located in challenging environments which require innovative approaches to energy production." All the recipients of the grant will carry out research focused on areas related to the oil and gas industry. UM will carry out research on petroleum-based waste, while UKM will be examining the detection of oil and gas pollution.

USM will study the corrosion activities using conductive paint in seawater while UKM will be researching the removal of drilling fluid filter cake using micro-organisms and mercury removal from produced hydrocarbon and water. The annual ExxonMobil Malaysia University Research Grant, which is open to all local public institutions of higher learning, aims to promote research and development of science and technology relevant to the energy industry in Malaysia.

ExxonMobil spends more than RM2 million yearly for various educational, health, social work and environmental programmes. Among the latest discoveries is the fuel cell technology that has the potential to increase performance of hybrid and electric cars. "For these reasons, we are committed to supporting education programmes such as better technology among the local scientific community," said Farid.

27 October 2009 (Tuesday)

The Auditor-General's Report

Rep wants audit reports on state

AN assemblyman expressed concern that the reports by the auditor-general on the state's finances were not given to elected representatives during the present budget sitting. Taking part in the debate on the state budget, Adhan Kechik (BN-Bukit Bunga) said the Auditor-General's Report was only given to members of parliament before the tabling of the national budget. "I want to know why the report was not given to us. "We want to discuss the state-related issues which were highlighted in the report and to correct whatever inefficiencies.".

Adhan said the expected revenue from timber royalties and other taxes in the budget had decreased and queried if this was because there were fewer trees to be cut down. He said the higher land premium expected next year was also worrying because it could mean that the state would be giving out large tracts of land to private companies. Earlier, Datuk Omar Mohamed (Pas-Perupok) said he hoped the state would be successful in its bid to get petroleum royalty from Petronas so that the money could be used to develop the state.

27 October 2009 (Tuesday)

Give feedback on badly maintained buildings

KUALA LUMPUR: The government wants feedback on poorly-maintained buildings and structures so that remedial action can be taken to ensure that national assets stay in good condition. Deputy Prime Minister Tan Sri Muhyiddin Yassin said the assets, which included schools, roads, bridges and hospitals, were worth billions of ringgit and should be maintained well. "When a building is in good condition, it will benefit the people and country," he said after a keynote address at the second National Asset and Facility Management convention here yesterday.

He said Malaysia could also look into raising the value of its buildings and assets with new procurement strategies, integrated planning and sustainable development. Some of the strategies are being implemented in developed countries. On new procurement strategies, Muhyiddin said Malaysia could refer to the Private Financing Initiative, design maintenance and strategic partnership under the public-private sector tie-up.

"The approach allows the public sector to focus on the delivery system." As for integrated planning, he said it focused on maximising the use of land and sharing facilities to enable part-time economic activities. On sustainable development, he said the government had given importance to the planning of projects and programmes.

Muhyiddin said those involved in the sector should look into energy efficiency and renewable energy which were part of green technology. "It is our responsibility to look at the green technology building initiative for the well-being of future generations." He said a "rolling plan" format would be used under the 10th Malaysia Plan to allow the government to implement development programmes faster, making the nation more adaptable in facing economic challenges. He added that this method would raise the value of national assets even during an economic downturn.

29 October 2009 (Thursday)

RM2.8m for new traffic system

MORE than RM2.8 million was spent on the new traffic dispersal system in Kota Baru, Local Government, Tourism and Cultural Committee chairman Datuk Takiyuddin Hassan said yesterday. Replying to a question by Hanifa Ahmad (Pas-Peng-kalan Pasir), he said RM855,000 was spent to turn the former Kota Baru Municipal Council (MPKB) Square into its original state. "An allocation of more than RM2 million was expected to fund the whole system. As it is, the traffic dispersal system is not complete," he said.

To a supplementary question from Zainuddin Awang Hamat (Pas-Limbongan), he said RM855,000 was provided by the state government, while the balance came from the municipal council. "The contract for all the work was given through a tender exercise by MPKB," he said.

The state's Works and Housing Committee chairman, Major (Rtd) Md Anizam Abd Rahman said there were 122 sand-mining operators. The majority are in Kota Baru (29), Pasir Mas (27) and Tumpat and Machang with 16 sand-mining operators each. He said cases of illegal sand mining was minimal.

29 October 2009 (Thursday)

'Not all projects referred to PWD'

KUALA LUMPUR: The government has not made it compulsory for projects from public donations to be referred to the Public Works Department (PWD). Works Minister Datuk Shaziman Abu Mansor said despite this, contractors still needed to address safety concerns, in line with engineering ethics. "In engineering, the main responsibility is to ensure the safety of users," he said when asked whether the government would compel projects from public donations be referred to the PWD to prevent a repeat of the bridge collapse at Kuala Dipang, Kampar.

At the Parliament lobby, Shaziman said he had asked the PWD to help in investigations although it was not a PWD and government project. Meanwhile, Gerakan wants the government to conduct a speedy and thorough investigation into the collapse of the bridge. Gerakan deputy president Datuk Chang Ko Youn yesterday urged the authorities to check all public facilities to ensure they were strong and of good quality. "The case involved the lives of innocent children. The government should find out who was responsible for this tragedy," he said, adding that the victims' families must be compensated regardless of the outcome of the inquiry. "We do not want a repeat of the tragedy. Parents must be confident that their children are safe when attending outdoor activities, especially those organised by the government."

31 October 2009 (Saturday)

Auditor-General's Report: Clean-up begins

By Hamidah Atan

PUTRAJAYA: A task force has been formed to study the findings of the 2008 Auditor-General's Report and recommend appropriate action in line with efforts to create a high-performance culture in the civil service. Prime Minister Datuk Seri Najib Razak yesterday announced the establishment of the task force chaired by Chief Secretary to the Government Tan Sri Sidek Hassan. The panel, comprising Treasury secretary-general Tan Sri Dr Wan Abdul Aziz Wan Abdullah, Public Service Department director-general Tan Sri Ismail Adam and Auditor-General Tan Sri Ambrin Buang, will hold its first meeting on Monday.

If the need arose, the task force would also include Attorney-General Tan Sri Abdul Gani Patail and the Malaysian Anti-Corruption Commission at its meeting, Najib said after chairing a cabinet meeting at the Prime Minister's Department. He said the cabinet viewed seriously the irregularities, abuse of power and mismanagement revealed in the report. "They will study the findings of the report, especially those involving abuse of power and irregularities, and determine actions that should be taken against those who have committed the wrongdoings." The task force would look into the serious cases highlighted in the report in stages.

Najib, who is also finance minister, expressed confidence that with the task force, cases of irregularities and mismanagement in government departments, agencies or state governments could be greatly reduced. "Let us be realistic. We cannot put a zero to all these but we are serious and I believe the task force could reduce the number of cases once serious action is taken." Najib also said the task force was empowered to call any civil servants to testify. "However, maybe before action is taken, the departments or agencies concerned should be asked to explain.

There must be some form of show cause before action is taken.” As the chairman, Najib said Sidek would issue statements from time to time. As an independent body, Najib said the MACC could conduct its own investigations into wrongdoings outlined in the report. He said the task force would not be going on a witch-hunt. “It is to make sure that action can be taken against those who clearly committed wrongdoings as exposed in the report.” Action, he said, need not necessarily be in the form of legal proceedings. “They can be in the form of demotion, transfer or being barred from promotion.” He cautioned members of the administration that they could be in the soup and be penalised if their instructions or orders were found to be unacceptable and unreasonable. “They cannot escape if their instructions had led to the irregularities as highlighted in the report. The cabinet felt that action should also be taken against them.

“Otherwise, we will see a repeat in the Auditor-General’s Report year in, year out.” Najib said excellent workers would be rewarded and recognised in line with the principle of creating a high-performance culture. The move was not solely punitive but those who were good would be rewarded. “We will make an announcement when the time is right.”