

Monday September 1, 2008

Check misuse of public funds

CONGRATULATIONS to the Government for giving a month's bonus of not less than RM1,000 to civil servants, which I believe includes ministers and MPs.

However, after reading the Auditor-General reports, watching the live debates in Parliament, the increasing number of corruption cases and the embezzlement of government funds which runs into billions of ringgit, it makes me wonder if it is appropriate to do so.

While there is a clause for a minimum payment of RM1,000, there should be also a maximum payment of RM4,000 or RM5,000 to be fair to those other Malaysians who are not getting any bonus.

Most Division One officers and above will be taking home between RM6,000 and over RM10,000 in bonuses. Is it fair when the vast majority of Malaysians are struggling for a decent lifestyle?

The Prime Minister has urged the *rakyat* to bite the bullet and make the best of the situation. For those in the lower income group, it would mean eating one meal less per day, living in a home that consumes electricity only for lighting in order to get free RM20 electricity per month.

They should forget about any holiday, entertainment or even celebrating the festivals. I believe it is not fair for Malaysians to suffer while the few squandered billions of ringgit through corruption, embezzlement and misuse of public funds every year.

**EGS,
JOHOR BARU.**

Monday September 1, 2008

A-G's report: Costly delay on Bakun dam project

KUALA LUMPUR: Finance Ministry Inc and Sarawak Hidro Sdn Bhd (SHSB) were reminded to ensure that contractors complete work within time for the Bakun project to avoid further delay and cost increases, as RM3.91bil had been spent as of last year for the construction of the dam.

The initial cost of the dam was RM4.5bil, but SHSB had already borrowed RM5.2bil from 2002 to 2007 for the project.

The Auditor-General's Report for 2007 said the main dam, scheduled for completion last September, was given an extension till June 2010 because of 16 work order modifications issued by SHSB.

The Finance Ministry also approved an additional RM708mil for the Malaysia-China Hydro Joint Venture (MCHJV), a consortium of seven companies formed to build the main dam and other related work.

It said the failure of MCHJV to complete work on time affected progress of mechanical-electro work, resulting in the contractor, Alstom Power Asia Pacific Sdn Bhd, seeking compensation of RM161.34mil, while BEM1-C Contract Consortium, another contractor for the mechanical-electro work, asked for RM349.46mil in compensation.

So far, the report said SHSB had paid Alstom Power Asia Pacific Sdn Bhd RM80mil and BEM1-C Contract Consortium RM20mil. The report also said up to November 2007, SHSB had paid BEM 1-C Contract Consortium RM317.64mil in deposit and progress payment although it had yet to sign a contract with SHSB.

"The absence of a contract may cause BEM1-C Contract not being liable if things go wrong," it said.

In the reply on points raised in the report, it said the contract had yet to be signed as disputes on clauses, including currency of payment, had yet to be sorted out.

It also said that SHSB and the Government had agreed to pay BEM1-C Contract RM145mil in compensation due to delay caused by MCHJV.

The AG's report said the delay in implementing the Bakun project was also caused by several changes in the target power generation capacity.

Meanwhile, 10 years after Bakun residents left their homes to make way for the dam, some of them have yet to receive full compensation for the relocation, said the report.

As of December last year, RM46.28mil had yet to be paid out as compensation.

The delay was due to families refusing to accept the compensation sum decided by the Sarawak Government.

Monday September 1, 2008

Dam developer lost RM9mil for not sticking to contract

KUALA LUMPUR: The failure of Sarawak Hidro Sdn Bhd (SHSB) to take advantage of a lower ringgit-US dollar exchange rate for payment to one of its Bakun dam contractors caused it RM9.02mil. The 2007 Auditor-General's report said that the sum could have been saved had the progressive payments from SHSB to contractor Malaysia China Hydro Joint Venture been converted to US dollars as stated in the contract.

The report showed that the first 15 progressive payments were converted from ringgit to a sum of US\$26.43mil as stated in the contract and this had helped to save the company RM0.87mil due to a weaker US dollar. The contract exchange rate was fixed at US\$1 to RM3.826, but the prevailing rate at the times of payment was US\$1 to RM3.389-RM3.816.

However, subsequent progressive payments were not converted and payment for a sum of US\$44.14mil was made in ringgit using the fixed contract exchange rate. This meant that Sarawak Hidro paid RM9.02mil more, when it could have paid only RM159.88mil if it had used the lower prevailing exchange rate.

The Auditor-General was of the view that Sarawak Hidro should have complied with the agreement in the contract to pay in US dollars. In its reply, Sarawak Hidro said Malaysia China Hidro had applied to Sarawak Hidro to pay in ringgit although it was stated in the contract that 27.46% of the payment to be made in US dollars.

It said the matter was brought up in the board of directors' meeting on May 31, 2005, and the board decided to defer the payment until the pegging of the ringgit was lifted. Following the lifting of the peg, Sarawak Hidro made the progressive payments in ringgit starting Sept 2005.

Sarawak Hidro, formed in 2000, was previously named Bakun Hidro Sdn Bhd, a company owned by Finance Ministry Incorporated, which took over the Bakun dam project from Ekran Bhd in 1997.

Monday September 1, 2008

Kelantan will still pay bonus to civil servants

Mentri Besar Datuk Nik Abdul Aziz Nik Mat admitted that the financial resources of the state government were weak but it had taken thrifty measures.

The PAS spiritual leader also defended his administration, saying that the state government had never squandered because it was a sin.

He told reporters this while commenting on the Auditor-General Report 2007.

According to the 2007 Kelantan State Audit, the state's financial position was not strong because the amount of debts incurred exceeded the value of assets.

When tabling Budget 2009 last Friday, Prime Minister Datuk Seri Abdullah Ahmad Badawi announced the payment of a bonus of a month's salary or minimum RM1,000 to the civil servants. – Bernama

Sunday August 31, 2008

Info on dangerous food taking too long to be relayed

PETALING JAYA: It takes between 12 days and 24 weeks for information about dangerous food items to be relayed to various entry points in the country, said the 2007 Auditor-General's Report.

On an audit conducted on the Health Ministry's food quality and control activities, the Auditor-General found that the time taken from when a food sample was obtained for analysis until the time the information was transmitted was between 12 days and 171 days.

The audit, which was done on 33 food items, said the time period was "far too long," adding that there must be improvements.

Dangerous foods are those that contravene the Food Act, and Food Rules and are placed at Level Five out of the six levels on the ministry's food alert system.

The Auditor-General also found that port health authorities in Sarawak and Johor failed to alert the ministry of food items that should have been placed on the food alert system.

In its reply, the ministry said the food alert system would be improved by the end of the year and that it had instructed authorities at the various entry points to send e-mail regarding food alert information.

The audit report said the number of food items that come under the alert system had increased from 389 in 2006 to 765 last year.

It added that between 2005 and last year 784,459 imported food consignments worth RM163.35bil entered the country, and that 415 consignments were rejected. The audit also found that 20 companies producing bottled water had never submitted their water analysis results to the ministry after their licences were approved.

Sunday August 31, 2008

Tenants on police-owned land abusing their rent contracts

PETALING JAYA: Tenants renting land belonging to the police have not only been bad paymasters but have broken conditions in their contracts to become "super landlords".

The 2007 Auditor-General's Report, which audited 39 lots belonging to the police that was being rented to 33 tenants, found that some tenants were sub-letting to multiple tenants and making thousands of ringgit every month.

The report said seven tenants had gone against the conditions in the contract by sub-letting.

Citing an example in Selangor, a tenant who paid RM6,000 a month to the police had rented out the land to one company who then went one step further by renting it to another company for RM66,000 a month.

In another example in Kuala Lumpur, the condition against sub-letting was not even present in the contract and the tenant had sub-let to nine different tenants including a disco, cafe, coffee outlet and car wash.

The Auditor-General found that the tenant was paying a monthly rental of RM7,500 but was charging one of its tenants RM7,000.

The report added that permanent structures should not have been built on the land, as it would involve extra cost when the police needed to take the land back for development.

It also found that as much as RM233,840 in rent was owed by tenants to the police and no action had been taken because the contracts did not have a penalty clause.

The report said the rent agreements between the original tenants and the police were signed with the Federal Land Commissioner.

In its reply, the police said a notice was sent to the Land and Mines Office to take action against the tenants with show-cause letters being issued or the contracts terminated.

The reply added that a check at the site in Kuala Lumpur with the disco showed it was not on police land but on an area that had been set aside for a clinic by the developer.

Sunday August 31, 2008

Rela rapped for not using cars to nab illegals

PETALING JAYA: The Auditor-General has taken to task voluntary enforcement unit Rela for using its fleet of cars inappropriately.

The acquisition of 313 vehicles at a cost of RM16.87mil was questioned in the 2007 Auditor-General's Report because it found they were used for administrative purposes instead of catching illegal immigrants.

"Seeing how the buying of the cars was approved based on the Government's decision to give Rela the power to catch illegal immigrants, the optimum usage of the cars must be related to such enforcement operations," it said.

The audit found that in Selangor the cars were used on 52 out of 312 days of illegal immigrant operations, with the vehicles clocking 16,646km for such operations out of the total 64,528km that was recorded.

A check also found that logbooks were not properly maintained, with the audit being unable to determine the authenticity of mileage clocked. In one example in Klang, the fuel usage of the car differed from 7km per litre to as much as 50.49km per litre.

Rela, in its reply, said an order letter was sent out to all state offices to ensure that vehicles were used solely for immigration operations on illegals.

Sunday August 31, 2008

RM2mil spent to buy isotope from Singapore despite local availability

PETALING JAYA: The Government spent more than RM2mil buying radioactive isotopes from Singapore when Putrajaya Hospital had the means to produce it, the 2007 Auditor-General's Report said.

The component, Flurodeoxiglucose (FDG), is a short-lived radioactive isotope that is injected into patients to allow the imaging machine to detect problems such as cancer, brain damage, heart disease or infections.

The Penang Hospital, which received the imaging machine in February 2005, needed FDG but the machine to produce it was only due to arrive at the Putrajaya Hospital the following year.

As a result, the Government sourced the FDG through a company, Glotel Sdn Bhd, that procured FDG from Singapore.

However, despite Putrajaya Hospital receiving the machine that could produce FDG in February 2006, it was barred from supplying Penang Hospital as it had failed to obtain Good Manufacturing Practices status.

The report said the hospital had failed to get GMP status as the training syllabus for the staff was not discussed with the Government and subsequently not approved by the National Pharmaceutical Control Bureau.

Later, a local company was appointed for RM24,000 to try and obtain GMP status. However, supporting documents to apply for the status from the bureau failed because the officer involved was busy with daily duties.

The audit said temporary approval was given to Putrajaya Hospital in November 2006 to produce FDG for its own consumption and the report pointed out that the Health Ministry director-general had the power to approve the supply of the substance from Putrajaya to Penang.

The application to the director-general to allow sourcing of FDG from Putrajaya was only made in September last year and approved in October.

However, purchasing from Singapore went on till December.

"The cost from November 2006 to December 2007 resulted in 114 deliveries of FDG at a cost of RM2.25mil.

"Investigations must be done on the careless officer who allowed the procurement from the Singapore hospital to continue," the report said.

In its response, the ministry said that although Putrajaya Hospital produced FDG, it had not obtained GMP status.

GMP certification for the FDG facility was issued on April 24 this year.

Sunday August 31, 2008

NS deals led to RM110m loss

By ROYCE CHEAH

PETALING JAYA: National Service shirkers and a very “rigid” contract have caused the Government losses of up to RM110.1mil from 2004 to last year, the 2007 Auditor-General's report said.

Over the four years, the audit found that 63,417 people failed to attend the programme for various reasons, which led to the Government having to fork out the money to camp operators due to the way the contract was set out.



Training in session: National Service trainees marching at a camp in a 2006 file photo.

The contract spelt out that the Government would pay rent for the use of equipment and facilities for between 690 and 890 trainees for 2004 and between 300 and 400 trainees for 2005 and beyond.

The fee, per trainee, worked out to RM30 in the peninsula and RM41 in Sabah and Sarawak for 2004. In 2005, it cost RM25 in peninsula and RM34.30 in Sabah and Sarawak.

This meant that the Government had to pay for the stated number of trainees in the contract even if the number of trainees turning up was less or more than the figure stipulated in the agreement.

“Every year, between 16% and 23% of those called up to join the programme did not turn up. The ministry must review the contract conditions regarding how many trainees are allocated to each camp,” the report said.

It added that the ministry should also have a backup name list as there had to be a stop to the losses due to people not turning up for training.

“The NS Training Department also has to double-check its name list with the relevant authorities before putting out the roll call,” it said.

Among the reasons those called up did not attend were: a change in address, still studying, sole bread-winners, disabled, did not receive notices, died, overseas, in the army, health problems or have attended NS before.

In its reply, the ministry said it was in the midst of reviewing the contracts, adding that the department would be increasing the number of trainees next year to 140,000 to make up for any shortfall.

The audit also found that RM57mil in arrears had yet to be collected from camp operators for advances they had taken to construct the camps.

The audit also checked on certain camps from various angles such as the suitability of its location, cleanliness, food quality and quality of equipment supplied.

It found that the Beringin Beach camp in Langkawi was unsuitable because high tides often flooded dormitories and left a classroom unusable.

For the Wawasan camp in Sabah, camp operators told the audit team that it was difficult to obtain fresh fish to cook for the trainees but the audit team found it otherwise at the Kota Kinabalu market.

The audit also found that T-shirts, track pants, baseball caps and sports shoes supplied under contracts worth RM41.12mil were of low quality.

Saturday August 30, 2008

PM's Dept gets high marks

PETALING JAYA: The Prime Minister's Department and five federal departments scored a maximum four-star rating or a score of 90 and above in the 2007 Auditor-General report's new accountability index.

The five departments that scored four stars were the Public Services Department, the Implementation Coordination Unit (ICU) in the Prime Minister's Department, the Malaysian Administrative Modernisation and Management Planning Unit, the Sarawak Manpower Department and the Attorney-General's Chambers.

The accountability index evaluates how well ministries and departments managed their finances. A total of 28 ministries and 31 departments were evaluated.

It was introduced after the National Audit Department found that the same problems kept on being highlighted year after year despite numerous reminders to buck up.

The report said 22 ministries and 20 departments scored three-stars (between 70-89 marks) whereas five ministries and six departments scored two stars (between 50-69 marks).

Ministries that scored the lowest were Energy, Water and Communications; Foreign; Defence; Youth and Sports; and Internal Security.

Departments that scored the lowest were Public Works; Sabah Manpower; National Youth and Sports; the Police; the Anti-Corruption Agency; and the Foreign Relations and Diplomacy Institute.

The report added that although the performance was generally good, more action could be taken by heads of departments to ensure the weaknesses did not recur.

Sunday August 24, 2008

Check on corrupt practices

By JOSEPH LOH and RASHVINJEET S. BEDI

This Friday, the Auditor-General's Report for 2007 will be released. Will it reveal as many instances of poor administration and mismanagement of funds as were reported last year? What actually is the role of the report?

THE Auditor-General's (A-G) Report for 2006 made headlines last year when its less-than-complimentary reports for certain ministries were highlighted by the media.

The Youth and Sports Ministry, for example, was found to have paid RM8.39mil above the market price for certain items in the setting-up of the National Youth Skills Institute (IKBN). Examples include a car jack that should have cost RM50, but was purchased for RM5,700; and the Ministry paid RM8,254 for digital cameras that cost RM2,990.



The NAD has no power to prosecute. The power to impose penalty for criminal acts lies with the court, the power to impose surcharge for delinquent officers is with the Finance Ministry... TAN SRI AMBRIN BUANG. On Aug 29, the A-G's Report for 2007 will be released. Going by the precedent of previous reports, we might expect to hear of instances of poor administration, mismanagement of funds or even cases of corruption.

Transparency International Malaysia (TI-M) president Tan Sri Ramon Navaratnam has applauded the A-G's and the National Audit Department's (NAD) efforts in uncovering instances of corruption and abuse of government funds.

Commending A-G Tan Sri Ambrin Buang and his team for revealing the improprieties, he says it showed that the department acted without fear or favour.

Tunku Abdul Aziz, founder and former president of TI-M, says the A-G's report is effective in highlighting irregularities and breaches committed in government bodies – but he believes it stops at that.

"It is not effective in terms of addressing the issue of corrupt practices within the government procurement system – as we know no action is taken that will make a difference to the integrity of the whole system," he says.

He adds that the A-G plays an important role in ensuring that resources are well managed.

"Otherwise, the report is not worth the paper it is written on. It is not a guide for public servants, but an assurance to the public, government and parliament that national resources are being used effectively, and in accordance to procedure."

Follow-up duty

One of the biggest criticisms of the annual A-G's report is that there is little action taken – or seen to be taken – to penalise the perpetrators of alleged corrupt practices documented in the report.

A crucial question arises: who is responsible to follow up on any irregularities uncovered by the report?

Ambrin has repeatedly said the NAD has no jurisdiction to penalise offenders highlighted in the report.

"The NAD has no power to prosecute. The power to impose penalty for criminal acts lies with the court, whereas the power to impose surcharge for delinquent officers is with the Finance Ministry. Any disciplinary action will then be the responsibility of the heads of department."

"Where there are instances of corruption which can be proven in court, the court will impose appropriate penalties," he reiterates, explaining that corruption has to be proven according to the law, and it has to be substantiated with evidence and witnesses.

As such, investigation is done by agencies such as the Anti-Corruption Agency (ACA) or police.

"If there is strong suspicion that corruption exists as inferred by the report, the relevant authorities will not hesitate to use it in conducting their own investigation," says Ambrin.

Bar Council Malaysia vice-chairman Ragunath Kesavan says the report is an audit of government agencies, and if there are cases of alleged criminal activity, the A-G himself can make a police report.

"The A-G does not have a legal duty to make a police report, although he has a moral duty to make one. He is directly involved with the report and he is the one who has uncovered the case and has all the details. Therefore, he is the best person," he says.



Phang: Praises for the efficient Inland Revenue Board

But Ragunath adds that there should not be a need to make a police report: the ACA itself has a duty to investigate on its own accord.

Members of Parliament should also query any irregularities mentioned in the report, says Public Accounts Committee (PAC) deputy chairman and Kepong MP Dr Tan Seng Giaw.

Weight of the report

Tunku Abdul Aziz says more serious attention should be given to what the A-G reports, and that is the role of the PAC.

“The people who have breached rules and procedures should be held by PAC to explain and account for alleged doings in the report,” he says.

He believes that in a parliamentary democracy, the PAC's importance cannot be underestimated. He says they are totally accountable to the public in terms of satisfying their (public's) expectations of accountability.

“They have the power to call anyone before them and demand answers. They (PAC) can do a better job and I think they will admit to it.

“At least we have a PAC in operation. Under Datuk Shahrir Abdul Samad (the former PAC chairman), there was some effort to get to the bottom of things. In the past it existed in name only,” he says.

Dr Tan clarifies that in essence, the PAC has a duty to scrutinise the financial accounts of the Government.

“The PAC is an extension of Parliament, and one of the duties of Parliament is to make sure that every sen spent is in order,” he says, adding that the PAC was first formed to assist the A-G.

Among its duties is to look into the A-G's report and scrutinise its contents, he says.

“He (the A-G) is supposed to tell us the inconsistencies he has uncovered and then we look into it.”

Ambrin says the Government has taken a serious view on the issues brought up in the report and has directed all heads of departments to take follow-up action.

“The PAC has summoned several heads of departments and agencies to provide an explanation for the issues raised and how they propose to resolve these issues. The Finance Ministry tables a report in Parliament outlining the action taken.”

But Malaysia Crime Prevention Foundation (MCPF) executive council member Tan Sri Robert Phang believes the A-G's report is not always effective in some areas.

He cites the police, Immigration Department and the Road Transport Department (JPJ), which have not improved in people's eyes despite being highlighted in previous reports.

"The man on the street can't see any significant improvement in these agencies," he says.

He does, however, praise the Inland Revenue Board for improving after they were mentioned in the 2005 report for not collecting RM11.12bil in arrears.

"They are very up-to-date and prompt now. They ask you to pay your tax first and will make any necessary deductions later on," he says.

Dr Tan himself is critical of the report, but qualifies that he has seen improvements in recent years.

"For example, it used to be tabled two, three or even five years late. Now it is about one year and is relatively up-to-date. That is an improvement by itself, but it is not good enough."

He also believes the standard of the contents of the report has to be raised further, and to do this the NAD will need more staff.

"They should improve the number of quality staff and auditors must be people of integrity so they can present a more complete report," he says.

"Right now, some (of the individual reports) are so brief. Some are no more than a 'company prospectus'. That should not be the case. They must tell of the departments' accounts.

"The report is presented in a glossy and nicely printed format, which costs a bomb ... but the content is not always as glossy. Printing it in the best quality of paper, design and print is not the objective. The contents should be first class."

Give it more bite

Tunku Abdul Aziz suggests that the A-G's report should recommend disciplinary action on officers involved in serious breaches of financial procedure.

"The disciplining of officers should not be left to their own kind. Those responsible should be made to suffer," he says, adding that perpetrators in China were usually lined up and shot!

He also says the A-G should spend more time putting some mechanism in place to ensure public procurement is not abused, especially in large ministries such as the Defence Ministry.

"It should be open - the excuse that certain aspects should be kept secret only encourages malpractice. The Government gains credibility and ensures corrupt practices are kept at bay," he explains.

Mohd Nazree Mohd Yunus, chairman of the Civil Movement Against Corruption (Gerak), feels that one way to ensure the report is taken seriously is to raise public outcry regarding its contents and any action that is taken by agencies.

"When the police are in pursuit of a criminal, they will engage their sirens. Similarly, when the ACA is investigating the case they must let people know that action is taking place," he opines.

"This will give the public confidence that the report is an effective tool to battle corruption. As they say, justice must not only be done, but must be seen to be done."

He also suggests that an ombudsmen council be formed to check and verify the A-G's report.

Besides this, a special task force should be formed, comprising the ACA, PAC and the ministries themselves, he adds.

"If all parties get involved they can compare their reports and see to what extent the corruption extends. It may be more than one party who investigates," he says, adding that such a pooling of investigative effort will build a case that is clear and undeniable.

"Not that we do not believe the A-G; he knows the technicalities. But input from other parties will only strengthen the case," Nazree says.

Sunday August 24, 2008

Spate of arrests follow 2006 A-G's report

THE common perception is that there is little action taken on irregularities uncovered by the annual Auditor-General's report. Media reports following the 2006 A-G's Report, however, show that some action has been taken – either by the Anti-Corruption Agency or disciplinary action taken by the relevant divisions.

Datuk Seri Ahmad Said, the ACA director-general, says the ACA has completed its investigation into the cases brought up in the report.

"Those that are criminal and there is a corruption offence, we have charged," he said, adding that those cases that it did not charge have been passed on to the respective departments for disciplinary action.

The full disclosure of measures taken is to be published in the upcoming report for the year 2007. Pending that, here are instances that were reported in *The Star*.

Oct 23, 2007

In the first instance of action by the ACA, five arrests were made – two from the Youth and Sports Ministry, one of whom was a director in the Ministry. Others arrested were a consultant and a supplier who were found to have respectively brokered and supplied the items to the Ministry. The four were charged under Section 11(c) of the Anti-Corruption Act while the fifth person was charged with criminal breach of trust.

Oct 24, 2007

In another spate of arrests, five personnel from Sabah were charged with 62 counts of corruption involving welfare payments to people who were dead. Another welfare officer in Raub, Pahang was charged with 22 similar offences. Another four in Kota Baru, Kelantan claimed trial in connection with the overpriced goods in setting up the National Youth Skills Institute (IKBN) in Bachok. In this case, the purchase of the "overpriced" screwdrivers was deemed to be reasonable, but the purchase of the digital cameras and technical books was not.

Additionally, at least five senior ministry officers faced disciplinary action for going on overseas trips without permission from the Government and accepted various "entertainments" from the company.

Oct 25, 2007

Three people were charged in connection with the purchase of digital cameras for the IKBN in Chembong, Negri Sembilan. One was the former assistant director, another the head of the institute's construction school. The third person, a project manager for a company, was charged with abetting the crime.

Oct 27, 2007

Three more IKBN personnel were charged in Kuala Perlis, Perlis. One was the director of the institute. This was also in connection with the digital cameras. A fourth person, the marketing manager of the supplier, was charged with abetting the crime.

According to the news article, the ACA had so far arrested 17 civil servants including senior officers in Kota Kinabalu, Kangar, Seremban and Kelantan for various offences.

Oct 31, 2007

It was reported that the ACA would be making further investigations into the case of the dead receiving welfare aid. It was said that the ACA was also looking into the high price of six offshore patrol vehicles for the Royal Malaysian Navy. The contract cost of the six vessels had gone up by RM1.4bil to RM5.35bil because of penalties charged for delays caused when switching contractors from PSC-NDSB Company (a subsidiary of Penang Shipbuilding Corporation Industries) to the Armed Forces Fund Board (LTAT).

Sunday August 24, 2008

How the auditing is done

THE 2006 Auditor-General's Report was a massive 679-page tome that required the full resources of the 2,101-strong staff in the National Audit Department (NAD) to prepare.

"The auditing process involves all levels of staff in the NAD," says A-G Tan Sri Ambrin Bung.

"It involves teamwork from our 2,000-odd staff. Certain grades of officers will check and verify documents and records of agencies, while others are involved in report writing."

He explains that before the actual work of auditing is done for the year, an audit plan, which details the types of audit that will be done, is drawn up.

The audit covers three main areas: certification of financial statements, a compliance audit, and a performance audit.

The first, says Ambrin, requires the respective federal, state and statutory bodies as well as local councils to submit annual financial statements.

"An audit certificate will be issued to each agency giving an opinion if the statements reflect a true and fair view of the state of financial affairs of the agency and of the results of its operations and its cash flow of the year.

"The compliance audit is to determine if the financial management of government agencies complied with stipulated financial rules and regulations," he says, adding that it can be done at any time as a 'surprise' check.

The performance audit, on the other hand, ensures government programmes and activities are effectively planned, executed and monitored to achieve the desired objectives.

"In choosing a programme or activity to be audited, there are various factors to consider. The NAD does not carry out a 100% check and is more random in nature.

For example, when auditing financial management, we would check about 10% of the vouchers, but that represents more than 90% in terms of total value," he clarifies.

Compiling the report is a mammoth task that's not made easier by some departments. Improper documentation, ranging from poor maintenance to slow delivery, is a common problem.

Occasionally, some departments adopt a defensive attitude when put under the microscope.

"In order to minimise problems, the Audit Department adopts a constructive approach with the auditee," Ambrin says.

"Before commencing an audit, our auditors will have an 'entrance conference' with the head of department informing him of the objective as well as detailing its scope and methodology. This is done so they will have a clear understanding of our audit objective." (See chart on preparing the report)

Closing the book

Despite the criticism that has been levelled at it, Ambrin is convinced of the value of the annual A-G's report to the nation.

"It does not only report on weaknesses but also acknowledges positive actions taken by the government agencies and provides recommendations for continuous improvement measures to be implemented by them," he says.

"It also serves as an invaluable source of reference for public officials on best practices and strategies."

On the financial irregularities uncovered, he says: "Agencies not complying with rules and regulations resulting in wastage or extravagance may not necessarily be involved in corruption.

"This needs to be proven under the law and has to be substantiated with sufficient evidence and witnesses. This is normally thoroughly investigated by agencies such as the Anti-Corruption Agency or the police.

Ambrin has recently announced that the 2007 report will have a special section reporting on the follow-up action taken or being undertaken by the agencies.

"I am satisfied that all the issues raised in the 2006 Audit Report have been acted upon by the respective agencies," he says.

But he adds that some remedial action will need time to resolve. – **By JOSEPH LOH**

Thursday August 21, 2008

Faulty land titles detected

PETALING JAYA: The integrity of data in land titles in Terengganu, Kedah and Johor has been undermined following mistakes in data entry while migrating to the *e-Tanah* system, the Auditor-General revealed.

In the state Auditor-General's reports released yesterday, the National Audit Department evaluated the *e-Tanah* system in land offices in the three states and found inconsistencies in titles, such as missing identity card numbers or areas with no size stated.

In Terengganu, there were 26,262 cases of land titles not having the IC numbers of their owners at the Kuala Terengganu and Marang land offices.

The report said the IC number was important in determining who the owner of the land was, and found that the reason why the IC numbers were not entered into the system was because they did not exist in the original hard copy.

Apart from this, there were also title registration dates that were entered into the system that made no sense such as Nov 11, 1111.

In Johor, there were also mistakes in registration dates with 288 cases of titles being registered on Jan 1, 1900.

The audit team also found that the computer-generated land titles then had different dates from what appeared on the computer screen - which also differed from the dates in the original hard copies.

"This means that the information in the system is not accurate and was also not checked against the computer-generated land titles," the report said.

In Kedah, there were inconsistencies such as leasehold titles having durations of between 110 and 999 years while some computer-generated land titles stated that RM0 needed to be paid for the land assessment.

In the Pendang and Kubang Pasu land offices of Kedah, it was also found that there were 144,109 titles that did not list the addresses of the owners.

A detailed check into 14 of the land titles found that 11 of the original hard copies also did not have the address of the owner.

The report also found that the system allowed staff members to make corrections to land titles if the landowner realises something was wrong in the title.

However, instead of going through the proper process, applications for corrections were made orally to those in charge of the database, with 6,448 such cases in Kedah and Johor from 2004 to last year.

The Auditor-General said such "back-door" corrections had to stop as it allowed for falsification of data and misappropriation.

In conclusion, the reports said that although the system managed to speed up the process of converting and registering land titles, the many mistakes made in data migration must be given serious attention.

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A-G's top marks for three states

By ROYCE CHEAH

PETALING JAYA: The Terengganu, Kedah and Johor state governments were all awarded a three-star rating out of four by the National Audit Department in the first use of the newly-introduced accountability index.

The accountability index evaluates how well finances were managed by the state while also giving credit to the state for showing the true picture of the state's accounts.

In the Auditor-General's reports released yesterday for the three states, it said that the department evaluated how funds were collected, disbursed and how well it was documented.

Although a three-star rating means the state governments scored between 70 and 89 marks, the Auditor-General was not impressed with the financial status of the Terengganu and Kedah governments.

For Terengganu, the audit showed that the state's consolidated revenue account recorded a whopping 4,763% decrease from a surplus of RM5.97mil in 2006 to a deficit RM278.42mil in 2007. One of the reasons for the massive decrease was the reduction of contributions from two state funds - Public Trust and Development.

The report said although the state's claimable loans, investments and outstanding revenue amounted to RM489.16mil, it still could not offset what was owed to the Federal Government amounting to RM937.97mil.

As for Kedah, the Auditor-General said the financial position of the state was unstable considering that its consolidated revenue account remained in deficit for the fifth year running at an amount of RM182.72mil. Kedah also owes the Federal Government RM2.09bil.

The Johor state government, however, showed an increase in 2007 for its consolidated revenue account by reducing its deficit from 339.53mil to 335.02mil. The report said, however, that the state government needed to work much harder to collect outstanding revenues amounting to RM153.47mil and to recoup loans from state agencies amounting to RM601.61mil.