

Wednesday October 28, 2009

The Auditor-General's report

A-G's report does not include our feedback, says minister

KUCHING: Feedback from the state forestry department was not included in the Auditor-General's Report 2008 which cited Sarawak for poor forest management. Second Minister of Planning and Resource Management Datuk Awang Tengah Ali Hasan said although the National Audit Department (NAD) had asked the forestry department to comment on its findings, they were not incorporated into the final draft of the report. He was responding to state audit director Khalid Khan Abdullah Khan's statement last week that the NAD conducted a study on forest management in consultation with the related agencies for its 2008 report.

Defending the state, Awang Tengah said Sarawak had been practising sustainable forest management for years and had been accredited by the International Tropical Timber Organisation. Speaking to reporters after opening a land seminar here, he claimed that the Auditor-General did not have the expertise to comment on forest management. "I'm not questioning the authority of the Auditor-General with regard to financial management and how a project is implemented. "But I don't think they have the expertise on forest management. You cannot just conclude based on your observations that if the water is muddy, it is due to illegal logging," he said. He hoped the NAD would make the necessary corrections to its report on Sarawak's forest management.

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The Auditor-General's report

Hospital finally complete after a three-year delay

PEKAN: Shortcomings in the Pekan Hospital construction highlighted in the Auditor-General's report had been solved, said Health Minister Datuk Seri Liow Tiong Lai. He said that since the delay in project completion was no longer an issue and the construction defects had been rectified, it should no longer be regarded as a "sick project." "The AG's report was based on the construction problems encountered in 2003.

“The project was completed by a new contractor and the hospital began operation one year ago,” he told reporters after an investiture ceremony in conjunction with the Sultan of Pahang’s 79th birthday celebration at Istana Abu Bakar here. The 2008 AG report said it took nearly an extra RM10mil and a delay of more than three years to complete the Pekan Hospital and numerous instruments in the hospital were still left unused. — Bernama

Thursday October 29, 2009

PAC to table PKFZ report and findings in Dewan next Wed (Update)

By LEE YUK PENG

KUALA LUMPUR: The Public Accounts Committee will table its report and findings on the scandal-ridden Port Klang Free Zone (PKFZ) project in the Dewan Rakyat next Wednesday, its chairman Datuk Seri Azmi Khalid said. If the report cannot be printed on time, it would be tabled on Thursday at the latest, he said. Azmi declined to give details when asked about the findings and whether any “names” were implicated. “You can get the details from the report next week,” he said.

It is learnt that a former transport minister was named for alleged criminal breach of trust, as were senior civil servants from the ministry and the Port Klang Authority (PKA), most of whom have retired since. Several members of the PKA’s board of directors were also named in the report. The report also alleges that the PKFZ project breached several guidelines listed by the Treasury under the Finance Ministry on June 12, 2001. The findings, said to be between 15 pages and 20 pages long, also alleges that the evidence of overbilling by PKFZ developer Kuala Dimensi Sdn Bhd were consistent with those revealed by a task force set up by the Transport Ministry to probe the project.

Earlier reports indicated that poor control and oversight resulted in substantial cost overruns and additional expenses which ran into billions of ringgit for the project, from an initial RM2bil to RM4.6bil. The initial alarm rang when the owner of PKFZ, the Port Klang Authority (PKA), announced it needed a soft loan to meet financial obligations for the RM3.4bil commercial bonds and asset-backed securities that were issued for the development of the project in July 2007. A few weeks later, Jafza, a Dubai-based and a world’s leading free-zone operator, withdrew from the 15-year management contract for PKFZ due to a “realignment of its business strategy.”

The Government’s soft loan to PKA amounting to RM4.6bil for PKFZ caused a public outcry and a clamour for the truth of the financial issues surrounding the project to be made public. Questions over the viability of the project dragged the Parliament’s Public Accounts Committee (PAC) into the picture and resulted in a meeting with PKA. Since then, a series of summonses, police reports and task forces to probe the many financial issues of the project has surfaced.

PricewaterhouseCoopers (PwC) was appointed the external auditor to shed light on the reason why PKFZ needed the RM4.6bil soft loan last year. Among the issues highlighted in the PwC report were several development proposals which were not tabled to the Cabinet for approval despite having obtained prior Cabinet approval to purchase the land for PKFZ. The report said key matters were not tabled to the PKA board for approval. For example, board approval was not sought when PKA's common seal was affixed to certain agreements and when delivery of land was accepted without contractor Kuala Dimensi completing the infrastructure works specified.

To date, PKA has filed two suits against the PKFZ turnkey contractor Kuala Dimensi Sdn Bhd and a suit against the project consultant BTA Architect over key development and supplemental agreements signed between February 2003 and November 2006 as well as computation of interest that brought the disputed amount to RM1.64bil. Kuala Dimensi's business relationship with PKA turned sour after it was alleged to have "overcharged" PKA for the project, causing severe losses. PKA appointed Kuala Dimensi to develop PKFZ on a 405ha site on Pulau Indah, Port Klang in 2003. PKA also bought the land from Kuala Dimensi for RM1.088bil, or at a rate of RM25 per sq ft on a "special value" basis.

PKA has also filed a suit against Datin Paduka O.C. Phang, who was the general manager of PKA from 2001 to 2008 and also was the executive chairman of PKFZ, for breach of her fiduciary, contractual and common laws during her tenure with regard to PKFZ. The Government recently announced an 11-member special task force headed by Chief Secretary to the Government Tan Sri Mohd Sidek Hassan. The task force will, among others, determine the type of misconduct or criminal element on the part of individuals or entities involved in the project and recommend actions to be taken against them. As of June, PKFZ was reported to have attracted investments worth RM1bil from 56 companies.

Friday October 30, 2009

The Auditor-General's report

PAC to probe RM1.14bil losses in railway project

THE Public Accounts Committee (PAC) will look into the Ipoh-Rawang double track railway project and several other cases highlighted in the Auditor-General's Report. Its chairman Datuk Seri Azmi Khalid said the double track railway project in which the Government lost RM1.14bil was identified as a case to probe for the PAC. "We want to see what transpired, if there is deliberate negligence, oversight or other reasons for the loss of money," he told reporters at the Parliament lobby. Azmi said officials from Transport Ministry, contractors and government-linked corporations would be hauled up for questioning. "We will list the names by next week and draw up a schedule." "Year in, year out, the A-G highlights cases of mismanagement and cost overruns but there seems to be no improvement," said Azmi.

Based on the auditors' calculation, the Government suffered an estimated RM1.14bil in losses. It was also reported that the Government can demand compensation from DRB-Hicom Bhd for the losses in the Ipoh-Rawang double track railway project. According to the Auditor-General's Report, the Government could do so if the contract for DRB-Hicom, as the original contractor of the Ipoh-Rawang double track railway project, was terminated due to its failure to complete the package. The project was subsequently delivered by UEM Construction Sdn Bhd.

Saturday October 31, 2009

Task force to look into irregularities noted in A-G's Report

By DHARMENDER SINGH

PUTRAJAYA: A high-powered task force will be set up immediately to scrutinise wrongdoings reported in the recently-released Auditor-General's Report, said Datuk Seri Najib Tun Razak. This is to ensure that those involved in any misappropriation of funds or abuse of power would not "get away with it" but face the consequences. This is the first time that such a task force has been formed to look into irregularities as noted in the Auditor-General's Report.

The Prime Minister said the task force to be chaired by Chief Secretary to the Government Tan Sri Sidek Hassan will include Treasury secretary-general Tan Sri Wan Abdul Aziz Wan Abdullah, Public Services Department director-general Tan Sri Ismail Adam and Auditor-General Tan Sri Ambrin Buang. Attorney-General Tan Sri Abdul Gani Patail and the Malaysian Anti-Corruption Commission would be called to join if necessary, he said.

The task force is to hold its first meeting on Monday and Sidek will announce its findings from time to time. Najib said the decision to form the task force was made by the Cabinet at its meeting yesterday because it felt there was a need to look into any wrongdoings closely. The Cabinet felt that serious action against those involved was needed to ensure that matters like abuse of power and misappropriation did not repeatedly appear in the annual report, he told a special press conference in announcing the setting up of the task force here yesterday.

"I want to state that the reason (for the setting up of the task force) is not to launch a witch hunt but to identify those who intentionally and openly committed offences because we (the Cabinet) felt that they should not be allowed to go without having any action taken against them. "They will not necessarily face legal action. They might face administrative action like surcharge, demotion, having their promotions frozen or be transferred," Najib said.

The task force, he added, would study in stages the irregularities reported and start with cases with clear signs of abuse of power or misappropriation. Asked if setting up the task force was aimed at stopping corruption, he said: "Let's be realistic, there cannot be absolute zero corruption but if we show seriousness (in going after those involved), I believe we can bring the numbers down considerably," he said.

Najib also said the Government would be fair and act compassionately if there were mitigating factors that led to the actions of the offenders. He said investigations by the task force, which would have the power to haul up and question any person it felt necessary, would also look at administrative staff in the departments concerned to ascertain if they issued inappropriate orders. "In line with the high performance culture, we will have certain measures that I will announce later to recognise and reward those who do well, so it is not just punitive in nature," he said.

At a function later, Sidek said the task force would make sure that those who deliberately did not follow the rules were brought to book. He said this was part of the Government's efforts in enforcing existing rules and regulations.