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Cutting out the middlemen

Local vendors pledge to work together on LCS project

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KUALA LUMPUR: Efforts are currently being pursued to end the involvement of middlemen – Contraves Advanced Devices (CAD) and Contraves Electrodynamics Sdn Bhd (CED) – in the controversial Littoral Combat Ship (LCS) project.

The mobilisation phase for the LCS project was also running smoothly in line with recommendations, said Defence Minister Datuk Seri Hishammuddin Hussein.

He said the phase, which is slated from June until December, involved various efforts that had and would be taken by the government, especially by the ministry and the Royal Malaysian Navy, as well as the commercial side, mainly the Armed Forces Fund Board (LTAT) and the Boustead Naval Shipyard Sdn Bhd (BNSSB).

"The mobilisation phase is running smoothly in line with the recommendations of various parties, including the Cabinet and the Public Accounts Committee (PAC)," he said in a statement yesterday.

He added that in the first three months, various matters had been concluded.

"On the commercial side, two things are being conducted.

"BNSSB has concluded talks with 145 local vendors and 42 overseas Original Equipment Manufacturers (OEMs).

"Local vendors and OEMs have pledged to support and work together with BNSSB to resume this project.

"Efforts to end the involvement of middlemen – Contraves Advanced Devices (CAD) and Contraves Electrodynamics Sdn Bhd (CED) – are currently being pursued. This will enable BNSSB to negotiate with OEMs and vendors directly without going through CAD and CED.

"This move can reduce the cost for ship equipment that needs to be paid to the vendor and OEM," he said, adding that BNSSB was currently negotiating with nine banking institutions to restructure its debt.

"We expect negotiations to be concluded within the period of the mobilisation phase," he said.



In the news: A file photo of one of the Littoral Combat Ships under construction in Lumut.

Detailed design for the LCS project was also being negotiated between BNSSB and France's Naval Group, he said.

"This is important to ensure that anything decided upon will be able to meet the needs of the navy as an end user.

"The Naval Group has decided to send its technical team to perform an audit on the detailed design in October," he said.

In terms of government to government, Hishammuddin said representatives from the French government had met him and provided a written commitment to resume and solve the LCS project.

"This is an important development and will help greatly, given that the majority of the Naval Group is owned by the French government," he said, adding that construction of the LCS would resume once negotiations had been concluded and every agreement finalised within the mobilisation phase.

"We expect the first LCS to be completed within two years. It is a

realistic timeline as after the end of the mobilisation phase, all parties have 14 months to ensure that the ship is completed and on the water surface undergoing trials such as the Harbour Acceptance Test and Sea Acceptance Trial.

"This timeline must be adhered to by all stakeholders, especially BNSSB," he said.

Hishammuddin said, as instructed by the Cabinet, a report on the negotiation process during the mobilisation phase would be tabled to the Cabinet on schedule.

"As previously mentioned, the navy has requested the acquisition of Littoral Mission Ship (LMS) batch two while waiting for the LCS to be fully completed.

"The ministry has requested that the Economic Planning Unit and the Cabinet implement this project," he said.

Hishammuddin said in conclusion, all parties were not looking back but instead working hard to ensure that the navy had sufficient assets.

"The ministry will continue to give its full cooperation in any investigation being conducted by the authorities."

On Aug 4, Parliament's Public Accounts Committee (PAC) revealed that some RM1.4bil in government allocations for the LCS project had been used for other purposes, including cost overruns.

The two-year probe by PAC also revealed that the RM9bil project was done through direct negotiations with BNSSB and was inked in 2014.

Two reports were subsequently declassified, including the one by the governance, procurement, and finance investigation committee, which said that the cost of completing the six LCS might balloon to RM11.145bil.

On Aug 17, former Navy chief Tan Sri Ahmad Ramli Mohd Nor, who is the former managing director of BNSSB, was charged with three counts of criminal breach of trust involving RM21.08mil over the project.

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Innovate to boost revenue

Auditor-General report: Remain prudent for strong finances

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PETALING JAYA: The Federal Government must continue to explore ways to increase its revenue from different sources and remain prudent to strengthen its financial position, says the Auditor General.

The AG, in his 2021 report, said the government also needed to find ways to reduce arrears and practise strict fiscal discipline to raise revenue as the national debt continued to be on an uptrend.

"Ministry secretaries-general and department heads must get more involved and be hands-on in financial-related matters.

"There has to be an effective check and balance and periodic evaluation of the work performed by officers, who should also be continuously trained to improve their skills and capabilities," he said in his closing remarks.

The AG said there was also a need to improve the effectiveness of the

internal audit units in ministries and government departments.

This includes ensuring the unit members get adequate training and guidance; providing an annual audit plan so that audit work can be prioritised; and making recommendations that can have a positive impact on the organisation.

The AG said government funds spent on development projects must also have a multiplier effect on the economy.

He added that the discipline to manage government expenditure, revenue generation efforts and repayment of loans should also be improved.

This, he said, was important so that excess revenue could be used to finance other development projects and reduce reliance on new loans.

His recommendations came after an audit revealed that the government's debts as of 2021 totalled RM979.8bil, up from RM879.5bil in 2020.

The debt-to-GDP (gross domestic

product) ratio was 63.4% as against 62% in 2020.

This was, however, still lower than the statutory limit of 65% debt-to-GDP ratio.

The AG said the Federal Government's overall debt and financial liabilities increased to RM1.29 trillion in 2021 from the RM1.18 trillion recorded the previous year.

This was an increase of RM113bil or 9.4%.

Revenue increased to RM233.7bil, an almost 4% increase compared to RM225bil the year before.

The main source of revenue came from taxes, totalling almost RM80bil.

The government's main spendings were on emoluments (RM85.8bil), debts (RM38bil), retirement payments (RM28bil), and subsidies (RM13.1bil).

In 2020, the cost was RM82.9bil, RM34.5bil, RM26.4bil, and RM4.6bil, respectively.

Development expenditure amounted to RM64.2bil, which is an

increase of 25% from the RM51.3bil spent in 2020.

Included in the development expenses are amortization payments for guarantee commitments amounting to RM9.6bil, payment of PFI (private finance initiative) liabilities totalling RM2.9bil, and classification of operating expenses amounting to RM8.7bil.

The Federal Government, said the AG, has also continued to record a deficit, amounting to RM98.7bil, with a deficit ratio of 6.4% of the GDP.

In 2020, the deficit recorded was RM87.6bil, or a GDP ratio of 6.2%.

He said it is also vital that policies established related to accounting and financial statement reporting are in line with the government's accounting standards.

There needed to be clear work procedures, a greater understanding and compliance to financial regulations and closer monitoring of the work carried out by officers to ensure quality and integrity is not compromised, he added.

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Govt debt rising, with 16% of revenue needed to pay interest

KUALA LUMPUR: The government has been asked to take corrective measures to manage the increasing national debt, which has led to high interest payments – with 16.3% of revenue collected used for that purpose.

The national debt has to be brought to a manageable level, said Auditor-General Nik Azman Nik Abdul Majid.

Nik Azman said taking new loans to service old debts should only be a short-term measure.

"It is understood that loans are usually taken to finance development expenses. Because of Covid-19, about half of the loans were used for pandemic-control activities as well as economic generation to help affected companies. This, we can understand.

"What we are worried about is that this high increase of debt cannot continue. It should only be a short-term temporary measure," Nik Azman said when commenting on the Auditor-General's Report 2021.

"The government must take corrective action so the debt situation can be controlled," he told reporters in Parliament yesterday.

He said that now, for every RM1 in revenue collected, 16sen is used to pay interest.

"This needs to be only a temporary measure. As auditors, it is our duty to remind the government on this," added Nik Azman.

He was speaking at a joint press conference with members of the Parliament's Public Accounts Committee (PAC), after he gave them a briefing of the Auditor-General's report.

PAC chairman Wong Kah Woh said the increasing debt was a worrying trend.

The Auditor-General's Report showed that federal debt in 2021 was at RM978.8bil which is 63.4% of the Gross Domestic Product (GDP).

"This is an increase of RM100bil from 2020 when the debt stood at RM879.5bil. This increase has caused the federal government's total liability in 2021 to reach RM1.298 trillion, or 84% of the country's GDP," said Wong.

He said one of the concerns revealed in the Auditor-General's report was how a high amount of loans in 2021 was used to service matured loans.

"In 2021, the government made gross loans amounting to RM217.2bil, an increase of 11.6% from RM194.55bil in the previous year. A total of 52.4% or RM113.764bil was used for the principal payment of matured loans.

"Of the total RM62.317bil transferred to the Development Fund, only RM40.994bil (65.8%) was used for development expenditure purposes, compared to RM37.53bil (77.3%) in 2020.

"A total of RM12.612bil (20.2%) was used to cover PFI (private finance initiative) liability and guarantee commitment," said Wong.

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Man denies cheating company owner of RM100,000

KOTA KINABALU: A self-employed man has pleaded not guilty in the Sessions Court here to cheating a company owner of RM100,000 to help secure a project.

Fariz Fadila Ag Kamarudin, 35, is alleged to have offered to carry out a joint venture project with the company, prompting its owner to hand over the money to him.

According to Bernama, the offence was allegedly committed in the Penampang district between January and April 2013.

The charge was framed under Section 420 of the Penal Code, which provides for imprisonment of up to 10 years, and whipping, as well as being liable to a fine, upon conviction.

Judge Abu Bakar Manat allowed bail of RM20,000 with a deposit of RM8,000 in one surety.

He also ordered Fariz Fadila to report himself to the Malaysian Anti-Corruption Commission (MACC) office once a month, as well as surrender his passport to the court and not disturb witnesses in the case.

The court set Jan 12 for mention of the case.

MACC officer Nurul Izzati Sapifee prosecuted while Fariz Fadila was unrepresented.