

# Ambrin: I'm not their babysitter

When he retires next month, Tan Sri Ambrin Buang would have served nine years as the auditor-general, making him the nation's second longest chief auditor after Tan Sri Ahmad Noordin Zakaria. He speaks to **Terence Fernandez** and **Azril Anuar** on the misconceptions of his office, concluding that it will take political will to make his department truly autonomous and more effective.

**The Edge:** Could you outline the limits of your office?

**Ambrin:** In terms of my mandate, this is defined under Article 106 and 107 of the Federal Constitution, the Audit Act of 1957, Act 240 pertaining to the Accounts and Annual Report of Statutory Bodies and the Audit Order (Accounts of Companies) 2004. They allow the AG to conduct attestation and compliance audits on the accounts and financial management of the federal government, the state governments, statutory bodies, local governments and companies receiving grants or loans from the government and companies where 50% of their shares are owned by the government. At present, there are some 1,700 of such companies that have been gazetted under the law for which the A-G has the discretion to audit.

**In your audit, are you able to, using your expertise, flesh out instances where GLCs, government agencies or ministries do off-balance sheet accounting and is it a matter of concern for the auditor-general?**

Well, you see, what we have been doing all this while is there are certain types of GLCs that we cover and certain types of GLCs we don't. Like Khazanah companies, we don't cover. These are all being audited via financial statements by the professional Big Four private firms. So, we don't go and look into their accounts. But for Khazanah, we look into their overall performance. What is the size of their stable, how much they have invested, what is their return, how much dividend do they collect and so on.

And normally, they produce an annual report. So, we do that kind of overall assessment of their performance in their audit. But individual GLCs under Khazanah, for instance, if they do what you say 'off-balance sheet', we wouldn't know. We are not involved.

The other set of GLCs is under the Ministry of Finance Incorporated. Their accounts are also prepared by any of these account [firms]. But we do from time to time look at not only their financial performance and what not... we also look into their activities.

**So, are you able to identify these departments and agencies that have done off-balance sheet accounting and then ask them: where is the money?**

Well, we normally look at their financial performance over a period of years. We look at the status of their accumulated profit or loss and things like that. When you say 'off-balance sheet', specifically I'm not sure what you mean. Did they do something that is not included in their accounts?

**Yes, to hide losses. How do we know how fiscally strong these agencies are if they indulge in such accounting practices?**

From our perspective, we have to rely on information. If people don't tell us that somebody is doing something, how do we initiate a probe? We have to have a lead. And I do receive from time to time letters, flying letters and so on. We evaluate the letters. Sometimes, it's just a disgruntled employee. The important thing is we must have a lead. We can't go on the basis that everybody is doing off-balance sheet accounting.

It's more like whistle-blowing. Sometimes, I get letters, they copy to everybody... the MACC (Malaysian Anti-Corruption Commission) and the prime minister.

**When it comes to probing financial irregularities, people only think of the MACC or police. The auditor-general is never top of the mind.**

Audit means we examine. In terms of prosecution, it's not our job. From time to time, we receive complaints, anonymous letters based on certain individuals. So, when we receive them and we think that they are worth probing, then we probe. If not, we rely on our internal audit.

The internal audit of these agencies comprises our people. So, we have direct communication with them; I can ask for their help to look into things.

For instance, in some cases, you have unauthorised decision-makers. So, [when] there is an integrity problem alert at the ministry involved, we ask the auditors to do the necessary investigations.

**Does the National Audit Department have officers in every ministry and agency, or just some?**

Most ministries have their own internal audit and most of the staff are from our department. They can be there for three to five years. They are budgeted for by that particular ministry.



**Are they answerable to you?**

Of course! They direct all their confidential reports to us. If they sense the internal investigation is unsatisfactory or not enough action is taken, they can report to me, and I can take it up separately with the minister or with the secretary-general.

In other words, they can't just bury it. In the past, when they investigated and passed to the board, the board just KIV the matter. Now they can alert me and I can do the necessary.

**And they are protected because they report to you?**

Yes, I can take them out anytime. I can shift them around. You see, internal audit, to me, is very important. We can't do everything at one go. So, they need to follow up. For example, the Ministry of Education, we did a study on their security services. Our sample was about 40 schools and we have 10,000 schools. So, what we expect, at least go and check periodically based on our reports. Maybe one state a month, so that will keep everybody on their toes. That is the value of having internal audit.

**But is that the result? Do they actually go and check once a month and follow the recommendations?** Things like this we leave to the ministries. Don't tell me I have to monitor them. I'm not their babysitter...

**How do you do your sampling?**

Our approach is basically random in terms of the auditees that we pick and we try to do it based on sectors, as well as topics of public interest. We also do follow-up audits after a few years to evaluate improvements made based on our previous recommendations.

Some of the sampling tools used by my office in the selection of sample for audit include the Audit Command Language with Computer Assisted Audit Techniques and Risk-related Factors, that is risk management.

For financial management audit, the sample is based on a cyclical rotational basis or a mandatory list, which is done yearly. For performance audits, they cover a full range, and I have full discretion over the choice of which performance audit, which ministry or agency to undertake, which is based on a few criteria such as public interest, materiality and so on. However, I may be requested to undertake audits by the PAC (Public Accounts Committee) or the government.

**You have 2,000 staff members auditing the civil service that has 1.4 million employees. Is this a healthy ratio to maximise your efficiency as a watchdog on public spending?** There have been rising expectations from stakeholders and we have seen our workload increase in recent years. However, we cannot expect to get a significant increase in our human and financial resources. So, we have to stretch ourselves through redeployment basically.

**Do you outsource your work to the private sector?**

We use private auditing firms for some of the tertiary bodies. But we take responsibility. They do the work and show it to us. We make inquiries if we are not happy. But we sign the certificate.

**So, in terms of irregularities, you said you receive complaints and then you weigh them?**

Irregularities basically mean you don't follow regulations and procedures. I consider that irregularities.

**Siphoning of funds?**

This tends to happen almost anywhere because of oversight, or they don't understand. This is how these things happen. And most of the time, the big boss up there won't know because this is today's management style. When we raise it with the board, they know we expect him or her to correct it.

**If you conclude there is a breach of fiduciary duty or siphoning of funds, do you go back to the respective departments or do you alert the MACC or police?**

We raise it at the exit conference: cases of improper payment and stuff like that. The head of department can act. Our report is being read by the MACC anyway. And based on the Government Transformation Programme 2, we have an Action Committee on the AG's Report, which I chair. In that committee, I have the attorney-general, the MACC chief commissioner, the Treasury, the Public Service Department and police.

So, we look at cases we suspect is criminal in nature that warrants punitive measures under the relevant acts, be it the MACC Act or what not. But we also don't want the MACC to conduct an investigation when there is no criminal intent.

So, if they are cases of pure negligence, they can be dealt with through disciplinary action. That is provided for. So, just follow all the disciplinary guidelines. We have to have a proper investigation and give the accused the right to be heard. If we just dismiss the fellow, and he goes to the court, if you are not careful, you will lose.



The Cameron Highlands issue was in the AG's Report two years ago, says Ambrin

**Is the National Audit Department empowered to ask or inquire from the respective departments on what action that has been taken against errant officers?**

Whatever issues we put in the reports now, for the last two years, we monitor [the reports]. Last time, no. Last time, we do our performance audit, then the Treasury will just compile the responses and submit them together to the Parliament and then the Public Accounts Committee takes over. But now, on top of that, we have the action committee and the AG's Dashboard. We have a dedicated division called the Audit Follow-up Unit. So, we follow up on all the issues in our reports.

“So, at the moment, most ministries are doing fine, but the smaller satellites, subsidiaries and branches at the state level have room for improvement. Assets is a weak area for us because [many] don't look at them as their property. You don't pay much attention.”

**The AG's Dashboard?**

If we look at our dashboard, it is based on a traffic light system. Any issue without any action is in red, action being taken, in yellow and resolved issues, in green. So, you and I are able to assess it 24 hours a day through our portal. We report and the public gets to know. It's very transparent. This isn't done in any other country.

**Have you seen any improvement? When you read your audit report, it seems that things are getting worse, or just status quo.**

When you talk about audit, you have to understand what type of audit you are talking about. If you talk about financial statement audit, it's got a testation. You attest that the account has been properly prepared. But to answer your question, I say "yes".

Twenty years ago, the federal government's accounts were delayed. Now it's very current, and only a small percentage that qualify don't follow the

has been increasing tremendously. You have to accept that as an improvement, so far as AI is concerned. And AI is our own department's venture. It is attracting interest from other countries, the latest being the UK.

So, to answer your question: in term of compliance, there is an improvement. But my argument is, as a government servant, you are duty-bound to observe all the rules, especially financial rules because there are bound to be opportunities, loopholes and all that.

So, at the moment, most ministries are doing fine, but the smaller satellites, subsidiaries and branches at the state level have room for improvement.

Assets is a weak area for us because [many] don't look at them as their property. You don't pay much attention.

**One star is usually the smaller state agencies?**

Yes, the smaller ones. Some are not trained, I supposed, and they think that they are outside the scope of audit until we come in.

**Do you have an issue trying to emphasise the need for more professionalism in auditing when it comes to agencies?**

Oh yes, you see, those people when you talk about AI, some of them are very determined. Because when AI is there, it's good because it's benchmarking: pure performance, every year.

If the last three years I got four stars and then this year, I got three stars... that means something has gone wrong. And I can check what went wrong.

We tell them where they are weak in. So, you don't have to look at where

Feedlot Centre — it's just one project under the Agriculture Ministry, but this ministry has so many other projects. So, when you say that project isn't as successful, it isn't a reflection on the entire ministry.

**Is the problem sector-based?**

We cover many sectors. The reports cover all ministries... finance, Prime Minister's Department, education, health, home. The Defence Ministry is covered because there are so many projects and [it] is given the bulk of the budget.

**So, that's how you do your sampling? Based on the size of the budget?**

No, not just the size of the budget... sometimes, it's based on issues in the papers. For example, the Cameron Highlands issue. It was in our report two years ago. We worked with our remote-sensing friends. We used our satellite figures and we could see the area that was being devastated.

We are talking about performance of activities, programmes, projects and so on. We are talking about value for money. But generally speaking, when you look at our audit on construction projects, you will get the impression that government projects such as roads, schools, clinics... invariably the first thing is delays; second, cost overruns; and third, quality control.

Of course, sometimes, delays can't be avoided. If you build something where you know there are squatters and you give six months to move them out... how can you do that in six months in this country? And that will affect your scope of work. If you change your scope of work, that is another delay.

**You said the issue was at times the scope of work was changed, so what is the source of the problem? Consultants giving poor advice? Officers lacking knowledge?**

It's all about good practices in project management. If you don't observe that, you will have all these problems. For example, you have to be clear with what you want, and clear with your specifications. If you really don't know what you want and your specifications, then you rely on others to tell you what should be done. Suddenly, what you do isn't what you want!

**So, does this mean the government lacks professional, qualified engineers and consultants who know what they need or the policymakers themselves aren't sure of what they want?**

Well, look at schools. How many years have we been building schools? Sometimes, when they plan, things change along the way. For example, you want to build a school in one location. They did the study three or four years ago. By the time it is about to be implemented, things have changed. Suddenly, there is a population shift. Suddenly, another school is being built around the corner.

If you don't review your needs at the time you want to call for the tender, you are working on an outdated plan that may not be accurate or realistic to the current needs. We talk about design, why was an audit not done on the design to see whether it is suitable for our climate?

That's why I always wonder, we have been building schools for so many years. Where are the lessons learnt? Every time you read the Audit Report, there must be a negative report.

CONTINUED NEXT PAGE

generally accepted accounting principles. So, there is an improvement.

Secondly, it's what we call compliance. Since 2007, we have introduced the Accountability Index (AI). The AI is a very objective tool to measure how far these people have been observing the financial management rules. And financial management covers a very wide field — control, management control, investment control, assets and so on.

There are six to nine criteria and each is given marks. So, based on the marks, we give them stars. For 90 and above, you are considered excellent and you get four stars. For 50 and below, one star... lousy!

So, since 2007, the number of ministries and agencies getting four stars

they are weak in. We tell them. So, if you get very low marks in assets, for instance, you work on it. Send your people for training... maybe you have a new batch of officers who haven't done that or seen the procedures.

So, in that sense, this AI is a tool to measure whether there has been an improvement. And I say there is, but I think the improvement should be much more. It's already been seven years and everybody is quite familiar. Everybody must give credit to the government because it adopted it as a KPI (key performance indicator).

The audit that everyone makes the most noise about is the performance audit. It is specific to a programme or a project. For instance, the National

## INTERVIEW

## 'The National Audit Department has its own limitation'

FROM PREVIOUS PAGE

**It frustrates you to see this happening every year?**

It's not going to frustrate me from doing my job. But there are many things that can be avoided, if only people check if they are competent to do the work. You also must be diligent and pay attention to details, otherwise, you are at the mercy of whomever you pay to do the work for you. Government work is being done by the private sector. Talk about consultants, they are the private sector. What are the motives of consultants and vendors? Profit!

So, if you don't monitor them properly, you won't get value. And sometimes we find out that they don't even know what they are buying, they don't even read the contract. They just assume everything is taken care of, but when something happens you're stuck.

**Like the PKFZ (Port Klang Free Zone) ...**

That one didn't follow anything! (laughs) It is very important to have the skills and knowledge as a project manager.

**So, we need better project managers?**

For instance, if the superintending officer doesn't check the work of the consultants and just rely on their professionalism ... What if they don't do a professional job? What if they did a shoddy job or what if they don't even know what the requirements of the local governments are?

Sometimes, the project gets built and suddenly not approved and has to be rebuilt. They have to tear it down. All that is cost!

**Could it be because of the government policy of giving more work to Class F contractors? These guys seldom have the expertise.**

No! Class F are just subcontractors. We are talking about something more substantial here. Then, if your design is defective, there might have implication of costs. Look at the east coast: the winds in September (monsoon) can be very ferocious. Everyone knows this. So, if your specifications don't take that into account, maybe a few months after the project is completed and handed over, you find the roof being blown off!

I'm not joking. I'm talking about my own building in Kelantan. The ceiling collapsed because of the strong winds. And as a layman, I asked, 'Don't tell me you don't know there are strong winds. And why didn't you put it in your specifications and build stronger support?'

**So, who audits the National Audit Department?**

As a department, we are being audited by the Internal Audit of the Prime Minister's Department from time to time. They send their inspectorial team to check because we are a government department. So, we are being audited every year.

If you use the UK model, they are being audited by private firms. And they have their own accounts. We don't have our own accounts because we are a department. But in the UK and other developed countries, they are more autonomous in that sense. When it comes to resources, they

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are more or less received from Parliament rather than the executive.

**Should there be changes in the way your department is run in terms of funding and reporting line to make it more independent?**  
We have submitted our transformation plan. Our prayer is that when Malaysia becomes a developed nation, we, as an audit institution, must be of developed country level.

**Are you looking at any models overseas or creating your own model?**

Some use commissions like in the Philippines, some, like in the UK where the auditor-general is more autonomous when it comes to resources, he goes back to Parliament to deal directly with them. So, if we want to wean ourselves from [being reliant on the Prime Minister's Department and Treasury for resources], we have to look at our structure first, whether we should continue to become a department or a more autonomous body.

And if you want to create an autonomous body, for example, create a statutory body, you have to pass an act. If you want to have a service commission, you have to amend the Constitution. So, you may need a two-thirds majority. It's not my call. It's the policymakers and parliamentarians. Unless they change, we have to work as we do now, within our confines.

**ADDRESSING THE ELEPHANTS IN THE ROOM, INCLUDING IMDB**

**Have you audited klia2?**

I have received a letter from the Public Accounts Committee (PAC) chairman. I have to discuss it with the government. klia2 is a project by MAHB (Malaysian Airports Holdings Bhd) and MAHB is a public-listed company. We don't cover public-listed companies.

**What if the government has a share in these public listed companies? Doesn't that empower you to audit them without being given a green light?**

Accounts of public-listed companies are already audited by the Securities Commission, which has very tight regulations. We don't audit their projects because it isn't within our scope, at the moment. But if the government wants us to do it, we'll do it.

**But you can do so on your own because you don't report to the government but to Parliament.**  
I also have to deal with the government; our auditor needs to know what it is that we are auditing. I also report to the Chief Secretary because we audit under the Prime Minister's Department, and the Public Ser-

vice Department, which is under the Chief Secretary. They have to know.

**Reporting here means you are informing them, right? You are supposed to be independent.**  
Our audit report is informing not just the federal government — we also inform the state government(s). Once informed, at least they can prepare themselves.

**Shouldn't there be an element of surprise?**

Why surprise? For example, if we are auditing the Education Ministry, we have an exit conference with the secretary-general so he or she knows what the issues are. They are answerable to their ministers [and] when these things go to Parliament, the ministers have to answer [for them], not the permanent secretary [of the ministry].

The permanent secretary has to answer to the PAC. So, everyone is a stakeholder. For many years, even before my time, the cabinet and the exco (state executive committees) were informed.

**Why can't IMDB be audited? Why do you need Finance Ministry approval to do so?**

There's no necessity because it is already being done professionally by private auditors. [Their reports are lodged] with the Registrar of Companies (ROC), and if they didn't do their work properly, the ROC would have gone for them. This means they have done their work according to the Companies Act and [its] regulations.

**So you're saying you are confined by the Companies Act?**

No, it's just that you are asking us to do something similar to what Deloitte did?

**An audit by a private firm employed by IMDB is different from an audit by the auditor-general.**

But they are doing the accounts. So they have to attest the assets, liabilities and all that. Are you saying the accounts are fictitious or something?

**Enron was paying Arthur Andersen US\$1 million a day to audit them and Arthur Andersen gave a glowing report. Finally, both went down in flames.**

If you say you can't trust these professional auditors with all their

worldwide connection, then you can say all those companies on the stock market aren't trustworthy. All the companies on KLSI are audited by private firms, including the big four.

**They aren't using taxpayers' money like IMDB!**

Even government companies, whether public listed or otherwise, are being audited by private firms. You mean to say you can't trust them?

**You say you do audits based on newspaper reports and complaints. Isn't there enough concerning news on IMDB? Moreover, there were two audit firms before Deloitte took over.**

We do have our audit plans. We don't investigate every single complaint.

**But you do agree that IMDB is the elephant in the room?**

I don't want to comment on that.

**We are just trying to make sense [of] why IMDB is untouchable.**

You see, I won't do something that I am not competent in. I have to buy the competency to support me. I need resources. Where do you think I get resources?

**Your resources come from the Finance Ministry?**

As far as I'm concerned, talking about accounts, companies have to set up accounts and be audited — it has been done already. So that's why I think there's nothing for me to do.

**But you acknowledge that an audit by Deloitte will be very different from an audit by your office?**

Depends on what you are talking about. If you want us to do a study on IMDB's investment strategies in and out of the country ... to do a good job, I must be able to pay knowledgeable experts in all the intricacies. So, if I don't have the expertise, I must be honest enough to say I can't do this unless I have some support. I need to get support.

I am trying to illustrate the magnitude of the audit. And I need specialists. I don't have an expert in forensic accounting, for instance. I can get them (from the private sector) but I have to make sure I can pay them. If I can't pay them, who will foot the bill?

**So is this what you meant by getting Finance Ministry approval to audit IMDB?**

Yes. You know how much [it cost to hire] a private firm? It will cost a few million, at the very least. As of now, there is no necessity to do a similar audit to what they (the private audit firms) have done (for IMDB).

Secondly, as far as I know, whatever questions on IMDB, the management has already clarified. Whether

they are convincing or not, is their battle with the public. How can you ask me to say something on an issue I have not even probed?

**Are you privy to the audit report by Deloitte?**

No, personally I haven't seen [it] but I can get it from them. I can get it from the ROC.

**You're not getting it?**

I can have a look...

**But you don't want to get involved?**

Not to say I don't want to get involved... I have other work to do. That is exactly what I am trying to say — it's not that I don't want to do it but if I do want to do it, I want to do it properly. I have to be professional about it.

**[The] public perception [seems to be that] the only department that can be trusted right now is the National Audit Department. But the National Audit Department has its own limitation. [It is] a department; [it's] not even a strategic body. We have to look at a situation and really do a good job. If we can't do it, why should we do it? We won't satisfy the objective. And then people will criticise the report.**

**If you were to do an audit on IMDB, it would be the biggest audit exercise ever taken in the country? Yes.**

**Bigger than the PKFZ?**

PKFZ is internal, only in Klang. Here, is a different ball game together. As you say, they [IMDB] borrow a lot and some of it is government money. So, people would like to know what happened; the [borrowing] party has to explain and justify [its position]. Please don't ask me to explain on their behalf.

**How prudent are government guarantees and support letters? Should government be involved in it (providing a letter of guarantee for IMDB)?**

These are legalities. When you say "support letters", does it mean guarantee, like in the case of PKFZ? There's a lot of debate about it. Generally, if the government is required to do so by the parties they want to do business with, I'm sure they are bound by regulations. Whatever letter given [by the government] is prepared by lawyers to ensure that the commitment is there.

**There must be a distinction between a support letter and a guarantee letter...**

Does it mean if the letter doesn't include the word "guarantee", it's not a guarantee letter? I don't know, these are all legal terms. [As with] PKFZ, raising money from the private market [resulted in] the [need for a] government bailout.

(Ex-Port Klang Authority chairman) Datuk Lee Hwa Beng said, if it's a private guarantee, why should [there be a] government bailout? Can that be considered as a guarantee or support letter? I wouldn't know. You should choose your words wisely. "Guarantee" means you provide that guarantee. If the other party can't deliver, you guarantee. "Assure" is a softer word for it. ■

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