

Saturday October 9, 2010

The A-G's Report – boon or bane?

At Your Service

By Tan Sri Ambrin Buang Auditor-General of Malaysia

The aim is noble – to help civil servants become adept at handling public money. Before the Auditor-General's Report is tabled in Parliament, there is time for remedial action.

THE public awaits the 2011 Budget speech on Oct 15 with a keen sense of anticipation as the Prime Minister is expected to announce new incentives and expenditure priorities for next year. The Auditor-General's (A-G) Report is expected to be tabled this month too, soon after this Budget in Parliament. In recent years, the A-G's Report has generated quite a bit of public interest because of the media coverage on the various shortcomings of the public service in handling public money. Naturally, the ensuing public reaction to audit revelations tend to be critical of the Government. To be fair, the A-G, in carrying out his constitutional mandate and in compliance with the Audit Act, always strives for balanced reporting, with a mixture of favourable as well as appropriately unfavourable audit findings which present matters in perspective, and emphasises constructive rather than just negative comments. The additional balance to the A-G's Report is that government ministries and agencies are given space to provide explanations for any alleged shortcomings in the planning, implementing and monitoring of government programmes, projects and activities. The A-G's Report is not merely reporting on compliance with existing regulations and procedures but also as to whether the Government's stated objectives of securing value for money and exercising prudence in expenditure have really been achieved.

We take pains to ensure the accuracy of the report and give our opinions strictly based on facts and evidence gathered during the audit period. Those audited are invited to verify or challenge those facts. The noble intention is really to assist the controlling officers become aware of such shortcomings, to quickly act on them and do their best to prevent such recurrences, taking note of our suggestions for improvement. The nature of such shortcomings continue to remain the same, year after year. This has given rise to the common perception that the public service seems to be indifferent to the audit findings and suggestions, and that it does not seem to learn from past mistakes. Or the auditors are viewed as just throwing darts at the auditees, instead of resolving the shortcomings. The truth is that although the shortcomings are basically the same, the perpetrators are different every year. For instance, a performance audit on the efficiency and effectiveness of local authorities in the management of solid waste is conducted on a few local authorities each year. The audit findings are basically the same but the councils being audited are different each year. Another pertinent issue is whether shortcomings highlighted are isolated cases, confined to a few organisations, or merely "tip of the iceberg", in that they are widespread. The simple answer is we really do not know! The reason is that auditing is based on representative sampling. Since an audit can rarely be all-inclusive, this is a normal practice by all supreme audit institutions worldwide. Unless an audit covering the total population is conducted, we can never be sure how widespread the shortcomings are.

For example, if the performance audit covers only half a dozen local authorities each time and there are about 150 of them in the country, chances are such shortcomings may be prevalent in all local authorities, the difference being only in their severity. Similarly, in financial auditing which emphasises compliance with existing regulations and procedures, the audit coverage in a particular year is only a fraction of more than 7,000 Responsibility Centres in the country today. As to auditing government programmes and projects, there are hundreds of programmes and thousands of such projects, but each year, the auditing programme can cover only a limited number of them. Thus, audit findings are perhaps indicative of a much wider problem. Another common misperception with the A-G's Report is that the root cause of such shortcomings has to be corruption and/or abuse of power by public servants entrusted with the job. Follow-up investigations by the Malaysian Anti-Corruption Commission (MACC) and police on the A-G's Report have revealed that corruption and/or abuse of power actually occurred only in very few cases. Therefore in most cases, the staff members involved are simply incompetent or not diligent in their work, whether it involves complying with rules and procedures, keeping proper records, overseeing the work done by contractors, vendors and suppliers as per contract, or enforcing the rules and regulations under their domain.

Obviously, it is not in the national interest if serious cases of negligence, such as wasteful and extravagant expenditure, and the occurrence of fraud have caused losses to the Government. The point to stress here is that if internal controls and staff supervision are both effective, such shortcomings could have been avoided. That is also the kind of transformation we would like to see happening in the public service, in so far as management of public money is concerned, where there is consistency in upholding the values of accountability and integrity in the public service, in the evolution towards high-performance and good governance in the Malaysian public sector. The perceived repetition of such shortcomings has also raised the issue of the relevance of the A-G's Report itself when the public is not convinced the Government has taken stern action against those responsible for serious shortcomings. Some have even suggested that the A-G be empowered to punish the wrongdoers by imposing fines and other penalties to deter others from doing the same. In truth, follow-up action has been undertaken through co-ordination with other agencies. Cases of suspected fraud and corruption arising from the A-G's Report have been investigated by MACC or police and whenever there was adequate proof, people have been charged in court. For cases involving serious negligence or dereliction of duty which do not involve criminal offences such as corruption or abuse of power, the chief secretary to the Government has directed secretary-general of ministries to investigate and take disciplinary action as provided by the law.

This is in conformity with a Cabinet decision. Indeed, a number of civil servants have been subjected to disciplinary action, such as fines and warnings, as a result of the 2008 A-G's Report. In a nutshell, the A-G's Report is all about fostering integrity and good governance in the public sector. Understandably, like all human beings, public servants make mistakes from time to time, but they should avoid making big mistakes which will cost the Government dearly. The most important thing is to learn from past mistakes and the mistakes of others. Heads of government departments and agencies have the responsibility to correct the mistakes and rectify the shortcomings and after doing so, ensure they are not being repeated. Boon or bane, the A-G's Report does serve a purpose of providing feedback on actual performance. From the time the draft report is discussed with auditees until the Report is tabled in Parliament, there is ample time for them to take immediate remedial action on whatever their shortcomings. The prompt action that has been taken is an assurance to the public that the public sector is always serious and trustworthy in managing public money.