

NATIONAL CONFERENCE ON NURTURING PUBLIC SECTOR'S
INNOVATION AND CREATIVITY FOR BETTER PERFORMANCE AND
RESPONSIVENESS – DRIVING NEW DIRECTOR AND
PERFORMANCE DEMANDS BY CIVIL SOCIETY

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MONITORING THE EFFECTIVENESS OF THE DELIVERY SYSTEM:
HOW RESPONSIVE IS THE PUBLIC SECTOR

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Bismillahir rahmanir rahim
Assalamualaikum warahmatullahi wabarakatuh
Good Morning and Salam 1Malaysia

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Distinguished Guests, Fellow Deans, Speakers, Participants

Ladies and Gentlemen

1. First and foremost, I would to record my deep gratitude to the Universiti Teknologi Malaysia for inviting me to participate at this National Conference on “Nurturing Public Sector’s Innovation and Creativity for Better Performance and Responsiveness – Driving New Director and Performance Demands by Civil Society.” It gives me great delight to have this opportunity to share my views and insights on such an important topic as “Monitoring the Effectiveness of the Delivery System: How Responsive is the Public Sector?” The National Audit Department is one of several public sector institutions that monitor the effectiveness of the delivery system. Central agencies like the ICU and MAMPU as well as the Public complaints Biro conduct similar functions enabling the government to receive feedback from several sources.

2. Public sectors around the world are facing significant challenges. One such challenge is how to elevate and improve public sector functions so that the policies and service delivery are responsive to the expectations of the people. In Malaysia, this challenge has been emphasised by the Prime Minister when he said that the public service must be results-oriented. Undoubtedly, there is increasing public expectation for a better standard of living and the public sector will have to deliver quality responses tailored to the needs of the people.

3. Since the existence of the public sector is to fulfill the mandate of the government to serve the people, therefore, they must be able to deal with issues and problems brought up by the people efficiently and effectively. To do this, as the Prime Minister said the civil servants have no choice but “to practise critical and constructive thinking in carrying out the responsibilities that have been entrusted upon us by generating beyond the ordinary, creative and innovative solutions”. This

transformation is driven by the recognition that the way the public sector do business has not kept pace with the peoples' expectations or needs. With increasing demands, but limited resources, the public sector must work smarter and more innovatively to achieve desired outcomes. This is also to realise the aspiration of "People First, Performance Now".

Distinguished Ladies and Gentlemen,
Defining Public Sector Responsiveness

4. Literature studies have indicated that public sector responsiveness can be considered in terms of development of government policies and strategies as well as the way in which services are delivered. In relation to development of government policies and strategies, the responsiveness is about listening to and interacting with people to identify needs and priorities and meeting these wherever possible. It also involves managing the varied expectations of the people. In this case, a responsive government must be approachable and accessible, providing the public an opportunity to influence the policies and strategies through open and transparent communication.

5. Responsive service delivery include respecting the users through proactive, problem solving and facilitative approaches; accessibility in terms of hours of operation, location, technology; timeliness or efficiency; quality of the services; coordination between the government services and capacity to allow continual improvement through feedbacks. Efficient and effective processes within the government underpin the responsiveness of government policy and strategy as well as service delivery.

6. I believe that we have to examine ways to help the public sector to become more open, accountable and responsive to the community given the pervading culture of excessive cautiousness and indecisiveness. Based on audit observations, there are a range of factors which could undermine public sector responsiveness such as the lack of clarity of roles and accountabilities at all levels, lack of engagement and coordination among agencies, lack of technical expertise and inability to manage the risks properly. To address these issues, aspects on leadership, cultural and structural changes as well as motivation should be looked into.

Government Response and Progress Made

7. The demand for a high and continually improving standard of service of the public sector has led to a major shift in how governments around the globe are administered. Collaboration, coordination, partnership and networked government are concepts increasingly being used. It is observed that governments working in a collaborative manner tend to be more responsive to the people and are able to develop positive cultures within their public sectors.

8. As a manifestation of the government responsiveness, the Malaysian government as we know has embarked on several transformational initiatives which include the Government Transformation Programme (GTP) and its seven National Key Result Areas (NKRAs), Economic Transformation Programme (ETP) and its 12 National Key Economic Areas (NKEA) , 6 Strategic Reform Initiatives (SRIs), New Economic Model and taking into account of the 10th Malaysia Plan. These transformation initiatives are ambitious national

agenda that will deliver better services to meet the social, health and economic needs of Malaysians in the years to come. The NKRA for instance specifically addresses major concerns of the rakyat, the people. The progress achieved in the various sectors of the NKRA to me signify the responsiveness of the Government and the public service as the key implementer to address public concerns and improve service delivery .

9. As mentioned by the Deputy Prime Minister in his keynote address during the 16th Civil Service Conference last year and 2011 Annual Report issued by Performance management & Delivery Unit (PEMANDU), the GTP has shown considerable achievements and positive impacts in areas such as crime, education, public transportation, household income and rural basic infrastructure.

10. In terms of combating corruption, a list of initiatives such as the implementation of the Integrity Pact, Corporate Integrity Pledge, Whistleblower Protection Act, the Name and Shame Corruption Offenders database, creation of Compliance Unit have been successfully implemented. Apart from that, the Procurement Accountability Index based on the audit assessment of procurement compliance to rules and procedures showed an increase in the number of ministries scoring above 90% i.e 15 in 2009, 18 in 2010 and 19 in 2011. The government is also committed to addressing the rising cost of living by rolling out several initiatives such as Kedai Rakyat 1Malaysia, Klinik 1Malaysia, 1Malaysia Housing Project, 1Malaysia Welfare Programme, financial assistance aids to reduce its impact on the people.

11. It can be seen therefore that the government of today in Malaysia has adopted greater levels of transparency and accountability, contributing to a more informed community. But as reflected by the Deputy Prime Minister “Although the public service has achieved much and has impacted the people positively, there is still much to be done.” This statement is aptly put in view of the same nature (though different samples) of various shortcomings of the public service in handling public money have been repeatedly raised in the Audit Report year by year especially in the planning, implementation and monitoring of the projects, programmes and activities.

Monitoring the Effectiveness of the Delivery Service

12. We as auditors, work on behalf of the Parliament and the taxpayers to hold the government ministries, departments and agencies at the Federal and State levels to account for the use of public money and to help the public sector improve their performance. We have the statutory authority to certify the accounts of all public sector entities, report on the compliance to rules and procedures, the economy, efficiency and effectiveness with which the ministries, departments and agencies have used their resources. On the entirety, our intention is to instill good governance in financial management and use of public resources. This is particularly important given the increasing size of the public budget. There is greater urgency now for the public sector to rectify whatever weaknesses are not repeated through strengthening internal controls, adopt best practices and stricter compliance to prevailing rules and regulation.

13. In answering the theme of this paper, allow me to illustrate using the observations from our work on financial audit, financial management audit, performance audit and government linked companies' audit. Since 2002, 284 Auditor General's reports had been submitted to the Parliament which comprised reports on the accounts of the Federal Government and the respective State Governments; status of financial management of those governments, statutory bodies and agencies; and status of impact and effectiveness of government projects, programmes and activities of the Federal, State and Local Governments. Over the past 11 years, more than 10,000 recommendations pertaining to financial, compliance and performance audits have been forwarded to the ministries/departments/agencies to improve the laws and regulations and over 75% of the recommendations have been adopted.

13.1 Financial Audit – A total number of 456 accounts are audited annually and for the financial year 2011, 85% of the accounts have been given clean certificates whilst 25 accounts have been given qualified opinion for non-compliance to the accounting standards. These financial audits help the auditees to bring forward the publication of their accounts, to enable parliament and people to gain assurance more quickly on public sector entities' stewardship of the public expenditure involved. As compared to 10 years ago, the timeliness of audited financial information had improved tremendously whereby the financial accounts are certified within four months or much earlier since the date of the submission of the financial statements. We found that substantial lags in the publication of final audited accounts would reduce their relevance and marginalise the discipline that auditing should bring to record keeping and reporting and reduce the effectiveness of spending unit accountability for financial results.

13.2 Financial Management Audit – The year 2007 saw the evaluation of the financial management performance of ministries, departments and agencies using the Accountability Index (AI) basis of stars. A one-star rating denotes a deplorable state of financial management while a four-star rating means that the financial management is deemed to be excellently managed. The AI as described by the former Director General of Public Service, Tan Sri Ismail Adam in his book on “Outcome Based Public Service Delivery” is one of the Key Performance Indicator (KPI) which measure good governance and accountability in an organisation for the resources allocated and it captures the extent to which the financial management controls are in place to ensure proper accountability for the resources.

Based on the 5-year results of the AI, we saw that the financial management conformance and performance of the public sector entities have markedly improved. The numbers of ministries, departments and agencies obtaining 4-star have gradually increased from 10 in 2007, 20 in 2008, 47 in 2009, 77 in 2010 and 111 in 2011. Even though these results are very encouraging, the objective of introducing financial management AI as an objective and transparent KPI tool is to ensure that all public sector entities performed exceptionally well. The weaknesses of the financial management are largely contributed to inadequate staffing, insufficient training and lack of supervision and monitoring. I observe that of late there is increasing urgency by departmental and agency heads to rectify weaknesses and to improve compliance with financial regulations. I think it also reflect the wisdom of the Government to adopt the AI as a KPI in the public sector.

13.3 Performance Audit – Since 10 years ago, our performance or value for money work stream delivers 1,422 reports to the Parliament across the whole range of government activity. A total of 6,825 recommendations have been submitted to assist the ministries/departments/agencies to rectify weaknesses that were raised in the audit report and more than 75% of those recommendations had been adopted. Out of 1,422 reports, 106 reports are on security-related audit, 326 reports on the people’s livelihood and 256 reports on social harmony, fairness and stability security to help the government to ensure the national security of the country is adequately safeguarded, to improve people’s livelihood and promote social harmony and stability. A total of 297 audit recommendations on national security, 1,169 audit recommendations on people’s livelihood and 1,041 audit recommendations on social harmony had been issued and 83% – 95% of the recommendations had been implemented by the auditees. Through our observations, the ministries, departments and agencies have generally made proper planning however there are several weaknesses in the implementation aspect which create negative perceptions on the delivery system. Those weaknesses can be attributed to non-compliance to rules and regulations, failure to make proper programme/project planning, determination of scope and tender specification, ineffective monitoring systems on the performance of the contractors, vendors or consultants, lack of expertise on project management, delay in making procurement decisions, incomplete and not updated information system of the department/agency, lack of focus on results/impact of the programme/project and lack of funds for asset maintenance. In some ways, these negative perceptions carry reputational risks not only to the public service for its ineptness but also political risks to the Government.

At this juncture may I focus on two areas where the government is trying very hard to rectify the negative perceptions that I had alluded just now. One pertains to the perception that Government infrastructure projects always suffer serious delays in completion, often accompanied by serious cost increases and always experience quality problems due to deficiencies in design or workmanship. There are numerous cases highlighted in the audit report which suggest that while Government is doing the right things but it is not doing them right. We may ask how come after than 50 years merdeka and building infrastructures such as hospitals, schools and training institutions, the public service is still struggling with delays, cost escalations and poor quality. What are the underlying causes that these weaknesses keep on happening – are they due to shortcomings in competency, diligence, mindsets or integrity? Whatever it is, it does not help the government to improve its image, neither that of mediocrity in the public service unless there is really a higher degree of collective integrity and a greater sense of professionalism in project management.

Another area is government procurement where the Government sometimes did not get the best deal and value for money when economy, efficiency and effectiveness principles have not been adhered. Until recently, there were a lot of criticisms against procurement through direct negotiations instead of competitive tenders. The negative perceptions that I mentioned earlier are also attributed to this procurement method. Now through the GTP and NKRA, this has been addressed through such measures as greater reliance on open tenders, greater transparency on tender decisions, greater emphasis on e-Perolehan and e-bidding. Another significant response by the

Government is adopting the practice of value management of projects exceeding RM50 million which has proven to deliver significant cost savings to the Government.

To overcome these weaknesses, all the Controlling Officers/Heads of Departments should conduct comprehensive assessment on the shortcomings raised by audit as the same shortcomings might occur in other departments because our auditing is based on sampling and specified scope. The internal auditors should conduct performance audit besides assessing the internal controls and it is important for the ministries, departments and agencies to adhere to the stipulated rules, regulations and procedures issued by the government. A check and balance system mechanism within the ministry, department and agency should be established such as close monitoring through spot inspection or periodical assessment.

13.4 Audit on Government Linked Companies (GLCs) – A total of 1,613 government companies have been gazetted to be audited by the National Audit Department. Annually an average of 40 to 50 government companies have been audited annually on the management of their activities, corporate governance and financial management. Based on the audit findings, some GLCs are very well managed, however majority of them still need to enhance their corporate governance. The crucial issue here is whether the government has obtained adequate returns from its investment in these companies. When losses are incurred by several of the GLCs are these losses attributed to conflict of interest, fraud, mismanagement, poor internal control, extravagant expenditures as well as lack of monitoring, efficiency, transparency and accountability of public funds. What is pertinent in enhancing the GLCs performance is

the role of the Federal/State Treasury in ensuring that the GLCs are fully aware of their obligations to comply with the government rules and regulations such as board remuneration, bonuses and dividends. As such the critical role of Government representatives in the Board of Directors cannot be over emphasized.

Ways to Facilitate Public Sector Responsiveness

14. Let me now provide some perspectives on ways to facilitate public sector responsiveness. Firstly, it is important to continue creating a culture which is characterised by greater focus on outcomes, accountability for process and results, transparency, foster collaboration and cooperation among public sector agencies and people, creativity and innovation as well as recognition for achievements.

15. Secondly, the Prime Minister's commitment must be complemented with the commitment of the controlling officer/head of department and other levels across the public sector to make sure that their employees have an understanding of the roles and accountabilities, ethics and standards of behavior and best practices of public sector management.

16. Thirdly, an array of issues is confronting the public sector such as the existence of multiple stakeholders with conflicting interest and varied objectives. Therefore, there is a need to clearly define the roles, relationships, accountabilities and operating policies among the key governance players such as the minister, cabinet, controlling officers/chief executives/heads of departments, senior management level and so forth.

17. Fourthly, the Key Performance Indicator's (KPIs) initiative to measure the quality of the ministry/department/agency service delivery, Treasury instructions which requires public sector agencies to identify strategic result areas and strategic KPIs to measure results of the operations carried out in these strategic areas, the Financial Management Accountability Index, MAMPU star rating system, KPIs for top echelon of the public service and the outcome-based budgetary system are initiatives that should galvanise the public service to value performance and outcomes for the people. I think perhaps we should now think of adding public sector responsiveness as one of the indicators to the present KPIs initiatives or creating the public sector responsiveness measure as it is now there is no clear and specific measurement on it.

18. Lastly, there should be a continual assessment and feedback mechanisms on governance practices, processes and structures to identify and address both weaknesses and opportunities for improvement.

Conclusion

19. In a nutshell, the Audit Report serves as an important indicator to gauge the effectiveness of the delivery service and the actual performance of the public sector responsiveness. The Audit Report is all about fostering integrity and good governance in the public sector. Controlling officers/chief executives/heads of public departments have the responsibility to correct the mistakes and rectify the shortcomings and after doing so, ensure that they are not being repeated (Membetulkan yang biasa dan membiasakan yang betul). The prompt

action that has been taken is a good assurance to the people that the public sector is always serious and trustworthy in managing public money. People want a public service which is faster, more responsive, caring and provide quality service.

20. Based on the reports, the public sector responsiveness nowadays has improved to a certain extent. However, there are still gaps which need to be addressed. What is important is to have clear accountability, proper coordinating mechanisms and performance measurement are in place, continuously communicating to the people the relevance of certain policies, programmes or services provided and enhancing the capacity of the public sector to meet the changing times and needs of the people.