

## Number of unresolved issues (by ministry) (Auditor General's Report 2013 - 2015)

	2013	2014	2015 SERIES 1	2015 SERIES 2	TOTAL
Prime Minister's Department	0	9	2	28	39
Ministry of Higher Education	2	6	19	7	34
Ministry of Transport	2	12	4	14	32
Ministry of Rural and Regional Development	0	1	2	25	28
Ministry of Agriculture and Agro-Based Industry	0	4	0	24	28
Ministry of Home Affairs	0	0	1	14	15
Ministry of Natural Resources and Environment	0	0	0	12	12
Ministry of Federal Territories	0	0	0	8	8
Ministry of Energy, Green Technology and Water	0	0	1	7	8
Ministry of Education Malaysia	2	0	2	2	6
Other ministries	0	8	8	2	18
<b>Total</b>	<b>6</b>	<b>40</b>	<b>39</b>	<b>143</b>	<b>228</b>

Source: National Audit Department

## Number of unresolved issues (by state) (Auditor General's Report 2013 - 2015)

	2013	2014	2015 SERIES 1	2015 SERIES 2	TOTAL
Johor	3	33	11	45	92
Kedah	4	8	12	41	65
Sabah	4	20	7	27	58
Perlis	4	11	2	24	41
Selangor	0	8	11	21	40
Pahang	7	12	10	10	39
Kelantan	0	7	5	19	31
Sarawak	0	3	14	14	31
Penang	0	2	12	15	29
Melaka	0	4	6	12	22
Terengganu	1	4	1	15	21
Perak	0	3	1	10	14
Negeri Sembilan	0	0	0	5	5
<b>Total</b>	<b>23</b>	<b>115</b>	<b>92</b>	<b>258</b>	<b>488</b>

Source: National Audit Department

# Civil servants still ignoring AG's report

- **Former AG Tan Sri Ambrin Buang** has called for the National Audit Department to be given more power
- **Hundreds** of recommendations made in AG's report each year, but few are punished for mismanaging taxpayers' money



by  
**Ng Wai Mun**

**T**HE latest *Auditor-General's Report 2016 Series 1* showcases gross mismanagement in several ministries.

But this is only a tip of the iceberg as the report contains audits of only 25 federal ministries, 18 federal departments and 38 federal statutory bodies.

Over the last decade, billions of ringgit are said to have been lost due to poor procurement and fraud.

As newly appointed Auditor-General (AG) Tan Sri Dr Madinah Mohamad put it recently, her latest report "contained findings on negligence, indiscipline, misappropriation, power abuse, corruption and misconduct among civil servants".

Strong words, but will it make any difference to awaken those responsible for such wayward conduct?

The president and CEO of the Malaysian Institute of Integrity Datuk Dr Anis Yusaf Yusoff says the introduction of the Malaysian Integrity Profile by INTEGRITI was among efforts to help weed out corruption and abuse of

power among the civil service.

"Civil servants holding key decision making positions are encouraged to undergo psychometric tests for honesty and integrity.

"The tests can identify an individual's tendency to be honest and consistent with regards to actions, values and principles, and assess the individual's propensity to become involved in counter-productive behaviour," he says.

### More powers

However, some have called for the National Audit Department (NAD) to be given more powers to address the problem.

Last week, the Malaysian Anti-Corruption Commission (MACC) said it was setting up a special team to look into the



**"Recommend punishment and monitor follow up action."** –  
Ramon

excesses mentioned in the latest AG report.

The NAD's recommendations have not been taken seriously as the overall audit observations of the past two years are almost similar.

The respective reports of the past two years say that, "there were several weaknesses in the implementation of programmes/activities/projects due to a lack of monitoring/supervision by responsible parties, insufficient technical expertise and too much reliance on consultants/contractors, no coordination among agencies involved and internal issues faced by contractors".

Minister in the Prime Minister Department Datuk Paul Low says a newly formed Department of Governance and Integrity under his ministry and the AG's office



**"Government will form investigative committees to probe the outcome of punitive warnings."** –  
Ali Hamsa

will look into the discrepancies mentioned in the report.

"Not all the issues raised concern corruption. Those relating to negligence will be sent for further action to the relevant ministry or department. For some years now, we have been making policy changes to address the issues raised," he tells *FocusM*.

Meanwhile, Centre for Public Policy Studies chairman Tan Sri Ramon Navaratnam feels the NAD should name, shame and punish all those who do not follow recommendations.

"Recommend punishment and monitor follow up action," he says.

From 100 recommendations made to rectify weaknesses highlighted in the Auditor General's Report in 2013, the total number has been increasing at an earth shattering pace.

There were 241 recommendations made in the second series of the 2014 report followed by 268 recommendations in the third series for the same year.

Of the 268 recommendations, 134 or 50% were for state governments, 102 for the federal

government, and the remaining 32 for federal statutory bodies.

The second series of the 2015 report, in turn, had 247 recommendations. Of this, 149 were for state governments while 68 pertained to the federal government.

The 2016 report has 353 recommendations. Of this, 244 were for state government departments and agencies, representing 70% of the total recommendations.

### Growing weaknesses

Now that the recommendations are increasing, what instruments are or should be in place to prevent the organisations from overpaying for a set of screwdrivers with taxpayers' money?

The increasing recommendations merely reflect growing weaknesses, exposing more loopholes in the system being abused by the unscrupulous and corrupt.

Meanwhile, more are seen going unpunished over the mismanagement of taxpayers' money.

Centre for Research, Advisory and Technology (Create) CEO Ng Yeen Seen says: "It is important that we continue to create an environment to prevent corruption.

"Any corrupt practices should continue to be released in public reports like the AG's.

"Expectations of the AG's report should be high because taxpayers expect the highest levels of integrity and accountability in the public sector."

Ng questions if anything is done after the release of the AG's report each year.

She says this is the question most people are asking. And although the Public Accounts Committee (PAC) will take on the recommendations from the AG's report and carry out investigations, red flags continue to be highlighted in the reports. This, she says, gives the public the perception that audit reports are merely procedural and don't mean much.

"Many ask if nothing can be done nothing gets done, or nothing is meant to be done, then why expand so many resources to audit and release such reports?"

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# Red flags continue to be highlighted

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"We must take the report seriously. PAC must follow through with its investigation and the fraudsters should be punished to maintain public service integrity.

"Repeat offenders only exist because we keep them in the system," Ng says.

Unless all the ambiguities or wrongdoings are addressed and the government shows no mercy to fraudsters in the public service, she says the audit report will not receive the people's rightful trust and confidence.

## Committees formed

Chief Secretary to the Government Tan Sri Ali Hamsa says the government will form 26 Investigative Committees to probe 103 punitive warnings, including 60 at ministerial level and 43 at the state level.

Of the 26 committees, he says 14 will be asked to investigate the outcome of 60 punitive warnings involving 11 ministries.

At the state level, Ali says 43 punitive warnings were issued to 12 state governments – Johor, Malacca, Negri Sembilan, Selangor, Perak, Penang, Kedah, Perlis, Kelantan, Terengganu, and Sabah.

"Overall, of the 895 audit warnings in the 2016 AG's Report Series 1, 748 involved corrective warnings and 103 punitive warnings," he said on Aug 3.

However, many taxpayers feel that in practice, the recommendations will not increase if the various authorities worked hand-in-hand towards a zero recommendation target.

Under the law, the AG is required to audit the federal government's financial statement, financial management and activities of all ministries.

The NAD needs to carry out four types of audits – attestation, compliance, performance and government companies' management.

The department basically provides opinions on whether the financial statements show a true and fair view. It also evaluates the financial management and activities of the entities concerned.

Nowhere is it stated that the NAD has enforcement powers and autonomy to act against those found conducting wrongdoings.

This raises the question of whether the NAD should be given greater powers as hoped for by former AG Tan Sri Ambrin Buang.

He expressed hope for greater autonomy to be given to the department, but that fell on deaf ears.

Ramon supports his position. "The AG should follow the UK's best practices and become more independent. Otherwise, the AG's reports will continue to repeat itself like an old broken record," he says.

On the flip side, if elements of wrongdoing are found, they can be reported to the police or MACC. This reduces duplication by enforcement agencies.

Some of the issues highlighted by the NAD as far back as in the 2012 report have not been rectified. It is unacceptable for the total number



**Repeat offenders exist because society keeps them in the system." – Ng**

of unresolved issues to exceed 100.

The NAD says among the various ministries, six issues arising from the 2013 report were still unresolved, followed by 40 issues from the 2014 report (*see tables*).

Another 143 issues raised in Series 2 of the 2015 report were also unresolved, considering that a total of 247 recommendations were made.

In total, from 2013 to the 2015 Series 2 reports, the NAD says a total of 228 issues that were highlighted have not been resolved.

Even if things are rectified upon discovery as in the case of Tabung Ekonomi Kumpulan Usaha Niaga (Tekun), it is already too late as millions of ringgit have already been lost.

Federal ministries are audited yearly while for statutory bodies, it is once in three years.

The audits reveal that the overall financial performance of the ministries last year had improved as compared to the previous two years.

Last year, all 25 ministries were rated as excellent in contrast to 16 ministries in 2015 and 20 ministries in 2014.

## Rated excellent

However, this raised doubts as many believe the "excellent" rating does not reflect the real state of affairs.

The annual financial management audit of federal departments showed they have improved as a total of 16 departments were rated excellent last year.

Audits were also conducted on six Malaysian diplomatic offices and seven statutory body representative offices located overseas.

The AG's report for last year concludes that where implementation is concerned, it has highlighted weaknesses that should be resolved.

This is to safeguard programmes to be implemented in an efficient, economical and effective manner.

To improve on the highlighted weaknesses, the NAD recommended that the respective ministries' secretary generals thoroughly examine if other programmes mirror these weaknesses so that similar corrective actions can be taken.

Question is, will they do so? **FocusM**

## Notable cases of mismanagement

### MINISTRY OF RURAL AND REGIONAL DEVELOPMENT

The Desa Lestari Programme

An audit conducted between December last year and March revealed that the implementation of the Desa Lestari Programme was less than satisfactory due to inefficient project execution, poor monitoring and administration of contracts.

This still occurs despite the fact that the programme was launched over three years ago.

Some areas which were identified and require attention include excess allocation amounting to RM16 mil which was transferred to agencies under the ministry.

The procurement of stingless bees amounting to RM4.56 mil was conducted via direct negotiation without the ministry's approval.

Nineteen projects worth RM5.3 mil in 12 cooperative societies were unsuccessful and abandoned.

The audit also found procurements amounting to RM2 mil were intentionally divided into six quotations primarily to avoid the tendering process.

The Desa Lestari Programme was launched in 2013 to give the rural areas a makeover and turn them into developed ones.

The objective of the transformation is to empower the communities with the ability to plan and implement development projects via enhanced economic activities.

Eighty villages were provided with allocations totalling RM114.7 mil as at the end of last year.

The Implementation of the Desa Lestari Programme Guidelines, as issued by the ministry in May 2013 and April 2015, was to be used by the agencies and cooperative societies for related procurement.

From what has happened, the guidelines are obviously ignored.

The National Audit Department recommends that the sustainability of the Desa Lestari programme be reviewed as it failed to achieve its objectives.

It was also subsequently recommended to the ministry to conduct investigations, followed by disciplinary action against those responsible for the abuse of authority, making improper payments and not complying with financial regulations by splitting procurement.

### MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION

From 2013 until September last year, CyberSecurity Malaysia (CSM) received RM72.2 mil as operating grants and RM295.2 mil as development grants. During the period, CSM completed 38,844 cases related to computer security.

An audit conducted from May to October last year revealed that while CSM's overall financial performance from 2013 to 2015 was satisfactory, it should have been more proactive in generating revenue from the company's activities and not depend on government grants.

Some weaknesses the audit found included CSM's related expenses for three out of 10 projects under the 10th Malaysia Plan (10th MP) which exceeded the total allocation of RM727,402.

Development grants for projects under the 10th MP and 11th MP totalling RM3.76 mil were instead used for operating expenditure including entertainment and secretary's week workshops.

Usage of development grants for operating expenditure is not allowed.

### MALAYSIA HANDICRAFT DEVELOPMENT CORPORATION

The AG's report highlights that the appointment of the chairman and composition of the board of directors were not in line with best practices set out in the Green Book, as they comprise of top management from Kraftangan and without any independent directors.

There were also issues with the Corporation's subsidiary, Syarikat Pemasaran Karyaneka Sdn Bhd or Karyaneka which was established to primarily market Malaysian craft products in local and international markets.

Karyaneka owns nine outlets in Kuala Lumpur, and two each in the KL International Airport, klia2, Kota Bharu and Penang.

The audit in May and June last year revealed that while Karyaneka's overall financial performance from 2013 to 2015 was satisfactory, there is a need to improve its corporate governance practices which were found wanting.

### MINISTRY OF WORKS/PUBLIC WORKS DEPARTMENT

Looks like taxpayers have to foot the expensive costs incurred in the delay of the Rawang Bypass in Bandar Rawang, Selangor.

An audit between October and December last year found that the project took a long time to complete with extensions of time totalling 2,132 days.

The delay was attributed to third parties' work procedures and processes deemed to be beyond the Public Works Department's control.

This caused the contractor to claim losses and expenses of RM7.9 mil.

The audit also revealed that design changes in the overlapping routes between elevated structures in this project and the Assam Jawa Taman Rimba Highway (LATAR) resulted in an additional cost of RM34.2 mil.

Delays arising from the settling of land compensation resulted in penalties of RM5.5 mil, and even when progress claims were paid, it was late.

The 12% progress claims by the contractor amounting to RM64.6 mil were paid between 15 and 118 days late.