

Corporate fraud cases on the rise: auditor-general
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The government has made significant strides in reducing fraud and corruption risks through rigorous preventive measures, said auditor-general Ambrin Buang.

Ambrin said among the measures are, the adoption of an open tender system to ensure transparency in government contracts, public accessibility of information on government tenders using the My Procurement portal and the passing of the Whistleblower Protection Act 2010 by Parliament.

The Whistleblower Protection Act is to protect those who disclose information on wrongdoings and whose assistance is required for investigations.

Other measures include the introduction of an integrity pact where bidders are required to refrain from offering, demanding or accepting bribes to influence procurement decisions as well as enforcing swift and stiffer punishments along with accelerating corruption trials," he said in his opening remarks at the 2010 Corporate Fraud Conference in Kuala Lumpur today.

The conference was organised by the Institute of Internal Auditors Malaysia.

"We should emphasise on preventive measures. Even the government has strengthened its audit system in various ministries and departments with more qualified personnel," Ambrin said.

He also said there are indications that fraud cases in corporate Malaysia is on an increasing trend.

No open tenders

He highlighted the billion dollar Port Klang Free Zone scandal as an example of suspected public sector fraud and waste of a great magnitude.

"Weak project management and bad governance in terms of disregard of proper government procedures, no open tenders, excessive costs, cash flow problems, the lack of master planning and minimal supervision, have all severely undermined the viability of the project," he said.

He stressed that fraud could be discovered in a timelier manner or perhaps even avoided, if key officials in public service and corporations, are more vigilant, competent and committed in discharging their responsibilities.

Meanwhile, the governor of the Institute of Internal Auditors Malaysia, Ranjit Singh said there needs to be a system in place to identify fraud and ensure issues are raised, before it happens.

"In this respect, the internal auditor's role in relation to fraud risk management becomes important," he told a media briefing after the opening of the conference.

Ranjit said there is a need for regulators to look at enforcement policy, sentences and fines,

in helping to reduce fraud.

In another sense, he said, support from the board of directors for a strong internal control system is crucial.

"An internal control system such as having at least two signatories to the company's cheques, ensures check and balances, play a key role," Ranjit explained.

'Merely decorate the board room'

The president of the Institute of Internal Auditors Malaysia, Hashim Mohammed said the board of directors should also show greater professionalism and commitment in combating fraud and promote better corporate governance.

"This will promote Malaysia as an attractive capital investment destination through confidence in the capital market.

"We do not need directors who merely decorate the board room," he said during the media briefing.

He said the Institute of Internal Auditors Malaysia is proposing for rules to make directors give more thought and commitment to their statement on corporate governance in the company as well as that on the risk and control structure in annual reports.

"Most statements made in annual reports are more of a cut and paste kind, rather than reflect, what they should truly be," Hashim explained.

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