

Audit report: PAC zooms into the Horror Nine
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When the Auditor-General's 2009 report was released early this week, it highlighted the incompetencies and leakages of taxpayers' funds that had somehow seeped through the bureaucratic system.

While Malaysians sat up and read the reports in horror, the Audit Report has also grabbed the attention of the Public Accounts Committee members, who have recently announced that they will be investigating nine cases from it.

They are:

1) The Economic Stimulus Package

Announced in November 2008, it was meant to kick-start the country's economy by "spending to generate money" after the US sub-prime scandal which had escalated into a global financial crisis.

With RM7 billion allocated to it, the auditor-general discovered that part of the funds have been misused, some for luxury items.

RM250 million in funds were allocated to the Defence Ministry for maintenance in military camps and quarters. However, some of it went to buying a home theatre system, a RM10,000 chandelier and two sofa sets amounting to RM26,000.

The construction work from the allocations of the stimulus package were of such poor quality that RM1.27 million worth of projects needed another RM812,828 to rectify or repair.

2) Batu Maung tuna port

The RM243 million project to build and privatise a fully integrated fisheries port specialising in tuna, was agreed upon in 2004.

The Fisheries Development Authority of Malaysia (LKIM) and a company called Blindforce Sdn Bhd had formed MITP Sdn Bhd, a 40:60 joint venture company to build the tuna port with RM240 million in bonds, secured through letters of support from the Agriculture Ministry in 2006.

However, the auditor-general reported that LKIM had formed another special purpose vehicle company and then requested MITP to transfer 40 percent of their equity to this other company, breaking the concession agreement.

The Audit Report also uncovered there was a letter of undertaking by LKIM to ensure that MITP repays almost all of the bonds, going against the concession agreement that the federal government is not obligated to bail out private companies.

3) Penang Port Sdn Bhd (PPSB)

In this project wholly-owned by the Ministry of Finance Incorporated (MFI), the Audit Report had uncovered that a firm, Rayston Consortium Sdn Bhd - appointed through direct

negotiation – was way behind schedule in their work, but was not fired, and that resulted in a RM6.71 million increment in costs.

At the same time, the PPSB readjusted their cost projection of the third phase of construction from RM414.3 million in 2007 to a whopping RM641.13 million in 2008, an increment of 54.8 percent.

The audit team could not verify whether the detailed explanation of the jump was provided by the PPSB board of directors.

Despite that, contractors Konsortium Jamil Ghani Construction Sdn Bhd and Pembinaan Anas Maju Sdn Bhd - appointed through direct negotiation - offered to do the job at RM724.98 million before “compromising” with PPSB at RM682 million.

The auditor-general also reported that there were no comprehensive black and whites to support the project cost.

4) PTPTN loans

The National Higher Education Fund Corporation, aimed at giving out loans to needy students for their higher education at low interest rates, have found themselves in a RM46 billion deficit, with the major contributing factor being defaulters.

The Audit Report also uncovered that RM23 million in loans were disbursed in 2009 to 16,013 students who did not apply for it.

At the same time, more than half of the 103,525 forms received in 2008 and all of the 124,070 forms received in 2009 have not been processed.

5) Health Ministry's haemodialysis programme

In the 2009 Audit Report, the auditor-general found that the Health Ministry's haemodialysis (a process to filter blood especially for those whose kidneys have failed) programme was severely ridden with weaknesses.

“Among the weaknesses found were the patients' long waiting period; equipment and medicines that have been paid for but not received; the lack of enforcement on procurement contracts, resulting in fines not paid; poor management of income and revenue; overpaying NGOs in treatment subsidies; overpaying NGOs for their haemodialysis equipment or paying them even before they start operations as well as paying NGOs not licenced to conduct haemodialysis,” said the report.

Among the irregularities found by the auditor-general were giving out RM296,000 to the Klang Haemodialysis Society for their second premises.

Checks by the audit team have shown that it has not even started operations and that they are not licenced by the Health Ministry.

6) Additional Food Programme for schoolchildren

The recent auditor-general's report has uncovered that food suppliers for the schoolchildren's Additional Food Programme (RMT) have been giving out food that costs a lot less than what has been contracted.

The programme, formed to give poor schoolchildren food to supplement their daily meals, had also seen examples such as kids being fed with only white bread and margarine when they were supposed to get sardine sandwiches, fruits and a drink.

In a straw poll by the audit team to children who are under the RMT programme, it was also shown that nearly 60 percent of them come from families who live in double-storey houses, with cars, satellite TV or cell phones, raising doubt to whether it is the hardcore poor who are benefiting from the programme.

7) Skudai army camp

In 1997, the Defence Ministry had entered into an agreement with Kausar Corporation Sdn Bhd Consortium (KCSB) - a joint venture between Kausar Corporation Sdn and Syarikat Koperasi Angkatan Tentera Malaysia Sdn Bhd - to build a RM256 million "7th Brigade Complex" on government land in Skudai.

In exchange as well, the government had signed a land swap deal to give two plots of government land in Tebrau and Plentong to KCSB to develop as commercial land.

The projected date of completion was 2001, but the construction of the complex project has stalled at 18.3 percent completion since 2002 to this day.

The two plots of land that were been signed off to KCSB have also been sold off to another company, with the government facing a risk of heavy financial losses.

8) The Muadzam Shah Polytechnic Institute in Pahang

The project has changed hands three times since it first started construction in September 2001 with a contract value of RM219 million when each contractor could not deliver the project without delays.

Although slated for completion in September 2003, the project is still not complete to this day and the government has spent RM294.74 million on it, a 34.6 percent increment from the original estimate. This does not include the RM10.55 million in consultancy bills the government has to foot.

On top of that, the government had to spend a total of RM130,000 in rental of space for students since the polytechnic is not ready.

And while the institute was expected to take in 5,000 students annually, the intake is now limited to between 64 and 347 annually.

9) Railway Asset Corporation

Formed in 1992 after Keretapi Tanah Melayu Berhad was privatised, the Railway Asset Corporation (PAK) was meant to take over all rail assets including plots of land.

But since then, the auditor-general reported that only 30 percent of land has had its ownership transferred to PAK.

Before PAK could take ownership of their rightful land, some of which are sitting on prime real estate, the audit team also noted that KTMB had sold off five lots to private developers,

causing PAK to lose RM335.32 million (according to 1995 estimates).

As a result of the delay in transferring of land titles to PAK, other government agencies have also assumed ownership of the land, building their own facilities without paying rental to PAK.

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