

'Grossly negligent' ex-PKA board members face legal action

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The Port Klang Free Zone (PKFZ) audit report has revealed 'gross negligence' by past Port Klang Authority (PKA) board members in the handling of the controversial project, said a special committee established by the transport ministry.

The ad-hoc committee on administration and corporate governance, in its 38-page report said that the PKA board, the managing body of PKFZ, did not discharge their fiduciary duties diligently.

Additionally, the committee found that the board had inadequate check and balances as well as weaknesses in corporate governance.

The committee was referring to the PKA board for the 2001 to 2007 term. This period was when the PKFZ deal was inked and construction completed.

The report was unveiled today at a press conference at the transport ministry headquarters in Putrajaya.

During the press conference, current PKA chair Lee Hwa Beng (right) said the current board members will discuss on Monday whether to take legal action against the previous board members.

"The board will look into it," said Lee, adding that the board will also be studying other recommendations by the committee.

Seven recommendations

The ad-hoc committee was among three special teams established on July 10 by PKA under the orders of by Transport Minister Ong Tee Keat.

The purpose of the three teams was to follow up on the audit report by PriceWaterhouse Coopers, which exposed many irregularities involved in the PKFZ project.

Headed by Transparency-Internal Malaysia's president Paul Low, the ad-hoc committee's scope was to ensure that weaknesses identified in the audit report do not recur, and to ensure the PKA board and management establish good governance practices.

In the report, the committee outlined seven recommendations for the PKA board. They are as follows:

- * Revamping the PKA board
- * Improving accountability of the chief executive officer or general manager (GM) to the board
- * Establishing a supervisory committee on ethics and integrity
- * Improving the internal audit department
- * Establishing a risk management committee
- * Improving the tender committee
- * Implementing an anti-bribery programme

Curbing GM and CEO's powers

The suggested revamp of the PKA board involves having a third of the directors comprising 'independent non-executive directors'.

They are defined as someone who is not an appointed representative of another governmental agency, not a political appointee, not a nominee of the transport minister, does not hold executive positions and is not connected to PKA in any way.

According to Lee, of the current 10 board members, only one complies with the stringent conditions recommended by the ad-hoc committee.

In his presentation on the recommendations, Low (right) said the GM or CEO had in the past made unilateral decisions which the board members are oblivious off.

"The GM is lawfully appointed by the minister. So the GM cannot say that he or she is only answerable to the minister. It is not a good practice," said Low.

Low said that rightfully, the minister concerned must appoint a GM or CEO only with the board's approval, or the two posts becomes "very powerful".

Meanwhile, Low described the current internal audit system as "weak", as the audit committee chairperson was also the GM or CEO, opening up a possible channel for conflict of interest.

"The person should be independent and be answerable to board and not the GM," he said.

Political interference

The committee appears to be addressing perceptions that PKFZ, once touted as a state-of-the art port facility, is a heavily political vehicle.

During the crucial period between 2001 and 2007, three prominent MCA leaders - current finance minister Chor Chee Heung, former MCA secretary-general Ting Chew Peh and former MCA vice-president Yap Pian Hon - took turns as the PKA chairpersons.

In conclusion, Lee said, on a personal level he felt the recommendations were "very good" and the committee report would be deliberated by the board.

"I hope as many recommendations would be implemented as soon as possible," he said.

Meanwhile, Transport Minister Ong, through his official blog, said that in tandem with the report, he has advised PKA to conduct seminars on transparency and accountability to board members, management officials and staff.

"We cannot afford another PKFZ fiasco. The problematic issues that arose from weak corporate governance and weak management should not be allowed to repeat.

"Today marks an important milestone where we boldly step forward to adopt international best practices in corporate governance," he said.

Ong, was not present at the at the unveiling of the committee report today as he was

apparently ill.

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