

How Fare the Statutory Bodies?

Federal statutory bodies were found to be generally slacking in their financial, administration, management and operational performances.

A COMMON theme highlighted repeatedly in the 500 or so pages of the Auditor-General's Report 2004 on Federal statutory bodies is the need to improve their financial, administration, management and operational performances.

The audit report shows that the 101 Federal statutory bodies received a total income of RM38.2 billion in 2003, 15% more than in 2002. Of that figure, the bodies along with their 103 subsidiaries generated RM32 billion from their own activities, while Federal Government grants amounted to RM5.8 billion.

Bodies under the Ministry of Finance top the list, making up 55.1% of total income, followed by those under the Ministry of Higher Education with RM5.19 billion.

The report found that the income of 30 statutory bodies fell in 2003. Among the notable 'underperformers' were Majlis Amanah Rakyat, Bank Simpanan Nasional, Universiti Teknologi Malaysia,

Dewan Bahasa dan Pustaka, Universiti Sains Malaysia and Malaysian Totalisator Board.

At the subsidiary company level, there was an overall deterioration in performance. Of the 103 companies audited, 54 made profits (compared with 51 out of 106 in 2002) totalling RM530.5 million, compared with RM1.25 billion in 2002.

The Audit Department audited 22 of the 111 financial statements while 89 were done by appointed private auditors. All statutory bodies must forward their financial accounts before June 30. According to the Auditor-General's Report, 92 submitted their accounts by the end of April while 16 did so closer to the deadline. Only two statutory bodies sent their accounts after the deadline.

Other than auditing the accounts, the Audit Department undertook a management audit of 36 statutory bodies. The analysis provided some interesting findings that were made known to the chief executives of the various agencies.

Only nine of the 36 bodies surveyed



were found to have achieved good management while 23 had satisfactory management. The report also praised some of the auditees on certain aspects.

Malaysian Business presents here a summary of some of the audit findings.

SOCIAL SECURITY ORGANISATION (SOCSO)

Plus Points

The Auditor-General's audit was to see if the contributions were managed well. It found that Socso had adequate means to undertake the activity including bringing employers to book if they didn't pay, and was working towards improving service, meeting claims and improving processes and records.

Minus Points

The audit report found that the RM32 million SIKAP IT system at headquarters was not integrated with offices in the states. No proper planning was done on the IT infrastructure (prior and post) as of the report period. The shortcomings of the IT system caused problems with the collection of contributions and delay in work processes.

The report felt the problem of shortage of officers, monitoring of employers and income collection processes needed to be improved. Checks on employers needed to be increased. Also, Socso needed to get connected with other agencies like the Inland Revenue Board, etc, to have better access to information. Customer services needed to be improved as well as the registration system of employees.

FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA)

Plus Points

The audit was of Felda's entrepreneur-intensive scheme. It said planning was good and records well maintained in general.

Minus Points

The report said monitoring needed to be improved. It also found a need to improve the participation of Felda officers in the implementation of the scheme. Record-keeping was also incomplete in some instances. Loan applications profiles were not complete and reasons for approval and rejection of certain applications were not identified.

Collection on loans according to schedule needed to be improved. The scheme's management committee needed to adopt a more proactive approach on loan applications by way of giving advice on the potential of a certain project and identify why certain projects succeeded and others failed.

BANK PERTANIAN MALAYSIA

Plus Points

The audit was of the bank's management of properties. It found that procedures and planning were satisfactory.

Minus Points

The audit revealed difficulty in assessing whether production at the institution's 205-hectare oil palm plantation in Kelantan, which was managed by a contractor, met industry norms set by the Malaysian Palm Oil Board. Poor management of property and land assets included matters of paperwork and expertise of officers.

The audit felt agreements and contracts signed needed to protect the interests of the bank further. Officers at state or branch level needed to be given more say on the management and development of property assets.

UNIVERSITI MALAYA

Plus Points

The audit was of the management of research activities. It found that planning for research, use of the labour force and facilities, financial planning, organisational structure and procedures were good.

Minus Points

The report found the Institut Pengurusan Penyelidikan & Perundingan's implementation of projects falling short of its planning. Research projects were hit by delays, procurement did not follow specifications, projects failed and were not managed well, and monitoring was weak.

TERENGGANU TENGAH DEVELOPMENT AUTHORITY (KETENGAH)

Plus Points

The audit was done on Ketengah's traditional village economic development programme. In general, it found programme planning to be comprehensive.

Minus Points

The audit found that Ketengah failed to meet the objectives as implementation was weak. It said the audit organisation structure needed to be improved. Lack of funding, disease, labour and opportunistic agent firms had led to poor performing or failed agricultural programmes. Production levels were low while management and maintenance costs were high.

Marketing avenues for the programme's population were lacking. Monitoring activity was not complete and did not cover all components of the programme.

MALAYSIA TOURISM PROMOTION BOARD

Plus Points

The audit was of the body's advertising activity to see how effectively it promoted Malaysia as a tourist destination. It found the board had planned adequately to manage the advertising activity. Treasury procedures were followed. Monitoring methods and results of the advertising activity were satisfactory.

Minus Points

There was no strategic advertising plan. Officers with the advertising department needed to be better trained and contact with the media and other countries improved.

NATIONAL PRODUCTIVITY CENTRE (NPC)

Plus Points

The audit was of the NPC's scheduled training programmes, for which it found that the planning and implementation were well done.

Minus Points

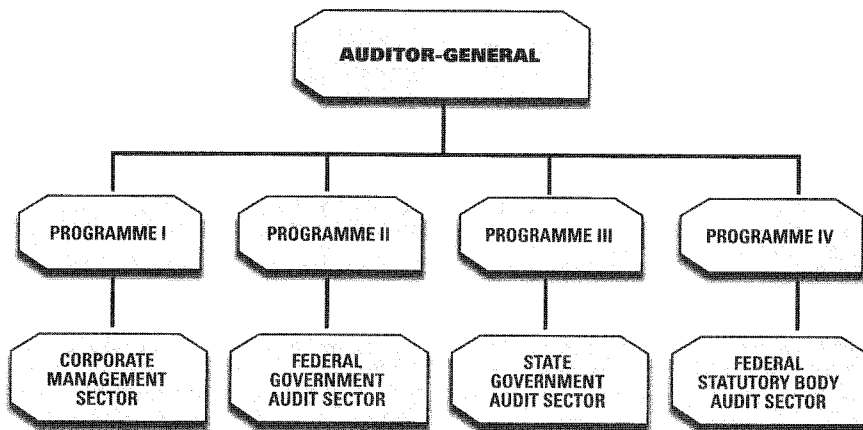
The report recommended that the NPC improve its main office and campus facility to reflect its aim of becoming an internationally recognised organisation. Facilities at the training and residential centres also needed to be boosted. Record keeping could be improved.

HOSPITAL UNIVERSITI KEBANGSAAN MALAYSIA (HUKM)

Plus Points

The audit found the planning and

Organisational Structure of National Audit Department



management of consumable supplies to be orderly.

Minus Points

Stock of supplies was high, store space limited and stock turnover low, with manpower shortage and lack of expertise. It said a comprehensive and systematic monitoring mechanism was needed.

NATIONAL ART GALLERY (NAG)

Plus Points

The audit was of the management of art collection. It found the manuals on management of pieces to be complete and in detail. Planning of its strategic and long-term monitoring programmes were satisfactory.

Minus Points

There was a loss of 206 collection pieces, due partly to a poor documentation system, lack of physical checking and lack of security. The audit also saw a need to raise the level of expertise of employees.

The floor of the treatment room was also found to be infested with ants. Equipment such as the vacuum machine used to treat art objects was placed in the emergency staircase space of the conservation laboratory.

COOPERATIVE COLLEGE OF MALAYSIA (CCM)

Plus Points

The audit found that the general planning for the training programme was organised in terms of management

organisation, training curriculum and facilities, manpower and intake of students.

Minus Points

There were instances of failure to collect student fees, inconsistencies in student enrolment, certificates issued not having serial numbers and poor record management. It also lacked teaching personnel, some of whom were burdened with other tasks. There was also delay in the building of the campus.

LEMBAGA PERTUBUHAN PELADANG (LPP)

Plus Points

The audit was of LPP's projects to increase food-based agricultural activities. It found the effort well planned.

Minus Points

LPP's strategic plan failed to state the programmes' objectives or production targets. Implementation and management could be improved. There was a lack of expertise in the rearing of tiger prawns, padi seedling development, and use of funds and technology in the management of projects. Information on progress and effectiveness of projects was lacking.

BANK NEGARA MALAYSIA (BNM)

Plus Points

The audit of the money stock showed the planning, implementation and monitoring activity with regard to the subject matter was good and organised.

Minus Points

The money stock level held should be reviewed in lieu of rising electronic banking and credit card use. BNM should use the FIFO (first-in-first-out) method to manage paper cash movement from the bank vault.

EMPLOYEES PROVIDENT FUND (EPF)

Plus Points

The audit was of equity investment activity, which it found to be well organised, in accordance with the laws, well recorded and meeting the objectives set.

Minus Points

The portfolio managers' fee structure was not standardised. Board members needed to be told of their responsibilities, job scope and role as board member in the EPF or companies.

LEMBAGA TABUNG HAJI (LTH)

Plus Points

The audit found that the pilgrims' fund was well managed, played its functions well and met its responsibilities to depositors.

Minus Points

The report felt LTH needed to address claims from deceased contributors' families, and monitor withdrawals for *hajj* reasons to ensure payments were made on time. Cash management at offices needed to be monitored so as to not hold excess requirements.

LEMBAGA TABUNG ANGKATAN TENTERA

Plus Points

The audit found the fund had managed depositors' funds well, consistently given good dividends, and that records were well maintained.

Minus Points

Some withdrawals were held back due to lack of information and missing contributors.

UNIVERSITI TEKNOLOGI MALAYSIA

Plus Points

The audit in general found the plan to manage the engineering faculty equipment to be good. Procurement was according to regulations.

Minus Points

It felt management at the Engineering

Some Replies

Malaysian Business contacted 10 statutory bodies mentioned in the above list for their comments on measures they intend to take on some of the weaknesses highlighted. Following are some of their replies:

SOCISO – Socso has set up an ICT committee to formulate a comprehensive solution to the organisation's ICT. It also plans to hire a consultant to formulate a long-term ICT strategy and undertake business process re-engineering to improve the delivery. Socso is also undertaking a restructuring of the organisation to overcome the shortage of employees.

FELDA – Felda is providing the necessary training for prospective entrepreneurs as well as marketing assistance. The scheme committee has been instructed to hold monthly meetings to consider applications. Monitoring activity has been stepped up and record-keeping is being improved.

KETENGAH – No reply.

HUKM – No reply.

NAG – The collections management system has been improved, 79 missing pieces have been accounted for, and the official number of works missing was revised from 127 to 39 on Oct 5, 2005. Checks and controls are being improved and the Special Committee on Art Recovery has adopted a multi-pronged approach to locate the other missing pieces. Processes such as stocktaking and loan policy are being stepped up, as are security measures, with the committee studying the cost effectiveness of electronic tagging. The manpower problem will be handled through a reorganisation exercise. NAG is also considering halting lending arrangements with all non-exhibition lenders.

CCM – Management has taken action on all the adverse findings.

LTH – The organisation will check its files and issue reminders to deposit inheritors to provide the necessary information and legal claim documents from institutions such as the district office and Syariah court. Notification will be sent to the estate of deceased depositors. LTH has consulted the National Fatwa Council that has stated that unclaimed monies cannot be put into the unclaimed account as the contract agreement states that LTH is obliged to hold the money. The LTH Act must provide for LTH to donate the money to the relevant state treasury or the Pilgrims Welfare Fund.

UTM – Faculty management has depreciated some equipment that could not be repaired or were spoiled, labs have been cleaned and organised, equipment repaired and issues raised by the audit report have been reported to the university's Audit Committee to be discussed at the Board of Directors' meeting.

MPOB – MPOB was able to collect nearly all of the cess due. It has developed the *e-kilang* where producers need to register their production online. We are also in the midst of developing the *e-cess* where producers will be making their cess payment online.

UITM – No reply.

Faculty needed to be improved to prolong the life of facilities. Equipment was found stolen and security needed to be improved.

MALAYSIAN PALM OIL BOARD (MPOB)

Plus Points

The audit of cess collection revealed that planning for the undertaking was satisfactory.

Minus Points

Cess collection system was unclear.

UNIVERSITI TEKNOLOGI MARA (UITM)

Plus Points

The audit found the university had a proper plan for the management of moveable assets, and that procedures were in place.

Minus Points

Asset movement was not well controlled, with reported loss of computers, laptops, liquid crystal display projectors and even motorcycles. Equipment acquired such as the suspended solid oven, artificial sky and iron smelter were never used.

NATIONAL TOBACCO BOARD

Plus Points

The audit found the programme to help tobacco farmers was well planned and implemented and had met its objectives. The programme also lowered production costs and improved farmers' incomes.

Minus Points

The report felt a computerised system for the credit scheme was needed and red tape reduced in the processing of participants for the scheme.

UNIVERSITI SAINS MALAYSIA

Plus Points

The audit of the management of moveable assets revealed that general planning was satisfactory in terms of procurement, management structure, depreciation and manpower utilisation.

Minus Points

The report said maintenance needed to be improved as maintenance of equipment was only undertaken when it spoiled or broke down. Some equipment was not used for over a year while four were unaccounted for when the audit was done. **mb**