

The 18th Commonwealth Auditors-General Conference

Palace Of The Golden Horses, 7 October 2002

It is indeed a pleasure and honour for me to be amongst the Auditors-General of the Commonwealth today and to officially open the 18th Commonwealth Auditors-General Conference, the first in the new millennium.

2. On behalf of the Government of Malaysia, I would like to extend my warmest welcome and I hope that you will have an enjoyable and memorable stay in this country.

3. I would like to take this opportunity to congratulate all of you particularly the organiser for choosing a theme, which is very relevant and timely, "Re-engineering Auditing In The Public Sector". I am also pleased to note that your deliberation will cover topical issues which require you as "watch dog" to the government to reflect on your role in order to remain relevant as well as contribute pro actively in achieving the goals and aspirations of the government of the day working in the interest of the country and the people, without sacrificing your professionalism.

4. I am very confident that this congregation of auditors from both developed and developing countries of the Commonwealth will be able to come out with concrete ideas which will contribute towards the reforms of auditing practices and standards required in a world dealing with huge sums of money expanded rapidly. I believe your discussion for the next two days would be a very stimulating and fruitful one and will contribute to the professional development of auditing in the Commonwealth.

5. In the last few years we have heard a lot about auditors and auditing. They are not really good news. Accounting firms auditing the accounts of large corporations had allowed themselves to be influenced by their clients. I need not elaborate because it is public knowledge. However, it underlines the need for ethics and responsibility on the part of auditors in general. Countries can go bankrupt unless accounting and auditing standards are above reproach. And countries, though they may be smaller than many of the large corporations in terms of funds, are far too important to be allowed to go bankrupt. Governments can often take care of their people distressed by the failure of business but no one can look after the people when Governments fail. We have seen this happen to a number of countries lately.

6. There is a need to reiterate and emphasise the importance of managing the monies of a Government. Much of the management

of a country's treasury must be left to the civil servants. They must therefore be skilled in this field. Such skills do not come naturally. They have to be trained and to be exposed to the best practices and system for the management of funds. And the auditors of course have a duty not just to audit the management but also to guide and in many instances to teach the proper methods and systems in this field.

7. The auditors themselves need to develop auditing skills and know best practices. Which is why a conference such as this, involving the auditors of Commonwealth countries is very important.

8. Commonwealth auditors must have inherited much of the practices from the British. There is therefore a commonality which enables Commonwealth auditors to understand each other's practices and methods. Without doubt they have learnt much and accepted the practices of those outside the Commonwealth. This is necessary because the practices in many countries must have changed over the years and now by the advancement in computer technology and usage. The old manual scanning figures to detect discrepancies can now be done in a jiffy by computers programmed to do so.

9. Speed is obviously essential and the computer provides speed in the detection of differences in the accounting which may indicate wrong accounting or misappropriations. Computers can establish and recognise the pattern of spending better than humans, who may not see the big picture. And since the computer can do this speedily, auditors can actually audit continuously, thus keeping the accounting records and the practices of the managers of funds on their toes. We do not want to close the stable doors after the horses have bolted.

10. The Electronic Government is one of seven I.T. flagships introduced by the Malaysian Government in order to provide a more efficient and effective civil service in the information age. It will employ multimedia technologies in the administrative environment for the efficient delivery of government services through new delivery channels. Currently a number of public services are already made available through the web-based delivery channels. Bills are now paid promptly upon receipt of invoices. There are no more hard copies of vouchers and cheques. Procurement and payment process is done through the computer ending in an electronic fund transfer to the vendors and suppliers' bank accounts. While the benefits from this change will be tremendous, large amounts of public funds have to be invested in these new technologies and the returns are not immediate. Besides the success of these new government processes, systems and operations largely depends on the readiness of the public to accept new technologies.

11. In such an environment, audit as an integral part of the government machinery responsible for independent scrutiny and reporting on financial performance and operations will need to reform and adjust to the changing needs and demands of the electronic environment in order to remain relevant and credible.

12. Auditors have now to master the computer and develop software in order to maximise the advantage offered by the computers. Against the new structured economy, new ethics and new forms of risks will surface along the way and this will surely be of concern to auditors. There is a need for you to re-engineer your audit methodology and techniques to accommodate these changes taking place in the manner government provide services under the ICT environment.

13. While your roles are expanding considerably, the underlying commitment of the profession to maintain excellence and integrity in every task should not be forgotten. Auditors have been looked upon as the guardians of financial truth and setters of due-diligence standards. To achieve this unflinchingly, the profession's transparency and integrity must be beyond doubt. Auditors must remain inquisitive, sceptical and rigorous in their application of the higher standards.

14. It is also inevitable for the auditing profession to be ahead in a new dimension upgrading services and adding value. The major concern now is no longer the percentage of audit coverage but the quality of audit. Historical findings are being phased out and replaced by viable, specific and value added ideas. Audit reports should recognise the importance of good quality assurance and foresight. In addition, Audit reports will only lend credibility if there is uncompromised independence for the Auditor-General supported by professional competence in his office.

15. I would like to urge the Auditors-General to take cognisance of what independence is all about in relation to professionalism in public sector auditing and reporting. An Auditor-General very often in the course of discharging his duties becomes privy to highly confidential matters or even secrets pertaining to national defence or national economy. Reporting for the sake of public excitement and sensationalising certain issues should be avoided. The Auditor General should exercise professional judgment to weigh the pros and cons of disclosing such matters to the public, as the repercussions may be far-reaching and detrimental to the long-term interests of the nation as a whole.

16. Auditors have the advantage of hindsight, because you have been doing post-audit programmes and activities that have been

implemented. Your main focus is on weaknesses or problematic programmes and activities. The public is entitled to know how funds are being expended or misapplied. What then is balanced and fair reporting in the context of today's public sector auditing could be food for thought in this conference.

17. Your mandate is to audit the management of the funds of your respective governments. The Government decides on how public money is to be spent and this is detailed in the budget. The Government maybe wise or unwise in the allocation of funds. That is for the people through their representatives to debate. But the auditors must be concerned not with the policies or allocations by the Government but with the proper administration of the budget and the funds. Government have certain procedures which have to be adhered to by the civil servants, including the records of transactions which have to be kept. The duty of the auditors is to check and see that funds are properly managed in accordance with procedures and allocations. It is of course the duty of auditors to note and report on any deviation in the administration of funds in particular on record keeping which must always be up-to-date. Today using computers linked to each other, it is possible for the officers disbursing or receiving payments to make immediate record which can be noted by senior and other officers. Nothing is more important in the management of money than the immediate recording of all transactions.

18. Lessons learnt from the 1997 global economic downturn clearly indicate that countries cannot and could not survive in isolation, and neither could they be over-dependent on the international financial regime that exists. Malaysia had reasons to ignore the norm in the management of its finances. But we are transparent and all now admit that our unorthodox methods yielded results. Today we are financially sound, holding large reserves and savings. There is no black market in the Malaysian Ringgit, which there would be if there is doubt about our accounting and our records. We have submitted fully to auditing. We do not regard auditors as our nemesis. Indeed the Government looks to the auditors to ensure that the public is well-served by the Government.

19. Malaysia and many countries in East Asia have been accused of incompetency, corruption, cronyism and lacking in transparency. In fact all these were said to be the causes for our currencies devaluation and financial turmoil. We admit that there is always some corruption and what may be described as cronyism. The unfortunate thing is that these accusations are made for political reasons i.e. in order to promote some and denigrate some people in the Government. In the interest of politics, the facts are often distorted or ignored. If indeed the people accused of corruption and cronyism are truly

guilty, can they pull the country out of the recession and financial turmoil, to put it back on the path of growth? Auditors are in a position to verify the facts for themselves and the public. I hope auditors will always ignore populist politics and conscientiously audit the accounts as professionals. As much as they should not be influenced by their clients, the management for example, they should not pander to the wishes of the people outside, the media included, to prove that certain parties are guilty. That is what professionalism is about.

20. Finally, may I once again congratulate the organisers and all delegates for successfully organising this conference and I hope that the outcome of this conference will benefit all Auditors-General of the Commonwealth.

21. On that note, I hereby declare open the 18th Commonwealth Auditors-General Conference.