THEMATIC COMPILATION OF RELEVANT INFORMATION SUBMITTED
BY MALAYSIA

ARTICLE 9, PARAGRAPHS 2 AND 3 UNCAC

MANAGEMENT OF PUBLIC FINANCES

MALAYSIA (SIXTH MEETING)

Management of Public Finances
a) Procedures for the adoption of the national budget:

The provisions for the adoption of the national budget are stipulated under Articles 99, 100, 101, 102, 103, and 104 of Federal Constitution and Section 15 of the Financial Procedure Act 1957 (Act 61).

The procedure for preparation of the budget is given in Treasury Instruction No. 29-51. Based on TI 29-51, the preparation of estimated revenue and expenditure for the Federal and States is the responsibility of the Secretary General to the Treasury and State Financial Officer respectively.

At the Federal level, the budget is prepared by the Budget Review Officers of the Budget Management Division (BMD) of the Treasury. The BMD is headed by a Budget Director and assisted by two Deputy Directors and six assistant directors.

The objectives of BMD are:
- to examine and analyse agencies plans and programmes
- to allocate financial resources for the implementation of such plans and programmes in the most effective and efficient manner
- to conform to the national objectives through the preparation of annual approval by Parliament.

Controlling officer who is the chief of the accounting officers of each government agency is responsible to examine budget of all government agencies under their control, to consolidate the budget for all agencies to ensure that budget allocations are spent efficiently and effectively.

Process:

Once the agency received the circular from the Treasury, they will instruct various departments under them to prepare the budget input. The Budget Implementation Committee of the agency will then prepare the budget based on the input provided by their departments. The budget proposal will then be submitted to the Treasury and relevant Ministry. The Budget Management Division of the Treasury will examine and approve the budget. The budget will then be presented to Parliament for approval.
has been approved by both houses of Parliament and consented to by the Yang di-Pertuan Agong allocation warrant will be sent to the relevant Ministry and agency.

b) Timely reporting on revenue and expenditure;

Section 16 of the Financial Procedure Act 1957 (ACT61) requires that the annual financial statements be prepared as soon as practicable after the end of every financial year for the purpose of audit, but no date is mentioned in this law for the submission of accounts. Section 9 (2) of the Audit Act, however, covers this omission and states that "if any such statement is not received within a period of seven months after the close of the financial year, the Auditor General shall submit a report to His Majesty the King who shall cause the report to be laid in parliament. No such report has yet been made as the accounts are received well within the statutory period of submission.

The term “financial year” under Sec.3 of Act 61 means a period of twelve months ending on the 31st day of December in any year.

c) System of accounting and auditing standards and related oversights

Currently the Malaysia government does not have a common accounting standard with regards public financial management. The accounting standards vary with different levels and functions of the public services as below:

1. Federal/State Government- International Public Sector Accounting Standard (IPSAS), Government Accounting Standard or Piawaian Perakaunan Kerajaan (PPK)

2. Local Government/Statutory Bodies- International Financing Reporting Standard (IFRS) as practiced by the Securities Commission and the Central Bank of Malaysia (Bank Negara); Private Entity Reporting Standard (PERS), Malaysian Accounting Standards Board (MASB), Standard Accounting System for Government Agencies (SAGA) implemented through Development Administration Circular (PKPA) No. 11 of 2011

d) Accounting Systems of Malaysian Government-Agency Level

The Malaysian government has adopted and developed various accounting systems in ensuring effectiveness and accountability in accounting and reporting for the public sector organizations. Among the accounting systems used are accrual accounting, Micro Accounting System (MAS) and Standard Accounting System for Government Agencies (SAGA).

In addition, initiatives such as Branch Accounting System (BAS), Payroll System (PAY) and Computerised Micro Accounting System (CMAS) have been taken by the government to integrate information technology in its accounting practice.

e) Effective and effective system of risk management and internal control
Effective systems of risk management and international control of the National Budget expenditure on development projects/programmes have been put in place by the National Action Council (NAC) chaired by the Prime Minister assisted by the National Action Working Committee (NAWC) chaired by the Chief Secretary of Government at the national level. At the State level the State Development Council is chaired by the Menteris Besar or Chief Ministers and at the District Level, the District Officers chair the District Development Committee.

However, the sole responsibility in the monitoring and evaluation of the various plans and policies are handled by the Implementation Coordination Unit (ICU) based in the Prime Minister's office. Throughout the years the ICU has developed various monitoring mechanisms to meet various plan requirements.

The Malaysian government has since its First Malaysia Plan (1955-1960) embraced 4 different types of monitoring systems:

- The Red Book system - used on the First Malaysia Plan, an idea that was largely on Army Briefing techniques which set out accomplishments against objectives and targets using charts and maps.

- In the 1970s, there was a shift in the monitoring emphasis, the focus was on programmes as opposed to projects. The Government developed the Project Monitoring System I to facilitate this process. Under this system project managers generated several reports to cater to the needs of several central agencies.

- However, in 1981 a more accurate reporting system was initiated in order to speed up the implementation of development projects. A system known as SETIA was introduced to monitor the implementation of development projects, specifically financial performance. SETIA is an acronym for (S) System, (E) Economic Planning Unit, (T) Treasury, (I) Implementation Coordination Unit, (A) Accountant General’s Department. The system employed computer-based technology and integrated implementation information into the database. The SETIA's standardized reporting system enabled project managers and line agencies to ensure maximum utilization of information. The line ministries and state development offices also had the option to view and use the information for management and decision-making purposes. Ministries and State Development Officers could retrieve information by classifications, such as by state, allocation, department, district or election constituency, project types and projects. In addition, the SETIA database also enabled ministries and state development offices to capture information on projects for which implementation had not started, projects with problems and projects suffering from cost and time overruns. The SETIA data system allowed use of its outputs both by the Central Agency as well as at line ministries and allowed use of its outputs both by the Central Agency as well as at line ministries and agencies. The database contained: (a) information on development projects approved by the Economic Planning Unit (EPU); (b) annual allocations approved by the Treasury; (c) progress in project implementation in financial, as reported by implementing agencies; and (d) information on development expenditures as recorded in the accounting system of the Accountant-General’s Department.
In 1996, the monitoring efficiency was further improved with the development of SIAP (Integrated Scheduling Application System). Both SETIA and SIAP systems integrated the monitoring efficiency with SETIA looking at financial performance and SIAP monitoring physical development projects. With the introduction of SIAP, the implementation of these two systems enabled officers and project managers to control development projects and overcome shortfalls in expenditure while ensuring to schedule timely implementation of projects. With the implementation of the SETIA-SIAP Integrated Information System, the Implementation Coordination Unit (ICU) is able to monitor the progress of development projects to the sub-project level. More than 30,000 projects were monitored during the Seventh Malaysia Plan period in this manner.

In Eighth Malaysia Plan period (2001-2005) the government used the Project Monitoring System II, a project that was developed as one the six pilot projects under the Electronic Government flagship application. The scope of the Project Monitoring System II (PMS II) covers application, data and communication. The Programme Monitoring System is capable of effectively monitoring and controlling the flow of budgets allocations.

One can conclude that the monitoring system is designed:
1. to identify and address failures, problems and delays in the implementation of the various development activities;
2. to measure the physical and monetary performance against the achievement of the objectives and benchmarks.
3. to ensure that activities are implemented on schedule and within the stipulated cost.
4. to inform/coordinate the activities of the various ministries and state government including controlling budget allocation.
5. A critical element in the monitoring system is that the monitoring process is within the confines of the civil service and one that is outside the scrutiny of civil society and parliamentary framework.
6. On March 6, 2005 the Government of Malaysia (GOM) has directed all ministries and agencies at both federal and state levels to implement evaluation of outcome for the GOM's program/project. Pursuing this directive the ICU of the Prime Minister's Department has compiled and produced Guidelines in Conducting Program Evaluation vide Federal Government Circular No.3/2005.

f) Corrective action in the case of failure to comply

Measures to promote transparency and accountability in the management of public finances are as follows:
1. Appointment of the Auditor General under The Federal Constitution :-
   Article 105- provides for the appointment of the Auditor General
   Article 106- provides for the powers and duties of the Auditor General
   Article 107- provides for reports of the Auditor General to be laid before the House of Representative.
ii. Establishment of Internal Audit Unit (IAU) under Treasury Circular No.2 of 1979 entitled "Implementation of Internal Auditing in Federal Government Agencies"

The IAU in the Ministry or Department is responsible for the following:

- Determining whether the agency's financial operations are properly managed and ensuring that all policies, laws and regulations that are mandatory are followed;
- Reviewing and evaluating systematically the agency's operations in terms of their adequacy, efficiency, effectiveness and economy;
- Making recommendations on how to improve the agency's operations in areas that require improvement or corrective measures;
- Submitting independent, objective and timely reports to the head of agency regarding the agency's operations so as to enable an assessment of the agency's current position on related matters and to ascertain whether plans are implemented according to schedule, objectives are met, public funds are properly utilized and whether resources are allocated efficiently;
- Where necessary, providing information to the central authority to enable it to evaluate and improve general policies on financial management, procedures and systems, as well as the nature and scope of the internal audit.

iii. Establishment of Public Accounts Committee (PAC) under Standing Order 77 of the House of Representatives:

A. There shall be a Committee to be known as the Public Accounts Committee appointed at the beginning of every Parliament, for the examination of:

a. the accounts of the Federation and the appropriation of the sums granted by Parliament to meet the public expenditure;

b. such accounts of public authorities and other bodies administering public funds as may be laid before the House;

c. reports of the Auditor-General laid before the House in accordance with Article 107 of the Constitution;

d. such other matters as the Committee may think fit, or which may be referred to the Committee by the House.

B. The Committee shall consist of a Chairman and Vice-Chairman to be appointed by the House, and not less than six and not more than twelve members to be nominated by the Committee of Selection, as soon as may be after the beginning of each Parliament.
C In the absence of the Chairman or Vice chairman due to illness or for any other reason whatsoever the Committee shall elect any one member to act as a Chairman to preside over the Committee’s meeting.

D No member may be appointed or nominated to or act as Chairman or member of the Public Accounts Committee while he is a Minister.

E. The Committee shall have power to send for persons, papers and records, and to report from time to time.