

THE AUDIT OF FEDERAL AGENCIES' FINANCIAL STATEMENTS

Main Points

What we examined?

- The Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240] requires each Federal Agency to submit annual financial statements to the Auditor General for auditing within six months after the end of the financial year.
- Financial Statements Audits were performed on 145 Federal Agencies comprising Federal Statutory Bodies; Federal Funds and Trust Accounts; as well as other Federal Agencies.

Why it is important?

- The Financial Statements of Federal Agencies were audited in order to form an opinion whether the financial statements give a true and fair view as well as to ensure relevant accounting records have been appropriately maintained and updated.
- The Audit on the Financial Statements were conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) and Audit Guidelines on the Financial Statements of Federal Agencies.

What we found?

- The Audit Findings as at 31 December 2022 are as follows:
 - A total of 134 Federal Agencies submitted the Financial Statements for the year ended 31 December 2021 before or on 30 June 2023 and 10 other Federal Agencies submitted the Financial Statements for the year ended 31 December 2021 after 30 June 2023. In addition, one Federal Agency with a financial year ended 30 June 2022 submitted the Financial Statement on 29 July 2023.
 - A total of 141 Auditor General's Certificates on the Financial Statements of Federal Agencies have been issued which consists of:

- Unmodified Opinion on 102 financial statements;
 - Unmodified Opinion with Emphasis of Matters on 21 financial statements; and
 - Qualified Opinion on 18 financial statements.
- A total of four financial statements for the year 2021 are still in the process of being audited.
 - One audited Federal Agency' financial statement for the year 2021 has been tabled in Parliament.
 - Audit analysis of financial statements' items for the year ended 31 December 2021, among others are as follows:
 - **Accumulated Surplus or Deficit**
 - A total of 117 Federal Agencies recorded a cumulative surplus in 2021 amounted to RM252.464 billion compared to 2020 amounted to RM231.075 billion, an increase of RM21.389 billion.
 - A total of six Federal Agencies recorded a cumulative deficit of RM639.81 million in 2021 compared to 2020 of RM1.067 billion, a decrease of RM427.19 million.
 - **Dependence of Federal Agencies on Loans**
 - The asset position in 2021 for 123 Federal Agencies amounted to RM2,360.826 billion has recorded an increase of RM111.147 billion or 4.9% compared to the year 2020 amounted to RM2,249.679 billion.
 - The liability position in 2021 for 123 Federal Agencies amounted to RM774.807 billion has shown an increase of RM84.111 billion or 12.2% compared to 2020 amounted to RM690.696 billion.

- Five Federal Agencies recorded the highest loan balances in the year 2021 amounted to RM116.273 billion, which is:

- Public Sector Housing Financing Board (RM59.375 bilion);
- National Higher Education Fund Corporation (RM40.000 bilion);
- Federal Land Development Authority (RM8.809 bilion);
- PR1MA Malaysia Corporation (RM4.542 bilion); and
- Port Klang Authority (RM3.547 bilion).

▪ **Unidentified Receipts**

- A total of 12 Federal Agencies have recorded unidentified receipts amounted to RM16.88 million which are stated as liabilities in the Statement of Financial Position.

- Five Federal Agencies recorded the highest unidentified receipts in the year 2021, which is:

- Public Sector Housing Financing Board (RM10.19 juta);
- Universiti Utara Malaysia (RM2.60 juta);
- Universiti Teknologi MARA (RM2.21 juta);
- Malaysian Construction Industry Development Board (RM0.92 juta); and
- Malaysian Qualifying Agency (RM0.36 juta).

▪ **Investment Performance in Subsidiary Companies**

- In 2021, a total of 55 Federal Agencies have invested in 234 subsidiary companies amounted to RM52.244 billion compared to 193 subsidiary companies amounted to RM45.092 billion in the year 2020.

- As at 31 December 2021, a total of 198 Federal Agency subsidiaries are active, 33 are dormant and three had been dissolved.
- A total of five Federal Agencies have net investments in subsidiaries worth over RM1 billion in the year 2021, which is:
 - Employees Provident Fund (RM33.497 bilion);
 - Retirement Fund (Incorporated) (RM6.446 bilion);
 - Armed Forces Fund Board (RM5.151 bilion);
 - Federal Land Development Authority (RM3.456 bilion); and
 - Lembaga Tabung Haji (RM2.350 bilion).

▪ **Contingent Assets and Contingent Liabilities**

- A total of 52 Federal Agencies have disclosed contingent assets and contingent liabilities in the 2021 financial statements.
- A total of 21 out of 52 Federal Agencies have significant contingent assets and contingent liabilities, amounted to more than RM10 million.

▪ **Effects of Covid-19 Pandemic**

- A total of 73 Federal Agencies have disclosed in the Notes to the Financial Statements on Covid-19 pandemic effects.
- 32 out of 73 Federal Agencies have disclosed on the effects of Covid-19 pandemic on its revenue and expenditure for the financial year ended 31 December 2021.

What do we recommend?

- The Audit recommends the following:
 - Federal Agencies should take reasonable measures to submit its financial statements within the stipulated period in accordance with Act 240;
 - the management should comply to accounting standards and financial regulations to ensure that the governance of agency is managed in an orderly, efficiently and effective manner; and
 - the management of the Federal Agencies should take proactive and effective measures to resolve all issues raised.