

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.
- The audit was performed on 147 Federal Agencies' financial statements 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 Audit Guidelines on the Financial Statements of Accrual Basis. This guideline is based on the International Standards of Supreme Audit Institutions (ISSAI).

What we found?

- The Audit Findings as at 31 December 2021 are as follows:
 - A total of 140 Auditor General's Certificates on the Financial Statements of Federal Agencies have been issued which consists of:
 - Unmodified Opinion on 109 financial statements;
 - Unmodified Opinion with Emphasis of Matters on 14 financial statements; and
 - Qualified Opinion on 17 financial statements.
 - A total of seven financial statements for the year 2020 are still in the process of auditing.

- A total of 12 audited Federal Agencies' financial statements for the year 2020 have been tabled in Parliament.
- Audit analysis of items in the financial statements for the year ended 31 December 2020, among others are as follows:

- **Accumulated Surplus or Deficit**

- A total of 116 Federal Agencies recorded a cumulative surplus in 2020 amounted to RM207.349 billion compared to 2019 amounted to RM181.281 billion, an increase of RM26.068 billion.
- A total of seven Federal Agencies recorded a cumulative deficit of RM1.262 billion in 2020 compared to 2019 of RM1.114 billion, an increase of RM147.79 million.

- **Dependence of Federal Agencies on Loans**

- The asset position in 2020 for 123 Federal Agencies amounted to RM1,762.533 billion has recorded an increase of RM118.143 billion or 7.2% compared to 2019 amounted to RM1,644.390 billion.
- The liability position in 2020 for 123 Federal Agencies amounted to RM379.460 billion has shown an increase of RM27.500 billion or 7.8% compared to 2019 amounted to RM351.960 billion.
- Five Federal Agencies recorded the highest loan balances in the year 2020 amounted to RM107.928 billion. The agencies are the Public Sector Housing Financing Board, the National Higher Education Fund Corporation, the Federal Land Development Authority, the PR1MA Malaysia Corporation and the Port Klang Authority.

▪ **Unidentified Receipts**

- A total of 15 Federal Agencies have recorded unidentified receipts amounted to RM32.51 million which are stated as liabilities in the Statement of Financial Position.
- Five Federal Agencies recorded the highest unidentified receipts in the year 2020, namely the Public Sector Housing Financing Board, Universiti Teknologi MARA, Universiti Utara Malaysia, the Malaysian Land Surveyors Board and the Malaysian Construction Industry Development Board.

▪ **Investment Performance in Subsidiary Companies**

- In 2020, a total of 53 Federal Agencies have invested in 189 subsidiary companies amounted to RM41.370 billion compared to 192 subsidiary companies amounted to RM37.952 billion in the year 2019.
- As at 31 December 2020, a total of 169 Federal Agencies' subsidiaries were active, 19 were dormant and one had been dissolved.
- A total of four Federal Agencies namely the Employees Provident Fund, the Retirement Fund (Incorporated), Lembaga Tabung Haji and the Federal Land Development Authority have net investments in subsidiaries worth over RM1 billion in the year 2020.

▪ **Contingent Assets and Contingent Liabilities**

- A total of 47 Federal Agencies have disclosed contingent assets and contingent liabilities in the 2020 financial statements.

- A total of 15 out of 47 Federal Agencies have significant contingent assets and contingent liabilities, amounted to more than RM10 million.

▪ **Effects of Covid-19 Pandemic**

- A total of 87 Federal Agencies have disclosed in the Notes to the Financial Statements on the effect of Covid-19 pandemic.
- 28 out of 87 Federal Agencies have disclosed on the effects of Covid-19 pandemic towards its revenue and expenditure in the year 2020.

What do we recommend?

- The Audit recommends the following:
 - Federal Agencies should take reasonable measures to submit their 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 agency is managed properly, efficiently and effectively; and
 - the management of the Federal Agencies should take proactive and effective measures to resolve all issues raised.