

**MINISTRY OF FINANCE
THE ACCOUNTANT GENERAL'S DEPARTMENT OF
MALAYSIA**
THE DEVELOPMENT OF INTEGRATED STATE
GOVERNMENT ACCRUAL ACCOUNTING SYSTEM
(iSPEKS)

Main Points

**What we
examined?**

- The Integrated State Government Accrual Accounting System (iSPEKS) was developed in line with the Government's aspiration towards an accrual accounting landscape in recording, processing and managing financial transactions to generate State Government accrual financial statements.
- An audit was conducted to evaluate whether the development of iSPEKS was economically, efficiently and effectively implemented to achieve its objective in establishing an accrual accounting system and issuing standardized accrual financial statements for 11 State governments, excluding Sabah and Sarawak.
- The audit covered two main areas, namely the performance activities and the development management of iSPEKS. The performance activities were evaluated based on two criteria; the output and the outcome.
- The output consists of overall module development, go-live implementation and achievement of the objectives of iSPEKS.
- The outcome consists of:
 - Accrual financial statements and related reports that can be generated in real-time.
 - The accuracy of accrual financial statements of the State governments.
 - Users satisfaction towards the effectiveness of iSPEKS, data integrity, data accuracy, validity of transactions and user access control.
- The development management of iSPEKS includes financial performance, hardware supplies and complaint management based on Service Level Agreement.

Why is it important?

- Audits were carried out at the Consultancy Division, the Accountant General's Department of Malaysia (AGD) and the Selangor and Negeri Sembilan Office of the State Treasuries.
- The development of iSPEKS was in line with the New Economic Model 2011-2020 which stipulated the use of accrual accounting as one of the public sector transformation programmes.
- The Government has allocated RM36.01 million to develop iSPEKS towards a more comprehensive and prudent fiscal management system.

What we found?

- It can be concluded that the development of iSPEKS was not efficiently and effectively implemented. There was a discrepancy between the modified cash basis figures generated by iSPEKS and the figures submitted for auditing. The discrepancy was due to the adjustments made by the State Treasury by using other platforms beside iSPEKS. The accrual basis report has not been reviewed to verify the accuracy of the figures reported. In addition, there were some weaknesses in terms of application control that contravene the rules. Among the weaknesses were as follows:
 - There was a delay in iSPEKS go-live involving all 11 State governments between January 2017 to April 2021 compared to the targeted date, 1 January 2016. The delay between one to five years.
 - The delay in iSPEKS go-live has resulted in an additional cost to the Government amounting to RM3.12 million due to maintenance contract extension for application and hardware support.
 - The Government incurred an additional cost amounting to RM13.30 million or 58.3% of its original development cost for the addition of the scope of Reversal and Reclassification and Change Request. This new scope was meant to generate a modified cash basis report due to the delay of the implementation of accrual accounting.
 - The Selangor State Treasury borne an additional cost amounting to RM313,000 between 1 August 2018 to 31 October 2019 to relocate the equipment of disaster

recovery centre. The iSPEKS went live on 8 January 2020 after the warranty period of the hardware has expired.

- A total of 34 units of barcode printers and desktop barcode scanners amounting to RM150,960 in Selangor and Negeri Sembilan Office of the State Treasuries have not been used and the warranty period has expired on 31 December 2019, before the iSPEKS went live on 8 January 2020.
- 67 Payment Instructions amounting to RM11.52 million were reviewed and approved by the same officers in Selangor and Negeri Sembilan Office of the State Treasuries.
- 29 Payment Instructions amounting to RM1.527 billion were approved beyond the approval value limit allowed in iSPEKS by the Negeri Sembilan Office of the State Treasury.
- The maximum Service Level Agreement amounting to RM24,541 was much lower than the actual amount that can be imposed to the contractor which is RM 937,300.

What do we recommend?

- The National Audit Department recommends the following actions to prevent weaknesses from recurring:
 - The AGD needs to come out with a better project governance to monitor planning in system development, actual progress and go-live implementation to avoid significant delays and additional costs to the Government.
 - The AGD needs to carry out testing at the development stage more thoroughly and comprehensively to ensure the accuracy of the figures generated by iSPEKS.
 - The AGD needs to provide effective application control management to ensure data security and integrity.

