

MINISTRY OF DEFENCE

INDUSTRIAL COLLABORATION PROGRAMME MANAGEMENT

Main Points

What is examined?

- The Industrial Collaboration Programme (ICP) is an activity that adds value to a Government procurement to ensure maximum value of return to the local economy in a cost-effective manner.
- From 2010 to 2020, 29 procurement amounting to RM31.378 billion comprising of procurement of supplies, services and works have reached the ICP threshold value (value of procurement RM50 million and above for foreign Original Equipment Manufacturer and RM100 million and above for major local companies).
- The Audit covered two main areas namely the performance activities and the management activities for the period of 2018 to 2020.
- The performance activities were evaluated based on the two main Audit areas namely the output and outcome. The output was evaluated based on the performance of ICP implementation which include the achievement of the ICP programme. The outcome was evaluated based on the continuity of activities after the completion of the ICP programme and benefits received by the recipient companies.
- The management of activities were evaluated based on implementation stages which include pre-implementation, implementation and post-implementation stages.

Why it is important?

- A total of RM31.378 billion (65.24%) from the total procurement value of RM48.098 billion which comprise procurement for supplies, services and works for the period of 2010 to 2020 have reached the threshold value and should be subjected to ICP.

What we found?

- Overall, the Audit concluded that the ICP Programme has benefited members of the Malaysian Armed Forces, staff of

companies, companies and institutions of higher learning. However, as the outcome of the ICP programmes were not evaluated, the long term impact of the ICP programmes could not be measured.

- Audit findings that need to be focused were as follows:
 - A total of six procurement of works worth RM1.036 billion awarded to major local companies (STU) were not assigned with ICP.
 - A contract worth RM875.00 million awarded to STU was not executed even though its implementation were stated in the clauses of the main contract.
 - Three major procurement contracts amounting to RM1.651 billion were delayed in the completion due to the delay by the Procurement Division of MinDef in informing the Defense Industry Division of MinDef on the need of implementing ICP.
 - The main contract of the ICP and the procurement agreement were signed separately. The selection of some ICP recipients did not go through the ICP Recipient Audit selection process.
 - Ineffective monitoring of the ICP as the ICP Progress Reports were not submitted periodically by the ICP providers.

What do we recommend?

- To overcome the weaknesses highlighted and to ensure that no recurrence in the future, the National Audit Department recommends the following actions:
 - The Ministry of Finance needs to review and revise the ICP Policies and Guidelines to make them clearer and easier for the Ministry to implement. In addition, the criteria for evaluating the results and impact to measure the achievement of an ICP program should also be included in the guidelines.
 - The Ministry of Defence must ensure that the ICP is implemented in accordance with the guidelines set, especially in terms of the implementation period of the ICP and the evaluation of ICP recipients to ensure the interests

of the Government and the benefits of the ICP can be reaped by the relevant parties.

- MinDef needs to maintain a register to record information on ICP recipients and activities carried out as well as ensure that ICP providers submit progress reports periodically so that the progress performance of ICP can be measured and monitored properly.

