

**MINISTRY OF HOME AFFAIRS
MINISTRY OF HUMAN RESOURCES
IMMIGRATION DEPARTMENT OF MALAYSIA
TALENT CORPORATION MALAYSIA BERHAD
CONTROL OF EXPATRIATE EMPLOYMENT ACTIVITIES**

Main Points**What we
examined?**

- Expatriates are foreign nationalities who are qualified to fill key positions (top management and professionals), executive positions (middle management) or non executive position (skilled/semi-skilled technical workers) in any local or international organisation in Malaysia.
- The Immigration Act 1959/63 stipulates that foreign nationals must have a pass issued by the Immigration Department of Malaysia (JIM) to live and work in Malaysia. The types of passes approved for expatriates are Employment Pass, Professional Visit Pass - Specialist and Residence Pass-Talent.
- The Immigration Circular stipulates that entry of expatriates into the country a letter of approval must be obtained from the Expatriate Committee or 12 other approving agencies.
- The Audit covered two key areas, namely the performance of activities and the management activities for the period of 2017 to 2020.
- The performance activities were evaluated based on two key audit areas, specifically the performance of output and outcome.
- The management of activities were evaluated based on nine areas, namely the implementation of system integration, company rating and quota setting, tax revenue management, Expatriate Committee (JKPD), approval of Employment Pass not according to pay scale classification, Employment Pass period exceeds employment contract period, security screening by Royal Malaysia Police, health examination, termination of Employment Pass and inspection/enforcement activities on expatriates.
- The Audit was conducted at the Immigration Affairs Division, Ministry of Home Affairs; Expatriate Services Division (ESD), JIM Putrajaya Headquarters; Talent Corporation Malaysia

(TalentCorp), Petaling Jaya, Selangor; MYXpats Centre, Petaling Jaya, Selangor; Malaysian Investment Development Authority (MIDA) Headquarters, Federal Territory of Kuala Lumpur; Immigration Unit at MYXpats Centre; Immigration Unit at MIDA Headquarters; and Inland Revenue Board of Malaysia.

Why is it important?

- The initiative to attract, develop and strengthen highly skilled human capital including expatriates are part of the National Economic Transformation Programme to transform Malaysia into high income nation by 2020.
- The Audit was conducted to evaluate whether the control activities on the expatriates employment were implemented in a systematic, efficient and effective manner to achieve its objectives, which were to meet the need for professional and highly competent workers and to strengthen Malaysia with a highly skilled human capital.
- The ESD System was developed in 2014 to ensure all information on companies and expatriates is stored in one main system.
- From 2017 to 2020 a total of 350,562 employment pass were issued to expatriates to work in several sector such as services, information technology, gas and petroleum as well as construction.

What we found?

- The country's real need for the employment of expatriates during the period of 2017 to 2020 could not be determined because the Government did not make any projection on the need for highly skilled human capital. Recruitment of expatriates was based on applications from companies/organisations. The Government's intention to strengthen highly skilled human capital among locals through expatriate skills transfer could not be assessed as no mechanisms and indicators were established to measure such achievements. However, the recruitment of expatriates had contributed to the country's revenue. Nevertheless, some weaknesses that need to be given attention are as follows:
 - Non-compliance with the registration requirements of companies/organizations under the jurisdiction of seven approving agencies in the ESD System has resulted in the

centralisation of company/organization information in one parent system has not been achieved and may result in JIM unable to conduct monitoring efficiently and comprehensively.

- The capability of skills transfer between expatriates and local employees cannot be measured as no comprehensive study was conducted by any party.
- The management of company's rating was not properly conducted as the Inspectorate Committee and MIDA have no standardised criteria for the rating assessment, a company may be given approval to hire expatriates, by other authorised agencies.
- The management of tax collection was unsatisfactory. A total of 15,293 expatriates did not have tax files. Another 7,174 expatriates have arrears in taxes amounting to RM65.90 million.
- A total of 7,987 Employment Passes were issued from 2017 to 2019 with JKPD approval reference, even though there was an instruction to replace it with the Expatriate Committee.
- A total of 177 Employment Passes were issued at different locations from the location of fee payment and 126 passes were issued to Nigerian expatriates using the approval of Bangladeshi citizens. This indicates irregularities in pass issuance.
- A total of 4,363 Employment Passes (Category III) for the construction, manufacturing and mining sectors were approved without documents confirming that the expatriates had undergone medical examinations.
- A total of 3,755 (88.5%) out of 4,230 expatriates with expired passes have exit records from Malaysia, 88 (2.1%) expatriates were in detention depots and nine (0.2%) expatriates had renewed their passes. The remaining 378 (8.7%) expatriates did not have information on cancellation/amendment of pass validity and exit records.

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 Home Affairs, the Ministry of Human Resource and TalentCorp need to conduct a comprehensive study to evaluate the effectiveness of expatriate recruitment in contributing towards strengthening of highly skilled human capital among locals.
 - The Ministry of Home Affairs, JIM and TalentCorp need to ensure a centralised company registration and intergration of the approving agency system with the ESD System are expedited so that a comprehensive database could be established to facilitate JIM to carry out monitoring activities efficiently and effectively. In addition, the Joint Working Committee – Expatriate needs to strengthen governance and monitoring of the implementation of policies related to the recruitment of expatriates.
 - Inland Revenue Board of Malaysia need to improve the efficiency of tax collection management to ensure that there is no risk of revenue leakage.
 - JIM need to enhance security control of MyIMMs System as well as increase monitoring of the period of stay of expatriates in Malaysia which affects JIM's operations and national security as a whole.
 - The Ministry of Home Affairs and Royal Malaysian Police identify systematic methods to expedite the period for submitting the results of expatriate security screening and to ensure expatriates who are approved of Employment Pass/ Professional Visit Pass - Specialist do not post a threat to public and national security.
 - Ministry of Home Affairs needs to review the health screening requirements for expatriates to curb the risk of transmission of infectious diseases.