



PARLIMEN MALAYSIA



JAWATANKUASA KIRA KIRA WANG NEGARA

FIRST REPORT OF THE PUBLIC ACCOUNT COMMITTEE 1960 - 1963

DR.02/1960

DR. 2 OF 1960

FEDERATION OF MALAYA

ORDERED BY THE HOUSE TO BE PRINTED—16TH FEBRUARY, 1960



REPORT OF THE COMMITTEE

We were appointed under Standing Order 77 (2) of the Dewan Ra'ayat to examine matters in Standing Order 77 (1) and to submit a report to the Dewan Ra'ayat.

2. We met on 18th January, 1960, 2nd February, 1960, 3rd February, 1960, and on 16th February, 1960, and we considered—

(a) Report of the Acting Auditor-General on the Accounts of the Malayan Railway Administration, 1958.

(b) Report and Accounts of the Penang Port Commission, 1958.

(c) Accounts of the Employees Provident Fund Board, 1958.

3. We were unable to consider the Report of the Auditor-General on the Accounts of the Federation of Malaya, 1958, because that Report has not so far been published.

4. In our deliberations we were assisted by the presence of the Auditor-General, the Deputy Auditor-General, and representatives from the Treasury. The Acting Chief Accountant, Malayan Railway, also appeared before the Committee.

5. We considered the Acting Auditor-General's Report on the Accounts of the Malayan Railway Administration, 1958. The paragraphs in this Report are numbered serially and immediately after the paragraph number is shown in brackets the relevant paragraph from the Acting Auditor-General's Report.

Because of the shortage of time, we were unable to complete our examination on the Report and Accounts of the Penang Port Commission, 1958, and the Accounts of the Employees Provident Fund Board, 1958, for incorporation into this Report.

6. (*Para. 1*): The Committee enquired why this Report was only issued on 18th November, 1959, instead of issuing it six months after the end of the year. The Auditor-General replied that the Railway Administration submitted their accounts only on 24th July—a month later than in the previous year—and they were certified on 23rd September. The printing and tabling of the Report was done by the Ministry of Transport. The Printing Department would normally take about three weeks to print it. As to whether there is a time limit for the submission of accounts for audit, the Auditor-General said that certain Boards have certain time limits to submit their accounts for audit. His duty was to draw the attention of the Federal Government or State Government concerned if the accounts are not submitted for audit by 31st July. The Committee agreed that it is most desirable that the Public Accounts Committee should be able to examine the accounts of the previous year in time to submit its report before the Budget Meeting.

The Committee therefore strongly recommended that the accounts be rendered by the end of March or by the end of April, the Auditor-General's Report should be finished before 30th June and the Committee should have finished its consideration before the Budget Meeting.

The Acting Chief Accountant, Malayan Railway, assured the Committee that every endeavour would be made to enable the accounts of the Malayan Railway Administration to be in the hands of the Auditor-General by the end of April.

Thefts, frauds and losses

7. (Para. 2): The Committee inquired why excesses were found as a result of stock verifications and was told that these were caused by book-keeping errors, and that out of over \$31,000 which represented losses, nearly \$26,000 were off-set by excesses, so that the actual amount of stores lost was about \$5,600.

8. (Para. 3): The Committee expressed its concern over the delay in investigations with regard to items 2 and 3 of Annexure "A" of the Report (Cash) and that with regard to item 3 the amount of loss was not even known. The Auditor-General replied that the losses in items 2 and 3 were discovered on 30th June, 1959, and 5th May, 1959, respectively and he was informed on 17th July, 1959, and 25th May, 1959, respectively. The amount of loss in item 3 was \$339.00. In view of the need to establish the facts before the person can be charged for irregularities, he considered that these investigations had not been unduly prolonged. The Acting Chief Accountant, Malayan Railway, assured the Committee that there would be no repetition in the future as the system had been revised and all possible loopholes had been plugged.

9. (Para. 4): No comment.

10. (Para. 5): No comment.

11. (Para. 6): The Committee inquired into the reasons for the increase in compensation claims for 1958 and was told that it was largely because of the following claims due to derailments, namely—

(i) \$6,800 for cigarettes.

(ii) \$3,300 for eggs.

(iii) \$14,000 for fuel oil.

Revenue and Expenditure

12. (Para. 7): The Committee noted that with regard to the preparation and approval of Railway Estimates, the present position is most unsatisfactory in that the procedure which is followed has no statutory authority. In view of this, the Committee recommended that a legislation be passed to govern the preparation of the Railway Estimates.

13. (Para. 8): In view of the fact that the magazine "Kereta Api" had only a small circulation among the general public and that about 90 per cent of the magazine was issued to members of the Railway staff, the Committee felt that the advertising value of the magazine was negligible. The Committee expressed its disapproval of the practice of the Railway Administration for using the Advertisement Account to finance the cost of the magazine. The Committee recommended that in future no part of the cost of the magazine should be debited to Advertising Account.

14. (Para. 9): The Committee inquired into the circumstances in which the payment mentioned in paragraph 9 of the Auditor-General's Report was made, and was told that it was the usual practice to hold cocktail parties to boost the traffic of the Malayan Railway, that in this particular case the payment was made to a Railway contractor for organising a cocktail part on the East Coast in 1956, and that the contractor was authorised by the General Manager. The bills were not submitted until 1958 because (a) one of the contractor's assistants was absent from the country for 18 months and had taken with him some of the bills covering the expenditure, and that in consequence the contractor was prevented from submitting his full claim,

and (b) that the contractor was extremely reluctant to submit his claim and it was only at the insistence of the Railway Administration that the claim was eventually submitted, because the Railway Administration feared that if the contractor was not paid he might expect special favours from the Administration.

The Committee expressed its view that the practice adopted by the Railway Administration for payment of bills through contractors is most undesirable, and the Committee was amazed to hear from the Acting Chief Accountant, Malayan Railway, that this payment was authorised by the General Manager after a lapse of nearly two years. The Committee wished to record its disapproval of this arrangement and hoped that there would be no recurrence in future.

The Committee also learned that during 1958 the Railway Administration spent \$1,690 on cocktail parties charged to the Advertising Account, and \$3,800 on similar entertainment charged to General Charges—Incidentals.

The Committee also expressed its view that expenses for cocktail parties and the like should not have been charged to the Advertising Account, and the Committee recommended that in future the Railway Administration should have a separate vote for entertainment.

15. (*Para. 10*): The Committee inquired whether the person concerned could be brought up before the Railway Service Commission and charged for the loss incurred. The Committee was told that as the law stands at present, a person could only be charged for having failed to collect any money for which he is responsible or for any improper payment which he has made, but the particular case did not come under any of these two categories.

16. (*Para. 11*): The Committee was of the opinion that the claim of \$7,674 in respect of abortive work was due to disregard of existing procedure by certain officers of the Railway Administration, and the Committee recommended that strong action be taken so that this would not be repeated in the future.

17. (*Para. 12*): The Committee expressed its view that expenditure amounting to \$1,254,911, recorded as Unproductive Capital Expenditure, was due mainly to Treasury restrictions imposed on Development Expenditure in 1958. The Committee noted the financial consequences of restricting Development Expenditure on uncompleted projects.

Though the Committee was told that the suspension of development projects which had cost the Malayan Railway Administration \$1,254,911 at the time of the suspension would not cause any loss to the Railways provided funds were forthcoming to complete these projects, the Committee felt that owing to this suspension, the Malayan Railway Administration not only had to pay "unnecessary" interest to the Treasury but was also prevented from earning income from such projects.

The Committee recognised that at the beginning of 1958 there was a need to restrict expenditure on development, but hoped that in future the Treasury in preparing the draft estimates would give due consideration to the need to complete revenue-earning projects where they had started.

(Mr. Tan Phock Kin, a member of the Committee, disagreed with the other members of the Committee on this paragraph. Mr. Tan's views, regarding this paragraph, are set out in Appendix "B").

18. (*Para. 13*): The Committee was informed that the General Manager had authority to write-off up to \$2,000, but that for any amount in excess of \$2,000 he had to get the covering approval of the Railway Board. There

was no limit placed on the General Manager in this matter so long as he had the approval of the Railway Board. The writing-off of capital assets was normally done by the Minister of Transport with the concurrence of the Minister of Finance. In the case of write-off of losses, the General Manager had to submit a quarterly return to the Auditor-General. The Committee considered that this matter should also be covered by legislation.

19. (*Para. 14*): The Committee was told that a Commission would soon be set up to go into the question of the finance of the Malayan Railway. The Committee recommended that the Commission should also go into the question of the authority to write-off capital assets and losses.

The Committee noted that there is no statutory provision governing the writing-off of Railway assets and recommends that this Commission should also examine this question.

20. (*Para. 15*): No comment.

GENERAL

East Coast Railway Line

21. The Committee was told that in 1959 the loss on the East Coast Railway was estimated to be in the region of \$300,000. Figures for previous years were not available as the sorting out of the loss and profit of a particular branch of the Railway entailed a great deal of clerical and statistical work and the Railway Administration did not normally do that. The Committee was also informed that with an improvement in traffic the Railway could avoid any loss in 1960. The Committee also noted that the Railway did not have breakdown figures showing the loss and profit between mail trains, local trains and goods trains.

SYED ESA BIN ALWEE (*Chairman*).

DR. LIM SWEE AUN.

MOHAMED YUSOF BIN MAHMUD.

IBRAHIM BIN ABDUL RAHMAN.

KANG KOCK SENG.

HAJI AHMAD BIN ABDULLAH.

TAN PHOCK KIN.

DEWAN RA'AYAT
HOUSE OF REPRESENTATIVES

MINUTES OF PROCEEDINGS OF THE
PUBLIC ACCOUNTS COMMITTEE

First Session

FIRST MEETING

*Monday, 18th January, 1960
10 a.m.*

PRESENT:

The Honourable Tuan Syed Esa bin Alwee, S.M.J., P.J.K. (*Chairman*).
" Dr. Lim Swee Aun, J.P.
" Enche' Mohamed Yusof bin Mahmud, A.M.N.
" Enche' Ibrahim bin Abdul Rahman.
" Mr. Kang Kock Seng.
" Tuan Haji Ahmad bin Abdullah.
" Mr. Tan Phock Kin.

IN ATTENDANCE:

The Auditor-General, Federation of Malaya (Mr. H. M. Watson).
The Deputy Auditor-General (Mr. D. G. Bompas).
The Representative from the Treasury (Mr. B. H. Catchpole).

PROCEDURE

The Committee considered the procedure it would follow in examining the various Reports. The Committee decided that it would go through each report paragraph by paragraph and where evidence or further explanation on certain paragraphs is required, notice would be given to the people concerned to attend the next meeting of the Committee.

Report of the Auditor-General on the Accounts of the Malayan Railway Administration, 1958.

The Committee proceeded to consider the Report paragraph by paragraph.

1. (*Para. 1*): The Committee enquired why this report was only issued on 18th November, 1959, instead of issuing it six months after the end of the year. Mr. Bompas replied that the Railway Administration submitted their accounts only on 24th July—a month later than in previous years—and they were certified on 23rd September. The printing and tabling of the report was

done by the Ministry of Transport. The Printing Department took about three weeks to print it. As to whether there was time limit for the submission of accounts for audit Mr. Bompas said that certain Boards have certain time limits to submit their accounts for audit. His duty was to draw the attention of the particular Department concerned if the accounts were not submitted for audit by 31st July. The Committee, together with Mr. Watson and Mr. Catchpole, agreed that the main idea in having this Public Accounts Committee was to enable Members of the House to have a copy of each Report before the Budget Meeting so that Members of the House would have an opportunity of studying the accounts of the previous year and that they would be in a better position to comment on the Budget. The Committee therefore strongly recommended that the accounts be rendered by the end of March or by the end of April, the Auditor-General's Report should be finished before 30th June and the Committee should have finished its considerations before the Budget Meeting.

Thefts, Frauds and Losses

2. (Para. 2): The Committee enquired why excesses are found as a result of stock verifications. Mr. Bompas replied that the \$25,695 represent excesses found in the unallocated stores due to book-keeping errors, error in issuing wrong sizes and so forth. He considered that these excesses are reasonable. As to the amount of loss written off in respect of cash and stores Mr. Bompas said that the Malayan Railway Administration had submitted to him the figures but he had not brought them along with him. Mr. Watson said that if there was any major loss in cash, he would make a special mention of it in the report. However, for future reports he would break the figure in cash and stores.

3. (Para. 3): The Committee enquired, with reference to items 2 and 3 of Annexure "A", why investigations had taken a very long time to complete and that as regards item 3, the amount of loss was not even known. Mr. Watson assured the Committee that he would obtain the full facts from the Railway Administration and submit them to the Committee at its next meeting. The Committee enquired whether the General Manager has any authority to write off the losses in item 6. Mr. Bompas replied in the affirmative.

4. (Para. 4): No comments.

5. (Para. 5): No comments.

6. (Para. 6): The Committee enquired why the compensation claims for 1958 have increased and was told because of the following claims:

(i) \$6,800 for cigarettes,

(ii) \$3,300 for eggs,

(iii) \$14,000 for fuel oil,

due to derailments.

Revenue and Expenditure

7. (Para. 7): Mr. Watson informed the Committee that the Railway Estimates were not subject to the then Legislative Council's approval and that he was not certain of the procedure to be followed or where the control really lay. Mr. Catchpole pointed out that the difficulty was that there was no legislation at the moment governing the preparation of the estimates and he submitted that the Committee should first press for a legislation and then debate the legislation later on, to which the Committee agreed.

8. (*Para. 8*): The Committee agreed to call a representative from the Railway Administration to explain why the Advertising Account was used to supplement the cost of the magazine "Kereta Api" when, knowing all the facts, it was not a medium of advertising.

9. (*Para. 9*): The Committee agreed that a representative from the Railway Administration be requested to attend its next meeting to give all the details relating to charges debited to the Advertising account during the past two years.

10. (*Para. 10*): The Committee enquired whether the person concerned could be brought up before the Public Services Commission and charged for the loss incurred. Mr. Watson replied that, as the law stands at present, the person can only be charged for having failed to collect any money for which he is responsible or for any improper payment which he has made, but this matter did not really come under any of the categories mentioned. It was a loss incurred by his negligence.

11. (*Para. 11*): The Committee enquired whether the Treasury had given its consent and then stopped the funds for the project. Mr. Watson replied that he was not aware of the actual facts of this case. The Committee agreed that a representative from the Treasury and a representative from the Railway Administration be asked to attend its next meeting with more information regarding this case and if possible giving a list of the projects which had been stopped together with explanations.

12. (*Para. 12*): As in para. 11.

13. (*Para. 13*): The Committee enquired as to who gave the authority to write off such a huge figure and was told that the Treasury gave the approval on the recommendations of the General Manager or the Railway Board. The Minister of Finance has power to approve the writing off of any amount. The Committee enquired to what extent the General Manager can write off and Mr. Catchpole promised to enquire from the Railway Administration.

14. (*Para. 14*): The Committee agreed to ask the Treasury at its next meeting for its views as to whether the power to write off capital assets be given to the Minister in charge of the Ministry or whether it should be given to the General Manager.

15. (*Para. 15*): Mr. Watson told the Committee that the Railway Administration is waiting for payment, if any, from the Malacca Government for the piece of land covering the whole of the Railway lines which the Malacca Government has taken over from the Railway Administration.

OTHER BUSINESS

1. *Tender Boards*.—The Committee enquired whether the Railway Administration had its own Tender Board or whether it was under the control of the Minister. The Committee was told that for any transactions for over \$50,000 the Minister's sanction was required and that the Railway Administration had its own Tender Board.

2. *East Coast Railway Line*.—The Committee agreed that at its meeting the Railway representative be asked to explain or to give an indication as to the Revenue and Expenditure of the East Coast Railway Line in view of the statement in the Press recently that the East Coast Railway Line is running at a loss and is a "white elephant".

3. *Further Information on the Accounts.*—The Committee observed that the Railway Administration had not given sufficient information as to how the figures in the accounts were arrived at.

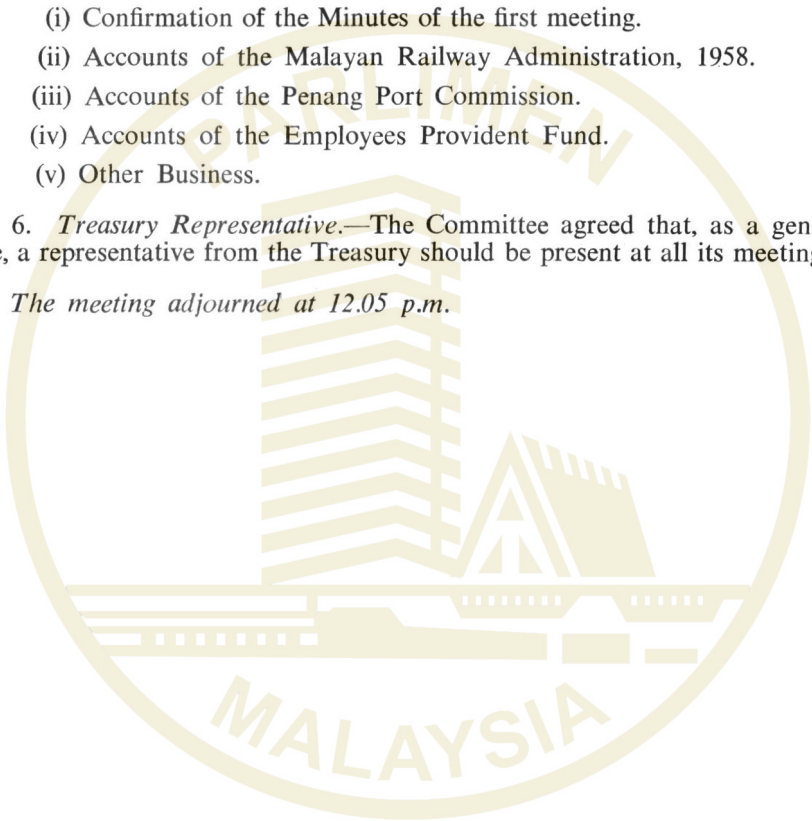
4. *State Accounts.*—The Committee agreed to consider the Auditor-General's Report on the Federation accounts for 1958 before it considers the reports on the various State accounts.

5. *Date of Next Meeting and Agenda.*—The Committee agreed that its next meeting be held on Tuesday, 2nd February, 1960, at 10 a.m. in Committee Room No. 1, Offices of Parliament, Maxwell Road, Kuala Lumpur, with the following agenda:

- (i) Confirmation of the Minutes of the first meeting.
- (ii) Accounts of the Malayan Railway Administration, 1958.
- (iii) Accounts of the Penang Port Commission.
- (iv) Accounts of the Employees Provident Fund.
- (v) Other Business.

6. *Treasury Representative.*—The Committee agreed that, as a general rule, a representative from the Treasury should be present at all its meetings.

The meeting adjourned at 12.05 p.m.



SECOND MEETING

Tuesday, 2nd February, 1960
10 a.m.

PRESENT:

The Honourable Tuan Syed Esa bin Alwee, S.M.J., P.J.K. (*Chairman*).
„ Dr. Lim Swee Aun, J.P.
„ Enche' Mohamed Yusof bin Mahmud, A.M.N.
„ Enche' Ibrahim bin Abdul Rahman.
„ Mr. Kang Kock Seng.
„ Tuan Haji Ahmad bin Abdullah.
„ Mr. Tan Phock Kin.

IN ATTENDANCE:

The Auditor-General, Federation of Malaya (Mr. H. M. Watson).
The Deputy Auditor-General (Mr. D. G. Bompas).
The Senior Auditor (Mr. G. E. Lyth).
The Acting Chief Accountant, Malayan Railway (Mr. E. J. Hughes).
The Representative from the Treasury (Mr. W. Fernando).
The Representative from the Treasury (Enche' Jamil bin Mohd. Jan).

1. CONFIRMATION OF THE MINUTES OF THE FIRST MEETING.—The Minutes of the meeting held on 18th January, 1960, were confirmed subject to the following amendments:

Paragraph 1, Line 14—

Delete the word “each” and substitute the word “the”; and also add the words “of the Committee” after the word “Report”.

Paragraph 8—

Add the following words at the end of the paragraph:

“A query was raised by the Committee as to why attention of the Committee was not drawn specifically by the Auditor-General to the charge debited to the Advertising Account of the Malayan Railway”.

Paragraph 1 of the Minutes

The Railway representative stated that every endeavour would be made to enable the accounts of the Malayan Railway to be in the hands of the Auditor-General by the end of April.

Paragraph 2 of the Minutes

The Auditor-General informed the Committee that the excess found as a result of stock verifications actually represented stores due to book-keeping errors and that out of over \$31,000 which represented losses, nearly \$26,000 were offset by excesses, i.e., the actual amount of stores lost was about \$5,600, which was a very small figure.

Paragraph 3 of the Minutes

The Committee was told that as regards items 2 and 3 of Annexure “A” (Cash), the losses were discovered on the 30th June and 5th May respectively

and he was informed on the 17th July and 25th May respectively. He considered that investigations in those cases have not been unduly prolonged. The amount of loss regarding item 3 was \$339. He assured the Committee that there would be no repetition in future as the system had been revised and all possible loopholes have been plugged.

Paragraph 8 of the Minutes

The Committee was informed that the magazine "Kereta Api" is published three times a year with 3,000 copies per issue. The Committee commented that since about 90 per cent of the magazine was issued to members of the Railway Staff it had little advertising value and therefore the cost of producing the magazine should not have been charged to the advertising account.

Paragraph 9 of the Minutes

The Railway representative informed the Committee that in 1958 the Railway Administration spent \$103,000 on the advertising account, out of which \$1,690 was spent on cocktail parties; \$3,571 was spent on the magazine "Kereta Api", and the balance was spent on posters, pamphlets, etc. In 1957 the total spent was \$126,000, out of which \$3,000 went to a cocktail party at Kuala Lumpur and a luncheon at Singapore, and the balance spent on posters, pamphlets, etc. In 1956 the total expenditure was \$74,000, out of which \$6,400 was spent on cocktail parties at Penang, Singapore and Ipoh. He explained to the Committee that it was the usual practice for cocktail parties to be held in order to boost the traffic of the Malayan Railway. In connection with the payment of \$1,675 paid to the Railway contractor who organised the cocktail party on the East Coast, the contractor was authorised by the General Manager to do so. The bills were submitted only in 1958 although the party was held in 1956, because another person who helped the contractor at that particular party was away in Brunei for 18 months and had taken along with him some of the bills incurred in connection with that particular cocktail party, thus preventing the contractor from submitting his full claim for expenses on account of that party. Further the contractor was extremely reluctant to submit his claim and it was only at the insistence of the Railway Administration that the claim was eventually submitted, because the Railway Administration feared that if the contractor was not paid he might expect special favours from the Administration. The Committee recommended that in future the Railway Administration should have a separate vote for entertainment and not charge expenses for cocktail parties and the like to its advertising account.

Paragraph 11 of the Minutes

The Treasury representative informed the Committee that in the 1957 Capital Estimates, a sum of \$34.7 million was provided for the Railways, and of this sum only \$10 million was drawn, leaving a balance of \$24.7 million at the end of the year. In the following year, 1958, the amount provided for the Railway was \$12 million. The Treasury has not departed from the principle that loans having been approved may be withdrawn later on in times of financial stringency. At the time when the Railway Administration was told that its capital expenditure had to be reduced, the General Manager at that time decided in favour of items which were more necessary and abandoned the project of the Station Hotel, Singapore, hoping that by 1965 funds would be available to complete it. Further in this particular case the normal procedure was not followed because the project was started without prior written authority of the General Manager. The Auditor-General commented that in this particular case no blame should be attached to the Treasury for withholding the funds.

Paragraph 12 of the Minutes

The Railway representative told the Committee that the suspension of the development projects which has cost the Railway Administration \$1,254,911 at the time of the suspension, would not result in the Railway having to suffer any loss in any way provided funds were forthcoming to complete these projects which should be completed with the exception of the new Training Centre in a few years time. A few items had been included in the 1960 Development Estimates and some in the 1961/65 Development Plan. The Committee commented however that the Railway Administration had not entered into contracts with contractors for completion of these jobs, and that owing to the suspension of the work the Malayan Railway had to pay "unnecessary" interest to the Treasury because the projects undertaken were as yet unproductive.

Paragraph 13 of the Minutes

The Auditor-General informed the Committee that the General Manager, Malayan Railway, had authority to write off amounts up to \$2,000, and for any amount in excess of \$2,000 he had to get the covering approval of the Railway Board in which case there is no limit to the General Manager's authority to write off. The writing off of capital assets could only be done by the Minister of Transport with the concurrence of the Minister of Finance. In the case of write-off of losses the General Manager had to submit a quarterly return to the Auditor-General.

Paragraph 14 of the Minutes

The Committee was told that a Commission would be set up to go into the question of the financing of the Malayan Railway and that this Commission would go into the particular question of the authority to write off capital assets.

OTHER BUSINESS

2. EAST COAST RAILWAY LINE.—The Committee was informed that in 1959 the loss on the East Coast Railway Line was in the region of \$300,000. The Committee commented that the Railway Administration could not provide figures for previous years as the sorting out of profit and loss of a particular branch of the Railways entailed a great deal of clerical and statistics work. The Railway representative assured the Committee that with an improvement in traffic the Railway could avoid any loss in 1960. The Committee enquired whether the loss of \$300,000 mentioned was incurred on mail trains or on trains running between local stations only. The Railway representative replied that it was very difficult to divide the loss or profit between mail trains, local trains and goods trains and that the Railway did not have any breakdown figures. The Committee was also told that the Railways do keep statistics to show how much per passenger mile or per ton mile cost.

3. THIRD ANNUAL ADMINISTRATION REPORT AND ACCOUNTS OF THE PENANG PORT COMMISSION FOR 1958.—The Committee enquired whether the Auditor-General was satisfied in the course of the audit with the decision arrived at by the Commission with regard to the terms of Malayanisation which was contrary to a particular provision of the Penang Port Commission Ordinance. The Auditor-General replied that the Malayanisation of the Penang Port Commission would appear in the 1959 accounts and that it could be raised when the 1959 accounts come up for discussion.

In reply to the question with regard to the authority of the Commission to purchase a car for the Assistant General Manager, the Auditor-General

replied that it was not possible to follow the rules laid down for Government accounts to be applied to the accounts of the Penang Port Commission because such a body usually received a degree of latitude and that he was satisfied that the provision of a motor car for the Assistant General Manager had the approval of the Port Commission.

The Committee agreed to enquire from the Port Commission whether it was true that an officer of the Port Commission who had rented out a house provided for him by the Commission was staying at the hotel at the expense of the Commission.

With reference to page 16 of the Report the Committee asked for explanation with regard to the writing off of \$21,758 during the year and was told that it represented depreciation charges and that \$3,000 was realised from the sale of assets which the Penang Port Commission no longer required.

With regard to the purchase of new ferry vessels, mentioned on page 5 of the Report, amounting to \$881,000, the Committee decided to enquire from the Port Commission whether there was any period of guarantee of seaworthiness of these vessels on the part of the shipbuilders.

4. ACCOUNTS OF THE EMPLOYEES PROVIDENT FUND.

Paragraph 1: No comments.

Paragraph 2: The Committee was informed that the Board had power to recruit its own staff and that recruitment was not done by the Public Services Commission. The new system of accounting had revealed a discrepancy of \$661,622 now appearing in the accounts as Unallocated Contributions. Before the introduction of the new system the Board was not aware of the amount involved.

Paragraph 3: The Committee agreed that it would not, as a Committee, press for legislation to amend the law with regard to withdrawals from the Fund on account of "Leaving Malaya".

The Committee suggested that a more detailed information regarding rates of interest on all securities should be shown in future.

Paragraph 4: No comments.

Paragraph 5: No comments.

Paragraph 6: No comments.

5. NEXT MEETING.—The Committee agreed that it should meet again the following day at 10 a.m. to consider the draft report of the Accounts of the Malayan Railway Administration for 1958, before it was printed for tabling in the House of Representatives.

The meeting adjourned at 1 p.m.

THIRD MEETING

Wednesday, 3rd February, 1960
2.30 p.m.

PRESENT:

The Honourable Tuan Syed Esa bin Alwee, S.M.J., P.J.K. (*Chairman*).
„ Enche' Mohamed Yusof bin Mahmud, A.M.N.
„ Enche' Ibrahim bin Abdul Rahman.
„ Mr. Kang Kock Seng.
„ Mr. Tan Phock Kin.

ABSENT:

The Honourable Dr. Lim Swee Aun, J.P.
„ Tuan Haji Ahmad bin Abdullah.

IN ATTENDANCE:

The Auditor-General, Federation of Malaya (Mr. H. M. Watson).
The Representative from the Treasury (Mr. W. Fernando).

I. The Committee considered its draft Report on the Accounts of the Malayan Railway Administration for 1958, paragraph by paragraph.

Paragraph 1

Read and agreed to.

Paragraph 2

Amendment proposed that the word "Report" be substituted by the word "Accounts" in (c).

Question put, and agreed to.

Paragraph 3

Read and agreed to.

Paragraph 4

Amendment proposed that the words "A representative from the Malayan Railway Administration" be substituted by "The Chief Accountant, Malayan Railway".

Question put, and agreed to.

Paragraph 5

Amendment proposed that the following sub-paragraph be added:

"Because of the shortage of time, we were unable to complete our examination on the Report and Accounts of the Penang Port Commission, 1958, and the Accounts of the Employees Provident Fund Board, 1958, for incorporation into this Report."

Question put, and agreed to.

Paragraph 6

Amendment proposed that the words "in previous years" be substituted by "in the previous year" in line 4.

Question put, and agreed to.

Amendment proposed that the word "took" be substituted by "would normally take" in line 1, page 2.

Question put, and agreed to.

Amendment proposed that the words "particular Department" be substituted by "Federal Government or State Government" in line 4, page 2.

Question put, and agreed to.

Amendment proposed that all the words commencing from "The Committee" in line 5 to "the Budget" in line 11 be substituted by

"The Committee agreed that it is most desirable that the Public Accounts Committee should be able to examine the accounts of the previous year in time to submit its report before the Budget Meeting."

Question put, and agreed to.

Amendment proposed that the words "The Railway representative" be substituted by "The Acting Chief Accountant, Malayan Railway" in line 16.

Question put, and agreed to.

Paragraph 7

Amendment proposed that the words "actually represented stores due to" be substituted by "were caused by" in lines 2 and 3.

Question put, and agreed to.

Amendment proposed that a fullstop be added after the figures "\$5,600" in line 5, and that all the words after it be deleted.

Question put, and agreed to.

Paragraph 8

Amendment proposed that "1959" be added after the words "June" and "May" respectively in line 5.

Question put, and agreed to.

Amendment proposed that "1959" be added after the words "July" and "May" respectively in line 1, page 3.

Question put, and agreed to.

Amendment proposed that the words "fact that facts must come to light" be substituted by "need to establish the facts" in line 2.

Question put, and agreed to.

Amendment proposed that the word "He" be substituted by "The Acting Chief Accountant, Malayan Railway," in line 4.

Question put, and agreed to.

Paragraph 9

Read and agreed to.

Paragraph 10

Read and agreed to.

Paragraph 11

Amendment proposed that the whole paragraph be substituted by:

“The Committee inquired into the reasons for the increase in compensation claims for 1958 and was told that it was largely because of the following claims due to derailments, namely:

- (i) \$ 6,800 for cigarettes
- (ii) \$ 3,300 for eggs
- (iii) \$14,000 for fuel oil”.

Question put, and agreed to.

Paragraph 12

Amendment proposed that the words “and approval” be added between the words “preparation” and “of” in line 1.

Question put, and agreed to.

Amendment proposed that the fullstop after the word “unsatisfactory” in line 2 be deleted and the following words after it “No one was certain of the procedure to be followed nor where the control really lay.” be substituted by “in that the procedure which is followed has no statutory authority.”.

Question put, and agreed to.

Paragraph 13

Amendment proposed that the whole paragraph be substituted by:

“In view of the fact that the magazine “Kereta Api” had only a small circulation among the general public and that about 90 per cent of the magazine was issued to members of the Railway staff, the Committee felt that the advertising value of the magazine was negligible. The Committee expressed its disapproval of the practice of the Railway Administration for using the Advertisement Account to finance the cost of the magazine. The Committee recommended that in future no part of the cost of the magazine should be debited to Advertisement Account.”.

Question put, and agreed to.

Paragraph 14

Amendment proposed that the whole paragraph be substituted by:

“The Committee inquired into the circumstances in which the payment mentioned in paragraph 9 of the Auditor-General’s Report was made, and was told that it was the usual practice to hold cocktail parties to boost the traffic of the Malayan Railway, that in this particular case the payment was made to a Railway contractor for organising a cocktail party on the East Coast in 1956, and that the contractor was authorised by the General Manager. The bills were not submitted until 1958 because (a) one of the contractor’s assistants was absent from the country for 18 months and had taken with him

some of the bills covering the expenditure, and that in consequence the contractor was prevented from submitting his full claim, and (b) that the contractor was extremely reluctant to submit his claim and it was only at the insistence of the Railway Administration that the claim was eventually submitted, because the Railway Administration feared that if the contractor was not paid he might expect special favours from the Administration.

The committee expressed its view that the practice adopted by the Railway Administration for payment of bills through contractors is most undesirable, and the Committee was amazed to hear from the Acting Chief Accountant, Malayan Railway, that this payment was authorised by the General Manager after a lapse of nearly two years. The Committee wished to record its disapproval of this arrangement and hoped that there would be no recurrence in future.

The Committee also learned that during 1958 the Railway Administration spent \$1,690 on cocktail parties charged to the Advertising Account, and \$3,800 on similar entertainment charged to General Charges—Incidentals.

The Committee also expressed its view that expenses for cocktail parties and the like should not have been charged to the Advertising Account, and the Committee recommended that in future the Railway Administration should have a separate vote for entertainment.”.

Question put, and agreed to.

Paragraph 15

Amendment proposed that the colon after the word “categories” in line 6 be substituted by a fullstop, and that all the words after it be deleted.

Question put, and agreed to.

Paragraph 16

Amendment proposed that the whole paragraph be substituted by:

“The Committee is of the opinion that the claim of \$7,674 in respect of abortive work was due to disregard of existing procedure by certain officers of the Railway Administration, and the Committee recommended that strong action be taken so that this would not be repeated in the future.”.

Question put, and agreed to.

Paragraph 17

Amendment proposed that the whole paragraph be substituted by:

“The Committee expressed its view that expenditure amounting to \$1,254,911, recorded as Unproductive Capital Expenditure, was due mainly to Treasury restrictions imposed on Development Expenditure in 1958. It appeared from this that the Treasury in confining restrictions on projects without contractual commitments was not appreciative of the financial consequences of restricting Development Expenditure on uncompleted projects.

Though the Committee was told that the suspension of development projects which had cost the Malayan Railway Administration \$1,254,911 at the time of the suspension would not cause any loss to the Railways provided funds were forthcoming to complete these projects, the Committee felt that owing to this suspension, the

Malayan Railway Administration not only had to pay "unnecessary" interest to the Treasury but was also prevented from earning income from such projects.

The Committee recognised that at the beginning of 1958 there was a need to restrict expenditure on development, but was not satisfied that the Treasury in allocating these funds gave due consideration to the need to complete revenue-earning projects where they had started."

Question put, and the Committee divided :

Ayes 3

Mr. Kang Kock Seng
Enche' Mohamed Yusof
Enche' Ibrahim

Noes 1

Mr. Tan Phock Kin

Amendment proposed by Mr. Tan Phock Kin that the following new paragraph be added after the paragraph ending with the words "they had started.":

"The Committee recommended to the Treasury to review its policy on this matter so that Public Funds can be controlled with greater prudence."

Question put, and the Committee divided :

Ayes 1

Mr. Tan Phock Kin

Noes 3

Mr. Kang Kock Seng
Enche' Mohamed Yusof
Enche' Ibrahim

Paragraph 18

Amendment proposed that the words "not any" in line 4 be substituted by "no".

Question put, and agreed to.

Amendment proposed that the word "gets" in line 5 be substituted by "had".

Question put, and agreed to.

Amendment proposed that the words "could be done only" in line 6 be substituted by "was normally done".

Question put, and agreed to.

Amendment proposed that after "Auditor-General" in line 3, page 6, the following new sentence be added :

"We consider that this matter should also be covered by legislation."

Question put, and agreed to.

Paragraph 19

Amendment proposed that the whole paragraph be substituted by :

"The Committee was told that a Commission would soon be set up to go into the question of the finance of the Malayan Railway. The Committee recommended that the Commission should also go into the question of the authority to write off capital assets and losses.

The Committee noted that there is no statutory provision governing the writing off of Railway assets and recommended that this Commission should also examine this question."

Question put, and agreed to.

Paragraph 20

Read and agreed to.

Paragraph 21

Amendment proposed that the words "estimated to be" be added between the word "as" and "in" in line 2.

Question put and agreed to.

Amendment proposed that the words "could not be provided" in lines 2 and 3 be substituted by "were not available".

Question put, and agreed to.

Amendment proposed that the word "entails" in line 4 be substituted by "entailed".

Question put, and agreed to.

Question proposed

That this draft Report, as amended, be adopted as the Report of the Committee.

Question put, and agreed to.

II. The Committee inquired whether the Auditor-General was reluctant to make caustic comments in his Report with regard to entertainment expenses for fear that the Press might make use of such comments, as they did in the last Report on the Accounts of the Federation of Malaya. The Auditor-General explained that he would make any comment which he thought was proper but that this time he took particular care to use such words which could not possibly be twisted by the Press to mean something else.

III. The Committee questioned the Auditor-General why he did not refer in his Report expenditure of an entertaining nature being incorporated into General Charges, Sundry Items and Incidental Expenses. The Auditor-General replied that there was nothing wrong in charging such expenditure to General Expenses.

The Committee inquired further, if a substantial sum had been spent on entertainment, whether the Auditor-General would still consider it quite proper to charge it to General Charges. The Auditor-General replied that if it was really a large portion of the expenditure, he would make the general comment that out of a sum of so much charged to this vote X dollars were spent on entertainment, and in view of the volume it should have been charged to a separate vote.

The meeting adjourned at 5.53 p.m.

FOURTH MEETING

Tuesday, 16th February, 1960

2.30 p.m.

PRESENT:

The Honourable Tuan Syed Esa bin Alwee, S.M.J., P.J.K. (*Chairman*).
„ Dr. Lim Swee Aun, J.P.
„ Enche' Mohamed Yusof bin Mahmud, A.M.N.
„ Enche' Ibrahim bin Abdul Rahman.
„ Mr. Kang Kock Seng.
„ Tuan Haji Ahmad bin Abdullah.
„ Mr. Tan Phock Kin.

IN ATTENDANCE:

The Auditor-General, Federation of Malaya (Mr. H. M. Watson).
The Representative from the Treasury (Mr. G. W. Rothery).

1. The Chairman, after welcoming the members, expressed his hope that this special meeting of the Committee would not cause any inconvenience to any member of the Committee. He then explained to the Committee his reasons for calling this special meeting. He said that on going through the approved Report of the Committee, he found that in two instances in paragraph 17 of the Report, the Committee had gone further than it should, and after careful consideration he came to the conclusion that it was necessary for the Committee to reconsider this particular paragraph, before submitting the Report to the House. The two instances referred to above were:

(a) *Sub-paragraph 1 of Paragraph 17—*

“It appeared from this that the Treasury in confining restrictions on projects without contractual commitments was not appreciative of the financial consequences of restricting development expenditure on uncompleted projects.”

(b) *Sub-paragraph 3 of Paragraph 17—*

“The Committee recognised that at the beginning of 1958 there was a need to restrict expenditure on development, but was not satisfied that the Treasury in allocating these funds gave due consideration to the need to complete revenue-earning projects where they had started.”

The Chairman informed the members that the Committee was in no position to criticise the Treasury in (a) and (b) above, because in both instances the steps taken had already been approved by the Legislative Council when it considered the Development Expenditure, i.e., the Treasury was merely putting into effect the resolution of the Legislative Council. That being the case, the Chairman urged the members either to delete the whole of paragraph 17 and substitute a new paragraph or re-word the paragraph.

2. After some discussion, Enche' Mohd. Yusof (a member of the Committee) proposed the following amendments to paragraph 17:

(a) That the words “It appeared uncompleted projects.” be deleted and substituted by “The Committee hoped that in future the Treasury would take due consideration of the financial consequences of restricting development expenditure on uncompleted projects.” in sub-paragraph 1.

- (b) That the words "... but was not satisfied that the Treasury in allocating these funds gave" be deleted and substituted by "but hoped that in future the Treasury in preparing the draft estimates would give" in sub-paragraph 3.

But before the Chairman had put the question on these amendments to the Committee, Enche' Mohd. Yusof withdrew them.

3. Mr. Kang Kock Seng (a member of the Committee) then proposed the following amendments to paragraph 17:

- (a) That the words "It appeared uncompleted projects." be deleted and substituted by "The Committee noted the financial consequences of restricting development expenditure on uncompleted projects." in sub-paragraph 1.

Question put, and the Committee divided:

Ayes 5	Noes 1
Dr. Lim Swee Aun	Mr. Tan Phock Kin
Enche' Mohd. Yusof	
Enche' Ibrahim	
Mr. Kang Kock Seng	
Tuan Haji Ahmad	

- (b) That the words "but was not satisfied that the Treasury in allocating these funds gave" be deleted and substituted by "but hoped that in future the Treasury in preparing the draft estimates would give" in sub-paragraph 3.

Question put, and the Committee divided:

Ayes 5	Noes 1
Dr. Lim Swee Aun	Mr. Tan Phock Kin
Enche' Mohd. Yusof	
Enche' Ibrahim	
Mr. Kang Kock Seng	
Tuan Haji Ahmad	

(Mr. Tan Phock Kin, a member of the Committee, disagreed with the other members on this paragraph. His views on this paragraph are set out in Appendix "B").

4. Mr. Tan Phock Kin maintained that the Committee was not overstepping its limits by criticising the Treasury in paragraph 17. He asked the Treasury Representative whether the Minister had at the time when he moved the resolution in the Legislative Council, drawn the attention of the House to the financial consequences which would result through such curtailment. The Treasury Representative replied that according to the Proceedings of the Legislative Council, the then Minister of Finance did not go into each Head or Sub-Head in detail but he did explain to the House the acute financial position at that time and warned the House that every considerable development projects would have to be put off, and that the sum of \$12 million voted for the Railway Administration for contractual commitments represented the minimum expenditure.

Mr. Tan commented that the fact that a cut in expenditure on uncompleted works would result in financial loss was never pointed out to the House at that time: he felt that a statement drawing attention specifically to the likelihood of financial losses through such curtailment would have been sufficient. He also stated that had the House been informed of the facts and

had voted knowing full well of the financial consequences, then the Treasury could not be blamed, but in this case there was insufficient evidence to show that the facts were disclosed.

5. Mr. Tan Phock Kin proposed that the Committee should request the Treasury Representative to leave the meeting. Question put and agreed to. The Committee made the request and the Treasury Representative left the meeting accordingly.

6. Mr. Tan Phock Kin (a member of the Committee) stated that he was not satisfied with the reasons given by the Chairman for calling the special meeting of the Committee to reconsider paragraph 17 of the Report. He admitted that the Chairman had a discretion to convene a meeting of the Committee whenever he thought fit, but in this particular case, in Mr. Tan's opinion, it was "wrong and improper" for the Chairman to do so. To him, the Chairman should only have called the meeting if something extraordinary happened or some new facts had come to light since the last meeting of the Committee. He maintained that in this particular case no new facts were disclosed: all that were told by the Treasury Representative at the meeting were already expressed by the Treasury Representative who attended the previous meeting of the Committee. He hoped that this would not be regarded as a precedent. In future, he added, members should consider very carefully before coming to a decision, and if there was the slightest doubt, the decision should be deferred, but once a decision had been taken, it should not be altered.

7. Tuan Haji Ahmad (a member of the Committee) thanked the Chairman for calling the special meeting and added that the Committee should not hesitate to reconsider its Report before submitting it to the House whenever it thought fit.

8. Mr. Tan Phock Kin expressed great fear that some members of the Committee might be influenced by a Ministry. Mr. Kang Kock Seng and Dr. Lim Swee Aun (members of the Committee) replied that, in their opinion, none of the members could be influenced by any Ministry.

The meeting adjourned at 3.55 p.m.

APPENDIX "B"

In Mr. Tan Phock Kin's considered opinion, paragraph 17 of the Report should read as follows:

The Committee expressed its view that expenditure amounting to \$1,254,911, recorded as Unproductive Capital Expenditure, was due mainly to Treasury restrictions imposed on Development Expenditure in 1958. It appeared from this that the Treasury in confining restrictions on projects without contractual commitments was not appreciative of the financial consequences of restricting Development Expenditure on uncompleted projects.

Though the Committee was told that the suspension of development projects which had cost the Malayan Railway Administration \$1,254,911 at the time of the suspension would not cause any loss to the Railways provided funds were forthcoming to complete these projects, the Committee felt that owing to this suspension, the Malayan Railway Administration not only had to pay "unnecessary" interest to the Treasury but is also prevented from earning income from such projects.

The Committee recognised that at the beginning of 1958 there was a need to restrict expenditure on development, but was not satisfied that the Treasury in allocating these funds gave due consideration to the need to complete revenue-earning projects where they had started.

The Committee recommended to the Treasury to review its policy on this matter so that Public Funds can be controlled with greater prudence.

