



Accountant General Department of Malaysia
Jabatan Akauntan Negara Malaysia



PEMNA HIGH-LEVEL CONFERENCE

Treasury COP:

Government Cash Management in Malaysia

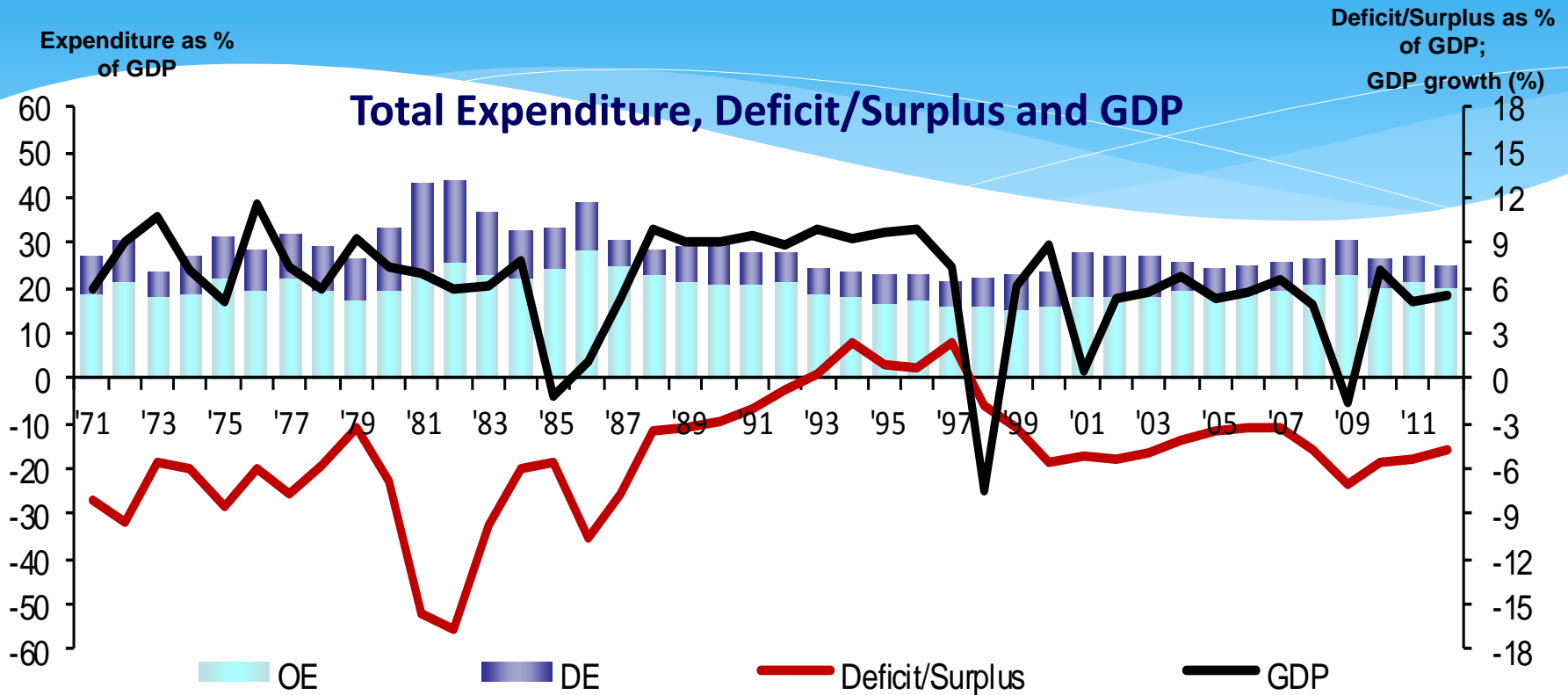
Presented by:
Accountant General Department of Malaysia

InterContinental Seoul COEX Hotel
December 6 – 8, 2012
Seoul, Korea



MALAYSIA

Federal Government Financial Position



SOURCE: ECONOMICS AND INTERNATIONAL DIVISION,
 MINISTRY OF FINANCE, MALAYSIA

POPULATION
 2011
 28.55 mil

AREA
 330,803 km²

MINISTRIES
 24

GDP 2011
 RM881.1 b

GROWTH RATE
 2011
 5.1%

INFLATION RATE
 2011
 3.2%



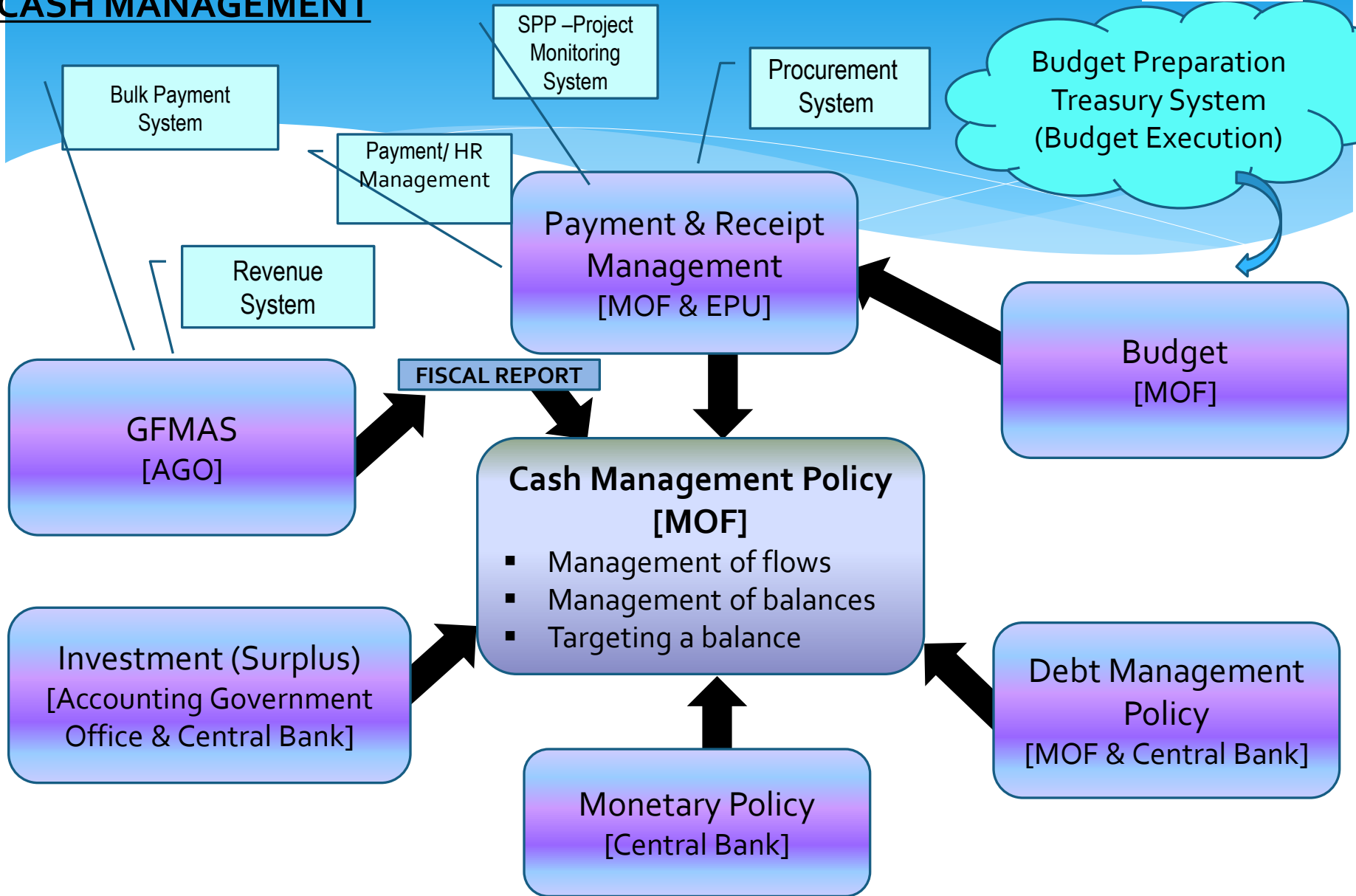
ACCOUNTING OFFICES IN MALAYSIA



About 50,000 government users at 4,000 RCs will be involved in this initiative encompassing 25 Ministries, 177 Departments and 24 AGOs



CASH MANAGEMENT



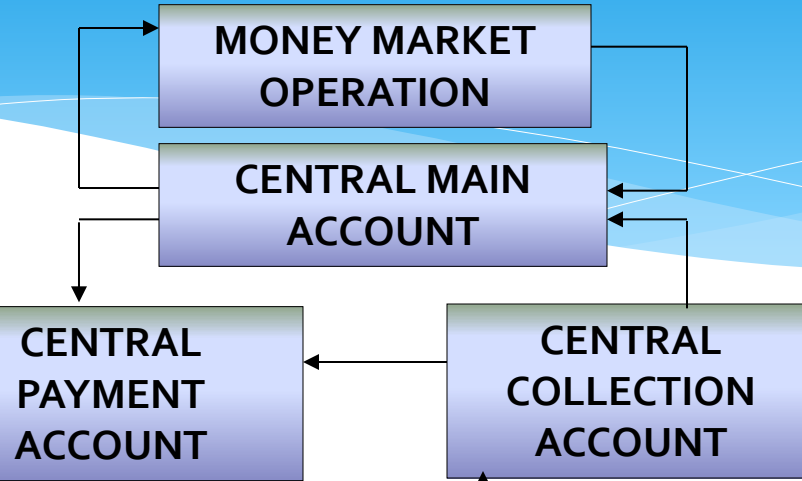


GOVERNMENT'S BANK ACCOUNTS

HEAD
OFFICE
CENTRAL
BANK OF
MALAYSIA

DIRECT PAYMENT :

- LOAN
- INVESTMENT
- GRANT



• DOMESTIC : LOAN

TRANSFER DEFICIT

TRANSFER SURPLUS

ACCOUNTING
OFFICE (36)
COMMERCIAL
BANK



DIRECT
COLLECTION

AGENT/ACQUIRING
BANK

- INTERNET BANKING
- ONLINE
- E-PAYMENT

CHEQUE

ELECTRONIC
FUND TRANSFER

COLLECTION

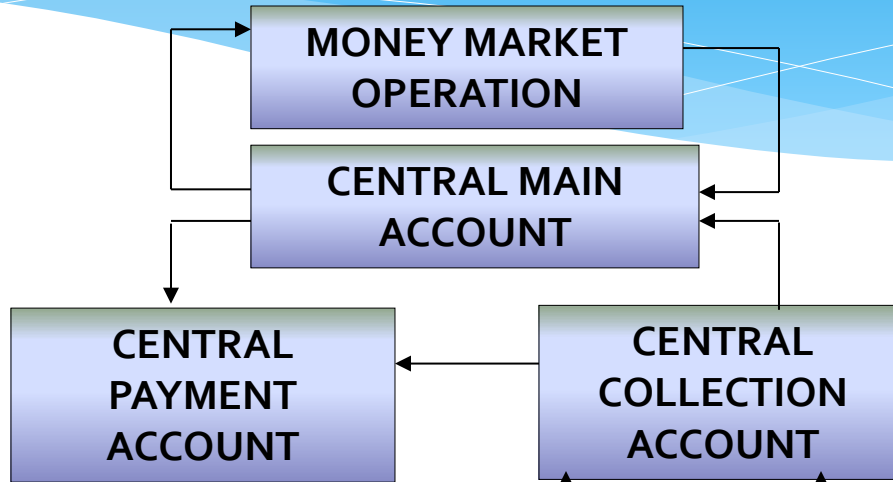
PAYMENT

RESPONSIBILITY
CENTRE/VENDORS



GOVERNMENT'S BANK ACCOUNTS [Collection from Central Agencies]

HEAD
OFFICE
CENTRAL
BANK OF
MALAYSIA



COLLECTION
CENTRAL
AGENCIES

- INLAND REVENUE BOARD
- CUSTOM DEPT.
- GLC : PETRONAS

TRANSFER
Revenue

TRANSFER
(Tax Collection)

TRANSFER
(Dividend)

COLLECTION
ACCOUNT



ROYAL MALAYSIAN
CUSTOM DEPT



INLAND REVENUE
BOARD OF
MALAYSIA



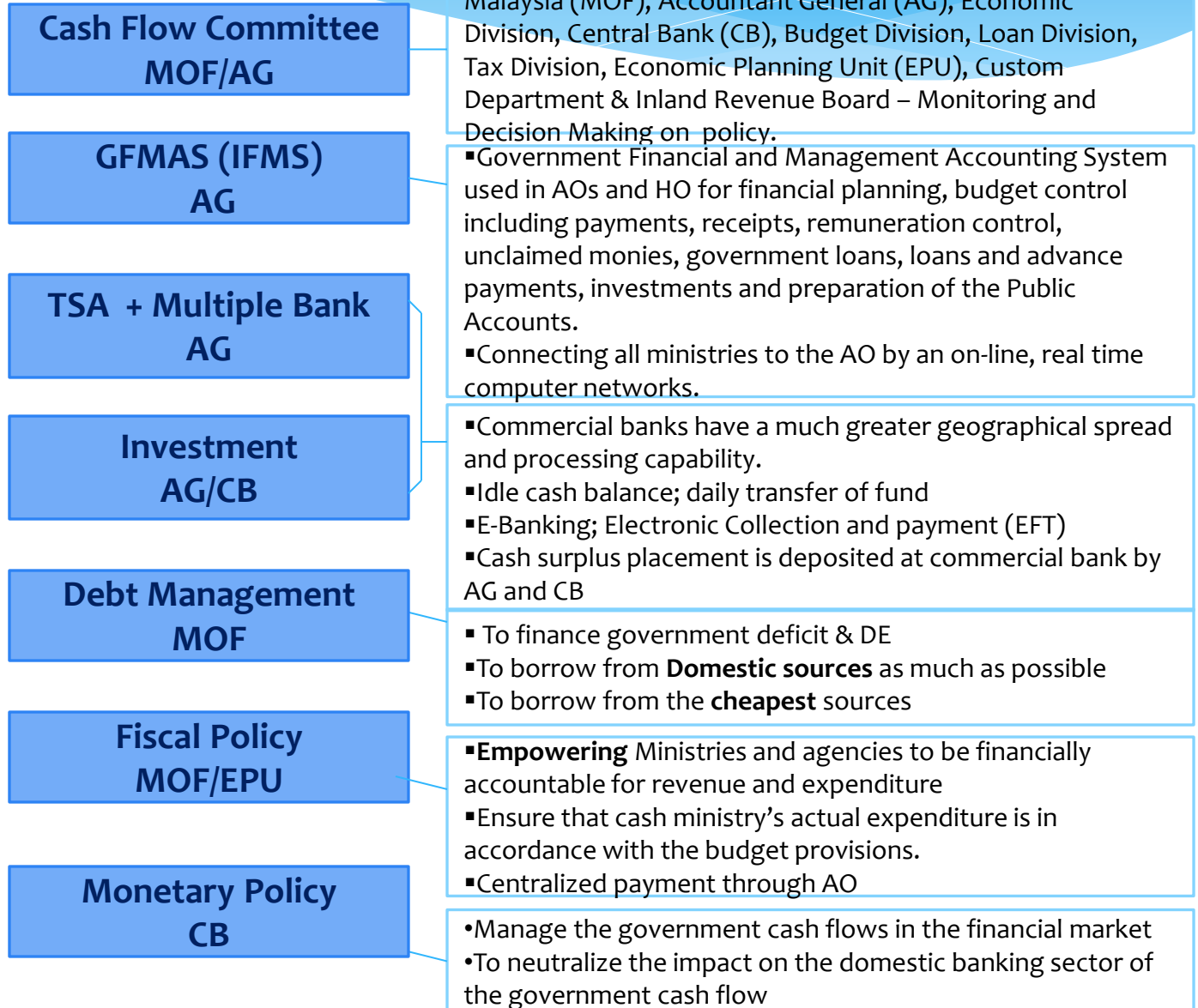
PETRONAS

PETROLIUM NATIONAL
BERHAD



Cash Management in Malaysia

Efficient and Effective Cash Management





Operating

Receipts

Taxation Revenue

Non-taxation Revenue

Miscellaneous Receipts

Federal Territories Revenue

Payments

Wages, salaries and employee benefits

Pension payments

Payments made to suppliers

Grants paid

Other payments

Investing

Receipts

Proceeds from disposals of property, plant and equipment

Proceeds from sale of investments

Receipts of loan extended

Interest received

Dividends received

Payments

Purchase of property, plant and equipment

Loan extended

Investments in debt/equity securities

Financing

Receipts

Proceeds from borrowings

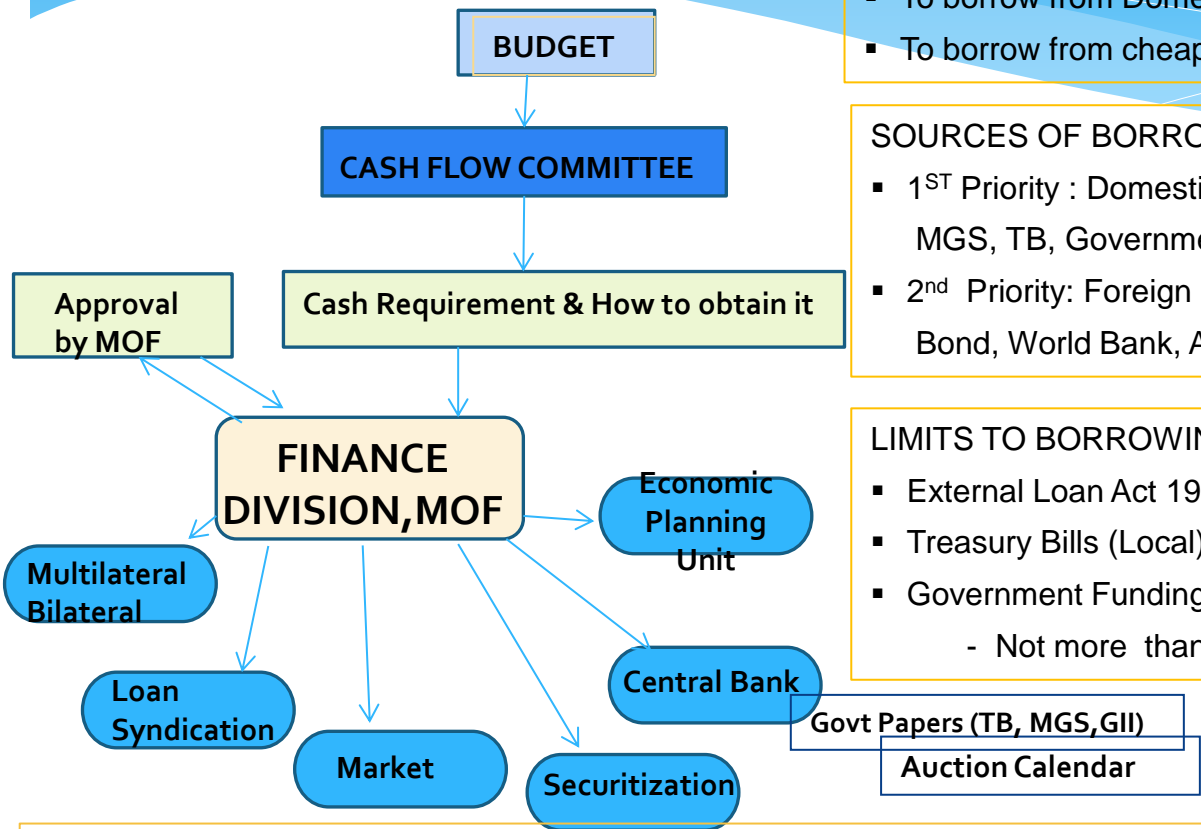
Payments

Repayment of borrowings

Interest paid



Debt Management



BORROWING POLICY:

- To finance Government deficit on DE
- To borrow from Domestic sources
- To borrow from cheapest source

SOURCES OF BORROWING IN TERMS OR PRIORITY:

- 1ST Priority : Domestic market :
MGS, TB, Government Investment Issues, Syndicated loan
- 2nd Priority: Foreign market:
Bond, World Bank, ADB, IDB, JICA , Other Government

LIMITS TO BORROWING:

- External Loan Act 1963 – Max RM35b
- Treasury Bills (Local) Act 1964 – Max RM10b
- Government Funding Act 1983 & Loan (Local Act 1959
- Not more than 55% of GDP

- Close interaction between government debt and cash management units
- Debt service charges not to exceed 15% of revenue
- Federal Government external debt capped at 10% of GDP
- Operating expenditure not to exceed revenues



Federal Constitution 1957

The Relevant Laws

Financial Procedure Act 1957

LAWS, RULES AND REGULATIONS

Domestic Loan Acts

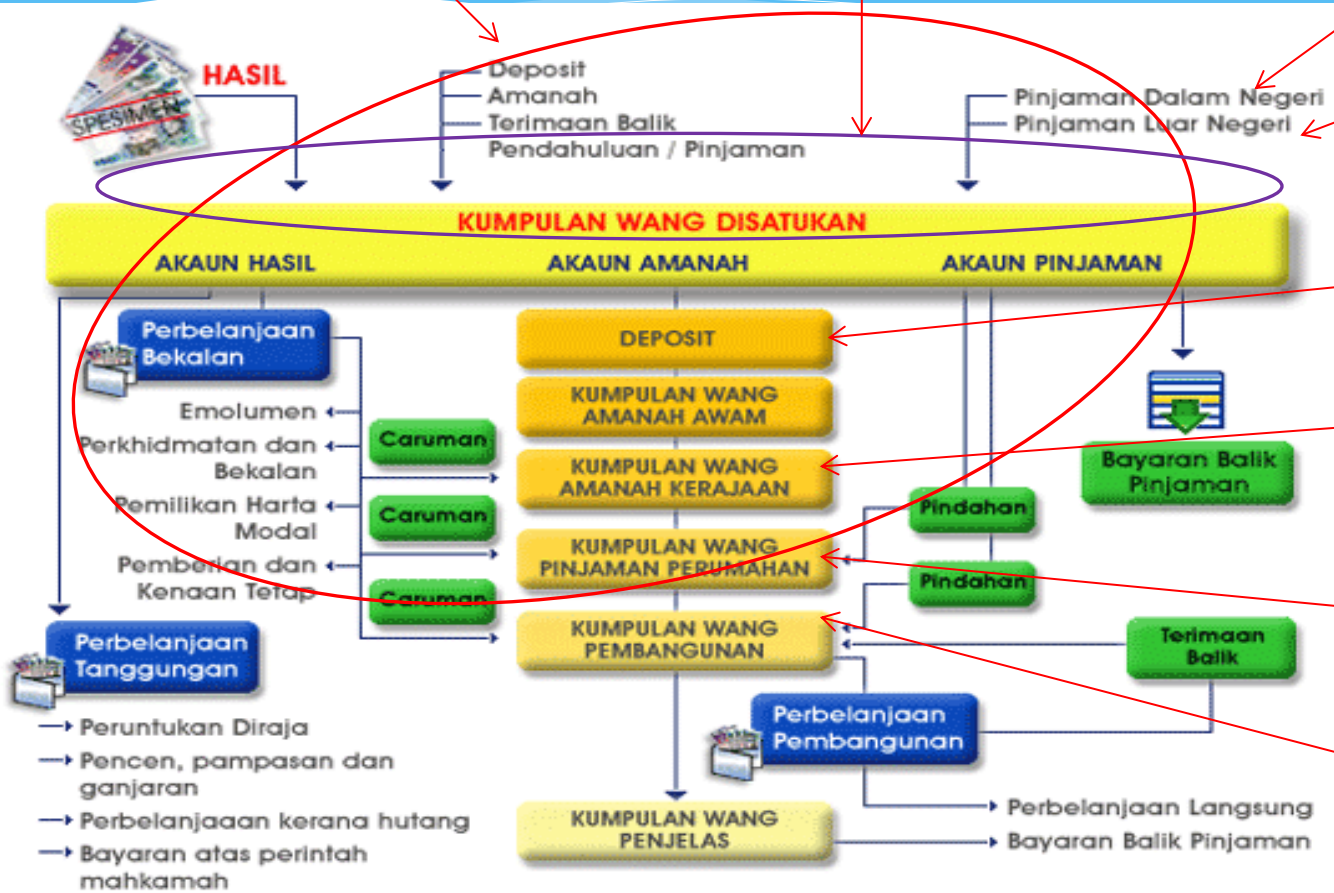
External Loan Acts

Legacy Acts

-Pension Act 1980
-Retirement Trust Fund Act 2007

Housing Loan Act 1971

Development Funds Act 1966





Operating in a distributed environment with each of the 36 AO's/ SADs (25 AGOs and 11 SADs) running its ICT operations.

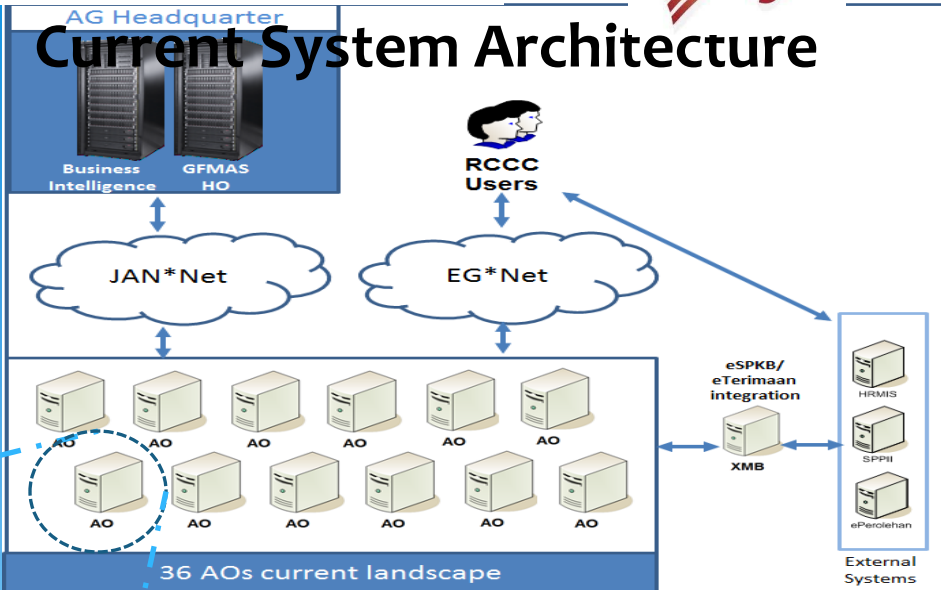
The RCs will capture their transactions into eSPKB of the respective AOs. The eSPKB data is then transferred to GFMAS via Enterprise Application Integration (EAI) to GFMAS database in each AGOs /SADs.

The GFMAS data in the AGOs/SADs is then consolidated to the central database in the HO via SAP Application Link Enabling (ALE).

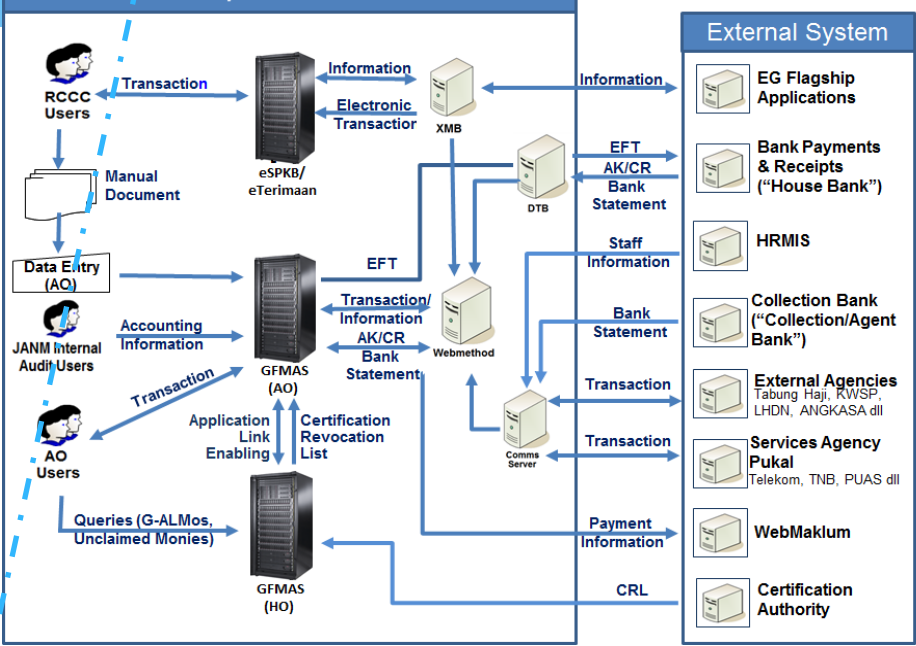
The 36 AGOs/SADs are connected to the HO via JAN*NET running on IPVPN WAN technology with bandwidth varying from 256 Kbps to 1 Mbps and DSL lines as backup.

The RCs are connected to AOs via EG*Net.

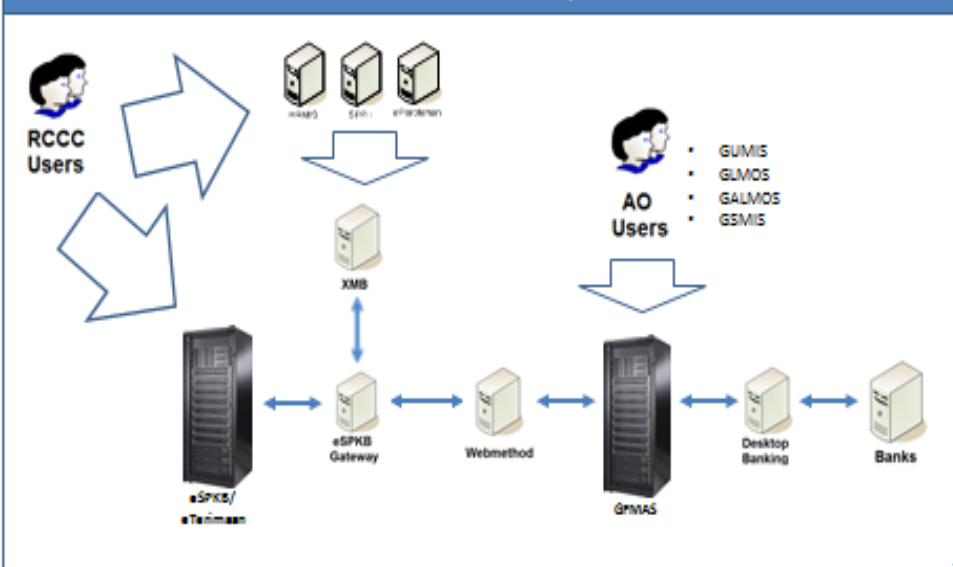
Current System Architecture



Current System Architecture



AO current landscape





MOVING FORWARD

Distributed Processing and Disparate Systems

- Interface between eSPKB, GFMAS and external system
- Redundancy of data and work process (eSPKB running on java & Oracle and GFMAS running on SAP & DB2)

High maintenance

- Software and hardware license
- Preventive and curative maintenance on the infrastructure
- Duplication of work eg backup

Exorbitant cost for hot DRC

Difficulty in developing expertise

Inconsistency of data

RCs document status is not real time

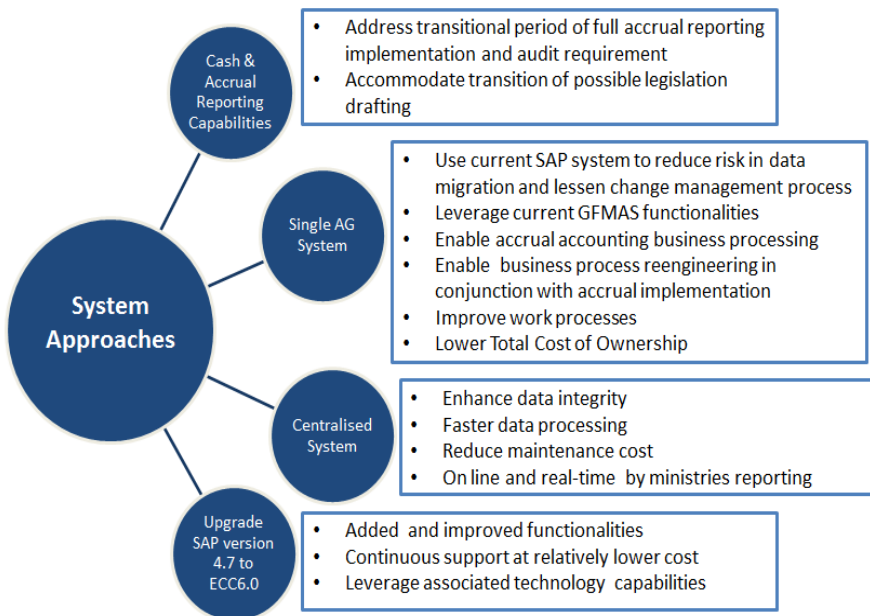
Reconciliation of data

1GFMAS
a single integrated
centralized environment

SYSTEM AND PROCESS

SYSTEM DEVELOPMENT STRATEGY

OPERATIONAL FRAMEWORK



Stage	Expenses	Revenues	Assets	Liabilities	Contingent Liabilities
As Is	Payments	Receipts	Financial assets	Balance of Public Borrowings Not Transferred To Development Fund & Housing Loan Fund	Guarantees
Stage I (Jan 1 2014)	All Expenses on accrual basis (Assets not capitalized)	All Revenues on accrual basis	Financial assets + Receivables	Balance of Public Borrowings Not Transferred To Development Fund & Housing Loan Fund + Payables	Guarantees
Stage II (Jan 1 2015)	All Expenses on accrual basis	All Revenues on accrual basis	All Assets	All Liabilities	All explicit contingent liabilities



Moving Forward ...

Centralized Systems (iGFMAS)

Centralized treasury payment and revenue collection systems

- Enhance GL & SL functions
- Single system for RCs & AOs functions
- Cash and accrual basis of accounting
- Financial statement by Ministry

Efficient Payment Infrastructure – Electronic Fund Transfer (EFT)

Reduce cash holdings and idle balances at AO Banks

- Enhancing payment channel
- Increasing reliance on EFT (99%)
- Centralized treasury payment and revenue collection system.
- Further improve Treasury Cash Management

Move to a Treasury Single Accounts (TSA)

- The costing data can be cascaded down to the performance of individual departments responsible for the respective activity in **measuring the effectiveness of the programs**

Introduce performance measures and cost monitoring systems : Activity Based Costing (ABC) Outcome Based Budgeting(OBB)

- Accrual accounting is a key element in working for outcomes framework under OBB – Costing data enables to **quantitatively measure** the operating **efficiency** of Ministries and agencies in producing the agreed outcomes

Accrual Accounting 2015

- Better financial management through with the **complete view** Assets & Liabilities – comparable with global development with wider stakeholders' interest in government finances



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THANK YOU
TERIMA KASIH