

## The Success Factors of the Public Accounts Committee (PAC) in Malaysia: The Public Perspective

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### Abstract

This paper reports results of an investigation on the perceptions of the public on success factors of the Public Accounts Committee (PAC) in Malaysia. The study examines public perceptions with a total of 80 respondents responded to the survey questionnaire. The finding showed that there were five top factors that the public perceived could contribute to the success of the PAC. These include the power to make recommendations and publish conclusions, balanced representation with close working relationship of all political parties in the committee, power to hold in camera meetings, having a clear focus on holding the government accountable for its spending and its stewardship over public assets, and finally a good relation with other parliamentary oversight mechanism such as the budget committee.

**Keywords:** Public Accounts Committee (PAC); Public Sector; Malaysia.

### Introduction

The Public Accounts Committee is one of the independent and significant committees of the Parliament in operation to oversee the administration of public fund and accountable government (ASOSAI, 1998; INTAN, 2000). In a broader sense, the PAC's role is to assist the Parliament in holding the government to account for its use of public funds and resources through examination of public accounts. The PAC has a critical role in ensuring that the accountability and effective governance of the public sector is practiced in government dealings (INTAN, 2000; Pelizzo, Stapenhurst, Sahgal and Woodley, 2006; Pelizzo, 2011).

However, in the past few years, there were questions and criticisms directed towards the PAC in Malaysia with regards to its practices. For example, it was reported in Malaysian Business (2005) that the PAC chairman, Datuk Shahril Abdul Samad admitted that the PAC cannot function effectively due to resources and support constraints. Also in the report, the former opposition leader, Mr. Lim Kit Siang concurred that the PAC failed to play its watchdog rule because he argued that the Auditor General Report was never read, noticed or debated. Thus, as highlighted by the President of Transparency International Malaysia, Datuk Param Cumarasamy, a study on the PAC's performance in Malaysia would start the effort to strengthen the accountability of the PAC with respect to the financial accountability of the government (Malaysian Business, 2005). Other than that, there were also calls for researchers to conduct research on the operations of PACs in Westminster-type of jurisdictions other than the UK

and Australia (Jacobs, Jones and Smith, 2007; Degeling, Anderson, and Guthrie, 1996). Against this background, the current study extends prior studies by adding investigation on the perceived success factors of the PAC from the public perspective.

This study has theoretical and practical significance. Firstly, the study will contribute to the existing body of knowledge in terms of providing a better understanding about the important factors towards successful PAC practices in developing countries, specifically in Malaysia. Secondly, this study can inform the Parliament and the government of Malaysia as to how the PAC can be structured to ensure its effectiveness from the public perspective.

The rest of this paper is structured as follows. The next section presents relevant literature to highlight the roles and functions of the PAC and important success factors in other parts of the world. The second section discusses the methodology used in this study. The third section reports the results of the study with some conclusions in the final section.

## Literature Review

### The Public Accounts Committee (PAC) in Malaysia

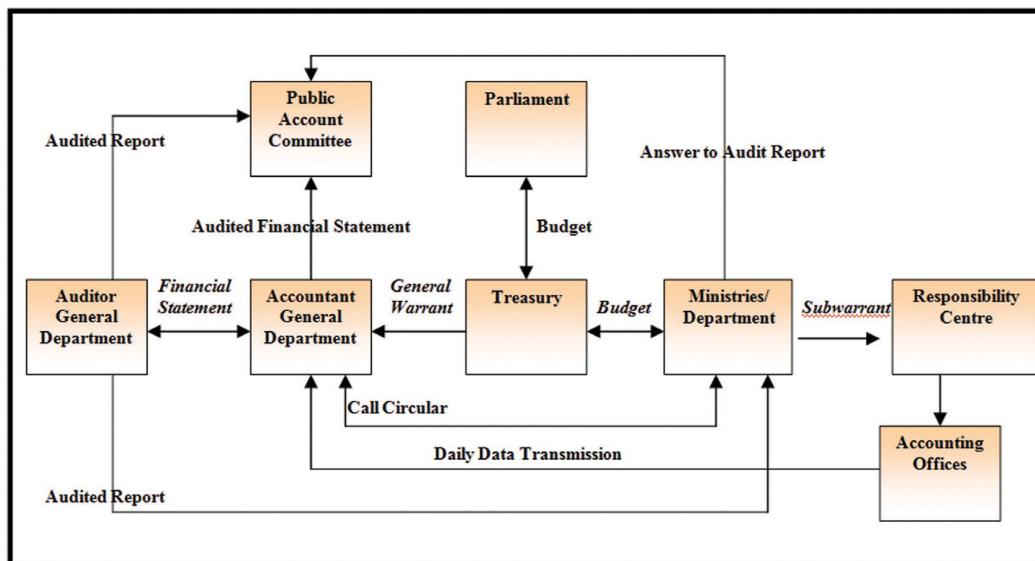
In Malaysia, the PAC is one of the selected committees of the Parliament which is responsible in enhancing the accountability in the financial operations of government. The PAC is established at the federal and state level. For the purpose of this study, the emphasis is on the PAC at federal level. The PAC carries out its works based on the *Standing Orders of the Dewan Rakyat (House of Commons)*. According to the Standing Orders (SO), the PAC is established for the purpose of examining:

- (a) The accounts of the Federation and the appropriation of the sums granted by the Parliament to meet public expenditure;
- (b) Such accounts of public authorities and other bodies administering public funds as may be laid before the House;
- (c) Reports of the Auditor-General lay before the House in accordance with Article 107 of the Constitution;
- (d) Such other matters as the Committee may think fit, or which may be referred to the Committee by the House (SO 77(1), Twelfth Publication, 2008, p.260).

The PAC forms part of the accountability structures created in the Malaysian Parliamentary system (See Figure 1). It interacts and communicates with various independent and government bodies in carrying out its duties. The primary source of information for the PAC about the financial accountability of the government is basically from the audit report produced by the Auditor General. This audit report normally includes the findings from the financial and compliance auditing as well as performance auditing. Another source of information is from the audited financial statements provided by the Accountant General Department. The

PAC performs its duties by examining an Auditor-General annual reports or by initiating its own investigations upon a case that is of public interest. In many circumstances, it will call upon the government agencies to answer the inquiries. Finally, the PAC comes out with recommendations for improvements of the respective government agencies.

**Figure 1: The Chain of Accountability in the Malaysian Parliamentary System**



Source: Accountant General's Department of Malaysia website

In terms of membership, the PAC members are appointed as soon as each term of parliamentary sessions commences (SO 77(2)). The committee comprises members from ruling party, the opposition, and also independent parties with the minimum number of six and not more than 12 members. Nevertheless, the normal practice is that the chairman is the representative of the government party and the vice chairman is from the opposition party. The SO also states that a cabinet minister cannot become a member or a chairman of the PAC during the tenure as a minister. This is basically to safeguard the independence of the committee. In terms of the powers, this committee has the power to summon the presence of anyone or request the issuing of letters, records, and to issue statements to the committee from one time to time.

Literature review shows that a number of empirical studies have been conducted in relation to the success factors or on the effectiveness of the PACs around the world. The pioneer of the study on this topic was conducted by the members of the Canadian Council of the Public Accounts Committees (1991) with the purpose of identifying the conditions and factors of the effective performance of PACs in all Canada's national and provincial legislatures. The results suggest that the clear mandate and term of references, the powers of a PAC, the composition of committees and operating style, its relationship with the Auditor-General, the executive, and the media, and the PAC's resource requirements are the important characteristics for an effective PAC.

A decade later, McGee (2002) reported a result of survey on the PAC practices of 70 parliaments

in Commonwealth countries. Similar to previous study, the purpose was to examine the PAC practices and 'whether they fulfill expectations as important guarantors of good government' (McGee, 2002, p.4). The report recommends that the PACs need to improve in three important aspects to fulfill the expectation on them as guarantors of good government, namely:

(i) Capacity building

A constant theme is needed to improve institutional capability; that is the ability of the Parliament, the PACs, and the Auditor-General's offices to carry out their functions by being provided with sufficient resources and having adequate training as well as access to the expertise that they require.

(ii) Independence

Particularly for the Auditors-General it is essential that they are free from any political or legal constraint that could inhibit them in carrying out their duties diligently and impartially.

(iii) Information exchange

The PACs in particular need to have the means to exchange information and ideas so as to keep them up-to-date with important developments, changing standards, and best-practices as they emerge (McGee (2002), 6).

Another significant study in this area was carried out by Stapenhurst et al., (2005). The researchers conducted a questionnaire survey followed by interviews with the chairman to investigate the success factors of the PACs in 33 national and state/provincial parliaments in various Commonwealth countries. According to them, 'the success of PACs does not depend only on institutional design, however, but also on the behavior of committee members and on the functioning of the committee itself'. In terms of institutional design, the success factors are identified as: (1) the PAC has a clear power and mandate, (2) the focus is on government financial activity and accountability, (3) has the power to investigate all past and present government expenses, (4) has the power to check implementation of recommendations, and (5) a close working relationship with the Auditors General. For behavioral aspect, the success factors were: (1) the information availability and bipartisanship/non-partisanship, (2) the PAC members need to study related government documents and be prepared for the meetings, (3) keeping transcripts of their meetings, (4) publication of their conclusions and recommendations, and (5) involvement of the public and media in their works.

Based on the success factors identified in the above studies, CCAF-FCVI (2006) also proved that some factors lead to effective committee performance. The CCAF-FCVI sets out a research report on the mechanisms in strengthening PACs. The report suggests that having a formal and clear framework of power and practices with the capacity to transform the power into practices and a strong committee leadership are essential requirements for a successful PAC.

A similar study was conducted by KPMG Australia in 2007 with the aim to identify the structures, responsibilities, and practices of PACs across Australia and New Zealand jurisdictions. They concurred that various procedures and practices developed by the PACs in these countries

were beneficial to other PACs with similar jurisdictions. These include the power to investigate the report, membership and leadership, and reporting findings and recommendations. The report concluded that there was no structure, terms of reference or set of working practices that could be described as a practice to be followed in establishing and operating an effective PAC.

In Malaysia, to this date, there is no study examining the success factors of the PAC at the federal level. Nevertheless, a recent study conducted by Rose and Napsiah (2009) on the functions of state's PACs is worth to be mentioned. Specifically, they examined the work of the PACs in reviewing and reporting states financial statements based on one of 2005's PAC Reports. They found out that there was an issue of timeliness of all states PAC Report which was basically due to PACs non-review of current audited financial statements. Consequently, the PAC's recommendations were also outdated and not relevant. This implied that the PACs at the state level are not effective in executing their functions. This study suggests that the PACs need to improve their composition, capacity, and also work process to boost their work and reputation.

### **Research Methodology**

For the purpose of the study, a survey questionnaire was employed as the main source of data collection. This questionnaire was adopted from Stapenhurst et al (2005) study and was further extended by adding questions to solicit respondents' level of knowledge of the PAC. The survey instrument was divided into three sections. Section A enquired about respondents' personal profile namely their gender, age, level of education, and occupation. Section B enquired about respondents' level of knowledge of the PACs' existence and its source of powers. Lastly, Section C focused on PACs' attributes, specifically their composition, power and practices impact on their governing performance. The questions in sections B and C were rated on a 5-point like scale where 1 = "very important" or "strongly agree" and 5 = "not important" or "strongly disagree". In section C, one open-ended question was directed to the respondents to solicit their suggestions on other important success factors which may not included in the questions.

In total, 150 respondents were targeted by using convenience random sampling. These respondents were specified in such that they must aware on the existence of the PAC. Out of this total, 41 respondents did not know on the existence of the PAC and 29 rejected the request to participate in the study. At the end, 80 questionnaires were used for the analysis.

### **Findings and Discussions**

A background analysis of the respondents was carried out based on four criteria namely gender, age, level of education, and sector of occupation. Table 1 shows that the demographic characteristics of the sample were evenly spread between male (47.5%) and female (52.5 %). In relation to age, majority of the respondents (76.3%) fall under the age categories of 21 until 30 years old. Nearly half of the respondents have bachelor degree (46.3%), masters (16.2%)

and Phd (5%). Only 32.5% has SPM and diploma. This might indicates that in general, the respondents have an adequate and reasonable level of knowledge. Forty seven of the respondents (58.8%) are working in the public sector and the rest are in the private sector (33.7%), self-employment (5%) and unemployed (2.5%).

**Table 1: Respondent's Profile**

Gender	Frequency	Percent
Male	38	47.5
Female	42	52.5
Total	80	100.0
Age		
21 – 30	61	76.3
31 – 40	4	5.0
41 - 50	9	11.3
Above 51	6	7.5
Total	80	100.0
Level of Education		
Sijil Pelajaran Malaysia (SPM)/Diploma	26	32.5
Bachelor/Professional qualification	37	46.3
Masters	13	16.2
Doctor of Philosophy (PhD)	4	5.0
Total	80	100.0
Sector of occupation		
Public sector	47	58.8
Private sector	27	33.7
Self-employed	4	5.0
Unemployed	2	2.5
Total	80	100%

### Respondents' Knowledge of the PAC

In section B, the respondents were asked on their knowledge regarding the existence of the PAC and the statutory provision on the PAC's conduct. About 57.5 percent of the respondents answered yes; they actually know that the PAC is a working committee of the Parliament and have heard about it from the newspapers, internet, television, or radio. While 42.5 percent of them did not know that the PAC was under the Parliament or Legislative power. When they were asked whether they know which statutory provision the PAC is under, only 23.8 percent of the respondents answered yes. The other 76.3 percent did not know about the provision

related to the PAC. On another question asking whether they know that the PAC can give response to any issue relevant to the public interest, 51.3 percent agreed and answered yes to the question. The results on these statements indicated that a significant number of respondents did not have extensive level of knowledge of the PAC.

Table 2 provides the responses from the respondents on the level of importance played by the PAC in ensuring good accountability of the federal government. The majority, 51.3 percent, indicated that the role of the PAC in overseeing government account is very important. 22.5 percent of them believed that the PAC is important, and another 22.5 percent were neutral. Most importantly, a majority of the respondents agreed the PAC is a key mechanism to inspect and monitor the spending and management of the public funds by government agencies.

**Table 2: The Importance of the PAC**

	Frequency	Percent
Very Important	41	51.3
Important	18	22.5
Neutral	18	22.5
Less Important	1	1.2
Not Important	2	2.5
Total	80	100.0

### Perception on the Composition of the PAC

With regard to the first issue of this study, the respondents were asked to give their views on the composition of the PAC. Based on the responses obtained, more than a majority of the respondents (combined) chose "important" and "very important" as their opinions on the importance of the PAC composition to have a balanced in the group of representatives from all major political parties. Only less than 6.5% of the respondents considered this statement to be both less and not important. Similarly, more than a majority of the respondents (combined) agreed it is both important and very important for the PAC membership to exclude Cabinet ministers. This might imply that the respondents were very concerned with the independence of the PAC and thus the individuals who can be associated with the government should be part of the PAC members.

On another issue, almost half of the respondents were indifferent on the appointment of the chairman of the PAC from the opposition party. This finding is consistent with the studies of McGee (2002), which found that the presence or absence of the government chairman would not be a deciding factor in determining the independence of the work program and enquiries of the PAC studies. Similarly, about 38.8% of them also perceived that it does not make any difference if the PAC members are from different field of expertise.

**Table 3: Responses on the Degree of Importance on the Composition of the PAC**

	Very Important	Important	Neutral	Less Important	Not Important
Balanced representative of all major political parties on the committee.	40.0	27.5	26.2	3.8	2.5
Membership should exclude ministers of the Cabinet.	23.8	37.5	23.8	12.5	2.4
The Chairman of the PAC should come from the opposition.	17.5	16.2	43.8	12.5	10.0
Members should consist of individuals from different field of expertise	15.0	18.7	38.8	26.3	1.2

### Perception on the Roles and Powers of the PAC

Ten statements were constructed to gather public views on the corresponding issue. Out of the ten statements, three of them were ranked by the public as a very important factor, which influences the success of the PAC. 45 percent of the respondents believed that it is very important for the PAC to have clear focus on making the government accountable for its spending and stewardship of tax payers' money. Furthermore, 40 percent of them agreed that it is very important for the PAC to be given the authority to make recommendations as well as publish its conclusion to the public. 31.3 percent of them answered it is very important for the PAC to be given the power to hold in camera meetings (meetings that are tape-recorded) when dealing with sensitive or national security issues.

The other 7 factors that were ranked as important include having a permanent reference, power to call independent witnesses and force them to answer, power to hold press conference, and power to choose subjects for examinations without any government direction or advice. The results are shown in Table 4 below.

**Table 4: Responses on the Degree of Importance of the Power of the PAC**

Power of the PAC	Very Important	Important	Neutral	Less Important	Not Important
Clear focus on holding the government accountable for its spending of taxpayers' money and its stewardship over public assets.	45.0	36.3	15.0	2.5	1.2
Clear focus on policy administration and not judging on whether the policies are good or bad.	15.0	42.5	27.5	12.5	2.5
Having a permanent reference to examine the Public Accounts.	26.2	51.3	21.3	1.2	0
Having a permanent reference to examine all reports by the Auditor General.	23.8	46.3	26.2	2.5	1.2

Power to make recommendations and publish conclusions.	40.0	35.0	21.3	1.2	2.5
Power to call independent witnesses and force witnesses to answer questions.	36.3	40.0	17.5	5.0	1.2
Power to request (but not force) the legislative auditor to perform specific reviews or tasks.	30.0	42.5	33.8	6.2	0
Power to hold press conferences and issue press releases.	16.3	38.8	37.5	7.4	0
Power to hold meetings and conduct enquiries even when the legislature is not in session.	25.0	41.3	22.5	10.0	1.2
Power to hold in camera meetings, when dealing with sensitive or national security issues.	31.2	28.8	28.8	10.0	1.2
Power to choose subjects for examination without government direction and advice.	26.2	33.8	28.8	11.2	0

### Perception Towards the PAC Practices

Seven statements were designated to capture public view on the good practice that the PAC should have. Only two of these factors have been rated by the respondents as very important. 36.3 percent of the respondents believed that the PAC success depends heavily on the close working relationship amongst its members from different political parties, whilst 38.8 percent of the respondents ranked good relationship with other parliamentary oversight mechanisms such as the budget committee as very important to the PAC success.

**Table 5: Responses on the Degree of Importance of the Practice of the PAC**

Practices of PAC	Very Important	Important	Neutral	Less Important	Not Important
Close working relationship between members from different political parties.	36.3	33.8	23.8	2.5	3.6
Independent technical expertise and research support for hearings.	5.0	43.8	17.5	27.5	6.2
Good relations with other parliamentary oversight mechanisms such as the budget committee.	38.8	37.5	17.5	3.7	2.5
Transcripts kept of all hearings and meetings.	16.2	51.3	42.5	3.7	2.5
Report to the legislature annually, and ask for report to be debated.	25.0	36.3	35.0	2.5	1.2
Having PAC members with at least 2 years of prior Committee experience.	17.5	36.3	38.8	7.4	0
Effective follow-up procedures to determine if action has been taken to implement the PAC's recommendations.	28.8	46.3	21.2	2.5	1.2

The other four factors that were ranked as important by respondents were having independent technical expertise and research support for hearings, keeping all the transcripts of all hearings and meetings, reporting to the legislature annually and asking for the report to be debated, and finally having effective follow-up procedures to determine if action has been taken to implement the PAC's recommendations. However, 38.8% of the respondents were somewhat undecided with regard to the statement whether having the PAC members with at least 2 years of prior committee experience is important or not.

### Achievement of the PAC

To obtain more feedback from the respondents on the success of the PAC, these respondents were asked to indicate the extent of the agreement for a number of statements on the achievements of the PAC for the past 5 years. The results are shown in Table 6.

**Table 6: The Achievements of the PAC in the Past 5 Years**

Achievements	Strongly Agree	Agree	Slightly Agree	Disagree	Strongly Disagree
Government responds favorably to the PAC recommendations.	18.8	38.8	28.7	10.0	3.7
Government implements the PAC recommendations.	11.2	32.5	38.8	11.2	6.3
Changes in the legislation were adopted as a result of the PAC work.	7.5	28.7	42.5	13.8	7.5
Improvements in the integrity of government information or databases.	8.8	37.5	32.5	8.8	12.7
Legal action was taken against officials who break the law.	15.0	36.3	25.0	12.5	11.2
Disciplinary action was taken against officials who break administrative guidelines.	20.0	22.5	36.2	7.5	13.8

Table 6 reveals that the respondents seemed to agree that the government responds favorably to the PAC recommendations, improvements are enhanced in the integrity of the government information or databases, and legal action was taken against officials who break the law. However, they did not have strong opinions (slightly agree) on the suggestion that the government implements the PAC recommendations (38.8%), changes in the legislation were adopted as a result of the PAC work (42.5%), and disciplinary action was taken against officials who break administrative guidelines (36.2%). Nevertheless, there are small percentages (not

more than 25%) of the respondents who seemed to disagree with all the proposed statements. As a whole, it shows that the public asserted more positive perception towards these issues and it can be said that the existence of the PAC do yield positive impacts on the accountability and administration of government agencies.

Table 7 summarized all the results in this study and compared the findings with the original study by Stapenhurst et al (2005) based on the highest percentage for the 'very important' classification. The results showed that two of the factors are consistent with the conclusion made by Stapenhurst et. al (2005), which are the power to make recommendation and publish conclusions, and having balanced representatives from all major political parties on the committee in which these factors are vital for the success of the PAC.

**Table 7: Comparison of Top 5 Success Factors With the Original Study**

Stapenhurst et. al. (2005)	Present study
1. Power to make recommendations and publish conclusions.	1. Having a clear focus on holding the government accountable for its spending of taxpayer's money and its stewardship over public assets.
2. Having a balanced representation among parties within the committee.	2. Power to make recommendation and publish conclusions.
3. Public involvement and media coverage.	3. Balanced representatives from all major political parties on the committee.
4. The Power to investigate or review all past, current, and committed expenditures of government.	4. Good relations with other parliamentary oversight mechanisms, such as the budget committee.
5. The power to choose subjects for examination without government direction and advice.	5. Close working relationship between members from different political parties.

## Conclusion

This study was conducted to identify the success factors of the PAC in Malaysia as perceived by the public. Based on the findings of this research, it was clear that the public perceived having a clear focus on holding the government accountable for its spending and its stewardship over public assets was one of the major key for success. Other factors include the power to make recommendations and publish conclusions, balanced representatives with close working relationship among all political parties in the committee, power to hold in camera meetings, and finally good relations with other parliamentary oversight mechanisms, such as the budget committee.

Although this is the first research conducted from the perspective of the public in Malaysia, the benefits to Malaysian citizens and the PAC cannot be undermined. Notably, the comparisons presented in the last part of the article undoubtedly give a signal and a real picture of the current perception of the public and how the PAC in Malaysia should have performed their job

in order to be recognized as an effective public oversight accounts committee. Additionally, based on the undesirable outcome in terms of the level of awareness and knowledge of the public, it is recommended that the PAC takes greater initiative in creating awareness and educating the public on the importance, role, and functions of the PAC.

This study was subjected to its limitation. The sampling size was relatively small, which included the respondents located within the university surrounding only. Therefore, the results might not be generalized to the larger population of the public. In addition, future studies should include a bigger sampling size, including the public throughout Malaysia and stakeholders, such as the government auditors, government agencies, and international funding agencies. It is interesting to see which factors these groups perceive as the success factors to the PAC.

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