



SUMMARY & RECOMMENDATIONS OF PUBLIC ACCOUNTS COMMITTEE

❖ **Number 24/2014 on Thursday, 19 June 2014**

6. SUMMARY OF THE PUBLIC ACCOUNTS COMMITTEE

- 6.1 The PAC was informed by the Ministry of Domestic Trade, Co-Operatives and Consumerism (KPDNKK) that the trend of sales of the subsidised diesel has increased drastically from 3.03 billion litres in 2009 to 8.61 billion litres in 2013. This was an increment of 184%. The increment was unaligned with the demand from the fishing industry consumers and no explanation was given by the KPDNKK. The PAC takes this very seriously as it can lead to leakage of billion of Ringgit to the Government.
- 6.2 The PAC is of the opinion that the system that is to be used need to take into account the overall requirements, categories of internal control users and IT system should also be able to fulfil all the functions assigned. This will also cover the weaknesses of the system to prevent leakage.
- 6.3 Management and enforcement schemes of all forms of subsidised diesel and petrol are ineffective. This includes the use of Nano-Tag system to mark subsidised oil which is totally ineffective due to the cost of acquisition and management that are costly and not supported by law enforcement.

7. RECOMMENDATIONS BY THE PUBLIC ACCOUNTS COMMITTEE

- 7.1 The PAC believes that the function of the Fisheries Development Authority of Malaysia (LKIM) as the implementing agency to channel subsidised diesel to the fishermen should be reviewed to hand over to other agencies such as the Department of Fisheries. The distribution system of the subsidised diesel should be reviewed thoroughly whether it meets its objectives of easing the burden of the people and the management costs are reasonable and its monitoring can prevent leakage of large Government funds.
- 7.2 If the Government finds that subsidised scheme should be continued to certain sectors, the subsidised diesel distribution system needs to be reformed thoroughly. The gradual improvement measures before, have failed to control and avoid leakage as well as wastage. The scheme that will be implemented needs to limit the amount of subsidy borne by the Government by providing limited value voucher to each user. This would simplify administration, reduce the needs for enforcement and prevent abuse of subsidised diesel scheme where diesel turnover exceeds the reasonable use of diesel.
- 7.3 MoA especially LKIM needs to identify individuals who are involved in the abuse of subsidised diesel and take action against them.
- 7.4 A mechanism to mark the subsidised diesel is implemented to overcome the abuse of fuel.

- 7.5 The subsidised diesel distribution system is reviewed and replaced by a system that grants diesel only to the target groups that qualify.
- 7.6 Enforcement should be carried out continuously throughout the country to overcome the problem of leakage.
- 7.7 The measure by the Sabah State Government that abolished the Barter Trade system is an exemplary.
- 7.8 The Ministry needs to streamline procedures to process and approve super-subsidised diesel to individuals/companies that qualify. For companies that have violated the conditions several times, they should be blacklisted from getting any quota.
- 7.9 Fleetcard should have a period of validity and approved for renewal if it meets the conditions set to enable the Ministry to ensure that the transportation company is still eligible for the super-subsidised diesel.
- 7.10 Enforcement activities by the KPDNKK needs to be improved. Enforcement officers have to make a surprise visit from to time to the transportation companies' premises that are approved for the super-subsidised diesel quota to examine the related records and the transports in order to ensure the compliance with the conditions are fulfilled and whether the company is still entitled to the quota or need to be reviewed.

- 7.11 LKIM shall evaluate the outcome of the Subsidised Diesel Scheme to determine the allocation spent has achieved the objectives set.
- 7.12 LKIM shall ensure that subsidised diesel sales center for C2 Zone is in accordance with the price set. LKIM should take appropriate measures against the sales centre that sold the Super-Subsidised Diesel to the owner of C2 Zone vessel.
- 7.13 LKIM shall make improvements to the Personal Digital Assistant (PDA) to allow it to display the capacity of the vessel's tank to control the sale of the subsidised diesel.
- 7.14 LKIM shall review the subsidised diesel quota in each Area Fisherman Association (PNK) and ensure the distribution is enough based on the monthly usage of each zone.
- 7.15 LKIM shall ensure that PNK carries out physical stock checks of the subsidised diesel every day by using appropriate measuring device.

Public Accounts Committee