



**CHAIRPERSON
OF THE PUBLIC ACCOUNTS COMMITTEE (PAC)
CUM MEMBER OF PARLIAMENT FOR PARIT SULONG**
OFFICE OF THE PUBLIC ACCOUNTS COMMITTEE
PARLIAMENT OF MALAYSIA, JALAN PARLIMEN
50680 KUALA LUMPUR

Tel : 03-2601 7263 / 2698 6852 (DL)
Fax : 03-2698 9218
Email : pacparlimen@parlimen.gov.my
Website : <http://www.parlimen.gov.my/pac>

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**LIQUIFIED PETROLEUM GAS (LPG) SUBSIDY MANAGEMENT UNDER
THE MINISTRY OF FINANCE (MOF) / ROYAL MALAYSIAN CUSTOMS
DEPARTMENT AND MINISTRY OF DOMESTIC TRADE AND CONSUMER
AFFAIRS**

1. The Public Accounts Committee (PAC) today tabled the PAC Report on LPG Subsidy Management under the Ministry of Finance (MOF) / Royal Malaysian Customs Department (JKDM) and Ministry of Domestic Trade and Consumer Affairs (KPDNHEP)
2. PAC held proceedings on this issue on 4 September 2019 and 16 October 2019 after it was reported in the Auditor-General's Report (LKAN) Year 2018 Series 1.
3. The witnesses called to the proceedings were Datuk Siti Zauyah Md Desa, Deputy Secretary-General of Treasury (Policy) who represented the Secretary-General of Treasury, Datuk Seri Paddy Abd Halim, Director-General of JKDM and Datuk Muez Abdul Aziz, Secretary-General (KSU) of KDPNHEP.

4. During the proceedings, members of PAC raised the following issues:

i. Subsidy Leak

The subsidy leak is estimated at RM1.717 billion within the three-year audit period from 2015 to 2017 due to the use of government-subsidised LPG cylinders by non-target users.

ii. Overpayment

The suppliers were overpaid by RM45.50 million. This is because MOF made the payment without waiting for JKDM to review it, and there is no SOP at MOF level, thus leading to such problem.

iii. Slow Refund Process

The process to review and approve claims took longer than three weeks, which was about 14 to 649 days.

iv. Appointing Suppliers without Agreement

There were no agreements on the appointment of LPG suppliers by MOF or disclosure of the process and method for subsidy payment by the Government to the suppliers involved.

v. Enforcement

a. There were operating LPG suppliers / distributors / retailers whose permission under the Petroleum Development Act (PDA) and license for Scheduled Control Items from KPDNHEP had expired; and

b. The failure of LPG distributors and retailers in maintaining a complete and updated stock record.

5. Based on the findings through the proceedings, PAC concluded that:
- i) PAC found that there was no clear policy and procedure on issuance of LPG subsidies;
 - ii) PAC also found that there was no specific definition for the domestic use category;
 - iii) PAC also found that there was no limit on claimable amount that the six (6) subsidised LPG suppliers can make;
 - iv) PAC was given the testimonies that the subsidised LPG was sold to users such as laundry shop, hotel and restaurant operators;
 - v) PAC was informed that there had not been any study on LPG consumption in the breakdown according to state, category and number of users, making it difficult for enforcement;
 - vi) PAC was informed that there was no data available regarding the leakage of the subsidised LPG which was smuggled out of the country, thus making it difficult to for enforcement to be carried out; and
 - vii) PAC was informed that according to Auditor General's Department, an estimated leakage of government money of RM1.72 billion occurred in those three years from 2015 to 2017 due to failure in defining domestic users.

6. In this regard, the Committee made the following recommendations to the Government that:

- i) MOF and KPDNHEP need to set a clear policy regarding the definition of domestic use and types of regulation needed to ensure that the policy is in accordance with the power provided to the Ministry according to the Act;
- ii) the Government needs to ensure that hotel and laundry industry would not be given the subsidised LPG but to consider the purchase of subsidised LPG by small traders with specific quota;
- iii) MOF and KPDNHEP need to study thoroughly the LPG consumption in the breakdown according to state, category and number of user as well as the subsidised LPG which was smuggled out of the country;
- iv) KPDNHEP needs to increase the number of enforcement personnel to curb the abuse of subsidised LPG;
- v) MOF needs to expedite the preparation of agreements with all the suppliers and SOP for suppliers on subsidy payment process; and
- vi) MOF needs to conduct an outcome assessment on the effectiveness of the LPG subsidy programme to ensure that such benefit is only enjoyed by the targeted domestic users.

7. Members of the public who are interested to read the PAC Report on LPG Subsidy Management under the Ministry of Finance (MOF) / Royal Malaysian Customs Department (JKDM) and Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) including the proceeding Hansard may download the report from the PAC website at www.parlimen.gov.my/pac

Thank you.

Hon. Datuk Dr Noraini Ahmad
Chairperson of the Public Accounts Committee (PAC)
Parliament of Malaysia