

A BILL

i n t i t u l e d

An Act to amend the Financial Procedure Act 1957.

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ENACTED by the Parliament of Malaysia as follows:

Short title and commencement

1. (1) This Act may be cited as the Financial Procedure (Amendment) Act 2014.

(2) This Act comes into operation on a date to be appointed by the Minister by notification in the *Gazette*.

General amendment

2. The Financial Procedure Act 1957 [*Act 61*], which is referred to as the “principal Act” in this Act, is amended by substituting for the words “public stores” wherever appearing the words “public assets”.

Amendment of section 3

3. The principal Act is amended in section 3—

(a) by substituting for the definition of “bank” the following definition:

‘ “bank” means—

(a) a licensed bank or licensed investment bank under the Financial Services Act 2013 [Act 758], a licensed Islamic bank under the Islamic Financial Services Act 2013 [Act 759] or a co-operative society registered under the Co-operative Societies Act 1993 [Act 502] or any other financial institution established, registered, approved or regulated under any written law, as may be approved under section 5A; or

(b) a person who lawfully carries on any business, in a country outside Malaysia, which corresponds, or is similar, to the business of a licensed bank, licensed investment bank or licensed Islamic bank established under any written law of such country, as may be approved under section 5A;’;

(b) in the definition of “Consolidated Fund”, by deleting the words “, and references to the Consolidated Revenue Account, Consolidated Loan Account and Consolidated Trust Account are references to the accounts of the particular Fund intended”;

(c) by inserting after the definition of “Menteri Besar or Chief Minister” the following definition:

‘ “public assets” means public moneys, movable properties and intangible assets of or in the possession or under the control of the Federation or the States;’;

(d) in the definition of “public moneys”, by substituting for the words “bonds, debentures, and other securities whatsoever” the words “financial assets and financial liabilities”; and

(e) by deleting the definition of “public stores”.

New section 5A

4. The principal Act is amended by inserting after section 5 the following section:

“Approved bank

5A. No authorization under section 5 or direction under section 8 shall be given in relation to a bank unless such bank has been approved by the Minister.”.

Deletion of section 7

5. (1) The principal Act is amended by deleting section 7.

(2) Upon the coming into operation of this Act, the Consolidated Revenue Account, Consolidated Loan Account and Consolidated Trust Account maintained under section 7 of the principal Act shall be closed.

Amendment of section 8

6. Section 8 of the principal Act is amended—

(a) in paragraphs (3)(a) and (b), by substituting for the word “interest” the word “income”; and

(b) by substituting for subsection (4) the following subsection:

“(4) Income from the investment of any moneys in accordance with subsection (3) shall be accounted as revenue in the Consolidated Fund except where it is so provided in any law or under the terms of any trust the income from the investment of any moneys standing to the credit of any trust account or Government trust fund shall be credited to the trust account or Government trust fund, as the case may be.”.

Amendment of section 9**7. Section 9 of the principal Act is amended—**

- (a) in subsection (1), by substituting for the words “moneys in the Consolidated Trust Account” the words “trust moneys in the Consolidated Fund”;
- (b) in subsection (2)—
 - (i) by substituting for the words “moneys shall be paid to the credit of” the words “shall be credited to”;
 - (ii) in paragraph (a), by substituting for the words “moneys appropriated” the word “appropriations”;
 - (iii) in paragraph (b), by substituting for the words “moneys received” the word “proceeds”; and
 - (iv) in paragraph (d)—
 - (A) by inserting after the word “repayment” the words “or receivable”; and
 - (B) by substituting for the word “interest” the word “income”;
- (c) in subsection (5), by substituting for the words “shall be paid as provided in subsection (6)” the words “shall be credited to the Consolidated Fund”; and
- (d) by deleting subsection (6).

Amendment of section 10**8. Section 10 of the principal Act is amended—**

- (a) in paragraphs (1)(a) and (b), by substituting for the word “paid” the word “appropriated”; and
- (b) in subsection (3), by substituting for the words “account in the Consolidated Trust Account” the word “fund”.

Amendment of section 11

9. Subsection 11(2) of the principal Act is amended by substituting for the words “a separate account in the Consolidated Trust Account” the words “the Government trust fund”.

Amendment of section 12

10. Section 12 of the principal Act is amended by substituting for the words “account in the Consolidated Trust Account” the words “trust account or Government trust fund”.

Amendment of section 13

11. Section 13 of the principal Act is amended—

(a) in subsection (1), by inserting after the words “shall be withdrawn” the words “or appropriated”;

(b) in subsection (2)—

(i) by deleting the words “, and those sums shall be accounted in the Consolidated Revenue Account”; and

(ii) in proviso (a), by substituting for the words “Consolidated Loan Account or the Consolidated Trust Account” the words “trust account or Government trust fund”;

(c) in subparagraphs (3)(a)(i) and (ii), by substituting for the words “Consolidated Revenue Account” the words “Consolidated Fund”;

(d) in subsection (4), by substituting for the words “in the Consolidated Loan Account” the words “as borrowings in the Consolidated Fund”; and

(e) in subsection (5)—

(i) in paragraph (a)—

(A) by inserting after the word “No” the word “trust”; and

(B) by deleting the words “accounted in the Consolidated Trust Account”; and

(ii) in paragraph (b), by substituting for the words “the Consolidated Trust Account” the words “a trust account”.

Amendment of section 14A

12. Section 14A of the principal Act is amended by substituting for the words “in the Consolidated Revenue Account” the words “as revenue”.

Amendment of section 16

13. Subsection 16(1) of the principal Act is amended—

(a) by substituting for paragraphs (a) to (d) the following paragraphs:

“(a) a Statement of Financial Position showing the assets and liabilities of the Federation and the States, respectively;

(b) a Statement of Financial Performance showing revenue and expenses of the Federation and the States, respectively;

(c) a Statement of Cash Flow of the Federation and the States, respectively;

(d) a Statement of Budget Performance of the Federation and the States, respectively, showing estimates laid before the Legislature in respect of that year, the amounts estimated to be received and spent in that year and the amounts actually received and spent together with amounts actually received and spent not included in the estimates so laid; and”;

(b) by deleting paragraph (e).

Amendment of section 17

14. Section 17 of the principal Act is amended by substituting for the word “stores” wherever appearing the words “public assets”.

Amendment of section 36

15. Paragraph 36(1)(d) of the principal Act is amended by substituting for the words “stores and other property” and the words “stores and property” the words “public assets”.

EXPLANATORY STATEMENT

This Bill seeks to amend the Financial Procedure Act 1957 (“Act 61”) in accordance with the decision of the Government to implement the accrual basis of accounting in all Federal Government departments and State Government departments from 1 January 2015 and 1 January 2016, respectively.

2. *Clause 1* contains the short title and provision on the commencement of the proposed Act.

3. *Clauses 3, 6, 7, 8, 9, 10, 12, 14* and *15* seek to amend sections 3, 8, 9, 10, 11, 12, 14A, 17 and 36 of Act 61 respectively to facilitate the implementation of the accrual basis of accounting. The proposed amendments, amongst others, seek to amend the definition of “Consolidated Fund” so as to be in line with the accrual accounting basis principles. Based on the existing concept of accounting, Consolidated Fund consists of Consolidated Revenue Account, Consolidated Loan Account and Consolidated Trust Account and this concept is no more relevant under accrual basis of accounting. Under the accrual basis of accounting, Consolidated Fund consisting of all Government assets

and liabilities and it is also known as Net Assets/Equity or General Fund. The proposed amendment seeks to substitute for the words “public stores” the words “public assets” so as to include software license, biological assets, investment and inventory. The proposed amendment also seeks to substitute for the word “interest” the word “income” so as to cover not only investment income derived from interest but also entitlement to the dividend declared and proceeds from investment sold.

4. *Clause 13* seeks to amend section 16 of Act 61 to provide for the components of the financial statements required to be prepared in accordance with the accrual accounting financial reporting.

5. Other amendments not specifically dealt with in this Statement are minor or consequential in nature.

FINANCIAL IMPLICATIONS

This Bill will not involve the Government in any extra financial expenditure.

[PN(U2)2782]