Assessment of the Practices of Internal Control System in the Public Sectors of Malaysia

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Assessment of the Practices of Internal Control System in the Public Sectors of Malaysia

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Abstract

This study is an attempt to assess the status of current practices of internal control system among different service schemes of public sector in Malaysia. This study collected primary data based on a set of questionnaire survey among the head of department of 109 departments and agencies under 24 federal ministries including the Prime Minister Department in Malaysia. The data were collected based on the opinion about ten factors of internal control practices in the department or agency by using seven-point Likert scale. The data are analysed under descriptive statistics and factor analysis. Further, the reliability of the data is tested by using Cronbach alpha test, and the validity of data is tested by checking the normality of data through Shapiro Wilk test and graphically. Overall, 86.2% of the respondents mentioned that they practice internal control system in their department. However, the priority of these ten factors of internal control differs among the services schemes. Overall the internal control system of the financial schemes group is strong, but their emphasis on the documentation is at the average level only. However, the internal control in the engineering, information system, education and medical & health schemes are below the overall average internal control score. The public sector in Malaysia needs to focuses more on internal control and its proper assessment system to become a reliable and efficient sector.

Key Words: *Internal Control System; Public Sector; Factor Analysis; Malaysia*

Introduction

Internal control is a multidimensional concept and has been discussed in many ways in the management control literature (Agbejule & Jokipii, 2009; Bowrin, 2004). It is not solely a procedure or policy that is performed at a certain point in time. Relatively, it is a continually operating, integrated system at all levels within an organization (Haron et al., 2010). In business, the organizations face so many risks on daily basis which include the failures of internal control mechanism, financial fiasco, catastrophe or environmental disasters, non-compliance and regulatory violations. These risks are worsened by the advancement of technology, high acceleration in the pace of business, multi-faceted financial sophistication and globalisation which have all contributed to amplify the complexity of risks for companies to endure.

A good internal control system will benefit an organization in preventing the incidence of bad financing as well as helping organization to work effectively and in harmony while detecting errors and irregularities in its operation (Pathak, 2005 and Wardiwiyono, 2012). Organizations also recognise the importance of internal control system as well as risk management, which have been viewed as useful tools in safeguarding the

overall achievements of company's objective and in increasing shareholders' value (Aziz, 2013).

Internal control system also plays a vital part in the internal auditing practices since the internal auditors might be considered as being experts in management control (Fadzil et al., 2005). Therefore, according to Bowrin (2004) it is an integral component of an organization's overall governance structure, which is intended to direct and control its activities by promoting transparency, accountability, responsibility, and fairness to all stakeholders.

In the public sector organisation, the roles of internal control is to support the system establish while fostering the decision maker's accountability (Bianchi, 2010). However, failing to establish a reliable and dependable system could harm the organisation in many ways while exposing the risk to the efforts of nurturing accountability in the public sector. Higher dependency on the control system is constantly associated with higher expectation on enhancing the accountability in the organisation (Liu, 2011). Since the internal control system is providing an emphasis towards accountability, therefore, its practise in the public sector seem crucial at any stages in enhancing accountability in the public sector organisation.

As a multi-racial country, Malaysia has faced many obstacles and challenges. Here the public sector has been subjected to criticisms for its inefficiency, red tape, lack of flexibility, ineffective accountability and poor performance for a long period of time (Siddiquee, 2006). Moreover, Malaysian are still surrounded by the impression that the public sector is easily manipulated by the malevolent people and this perception had dampened public confidence in the integrity of government institutions with such alleged corruption cases in government procurement, abuses in land excision and fraud on land transfer, and corruption in business transfers at the local municipality level (The Star, 2008).

This matter was also highlighted prior to the 2012 Auditor General's report where several issues on the possibility of negligence and public official whom fail to discharge their duty to protect government interest. As stated in the report, several weaknesses have been observed during the audit namely improper payment; work/procurement did not follow specifications/ low in quality/ unsuitable; unreasonable delays; wastage; weaknesses in revenue management and management of the Governments assets (National Audit Department, 2013). The report further discussed that the weaknesses happen due to the negligence of the officer in various ways such as unable to comply with the rules and regulations, lack of monitoring, lack of project management skills and fail to give attention on outcome/impact of the programmes/activities/projects. Due to this negligence, a significant amount of money has been wasted.

Among of that was the infamous case of Royal Malaysian Customs Department (RMCD) in the issue of shoes procurement for its personnel which was managed by its headquarters within the period of 2009 to 2013 involving a total of RM6.86 million. Audit findings revealed that, at the end of 2012, the balance of shoes purchased in 2009 was yet to be distributed and a total of 7,659 pairs of shoes worth RM602,089 were damaged and needed to be disposed (National Audit Department, 2013). The management in the procurement of shoes by RMCD has resulted in a loss to the Government. Even though the matter is still under investigation, it has incurred a cost to the government and reflected in the governments' coffers whether; it was due to inefficiency and negligence by officers responsible in procurement or those responsible in the distribution of the shoes.

The other shocking finding from the report discovered that the lack of control in asset management by the Royal Malaysian Police has cost government in missing of invaluable assets such as firearms and handcuffs. With improper internal control system implemented in managing and securing these assets, it could turn into disastrous result that could threaten public safety. According to National Audit Department (2013) from 2010 to 2012, as much as 309 units of assets worth RM1.33 million were reported missing. Among the main categories of asset lost were 156 units of handcuffs, followed by 44 units of firearms and 29 units of vehicles. From auditor generals' perspective, the overall management of loss assets in Bukit Aman Police Headquarters and its 3 Police Contingent (IPK) is at unsatisfactory level. This finding has generated concern among the public as it will spread the fear among them on the integrity and accountability of the police department to protect national security whereby at the same time they failed to manage and control their assets efficiently.

In term of project management, the auditors also discovered the procurement works of Ministry of Defence amounting to RM1.28 million which was supposed to be done through the tendering process was split into four quotations. The failure of the officer to adhere to the Treasury Instruction has tarnished the image of ministry and the public sector as a whole.

These are a few cases highlighted from numerous weaknesses found and these have triggered the public to question on how the public sector manage its employees to follow and honour the public's money with the value of integrity, responsibility and accountability as well as implementing good governance and good internal control system in the public sector delivery in Malaysia. Since the internal control system is providing an emphasis towards accountability, therefore, its practise in the public sector seem crucial at any stage in enhancing accountability in the public sector organisation. With this, the study tries to explore the level of efficiency of internal control system in the public sectors of Malaysia

Methodology

Sampling and Data Collection

This data for this study was collected based on a targeted survey among the 682 departments and agencies under 24 federal ministries including the Prime Minister Department in Malaysia. The rate of response/ actual sample of this study were 16% from the targeted group. Total 109 respondents replied the email questionnaire among the targeted 682 persons. Previous studies also found that the rate of responses is 5-10% (Alreck & Settle, 1995). The list of ministries is given in Table 1.

Table 1: Distribution of samples among the federal ministries of Malaysia

No	Name of Ministry	Number of Targeted Departments or Agencies	Number of Actual Sample Departments or Agency
1	Prime Minister office	52	15
2	Ministry of Finance	33	5
3	Ministry of Women, Family and Community Development	18	8
4	Ministry of Education	57	8
5	Ministry of Energy, Green Technology and Water	21	4
6	Ministry of Plantation Industries and Commodities	19	1
7	Ministry of Home Affairs	34	4

8	Ministry of Communications and Multimedia	20	2
9	Ministry of Rural and Regional Development	28	2
10	Ministry of International Trade and Industry	31	4
11	Ministry of Science, Technology and Innovation	42	5
12	Ministry of Natural Resources and Environment	26	2
13	Ministry of Tourism and Culture	23	1
14	Ministry of Agriculture and Agro-Based Industry	26	7
15	Ministry of Defence	33	8
16	Ministry of Works	20	4
17	Ministry of Health	44	6
18	Ministry of Youth and Sports	21	3
19	Ministry of Human Resources	22	3
20	Ministry of Domestic Trade, Co-Operatives and Consumerism	24	3
21	Ministry of Transport	23	2
22	Ministry of Foreign Affairs	31	5
23	Ministry of Federal Territories	12	3
24	Ministry of Urban Wellbeing, Housing and Local Government	22	4
Total		682	109

A set of questionnaire was distributed by email using the Google Doc application among the head of department with the guaranteed of information confidentiality. The email addresses of the respondents were collected from the website of the respective ministries.

To ensure a high successful response rates, another follow up reminder email was sent to the respondents as suggested by previous studies (Fan & Yan, 2010; Hamilton, 2009; Kaplowitz, Hadlock, & Levine, 2004). Finally, we have received the responses from 109 participants from different departments (Table 1).

Measurements of Variables

This study used 10 parameters to measure the practices of internal control system (Table 2). The items in the section were adapted with some modification from Office of the Comptroller of the Currency (2007); Tufts University, (2009); and Vaudt (2012). The questionnaire uses a seven-point Likert-type rating scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Table 2: Internal Control System in the public sector of Malaysia

Code	Item Description
D1	Reviewing the policies and procedures to ensure the establishment of appropriate internal controls
D2	Getting approval from the top management on the written policies and internal operation procedures
D3	Updates information relating to rules and regulations for decision making
D4	Informs all staff regarding the policies and procedures in the organization
D5	Takes appropriate action instantly if any non-compliance is reported
D6	Ensures all personnel understand their role and also aware to relevancy of their activities to others
D7	Ensures every rule and regulations in the department is complied and accounted for
D8	Ensures financial transactions in the organization are properly documented and reported according to the rules and regulations
D9	Engaging the internal auditor to review the operation of the department

Data Analysis

The data were analysed under descriptive statistics and factor analysis. Descriptive statistics are used to analyse the general features of the data. The factor analysis is used to measure consistency of the data that were collected in this study. Further, the reliability of the data was tested by using Cronbach alpha test. Finally, the data validity was tested by checking the normality of data through Shapiro Wilk test and graphical method.

Findings and Discussions

Demographic Information

The study collected few demographic data of the respondents which includes gender, age, job position, service scheme, grade, highest academic qualification, working experience in current organisation, and total year of working experiences in public service. A summary of the demographic information is given in the Table 3.

Table 3: Demographic information of the respondents

Demographic Profile	Frequency	Percentage (%)
Gender:		
Female	50	45.9
Male	56	51.4
Not Indicated	3	2.8
Age Group:		
30 to 40 years	75	68.8
41 to 50 years	13	11.9
51 years and above	6	5.5
Under 30 years	12	11.0
Not Indicated	3	2.8
Job Position:		
Management and Professional	101	92.7
Supporting staff	5	4.6
Top management	3	2.8
Service Scheme:		
Administrative and Diplomatic	76	69.7
Administrative & Support	7	6.4
Education	2	1.8
Engineering	4	3.7
Financial	12	11.0
Information System	2	1.8
Medical & Health	2	1.8
Not Indicated	4	3.7
Grade:		
17	1	0.9
27	3	2.8

41	17	15.6
44	18	16.5
48	46	42.2
52	12	11.0
54	7	6.4
JUSA C	3	2.8
Not Indicated	2	1.8
Highest Academic Qualification:		
Diploma	1	0.9
University Degree/Master/PhD	108	99.1
Working Experience with Current Organisation (Year):		
1 to 3 years	29	26.6
4 to 5 years	11	10.1
5 years and above	55	50.5
Less than 1 year	12	11.0
Not Indicated	2	1.8
Working Experience In Public Sector (Year):		
1 to 3 years	7	6.4
4 to 5 years	9	8.3
5 years and above	89	81.7
Less than 1 year	2	1.8
Not Indicated	2	1.8

Among the respondents, around 46% are female and 51.4% are male, and rest did not provide the gender data. Most of the respondents are in the 30-40 years age group which comprised of around 69% of total respondents. Almost all of the respondents have minimum a bachelor degree.

Among the respondents, around 93% are in the management & professional position. In case of job scheme, 69% of the respondents are in the administrative and diplomatic scheme followed by 10% in financial services, and 6.4% in administrative & support scheme. About 42% of the respondents are at grade 48 followed by grade 44 which consists of 16.5% and grade 52 which consists of 11% of the respondents.

About half of the respondents (50.5%) have been working for more than 5 years in the current organisation while 26.6% from the respondents have been working between 1 to 3 years. As for working in the public sector, 81.7% of the respondents stated that they have been serving the government for more than 5 years.

Descriptive Analysis and Factor Analysis

The study tries to measure the internal control in public sector by ten variables. Among the respondents, on an average total 86.2% of the respondent are agreed that they practice these internal control factors and only 3.6% mentioned that they do not practices (Table 4).

Table 4: Score of internal control factors in the public sector of Malaysia

Scores	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	All Average
1	0	0	0	0	0	0	0	0	0	0	0
2	1	1	2	2	1	1	1	1	1	2	1
3	1	0	2	3	4	4	4	1	5	2	3
4	13	7	6	12	10	14	12	9	13	9	11
5	31	20	32	30	26	32	26	22	26	35	28
6	45	59	50	41	54	35	46	48	44	42	46
7	17	22	16	21	14	22	18	27	20	19	20
Disagree (1-3)	2	1	4	5	5	5	5	2	6	4	4
Agree (5-7)	93	101	98	92	94	89	90	97	90	96	94
Disagree% (1-3)	1.8	0.9	3.7	4.6	4.6	4.6	4.6	1.8	5.5	3.7	3.6
Agree% (5-7)	85.3	92.7	89.9	84.4	86.2	81.7	82.6	89.0	82.6	88.1	86.2
Maximum	2	2	2	2	2	2	2	2	2	2	2
Minimum	7	7	7	7	7	7	7	7	7	7	7
Std. Dev.	0.99	0.88	0.99	1.12	1.01	1.12	1.07	1.00	1.12	1.05	0.84

The factor analysis provides the consistency of these variables for the internal control measurement. The factor loading for all of the variables are more than 0.6. The range of the loading value of the factor is 0.7 to 0.9 (Table 5). This indicates that all of these ten variables are good to measure the internal control system of the public sector in Malaysia.

Among the factors of measurement the level of internal control system in the public sector, reviewing the policies and procedures to ensure that appropriate internal controls have been established (D1) by 85% of the respondents (Table 4), and the people engaged in finance scheme performed it most efficiently and the people engaged in information system scheme performed it least efficiently (Table 5). Among the other service schemes, the people engaged in administrative & support, administrative & diplomatic, and education schemes follow it more than the average level, the people engaged in engineering follow it at average level, and , the people engaged in medical & health follow it below the average level (Table 5).

Among the factors of measurement the internal control system in the public sector, getting approval from the top management on the written policies and internal operation procedures (D2) is followed by 93% of the respondents (Table 4), and the people engaged in administrative & support scheme performed it most efficiently and the people engaged in information system scheme performed it least efficiently (Table 5). Among the other service schemes, the people engaged in administrative & diplomatic, financial, and education schemes follow it more than the average level and the people engaged in engineering and medical & health schemes follow it below the average level (Table 5).

Around 90% of the respondents agreed that they have updated about the information relating to rules and regulations for decision making (D3) (Table 4), and the people engaged in administrative & support scheme are updated the most and the people engaged in medical & health scheme are updated the least (Table 5). Among the other service schemes, the people engaged in education and financial schemes are also updated more than the average level, the people engaged in administrative & diplomatic scheme are updated at the average level, and the people engaged in engineering and information system schemes are updated below the average level (Table 5).

Around 84.4% of the respondents mentioned that they generally inform all of their staff regarding the policies and procedures in the organization (D4) (Table 4), and the people engaged in financial scheme follow this activity at highest level and the people engaged in medical & health scheme follow this activity at lowest level (Table 5). Among the other service schemes, the people engaged in administrative & support scheme follow this activity more than the average level, the people engaged in engineering and information system schemes follow this activity at the average level, and the people engaged in administrative & diplomatic and education schemes follow this activity below the average level (Table 5).

Around 86.2% of the respondents mentioned that they take appropriate action instantly if any non-compliance is reported (D5) (Table 4), and the people engaged in administrative & support scheme have established it most and the people engaged in medical & health scheme established it least (Table 5). Among the other service schemes, the people engaged in financial scheme have established this more than the average level, the people engaged in administrative & diplomatic scheme follow this activity at the average level, and the people engaged in engineering, information system, education, and medical & health schemes have established it less than the average level (Table 5).

Around 81.7% of the respondents ensured that all personnel understand their role and also aware to relevancy of their activities to others (D6) (Table 4), and the people engaged in financial scheme maintain this understanding at highest rate and the people engaged in medical & health scheme maintain this understanding at lowest rate (Table 5). Among the other service schemes, the people engaged in administrative & diplomatic, administrative & support, information system, and education scheme emphasize on maintaining this record more than the average level and the people engaged in engineering maintaining this record less than the average level (Table 5).

It was ensured by 82.6% of the respondents that every rule and regulation in the department is complied and accounted for (D7) (Table 4), and the people engaged in financial scheme are most cautious and the people engaged in education scheme are least cautious about this internal control factor (Table 5). Among the other service schemes, the people engaged in administrative & support, information system, and engineering emphasize on following complied rule and regulations more than the average level and the people engaged in administrative & diplomatic and medical & health schemes are following the complied rules and regulations less than the average level (Table 5).

89% of the respondents ensure that the financial transactions in the organization are properly documented and reported according to the rules and regulations (D8) (Table 4), and the people engaged in administrative & support scheme are most cautious and the people engaged in information system scheme are least cautious about this internal control factor (Table 5). Among the other service schemes, the people engaged in administrative & diplomatic schemes emphasize on this issue more than the average level, the people engaged in engineering and financial schemes emphasize on this issue at the average level, and the people engaged in education and medical & health schemes emphasize on this issue less than the average level (Table 5). The finance department needs to be more cautious about their documentation.

The internal control factor of engaging the internal auditor to review the operation of the department (D9) was ensured by 82.6% of the respondents (Table 4), and the people

engaged in financial scheme engage the internal auditor highest and the people engaged in education and medical & health schemes engage the internal auditor lowest to review the operation of their department (Table 5). Among the other service schemes, the people engaged in administrative & support and administrative & diplomatic schemes practice this issue more than the average level, the people engaged in information system scheme practice this issue at the average level, and the people engaged in engineering scheme practice this issue less than the average level (Table 5).

Around 88.1% of the respondents mentioned that have adequate access of internal control system (D10) (Table 4), and the people engaged in financial scheme emphasize on this issue most and the people engaged in medical & health scheme emphasize on this issue least (Table 5). Among the other service schemes, the people engaged in administrative & support, administrative & diplomatic, and information system schemes emphasize on this issue more than the average level and the people engaged in education and engineering schemes emphasize on this issue less than the average level (Table 5).

Table 5: Score of internal control factors according to service scheme in the public sector of Malaysia

Service Scheme	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	All Average
Engineering	5.4	5.8	5.5	5.5	5.5	5.3	5.5	5.8	5.4	5.4	5.5
Administrative & Support	6.4	6.6	6.1	6.0	6.3	6.0	6.0	6.3	6.3	6.3	6.2
Information System	2.0	5.0	5.5	5.5	5.5	5.5	5.5	2.5	5.5	6.0	4.9
Financial	7.0	6.5	5.8	7.0	6.0	7.0	6.3	5.8	6.8	7.0	6.5
Administrative & Diplomatic	5.8	6.1	5.6	5.3	5.6	5.5	5.2	6.1	5.7	5.8	5.7
Education	6.0	6.0	6.0	5.0	5.5	5.5	2.5	5.0	5.0	5.5	5.2
Medical & Health	5.5	5.5	4.5	4.0	5.0	4.5	4.5	4.5	5.0	5.0	4.8
N/A	5.5	5.8	5.3	5.3	5.3	5.5	5.5	5.5	5.3	5.0	5.4
Total Average	5.5	5.9	5.6	5.5	5.6	5.4	5.4	5.8	5.5	5.6	5.6
Factor Loading	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.8	0.7	0.7	

Among all of the internal control factors, the highest mean score is 5.9 for the factor of getting approval from the top management on the written policies and internal operation procedures (D2), and the lowest mean score is 5.4 for the factor of ensuring all personnel understand their role and also aware to relevancy of their activities to others (D6) and ensuring every rule and regulations in the department is complied and accounted for (D7) (Table 5). Among all of the service scheme groups, the highest average score for all of the factors of internal control measurement is 6.5 that is in the financial scheme group, and the lowest mean score is 4.8 for the medical & health scheme group. Further, administrative & diplomatic and administrative & support scheme are higher than the overall average internal control score of 5.6, but the internal control system in the engineering, information system, and education schemes are lower than the overall average.

The total average score for engineering service scheme group is 5.5 whereas their highest score is 5.8 for the measurement of internal control factors of D2 and D8. Further, their internal control for the D1, D6, D9, and D10 factors are less than their total average internal control scores, and the rest of the internal control score is at the average level.

The total average score for administrative & support scheme group is 6.2 whereas their highest score is 6.6 for the factor of D2, and their lowest score is 6 for the factor D4, D6, and D7. Further, their internal control for the D1 and D3 factors are less than their total average internal control scores and the rest of the internal control score are more than the average level.

The total average score for information system scheme group is 4.9 whereas their highest score is 6 for the factors of D10, and their lowest score is 2 for the factor D1. Further, their internal control for the D8 factor is less than their average internal control score and the rest of the internal control score are more than the average level.

The overall internal control in the financial scheme is very strong. The total average score for financial scheme group is 6.5 which is the highest. Further, their highest score is 7 for the factor of D1, D4, D6 and D10, and their lowest score is 5.8 for the factor D3 and D8. Their internal control for the D5 and D7 factors are less than their average internal control score and the rest of the internal control score are at the average level.

The total average score for administrative & diplomatic scheme group is 5.7 whereas their highest score is 6.1 for the factor of D8, and their lowest score is 5.2 for the factor D7. Further, their internal control for D1, D2, D8, and D10 are more than the overall average internal control score, and the rest of the internal control score are less than the average level except D9 which is at the average level.

The total average score for education scheme group is 5.2 whereas their highest score is 6.0 for the factor of D1, D2, D3, and their lowest score is 2.5 for the factors D7. Further, their internal control for D4, D8 and D9 are less than the average level.

The total average score for medical & health scheme group is 4.8 whereas their highest score is 5.5 for the factors of D1, and their lowest score is 4 for the factor D4. Further, their internal control for the factors of D3, D6, and D8 are less than the average level.

Diagnostic Test

Normality Test

The histogram (Figure 1) shows a normal distribution of the bell shape curve for the total average of all ten variables of Internal Control System. The Shapiro Wilk test to assess normality also indicates positive result where p value curve for the total average of all ten variables of Internal Control System is more than .05 ($p=.096$) that indicates the sample size of the study is normally distributed.

Figure 1: Histogram with Normality Plot for Internal Control System Variable

Reliability Test

The Cronbach alpha (Table 6) value on the factors of Internal Control System is 0.942 that indicates the reliability of the questions is excellent (George & Mallery, 2003). The eigenvalues for the test mean that the factor used in Internal Control System explained the 66.25% of variance. The Kaiser-Meyer Olkin test indicates a value greater than 0.6 at 0.915 (Chi-Square = 816.75, $p < 0.000$). Therefore, the sample is adequate to be used in this factorial analysis. Generally, the test has supported the Internal Control System variable for this study.

Table 6: Reliability Test for Internal Control System Factors

Cronbach's Alpha	.942
Eigenvalue	6.625
Eigen % variance	66.25
% of variance	66.25
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.915
Bartlett's Test of Sphericity Approx. Chi-Square	816.754
Bartlett's Test of Sphericity Sig.	.000

Conclusions and Recommendations

Malaysia has targeted to achieve the visions 2020 to become a developed nation, but to increase the performance efficiency in the public sector, there are much more steps to be taken. The recent survey by Transparency International on Corruption Perceptions Index (CPI) 2013 shows that Malaysia has just managed to creep up one slot in the rankings from 54 to 53 out of 177 countries, scored 50 but remained in the average range of perception from the people, indicating that graft-fighting measures efforts are still inadequate (The Sunday Daily, 2013). This indication shows even though the government is on the right track to restore the public confidence, there are much more steps to be taken in improving public perception especially towards achieving internal control in the public sector.

While the public sector is being accused for being inflexible in carrying out their daily activities and being accused for many red taped procedural, the important of implementing the internal control system cannot be deserted. Public sector is a guardian for the stakeholders

who protected their interest by ensuring every people deserves to be treated fairly and just in order to achieve a developed harmonious nation. Therefore, the system and procedure that can protect the nation must be in place. However, to accommodate and serve with efficiency, the internal control system should be developed and modified to reduce the complexity and at the same time offer the sufficient protection to the stakeholders as a whole.

This study tries to measure the status of current practices of internal control system among different service schemes of public sector in Malaysia and focusing on the way to its improvement. Among the total respondents, 86.2% of them are agreed that overall they practice these ten internal control factors, but only 3.6% mentioned that they do not practices. Overall, these public departments provide highest priority on getting approval from the top management on the written policies and internal operation procedures, and ensuring proper documentation and reporting according to the rules and regulations for all of the financial transactions in the organization. However, these public departments provide lowest priority on ensuring the understanding of all personnel about their role and its relevancy to the activities of others, and ensuring every rule and regulations in the department is complied and accounted for. The study also found that the priority among the internal control factors for individual services scheme also differs from the overall priority. The internal control in the engineering, information system, education and medical & health schemes are below the overall average internal control score. Overall the internal control system of the financial schemes group is strong, but their emphasis on the documentation is at the average level only. Therefore there are some corruptions, weakness, and lack of control in asset management were discovered in recent Auditor General's report.

Therefore, it is suggested to emphasis on controlling the activities and operation through designated law, regulation and procedure that will improve of internal control in the public sector. With the current situation and allegation that some of the government officials are practising cronyism and nepotism in their business has scratch the unwanted mark to the public sector as whole hence proper and systematic internal control is crucial to be implemented as it will grow the confidence among the stakeholders.

Question over the efficiency of punishment mechanism to the employee whom practises the malevolent activities is heard out loud. As found by Shaoul et al., (2012) that the control factor used by the stakeholder in some country like Germany has risen a tension in maintaining the traditional accountability. Therefore, it is imperative to acknowledge that by introducing the control factor, it will contribute to boost the accountability. As far as the stakeholders concerned, the stern action towards the dishonest person is more justified together with implementing the preventive measure as a main control system.

Finally, to overcome this situation, just simply changing the structure of bureaucracies is not enough. The overall public sector needs to be transformed into becoming a reliable and efficient sector by ensuring proper internal control system and its proper assessment system. The findings of the study will help different government agencies and departments to improvement their internal control system based on the relevant service scheme. At the same time, the internal control measurement factors and techniques used in this study may help the government in developing the internal control measurement techniques for the public sector.

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