An Appraisal Of The Control System For Cash And Capital Expenditure In A Public Utility Company

Telecoms Department

FACULTY OF ECONOMICS AND ADMINISTRATION
UNIVERSITY OF MALAYA

By

THAM KUT CHEONG

Accounting Division

This is a Graduation Exercise Presented to The Faculty of Economics and Administration, University of Malaya in Part Fulfilment Towards the Degree Of Economics & Administration

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SUMMARY

This exercise gives a short account of all the major control procedures over cash and capital expenditures in the Telecos. There are altogether nine chapters in this exercise. Chapter One is the Introductory Chapter giving the meaning, and scope of the study of the control system and the general organization of the Revenue and Expenditure Department.

Chapter Two deals with the Elements of the Accounting System in the Telecos, like the Accounting records and classification and coding of the accounts.

Name: THAM KUT CHEONG

Chapter Three deals with the control of cash receipts and the organization of the Accounts Function.

DIVISION OF ACCOUNTING

Chapter Five deals with the control of cash balances.

Supervisor: MR. LEE MENG HYE;

Chapter Six deals with the meaning and analysis of capital expenditure.

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Chapter Seven deals with the acquisition of materials and the organization for effective acquisition.

Chapter Eight deals with the control of Fixed Assets and the meaning of Depreciation and Maintenance charges as used in the Telecos.

Chapter Nine is the conclusions and recommendations chapter.
The writer wishes to record his deepest appreciation to all concerned with this exercise. This exercise gives a short account of all the major control procedures over cash and capital expenditures in the Telecoms. There are altogether nine chapters in this exercise. Chapter One is the Introductory Chapter giving the meaning, and scope of the study of the control system and the general organisation of the Revenue and Expenditure Department. The writer is greatly indebted to Mr. Chew Kam Poh, Director-General of the Telecoms Department, Malaysia, who kindly granted the writer permission to write this book.

Chapter Two deals with the Elements of the Accounting System in the Telecoms, like the Accounting records and classification and coding of the Accounts.

Gratitude is also due to Mr. Chong Lam Swee, Director of Accounts of the Telecoms Department, Malaysia for assisting him in one way or another and giving him permission to write this book.

Chapter Three deals with the control of cash receipts and the organisation of the cash receipts function.

Chapter Four deals with the cash Disbursement and Payroll in the Telecoms.

Chapter Five deals with the control of cash Balances.

Chapter Six deals with the meaning and analysis of capital expenditures in the Telecoms.

Chapter Seven deals with the acquisition of materials and the organisation for effective acquisition.

Chapter Eight deals with the control of Fixed Assets and the meaning of Depreciation and Maintenance charges as used in the Telecoms.

Chapter Nine is the conclusions and recommendations chapter.
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However any errors and shortcomings are the sole responsibility of the writer.

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CHAPTER ONE

Introduction

(i) Scope and Limitations of the Study

This study centers around the three main departments in the Telecos - The Revenue and Expenditure Department in the Kwong Yik Bank Building, the Vote Control Expenditure Section in the Telecos Headquarters, Jalan Weld, Kuala Lumpur and the Stores and Workshops in Jalan Brickfields and Petaling Jaya.

The main objectives of this study is to evaluate the Control system over cash and capital expenditures in the Telecos. In the course of evaluating the system, the writer finds that the system of internal control in the Telecos is very adequate and sound. This is because of the various methods and techniques adopted by the Telecos. They include the following:

(iv) Control Through an Accounting System

(a) It has a very good plan of organisation which provides appropriate segregation of functional responsibilities, and facilitates the collecting, processing and reporting of accounting documents.

(b) It has a system of authorisation and record procedures adequate to provide reasonable accounting control over her assets, revenue, liabilities and expenses.

(c) Above all, it has a high quality of personnel to perform the duties and functions in each organisational department well.

The chief obstacle was the limitation to the access to the accounting records adopted by the Telecos. However, the study merely touches on a very small area relating to the records.

The writer has done this so as to make this study more brief as the study merely deals with a few major areas of the cash and capital expenditure control in the Telecos.

(ii) Research Methodology

The writer attempted his utmost to gather data from primary sources, especially those from the Telecos Department, Kuala Lumpur. A series of interviews with the Director-General, Deputy-Director General, Director of Accounts, Accountants and other clerical staff were conducted by the writer. A reasonable amount of forms and other data were obtained from the Department.

Secondary sources were also used - from books, magazines, journals and articles.
(iii) The Meaning and Scope of the Control System

Effective control is a major factor in the successful operation of a business. But, however the meaning and scope of the word "control" is very wide and it is very difficult to have a standard definition of control. In the course of this exercise, "Control of Cash and Capital Expenditures" is taken to mean the methods and the measures adopted by the Telecoms Department to safeguard its cash, check the accuracy and reliability of its accounting records, and also to authorise certain responsible officials in incurring capital expenditures. A necessary feature of such a control system is not to allow any one person from doing the whole transaction from the beginning to the end like receiving cash, writing the receipt voucher and recording it in the books of accounts. If a situation where there is no division of responsibility existed, then it would be very easy for the person to mismanage the funds of the Department or even to make honest errors unnoticed.

(iv) Control Through an Accounting System

"The accounting system is the means by which management accomplishes the collecting, processing and reporting of essential data that reflects the results of the operations carried out under its direction and supervision. It includes the forms, records, procedures and devices used in recording summarising and reporting the operating and financial data. Copies required by management for its use in controlling its activities for which it is responsible." 1

As thus it may be possible for controlling the operations through an effective accounting system. The accounting system of Telecoms follows basically the forms, the classification and the coding of accounts as are stated in the Treasury Instructions issued by the Treasury to the Telecoms Department. Chapter Two describes briefly the classification and the coding of accounts used in Telecoms.

(v) The General Organisation of the Revenue and Expenditure Department.

(1) Telephone Deposit Section

Like any other business firms, the development and the maintenance of a proper organisation set-up is also one of the most important task of top management in Telecoms. Without a proper organisation set up the persons employed by the firm and responsible for its charged at the rate of two hundred and seventy dollars for the first line and phones for residential use are charged at the rate of one hundred and eighty dollars per annum. It also deals with any refunds

1. Definition taken from the "Accounting System For Management Control"

by Francis E. Morre

&

Howard F. Stettler
operations may not be able to perform their work properly. Similarly without a good organisation, the physical assets of the firm may not be used efficiently and it may be impossible for the firm to achieve its goal fully.

The accounts office of the Telecoms can be divided into four major departments, namely the Revenue and Expenditure department, Verification Department, Telegraph Department and the Costing Department. The only department which is discussed here is the Revenue and Expenditure Department because the other departments are not concerned with this study.

The head of the Accounts office is the Director of ACCOUNTS and his duties include the following:

1. Normal Treasury responsibilities like submission of accounts to the Accountant - general in the form and at the interval specified and also compliance with instructions which may be issued by the Treasury from time to time.

2. Any memorandum or subsidiary accounts peculiar to the Ministry of Works, Posts and Telecommunications or to the Telecoms Department itself.

3. Internal audit of the Department and assisting him are a few accountants who are responsible for preparing monthly reports that summarise all the revenue and expenditure of Telecoms. Copies of each departmental revenue and expenditure would be attached to the summary reports, thus making more detailed information available should it be required. The monthly reports are then submitted to the Director of Accounts for his approval.

The Revenue and Expenditure Department can be briefly divided into nine sections, (1) Telephone Deposits Section, (2) Checking Section, (3) Cash Book Section, (4) Crown Agent Section, (5) Cash Account Section, (6) Billing Section, (7) Ledger Section, (8) Staff and Salaries Section, (9) Correspondence Section, which can be best illustrated by means of an organisation chart as shown by Diagram 1.1. Each of these sections would be examined briefly below.

1. Telephone Deposits Section

This section deals with deposits paid by the new subscribers when they apply for telephones. Charges to the subscribers vary according to the use of the phones. Phones for business use are charged at a rate of of Two hundred and seventy dollars for the first line and phones for residential use are charged at the rate of one hundred and eighty dollars per annum. It also deals with any refunds to the subscribers. Refund of deposits are given when the subscribers terminate their use of the phones or when a phone installed for
Diagram 1 - 1 Showing the Organisation Chart of Revenue and Expenditure Department.
business use has been converted for private use, the difference is refunded. Bankers guarantees of subscribers and any other form of queries regarding telephone deposits are also performed by this section.

(2) Checking Section

All the out-payments together with their authorisation are checked by this section. The checking work ensures that no over- and payments are made and also that the payments made are correct and properly authorised. Payment of salaries like the salaries sheet and other relating documents are also checked here. All the paid vouchers are kept and filed in respective files in this section.

(3) Cash Book Section

This section can be further sub-divided into (a) the cash book payment and (b) the cash book receipt.

(a) Cash Book Payment

After the checking section has checked and verified the vouchers for payment, this section then writes out the payment check and record the necessary data in the Cash Payment Book. All the paid vouchers are then stamped "Paid". These vouchers are given special numbers which are in a serial form corresponding to those recorded in the Cash payment Book. These numbers enable easy cross reference should the need arises. The Cash Payment Book is kept in a lock cabinet when not used. This prevents any unauthorised persons to have any access to the Book.

(b) Cash Book Receipts

This section deals with the issuing of receipts when cash are received, recordings of all the cash received in the day in the rough cash book, balancing the daily summary of cash, numbering cash slips and finally writing up the main cash receipts book.

(4) Crown Agents Section

Crown agent is merely a name given to the agency in England responsible for making purchases of equipment and materials for Telecoms. Local and Crown agents indents are checked here. Any liabilities amendments to the Crown agent are recorded and any other payments to the Crown Agents are also checked and recorded here.

(5) Cash Account Section

This is a special section which deals with the postal accounts sent in by the Post Offices. Telecoms has a special account with
the Post Office and any payments or receipts are charged through this Postal account. Statements sent in by the Post Master regarding the Postal account of Telecoms with the various Post Offices are also checked here.

(6) Billing Section

This section deals with charges to other governmental departments like the charges for the maintenance of railway communications and so on. Bill reminders are also recorded here. Monthly statistics on revenue and expenditure are also processed and recorded here.

(7) Ledger Section

This section is responsible for preparing the monthly trial balance, monthly current account on revenue and expenditure, the yearly financial statements, revenue estimate reports and any other reports as required by the Director of Accounts. Employees Provident Fund cards are also maintained and balanced monthly here. All payment vouchers on salaries are also checked with the proof sheets by this section before the vouchers are sent to the Cash Book Payment Section.

(8) Staff and Salaries Section

This section deals with any new appointment, record of service, leave, security and screening of persons before they are employed, and such employment are usually for division Two and Three posts. Payment of salaries, any denominations, cheque cashing are also prepared here. Local purchases like office inventory, overtime allowance, adjustment of dishonoured cheques are also performed here.

(9) The Correspondence Section

This section deals with all the incoming and outgoing mail of the Accounts office. All incoming mail are posted out and distributed according to the departments concerned. It is also responsible for the general despatch of the Accounts Office, like recording of all cheques received and despatched for the day, opening and recording of the mail received in each day.

Beyond this list of basic accounting books, as other special books are kept by the Revenue and Expenditure Department.
CHAPTER TWO

Elements of the Accounting System in the Telecoms.

(1) Accounting Records and Books

The system of accounting in the Telecoms is on the actual cash basis and not like other business concerns which are on semi-cash or accrual basis. Cash basis of accounting in the Telecoms means that its revenues are reported in the period when the cash collections are made, and that its expenses are reported when the actual cash disbursements are made. As such the Telecoms does not keep as many accounting records and books as the ordinary business concern. Accounting books like debtors ledgers, creditors ledgers and so on are not maintained by the Telecoms. Besides different departments in the Telecoms have different set of accounting records, like Vote Control Section has the general Vote Control Ledger and other Vote Control records.

However the basic books of accounts like the general journal, general ledger, cash receipts and disbursement book are used in the Telecoms. These books are not all kept in bounded form. For instance, instead of having the general journal and the general ledger, the Telecoms keeps the journal vouchers in a special file under different headings and ledger cards are used in the place of general ledger.

The Telecoms maintained two types of ledger cards, the Main Cards, and the detail cards. The Main cards only show the subsequent totals in the Detail cards. Complete postings of the accounts are done in the Detail Cards.

Diagrams 2-1 and 2-2 show the Main and Detail Ledger Cards, containing the basic general ledger columns of debits, credits and balance, and a series of columns for analysis or breakdown of the postings. These ledger cards are kept in a special cabinet under the custody of the office-in-charge of the ledger section. References of these cards by other persons may be permitted after having received authorisation from the accountants.

The other basic books, the cash receipts and cash payment or disbursement book are shown in Diagram 2 - 3. Unlike most cash receipts book kept by the business firms, the Telecoms cash receipt book has more columns for analysis purpose. It has a special column showing the voucher number and the region from which the voucher is issued. These additional columns facilitates the checking of the cash receipts for each day and from each particular region. The cash payment book contains the basic cash payment book columns like columns showing numbers, particulars, cheque number, detail gross payment deductions and net payment.

Beyond this list of basic accounting books, as other special books are kept by the Revenue and Expenditure Department.
### Diagram 2 - 1 Main Card - Ledger

**Telecoms Ledger Account**

<table>
<thead>
<tr>
<th>Previous Balance</th>
<th>Sub-Head</th>
<th>Reg. Code</th>
<th>Voucher No.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Telecoms Acct - LP 7

**Completed or Detail Cards**

**Telecoms Ledger Account**

<table>
<thead>
<tr>
<th>Previous Balance</th>
<th>Sub-Head</th>
<th>Reg. Code</th>
<th>Voucher No.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Telecoms Acct - LP 7
**CASH RECEIPTS BOOK**

<table>
<thead>
<tr>
<th>Receipt No.</th>
<th>Voucher No.</th>
<th>Bank Slip No.</th>
<th>Payer</th>
<th>Cash</th>
<th>Details</th>
<th>Totals</th>
<th>Abatements</th>
<th>Bank</th>
<th>Date</th>
<th>Voucher Region</th>
<th>No. Tel</th>
<th>Payee</th>
<th>Cheque Cash No.</th>
<th>Details</th>
<th>Total</th>
</tr>
</thead>
</table>

**CASH DISBURSEMENT BOOK**

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Particulars</th>
<th>Cheque No.</th>
<th>Details</th>
<th>Gross Payment</th>
<th>Deductions</th>
<th>Net Payment</th>
</tr>
</thead>
</table>

**Diagram 2-3** shows the Cash Receipts Book of the Cash Disbursement Book.
(ii) Classification and Coding of Accounts

Every year the Treasury submits to the Telecoms an estimate of the amount of money to be spent during the year by the Telecoms. This estimate must first be approved by Parliament. The classification and coding of the accounts of the Telecoms must be in accordance with the code of the approved estimate for the year.

On the general warrant given by the Treasury, there is a code of Two Digits. For example in Table 2-1 is the Expenditure, Development and Revenue Vote Code for the year 1967. The Two Digit Code for 1967 is 75 and from this code of 75, the Telecoms forms its own code like 75011 for Personal Emoluments and so on as is shown in Table 2-1 where code numbers are given to individual expenditure.

In order to facilitate the rapid preparation of financial statements and other reports, the accounts are arranged in the sequence which will be used in the preparation of the financial statements and other reports.

The classification of accounts of the Telecoms from the two digit code is very flexible as new accounts can be added or old accounts deleted easily without any difficulties. Besides, this classification of accounts is reviewed annually as the Two Digit Codes given by the Treasury is different every year. This review of the accounts enable the Telecoms to have a better system in classifying its accounts each year.

Table 2-1 Codes Numbers given to Individual Expenditures
### TELECOMS DEPARTMENT

**Expenditure, Development and Revenue Vote Codes 1967**

<table>
<thead>
<tr>
<th>Vote</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>75011</td>
<td>Personal Emoluments, West Malaysia</td>
</tr>
<tr>
<td>75012</td>
<td>Personal Emoluments</td>
</tr>
<tr>
<td>75013</td>
<td>Non-Pension Allowance</td>
</tr>
<tr>
<td>75014</td>
<td>C.O.L.A.</td>
</tr>
<tr>
<td>75021</td>
<td>E.P.F.</td>
</tr>
<tr>
<td>75022</td>
<td>Other Charges Annually Recurrent</td>
</tr>
<tr>
<td>75023</td>
<td>Allowance for Apprentices</td>
</tr>
<tr>
<td>75301</td>
<td>Incidental Expenses</td>
</tr>
<tr>
<td>75302</td>
<td>Printing</td>
</tr>
<tr>
<td>75303</td>
<td>Other Charges Special Expenditure</td>
</tr>
<tr>
<td></td>
<td>Minor Work</td>
</tr>
<tr>
<td></td>
<td>Office Furniture</td>
</tr>
<tr>
<td></td>
<td>&quot;SEACOM&quot; Expenses</td>
</tr>
</tbody>
</table>

### Table 2 - 1 Codes Numbers given to Individual Expenditures

As shown in the Flow Chart No.2, when the subscriber comes to pay his deposits, he is asked to fill in a Telephone Deposit Form and at the same time, a card giving the name of the subscriber, the amount he has to pay and a special reference number given by this card is made out. The subscriber does not make payment to any persons in the Telephone Deposit Section but he is asked to pay in the receiving section.

The receiving section will write out a receiving voucher, the original goes to the subscriber whereas the duplicate is sent to the Telephone Deposit Section as shown in Chart No.1. The amount,
name of subscriber is then those on the card prepared by the Telephone Deposit Section. When all the particulars on the card and the Control of Cash Receipts voucher is pasted at the back of the card.

(i) The Cash Receipts Function

In the meantime, the Telephone Deposit Section also prepares a daily

In the Telecoms, the actual handling of cash receipts is however, delegated to several persons in different sections of the Revenue and Expenditure Department. The responsibilities of the persons including receiving cash by cheque or money directly from the subscribers, from clerks or collectors who have initially received the cash from the subscribers or from remittances received in the mail and also from the money received from the public telephone booths. The money received must be adequately safeguarded from loss by theft or carelessness, prepared for deposits to the Bank Negara and also, an accounting record of them must be created showing the source and the amount of cash received and proper control and accountability established.

It is also necessary for the preparation of reports of current receipts to provide management with an adequate basis for controlling the cash position of the Telecoms. The cash receipts function also include the responsibilities for the preparation of the cash receipt summary to be submitted to the Director of Accounts.

(ii) Organisation of the Cash Receipts Function

Cash is handled by a few sections of the Revenue and Expenditure Department. The sections that deal with cash are the Telephone Deposit Section and the Receiving Section.

Telephone Deposit Section

The potential subscriber writes to the Pengarah Telecoms (Regional Controller) to apply for telephones. Once his application is approved, he is asked to pay a certain sum of money called the Telephone Deposits which varies according to the purpose for which the telephone is installed. Telephones for business uses are charged at the rate of two hundred and seventy dollars and those for private uses are charged at one hundred and eighty dollars.

As shown in the Flow Chart No.1, when the subscribers comes to pay his deposits, he is asked to fill in a Telephone Deposit Form and at the same time, a card stating the name of the subscribers, the amount he has to pay and a special reference number given to this card, is made out. The subscriber does not make payment to any persons in the Telephone Deposit Section but he is asked to pay in the receiving section.

The Receiving section will write out a receiving voucher, the original goes to the subscriber whereas the duplicate is sent to the Telephone Deposit Section as shown in Chart No.1. The amount,
Flow Chart No. 1 of Cash Receipts by Telephone Deposit Section:

1. Subscriber comes to pay his deposit
2. Fill in the Telephone Deposit Form
   - Card stating the name of the Subscribers, amount he has to pay etc is made
3. Duplicate voucher
   - Check all the vouchers and prepare a Daily Telephone Deposit Statement by a person other than the one who prepared the card
   - Check Statement with card
4. Write out receiving voucher
5. Pays here
6. Corrected Statement Filed here
name of subscriber is compared with those on the card prepared by the Telephone Deposit Section. When all the particulars on the card and the duplicate voucher are correct, then the duplicate voucher is pasted at the back of the card. In the meantime, the Telephone Deposit Section also prepares a daily Telephone Deposit Statement shown in diagram 3-1 listing out the names of the subscribers, amount of deposits and other particulars like the telephone number, receipt voucher number and so on. This statement is prepared by a person other than the one who writes out the card. This reflects the division of responsibility and good system of internal control. The statement is then compared with the cards and any discrepancies are immediately noted and follow-up action are taken. The statements are filed in a special file called the Deposit Statement File while the cards are arranged in numerical order in a cabinet for future reference.

Receiving Section

The receipts of this section are not all in the form of cash; but they are sometimes in cheques. Receipts come from three main sources, mail collections, over the counter and from the Telegraph and Telephone.

Mail Collections

All the mail are received by the Correspondence Section as shown in Chart No.2. The person in this section makes a list of all the cheques and the amount of cash received each day in a mail collections received book, which is kept in the correspondence section and no unauthorised person has access to it.

Then all the cheques and cash received for the day are sent to the officer in charge of the Receiving section as shown in Flow Chart No.2. This person makes another count of the cheque and the amount of cash that he received from the correspondence section. When all the amounts he received is correct i.e. they tally with the amount in the mail collections received book, he then initials in the Mail Collections Received Book acknowledging the receipt of the cheques and the cash.

Receipt vouchers as shown in Diagram 3-2 will be prepared by him, the original of which is mailed back to the subscribers by the Correspondence Section, and the duplicate is filed up for audit purposes. All these vouchers have to be initialed by the person who prepares them and must also be verified by the assistant accountant of the Revenue and Expenditure Department.

Over the Counter

Sometimes, the subscribers pay cash over the counter, then the control procedures taken are as follows. The receiving clerk receives the cash from the persons and then he immediately prepares a receipt voucher. The original of this voucher is given to the person (Note. There is a notice on the counter informing the persons who pay to ask for Receipt Vouchers) This clerk then prepares a summary of the cash
Flow Chart No. 2 of Collection From the Mail

Correspondence Section

All mail sent here

Received Section

A List of all the cheques and cash received is made out by the person in-charge

All the cheques and cash are sent to the officer in-charge

Count the cash and cheque received to see whether they tally with the amount in the Mail Collection Received Book

Receipt vouchers are prepared

Verified by accountant

Sent to subscribers through here
## NEW TELEPHONE DEPOSIT STATEMENT

For the month of

<table>
<thead>
<tr>
<th>Name</th>
<th>Additional Deposit</th>
<th>Deposit</th>
<th>Tel No.</th>
<th>Ech</th>
<th>Receipt No</th>
<th>Date</th>
<th>Initial</th>
</tr>
</thead>
</table>

Received From____________________

dollars____________________

Being

____________________

Clerk____________________

Assistant Accountant____________________

---

**Diagram 3 - 1 Telephone Deposit Statement**

**Diagram 3 - 2** The Form of Receipt Voucher used by Telecom
Telecoms Department
Receipt Voucher
Original

196

Received From

dollars

Being

Clerk

Assistant Accountant

Diagram 3 - 2 The Form of Receipt Voucher used by Telecoms

[Diagram of the form of Receipt Voucher used by Telecoms, showing the layout and fields for the officer in charge of the receiving section, the amount shown in the bank slip and the cash account, the amount shown on the cost sheet, and the need for reconciliation if there is no discrepancy.]

[Flow Chart No. 4 showing all the procedures involved in the collection of cash by the Telephone and Telegraph section.]

[Text explaining the process involving the collector, who brings the banked box to the office of the officer in charge of the receiving section, the treasurer who checks the amount in the presence of the collector, and the assistant accountant who supports the procedures.]
received by him for the day and together with the duplicate vouchers, he sent to the officer in charge of the receiving section another copy of the summary is sent to the assistant-accountant. Diagram 3-3 shows the summary of revenue collected.

The officer who receives the cash and duplicate vouchers makes a count of them to see whether they tally or not. Then the cash is given to another person called the "Banker" who is responsible in banking in all the cash received. After having banked the cash, the "Banker" returns the bank slips showing the amount he has banked to the assistant-account. The assistant-accountant will reconcile the bank slips with the total of cash received for the day as shown in the summary given to him. When there is no discrepancy, he will file the bank slips together with the summary sheet for future reference.

On no occasion, is cash held by any person in the receiving section. As shown in Flow Chart No.3 if there should be any cash not deposited in the bank before the close of the day, this cash is sent to the assistant-accountant, who will make a count and a note of them. Then he will keep this cash in a safe to be banked in the following day.

Telegraph and Telephone

Money received from the Telephone are those received in the form of cash from the telephone booths. The collector brings the locked box to the office where it is handed to the officer in charge of the receiving section. This person who holds the key then unlocks the box brought in by the collector. Then he makes an account of the coins in the box in the presence of the collector, and writes a receipt voucher to the collector acknowledging the amount of coins in the box. The receipt voucher is similar to the one shown in Diagram 3-2.

The money received from the collection boxes is also banked in the same day by the "Banker". The procedures adopted in depositing the money is similar to those cash received over the counter.

Flow Chart No.4 shows all the procedures involved in the collection of cash by the Telephone and Telegraph section.

Cash is also sometimes collected by the Telegraph and Post Offices on behalf of the Telecoms. The Post Master does not sent any cash collections, but he sent statements in the form of cash account showing the amount of collections made by them. The cash collected by the Post Master is banked in by him in the respective region daily and the bank slip is forwarded to the Telecoms. On receipt of the bank slip and the cash account, the officer in-charge of the receiving section would compare the amount shown in the bank slip and the cash account with the "cost sheets" sent by the regional controller of Telecoms. This "cost sheet" shows the account that should be collected by the Telegraph and Post Offices on behalf of the Telecoms. If there are no discrepancies, the bank slips and the cash accounts are filed in their respective files.
Flow Chart No. 3. of Cash Collection over the Counter
Flow Chart No. 4 of Cash Receipts by Telegraph and Telephone Section

Collector

Brings the coin boxes to the office and sent them to the officer of the Receiving Section

Receiving Section

Unlocks the boxes in the presence of the Collector & writes a receipt voucher to the collector

Banker

Money received by the Receiving Section sent have to be deposited in the Bank.
Telecoms Department
Summary of Revenue Collection
February 1966

<table>
<thead>
<tr>
<th>Date</th>
<th>Main Office Kuala Lumpur</th>
<th>Initial</th>
</tr>
</thead>
</table>

Internal control is achieved by having all the cash for the day to be put in the bank immediately. This prevents the theft or any misappropriation of cash lying in the office. The purpose of this procedure is to prevent any unauthorized person from being able to take more cash than the normal amount of cash in the office.

The preparation of the summary of the revenue collected for the day is another important aspect of internal control. This summary enables the accountant to know the amount of cash received for the day as evidenced by the amount of cash put in the bank by the "koner" as shown on the bank statements.

Total

Prepared By __________________________
Approved By _________________________

Diagram 3 - 3 Summary of Cash Received
(iii) Internal Control

Fraudulent abstraction of cash receipts is generally an important consideration of internal control with respect to cash receipts. Separate handling for the cash receipts like the correspondence section receiving and listing all the mails received before such mails are despatched to the Receiving Section and also the subscribers do not pay their telephone deposits in the Telephone Deposit Section but pay to the person in the Receiving Section. This separation of responsibilities prevents any one section from performing all the receiving function and thus eliminating or minimizing have fraudulent practices.

Additional control is achieved by having all the cash received for the day to be put in the bank immediately. This prevents any large amount of cash lying in the office thus the preventing theft or any temptation; steal by any persons in the office.

The preparation of the summary of the revenue collected for the day is another important aspect of internal control in the Telecoms. This summary enables the accountant to know the amount of cash received for the day as evidenced by the proper amount of cash put in the bank by the "Banker" as shown by the bank statements.

(i) the payment will not cause an excess on the amount provided for the sub-head or trust account to which it is chargeable etc.

(ii) the certificates are signed by the proper officer and that prima facie the charges are in order

(iii) proper deductions on account of contributions repayment of advances or other notified liabilities have been duly made from the amount of the payment.

It is because the amount of disbursement performed by the Telecoms is very great that the Director-General finds it necessary to place a portion of the disbursement under the control of his subordinate officers. A warrant is issued by the Director-General authorising the persons responsible to incur the disbursement up to a stated amount. Any disbursement of $10,000/- and below are initialed by the officers; the assistant-accountant and the accountant for $100,000/- and below the signature of the Director Of Accounts is necessary and for any amount greater than $100,000/- the signatures of the Deputy Director-General and the Director-General are required.

It is sent by the officer of the concerned section to the accounting section, where the person responsible for issuing the charge is asked over the amount and then issues the receipt for the payment made. After the charges are taken, they are sent to the accounting accountant for his approval and signature.
CHAPTER FOUR

(1) Cash Disbursement Functions

The cash disbursement function is the final segment of a three-way control over the use of money in the Telecoms. The first step of control involves limiting the authority to incur obligations to a small number of responsible persons. The second step is the authorisation of disbursement to pay-off obligations of the Telecoms after appropriate audit steps have shown that the obligations were properly authorized. The final step is control over the actual disbursement itself, officer who certifies the voucher for payment or adjustment has to initiate.

Unlike the small business, where the responsibility for disbursement lies in the owner or manager, in the Telecoms the responsibility for the disbursement lies in the controlling officer who is the Director-General of the Telecoms. Any other person allowing or directing any disbursement without proper authority will be held personally liable for that amount. The precautions taken before any payment of the bills are made are stated in Section 93 of the Treasury Instructions.

As shown in Flow Chart No.5, all the vouchers have to be supported by the responsible Treasury Officer, accountant or imprest holder before paying should satisfy himself that:

(i) the payment will not cause an excess on the amount provided for the sub-head or trust account to which it is chargeable on the accounts or personal claims. In the case where Telecoms employees present claims for reimbursement of payments made by them, the certificates are signed by the proper officer and that prima facie the charges are in order in the margin of the claims for reimbursement as the following:

(ii) proper deductions on account of contributions repayment of advances or other notified liabilities have been duly made from the amount of the payment.

It is because the amount of disbursement performed by the Telecoms is very great that the Director-General finds it necessary to place a portion of the disbursement under the control of his subordinate officers. A warrant is issued by the Director-General authorising the persons responsible to incur the disbursement up to a stated amount. Any disbursement of $10,000/- and below are initiated by two officers, the assistant-accountant and the accountant for $100,000/- and below the signature of the Director-Of Accounts is necessary and for any amount greater than $100,000/- the signatures of the Deputy Director-General and the Director-General are required.

The Clerk in the Checking Section, a summary of all the certified payments is sent by the officer of the Checking section to the cash payment section, where the person responsible for issuing the cheques looks over the payment and then issues the cheques for the respective payments. After the cheques are issued, they are sent to the assistant-accountant and accountant for their approval and signatures...
(ii) Organisation of the Cash Disbursement Functions

All the officers responsible for the disbursement have to keep a Vote Book, which shows (a) the total amount of expenditure sanctioned for the service for the year with deductions for amounts allocated to other departments.

(b) All the debits and credits of the expenditures as and when they occur and paid.

(c) All the liabilities as they are incurred and these liabilities are marked off to the extent that they are cleared. A running total of the outstanding liabilities are also entered.

Vouchers are necessary for all payments and any officer who certifies the voucher for payment or adjustment has to initial in a column expressly provided for this purpose in the Vote Book and he has to see to it that the liability is marked off or reduced. The Vote Book has to be reconciled by an officer other than the one who makes the payment. This reconciliation statement has to be signed and retained and should there be any outstanding liabilities at the close of the financial year, this should be carried forward in the Vote Book of the next year.

As shown in Flow Chart No.5, all the vouchers have to be supported by full particulars of each service, such as date, numbers, quantities in order to enable the checking section to check them without reference to any document other than those attached with the vouchers. The checking section checks each with particular care so that the name of the persons in Telecoms of his own emoluments or personal claims. In the case where Telecoms employees present claims for reimbursement of payments made by them, vouchers should also be produced whenever practicable. When these cannot be obtained the person who presents the claim has to certify in the margin of the claims for reimbursement as the following:

"I certify that the charges marked amounting to §... have been actually incurred and paid by me".

Before the payments are made for materials purchased, work or services performed, the rates, prices of the materials or services have to be stated clearly on a certificate certifying that the work or service has been properly carried out. Vouchers for materials purchased should also be supported by a certificate stating that the articles have been received. It is only after when the checking section had checked all the details regarding such payment, then only is the payment certified.

As illustrated in Flow Chart No.5, once the payment has been certified by the Checking Section, a summary of all the certified payments is sent by the officer of the Checking section to the cash payment section, where the person responsible for issuing the cheques looks over the payment and then issues the cheques for the respective payments. After the cheques are issued, they are sent to the assistant-accountant and accountant for their approval and signatures.
Flow Chart No. 5 of the Cash Disbursement Process
The approved cheques are sent to the Correspondence section where they are mailed out to the respective concerns.

Sometimes cheques are returned to Telecoms through the Correspondence section like because of unsuitable address. In the case of these undelivered cheques, the Correspondence section returns the cheques to the officer in charge of the cash payment section and new cheques are prepared. All the undelivered and cancelled cheques have to be attached to the cheque butt for audit purposes. The newly prepared cheques have again to be approved by the assistant-accountant and the accountant himself.

** Petty Cash System**

On certain occasions, disbursements are made directly with cash, for the disbursement are too small to be paid by cheque. A petty cash fund represents a scheme of gaining the desired economy and speed of disbursing for such small expenses like postage, mileage and other allowances. There are two types of petty cash system in the Telecoms - the ordinary imprest petty cash and the one-twelfth imprest.

The ordinary imprest petty cash is a sum of money given to a responsible officer in the departments to enable him to meet small urgent payments and petty disbursement without prior approval from the Head of the departments. It may also be used to make urgent cash advances to officers who require funds to meet travelling expenses.

The one-twelfth imprest is a sum of money given to each region (Malaysia is divided into eight regions) to enable the regional controller to meet payments and expenses in his region without any further approval from the Headquarters. This is called the one-twelfth imprest because the amount given to each region is reimbursed every month and the balance at the end of the year have to be returned to Headquarters. Table 4-1 shows the amount given to each region under the one-twelfth imprest system.

All the petty cash disbursement must be supported by prenumbered petty cash vouchers such as the one shown in Diagram 4-1. Such vouchers have to be signed by the person who receives the petty cash. Whenever possible, each petty cash voucher must be supported by the invoices or other original document, and before any payment is made the voucher has to be approved by the senior officer like the assistant accountant in the department.

The one-twelfth imprest requires a different kind of voucher for reimbursement of the fund as shown in Diagram 4-2. This voucher consists of two parts one of which is for the Treasury to retain and the other part for retention by the Telecoms itself. Reimbursement of the one-twelfth imprest is by cheque. The regional controller has to report the amount of cash he has on hand and all the vouchers and other supporting documents to the Headquarters for auditing purposes. Occasional surprise count of the cash is made by an officer independent of the petty cash functions and he has to report all his findings to the assistant-accountant.
Authorised One-Twelfth Imprest 1967

1. Director of Telecoms, Selangor, Kuala Lumpur  $200,000/-
2. Controller of Telecoms, Penang  65,000/-
3. Controller of Telecoms, Ipoh  100,000/-
4. Controller of Telecoms, Seremban  65,000/-
5. Controller of Telecoms, Alor Star  50,000/-
6. Controller of Telecoms, Kuantan  75,000/-
7. Controller of Telecoms, Johore Bharu  85,000/-
8. Controller of Telecoms, (Administration) Kuala Lumpur  7,000/-

$647,000/-

Table 4 - 1 Showing the amount given under the one-twelth Imprest, 1967 to eight regions in the country
Telecoms Accounts Office

Petty Cash Voucher

Payment Voucher No

Date

Particulars of Purchase/Service


Amount of Liability $ ________________

Pay To ________________________________

Approved/Rejected

Pengarah Telecoms (Accounts)

Diagram 4 - 1 Showing Telecoms Imprest Petty Cash Voucher
At the beginning of each charge of the one-twelfth Imprest Fund to the headquarters station, the voucher must be issued at least ten days before the close of the financial year. The voucher must be numbered and the amount stated, to the nearest cent. The voucher must have been signed by the duly authorized officer and must be properly dated for entry in the cash book. The voucher must be attached to the receipt for the amount paid.

I hereby certify that the services/supplies covered by this payment have been satisfactorily performed and that the charges are fair and reasonable.

Please pay OPEN/CROSSED - Account Payee & Co. cheque for the sum of $__________ in settlement of the following incurred by Department of ________.

Payee’s Invoice Date | Number | Department Reference Order No. | Vote Making | Amount $ | cts
---|---|---|---|---|---
| | | | | | |

Total

Name and address of Payee

Checked Bank and Cheque No Payable at

Sub-Treasury (Passed for payment)

Diagram 4 - 2 One-twelfth Imprest Voucher used by Telecommunications Department
At the beginning of each month the person in-charge of the one-twelfth imprest fund in each region has to send a statement to the headquarters showing how his imprest was made up on the last day of the preceding month as in the following manner.

1. Balance as per cash book - $2568/
2. Cash in hand - 1400/
3. Perfected vouchers on hand not yet sent to the headquarters for recoupment as per list attached
4. Vouchers paid but not yet perfected
5. Recoupment submitted to the Headquarters but not yet reimbursed as per list attached

Total Impest $5968/

The person who is in-charge of the one-twelfth imprest fund has also to keep a cash book showing all the amount received and paid. The vouchers must be numbered and entered in the cash book on the day when they are paid also this book has to be totalled daily.

Internal Control

The control of cash disbursements involves both the planning necessary to ensure that cash balances will be adequate to cover required disbursements and the provision of protection against fraudulent or unnecessary disbursements.

There are two major groups of persons employed by the Telecoms. The one group is responsible for the preparation of pay slips, their verification, preparation of the payrolls, tabulation and submission to the regional controller and must be submitted to the Headquarters for the number of persons employed in each region, and any promotion or termination of employees so that adjustments can be made to the number of hours worked for each of these employees known as the Industrial and Manual Group.

Protection against fraudulent or unnecessary disbursements begins with the placing of the disbursement commitments under the certain responsible officers, and the use of vouchers for every payment.

Additional controls that are present in the Telecoms include the control over unissued cheques, proper authorisation of entries on cheques, and disbursement records, embossing the amount on cheques with a cheque protector, controlled signing and delivering of cheques, disbursement small amounts of cash through properly controlled imprest funds and also the control over the returned cheques.

Fraudulent practices are not easily possible because the Telecoms Department has a very sound system of control over her cash disbursement activities.
(iii) Payroll Functions

Now, let us examine the control procedures over the payroll disbursement of the Telecoms. The Telecoms employs more than six thousand employees throughout the country and as such it is a great problem involving many accounting procedures and records in ensuring that the activities related to paying these employees for their services whether on a regular or a part-time basis are performed efficiently. The payroll function is a cycle that starts from the time the employment to the time when the employment terminates.

When a new person is employed, the staff and salaries section is notified of such employment. This section is responsible for establishing the payroll record for each employee, calculating and recording the earnings, payroll deductions, net pay and income taxes and Employees Provident Fund deductions for all employees. For those employees who are paid on an hourly basis, it is responsible for recording the number of hours worked for each of these employees known as the Industrial and Manual Group.

The authorisation of the payroll disbursement is the accountant's function and the responsibility of distributing the pay cheques or pay envelopes to the employees lies with the officer in charge of each section.

Finally, a number of reports related to payroll must be prepared by the regional controller and must be submitted to the Headquarters for review as to the number of persons employed in each region, and any promotion or termination of employees so that adjustments can be made regarding the amount of payroll to such regions.

(iv) Organisation of the Payroll Functions

There are two major groups of persons employed by the Telecoms. Those who received their salaries monthly called the monthly group and those who received their salaries on a daily basis called the Industrial and Manual group. In addition to their basic salary, the monthly group also receives cost of living allowance, housing allowances and other allowances like travelling allowances. The Industrial and Manual group does not receive such allowances and their payment are in cash as they are paid on a daily basis, and the amount paid is small.

At the end of every month, the staff and Salaries Section prepares a Salaries Sheet as shown in Diagram 4-3. This Salaries sheet shows the name of the employees, their basic salaries, allowance and other deductions like rental deductions and others. Once this Salaries Sheet has been prepared, it must be initialed by the officer in charge of the Staff and Salaries Section. After being initialed by this officer, it is sent to the Checking Section where it is checked. It is only approved after the amount is found correct, because there may be certain adjustments made to some employees like one promoted to a higher scale during the month. This leads to an increase in the salary
### TELECOMS DEPARTMENT
**Pay and Allowance**

<table>
<thead>
<tr>
<th>Name</th>
<th>Pay</th>
<th>COLA</th>
<th>Housing</th>
<th>Others</th>
<th>Total</th>
<th>E.P.F.</th>
<th>Deductions</th>
<th>Widows &amp; Orphans</th>
<th>Others</th>
<th>Amount Received</th>
<th>Initial of Recipient</th>
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<tr>
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<td>Cooperatives</td>
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</tr>
</tbody>
</table>

**I certify that the above is correct**

**Total Paid**

- **Officer-Staff & Salaries**
- **Officer Checking**
- **Accountant**

Diagram 4 - 3 shows the Salaries Sheet as used by Telecoms Department.
and his other allowance like housing may also need adjustment. It is important to ensure that all the increases impay accrued to an employee is genuine so as to eliminate any mistakes or fraudulent practices in the department.

As shown in Chart No.6 when all the procedures related to the preparation of the Salaries Sheet have been completed, the Cash Payment Section is authorised to prepare the necessary cheques accrued to the employees. Before the cheques are issued, they have to be approved by the accountant.

A payment register is kept by the Cash Payment Section, showing the particulars of all the cash and cheques given to the employees. It has eight columns as shown below:

(1) Department Voucher No.
(2) Brief Description of Payment
(3) Details of cheques (No and Bank) or cash
(4) Date received for payment
(5) Amount
(6) Date of endorsement and initials of officers
(7) Signature of persons receiving cash or endorsed cheques
(8) Date of completion of the Payment and initials of the officers in charge.

This register is inspected by the Checking Section once every month and it is checked against the cash, cheques and other vouchers signed by both the employees and the officer approving them. Any discrepancy is reported to the accountant.

The approved cheques are distributed to the employees and the employees who received them have to initial in the Payment Register and also the Salaries Sheet. To ensure that the control system adopted is efficient, the employees are informed to check carefully the amount they received, the additions and deductions to their salaries. If they should find any discrepancy, they have to report to the officer in charge of the staff and Salaries Section immediately.

However, it is not possible to pay all the employees by cheque as the Telecoms also employs the daily rate workers - those in the Industrial and Manual Group. Employees in the group are paid by cash drawn out from the one-twelfth imprest system. It is very difficult to calculate the amount paid in each month to this group because the amount of work done in each month varies and thus the cash amount paid to them also varies and the control procedures taken are performed by the Technical assistant and
Flow Chart No. 6 of Payroll Process
Once the work performed by this Industrial and Manual Group of workers has been completed, the foreman in charge will submit a report of the number of hours performed on the particular job, to the Technical Assistant in charge, who will review this report before approving it. Once it is approved, it is passed to the staff and salaries section for payment.

In addition to the control over the cash disbursements and cash balances, it is also taken over the cash balances. The purpose of controlling the cash balances is to see that there are no irregularities in the application of sound internal control which includes carefully designed forms and procedures and the proper segregation of responsibilities in the execution of work related to payroll. Effective segregation of responsibilities is highlighted by having the staff and salaries section preparing the salaries sheet and the accountant authorising the payroll disbursements.

Control over payroll irregularities in the Telecoms depends on the application of sound internal control which includes carefully designed forms and procedures and the proper segregation of responsibilities in the execution of work related to payroll. Effective segregation of responsibilities is highlighted by having the staff and salaries section preparing the salaries sheet and the accountant authorising the payroll disbursements.

Additional control over the payroll disbursement is achieved by having the Payment register, which shows the particulars of all the cash and cheques given to the employees in the Telecoms. This register serves the purpose of control by preventing any form of "payroll padding" existing in the department. "Payroll padding" may be accomplished by placing non-existent persons on the payroll or failing to remove persons from the payroll who have actually left the department. Any form of "payroll padding" would be revealed by the Payment Register as the person who receives the cash or cheque has to sign in the register and this register is also inspected by the checking section, which checked against the cash, cheques and other vouchers signed by both the person receiving it and the officer approving the payment.

To establish a bank account, a resolution authorising all the responsible officers empowered to sign cheques, their present position and any subsequent changes are notified to the Bank.

After establishing the account, the final step in the control of cash balances is to reconcile the records of the Telecoms' cash transactions as shown by the Bank Statement to the records in the Telecoms' books.
CHAPTER FIVE

Control of Cash Balances

(i) Functions in the Control of Cash Balances

In addition to the control over the cash disbursements and cash receipts, close control is also taken over the cash balances. The purpose of controlling the cash balances is to see that there are adequate cash in the Telecoms to meet any normal cash requirements and that there should not be any large surplus of cash remaining in the Telecoms. The principal functions involved are the establishment of bank accounts for receiving, disbursing and holding cash and the preparations of the bank reconciliation statement and other reports as required by the Director of Accounts or the Director-General himself.

The most useful report prepared in the control of cash balances are the monthly trial balance from which the record of the actual receipts and disbursements can be obtained.

(ii) Organisation for control of Cash Balances

In order to ensure internal control, accounting responsibility for cash receipts and disbursements lies under the various officers in charge of those sections. The other aspect of the control of cash balances is the preparation of monthly reconciliations to prove the accuracy of both the bank and the Telecoms records of cash transactions. The bank here refers to the Bank Negara only and the Telecoms balance is the amount allocated by the Treasury which is known as the Treasury Balance. The reconciliation work is performed by the assistant accountant who has no direct responsibilities for the preparation of accounting records.

(iii) Procedures in the Control of Cash Balances

The procedures taken in the control of cash balances start from the establishing of the bank account to the preparation of the bank reconciliation statement. The authority to establish a new bank account lies in the hands of the Director of Accounts as shown in Flow Chart No. 8. No other person in the department has any authority to establish any bank accounts thus eliminating any attempt to establish a dummy account through which crossed cheques payable to the Telecoms may be cashed.

To establish a bank account, a resolution authorising all the responsible officers empowered to sign cheques, their present position and any subsequent changes are notified to the Bank.

After establishing the account, the final step in the control of cash balances is to reconcile the records of the Telecoms' cash transactions as shown by the Bank Statement to the records in the Telecoms' books.
The Director of Account has given the instructions that the reconciliation work has to be performed by a very responsible person. The assistant-accountant is the person assigned this work.

As shown in Chart No. 7 the bank statements are delivered to the assistant-accountant by the Correspondence Section and he keeps them until the reconciliation work has been completed. Diagram 5 - 1 shows the reconciliation statement as prepared by the assistant accountant for the month of January 1968. The difference between the Bank and the Treasury Balance is the amount that has to be reconciled. Unlike the reconciliation statement of the ordinary business firms, there are no bank charges since Bank Negara does not charge the Telecoms.

The control procedure adopted over each region lies in the responsibility of the controller of those regions. The regional controller has to prepare the daily report of receipts of both cash and cheques. At the end of the month, the bank pay-in slip and other related documents are forwarded to Headquarters where the checking section would check over the cash account and all the documents sent in. After checking, all the related documents are sent to the assistant-accountant for the preparation of the reconciliation statement as shown in Diagram 5 - 2.

(iv) Internal Control

The internal control procedures in the Telecoms begins with defining the authority of certain persons to open bank accounts, like, only the Director of Accounts has the authority to open any accounts on behalf of Telecoms like the accountants to sign cheques drawn on the established accounts, segregating the responsibility for handling cash and recording the cash transactions and independently preparing the reconciliations of the bank balances by the assistant accountant.

All these procedures reflect the high quality of internal control in the Telecoms, and with an effective system of internal control there are little possibilities for any person to fraud the Department.
Flow Chart No. 7 of Cash Balances Process

1. Correspondence Section
   - Bank Statement sent to Accountant

2. Accountant
   - Prepares Bank Reconciliation from Bank statement and other related documents
   - Bank Reconciliation sent to Director of Accounts

3. Director of Accounts
   - Checks the Reconciliation Statement

4. Bank
   - Director of Accounts establishes account with the Bank

5. Officers
   - Director of Accounts authorizes certain officers to sign cheque
MALAYSIAN GOVERNMENT

Reconciliation of the Telecoms Department Treasury Bank balance (as per treasury books) on the 31st Jan. 1968 with the statements rendered by the Negara Bank showing the position recorded in the Bank books at close of business on same date.

<table>
<thead>
<tr>
<th>Date of Cheque</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bank Balance</td>
</tr>
<tr>
<td></td>
<td>Treasury Balance</td>
</tr>
<tr>
<td></td>
<td>Difference</td>
</tr>
</tbody>
</table>

_____

Unpresented Cheques Nov.-Dec.1967
Cheque No. Receipt No. Date Cancelled
1.
2.
3.
Add
1. Cheques issued in Jan 1968 but not presented for payment as at 31.1.68

Deduct
2. Bank Draft debited to A/c in Jan 1968 but not cleared as at 31.1.68
3. Cheques returned by Bank Nov.1967 - Jan 1968 but not cleared as at 31.6.68

_____

I certify the above to be correct

Accountant

1968

Diagram 5 - 2 Report Sent in by Regions

Diagram 5 - 1 Bank Reconciliation Statement of Telecoms
Account Bank Negara

Region A

<table>
<thead>
<tr>
<th>Deposits in Banks in</th>
<th>Deposit in Cash Book in</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>But in Cash Book in</th>
<th>But in Banks in</th>
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</table>

Before proceeding, it would be advisable to define the scope of expenditure which is included in this exercise. The expenditure discussed here is the development capital expenditure which has to be kept under review. Development capital expenditure usually planned to meet an order to keep it in perspective with national income in the country other than the government.

Total

Dishonoured Cheques

Regional Controller
Telecoms

Diagram 5 - 2 Report Sent in by Regions

The responsibility for the development planning lies with the Director of Planning (Telecoms) and before a project is finally submitted to the Treasury, the following engineering and economic data would be required by the Planning Department:

1. Definition taken from the article development capital expenditure by Mr. Soon Khoon Lin, Director of Advocacy, Telecom in Telecos Magazine, November 1959.
CHAPTER SIX

The Meaning of Capital Expenditure

All enterprises in both the private and public sectors need capital expenditure in varying degrees for their expansion. The expenditures incurred by the Telecos may be divided into five classes namely, Development, Renewal, Special Expenditures, Maintenance, and Works Charges.

Development Expenditures are those for work to be carried out under the Development Funds. Renewals are those needed for any renewal works to be carried out. Special expenditures are those for works to be carried out or for the provision of tools, test equipment etc, under the other charges special expenditure. Maintenance expenditures are those for works of a non-recurrent nature that cannot be met from the Regional Allocation (Note each region is given a specific amount of funds each year) but for which specific allocation of funds is required from Headquarters. Works chargeable are expenditure used in the case of damage to the Telecos property.

Before proceeding, it would be advisable to define the scope of capital expenditure which is concerned in this exercise. The capital expenditure discussed here is the development capital expenditure which can be best defined, "as the dosage of capital required to meet the growth of the enterprises usually planned over phases of five years or so in order to keep it in perspective within the economy and national income of the country other than the normal recurrent expenditure of operating and working costs necessary to run the government."

The Telecos has so far planned a development expenditure of $138 Million since Merdeka and out of this, a sum of $117 Million has already been spent for development projects covering Radio Services, New Headquarters Building, Transport - additional Vehicles, expansion of Telegraph System, Test and Training Equipment and Tools, Telephone call offices in rural areas, extension of subscribers' network, new automatic exchanges, training school, rural and minor auto exchanges, and so on, which bring about a better system of Telecommunications in this country - the best in South East Asia.

The responsibility for the development planning lies with the Director of Planning (Telecos) and before a project is finally submitted to the Treasury, the following engineering and economic data would be required by the Planning Department.

(i) Ideal Site for setting the Telecommunication network

1. Definition taken from the article development capital expenditure by Mr. Chong Kam Swee - Director of Accounts, Telecos in Telecom Magazine "Mercury"27 May 1965
(ii) Type of equipment
(iii) Suitability of the equipment
(iv) Delivery period of the equipment
(v) Comparable cost of the equipment
(vi) Expansion of rural Telecommunications
(vii) Improvement of urban Telecommunications
(viii) Long term economic returns of capital expenditure

The planning of the capital expenditure for the Telecos is
based on an annual procedures
for all forecasts in the course of the next five years. From
this plan, the annual development expenditure is drawn up. There
are

The choice of the proper type and suitability of the equipment
needed is relatively simple as there are many international
manufacturers of the telecommunication equipment. The problem is
with the delivery period of the equipment because the delivery of
the equipment tends to be delayed owing to unforeseen circumstances
and hence the installation work may be held up.

The selection of an ideal site for setting up the Telecommunication
network is quite a task especially in East Malaysia where the
geography of the land may be a problem.

The comparable cost of an equipment has to be studied carefully
before choosing the equipment to purchase. The purpose of this
study is to prevent the Telecos from buying inferior and easily
obsolete equipment in the future Telecommunications planning.

The expansion of the rural and the urban telecommunications
is a very critical problem facing the Telecos. The demand for
telephones in certain urban areas has reached a point where the
waiting list is more than 5,000 and as much much revenue remain
untapped in these areas.

In appraising all the development capital expenditure, the
Telecos has also to take into consideration the rate of return
to be gained from such projects, because once the decision are
made, they cannot be reversed easily. Once bought these specialised
assets cannot be sold off without incurring severe losses on the
part of the Telecos if the anticipated service fail to materialise.
Therefore the effects of a capital expenditure decision be it
proper or otherwise will last for a longer time - possibly ten
years or more. Therefore, before the equipment is purchased there
must be a study to ensure that a return on capital outlay would be
obtained within the life of the equipment. However if the government
projects were planned just to break-even, very often through
miscalculations and omission of the important economic data would
seriously impair the efficiency of the Telecos. But fortunately
such ill-planned projects, I believe are few and generally the
Telecos must have planned for a percentage return slightly above
the break-even point.

The problem facing the Telecos is what percentage of profit
return is to be expected from the development capital expenditure?
Banks offer approximately a seven percentage return from long-term
cash deposits and some of the large private enterprises give a
return of 25-35% of capital investment. The best solution for
this will be the co-ordinated efforts of the various departments in the Telecoms like the engineering, planning, and finance necessary for the correct evaluation and appraisement of a development project.

(ii) Capital Expenditure Analysis - Control procedures taken by the Telecoms.

The planning of the capital expenditures for the Telecoms is based on the Telecommunications Five Year Plan which is a plan for all future projects in the course of the next five years. From this plan, the annual development expenditure is drawn up. There are altogether fifteen items as shown in Table 6 - 1. As shown in Flow Chart No. 9, before any of the expenditures are incurred, they must be first approved by the Economic Planning Unit - Prime Minister's Department working in accordance with the Treasury.

Every year the Telecoms has to prepare an estimate to indicate what amount of expenditure would be required for that particular year. This annual estimate may vary from the Plan because, in a particular year the Treasury may ask the Telecoms to postpone an expenditure for that year because of insufficient fund available on the part of the Treasury for that year. It must be noted that at no time will the cost of the project exceed that amount given by the Treasury without the Treasury's prior approval.

How the Estimates are prepared.

For each project, there is a Project Brief to study all the details regarding the project. This Project Brief has first to be studied and approved by the Director of Planning (Telecoms) before it is submitted to the Director-General for his final approval. Once it has been approved by the Director-General, this Brief is then sent to the Economic Planning Unit - Prime Minister Department for their approval. An authority to spend is then issued after the Economic Planning Unit has approved the Brief. This authority to spend is conveyed by a warrant called the General Warrant issued by the Minister of Finance. The Treasury would then notify the Director-General who will then be appointed by the Minister of Finance as the Controlling Officer for all the funds given to the Telecoms. Then the Director-General will delegate his power in writing to his deputy and the Directors describing the limits of the power. The other directors can approve any expenditures up to $100,000/-, above which the approval of the Deputy Director-General or the Director General himself is necessary.

How to Control the Expenditures

Under each sub-head funds are provided for the year to cover the various projects which are carried out by the regions as shown in Diagram 6 - 1. Each region will have a share of the work to be
Flow Chart No 8 of Capital Expenditure Process
### TABLE 6 - I SHOWING THE FIFTEEN ITEMS IN THE CAPITAL EXPENDITURE DEVELOPMENT PROGRAMME

**Source:** Malaysia - Development Estimates 1967

<table>
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</thead>
<tbody>
<tr>
<td>1. Radio &amp; External Services</td>
<td>18,811,197</td>
<td>811,197</td>
<td>8,220,000</td>
<td>5,265,000</td>
<td>5,500,000</td>
<td>51,000</td>
<td>1,455,000</td>
<td>4,780,000</td>
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<tr>
<td>2. Manual Telephone Exchanges</td>
<td>562,457</td>
<td>443,457</td>
<td>140,000</td>
<td>56,000</td>
<td>200,000</td>
<td>500,000</td>
<td>62,000</td>
<td>380,000</td>
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<tr>
<td>3. Motor Vehicles</td>
<td>1,937,443</td>
<td>697,443</td>
<td>1,150,000</td>
<td>150,000</td>
<td>200,000</td>
<td>400,000</td>
<td>661,000</td>
<td>1,400,000</td>
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<td>4. Telegraph System</td>
<td>4,988,550</td>
<td>2,097,550</td>
<td>1,591,000</td>
<td>200,000</td>
<td>400,000</td>
<td>660,000</td>
<td>660,000</td>
<td>1,400,000</td>
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<td>5. Rural Call Offices</td>
<td>5,614,546</td>
<td>2,694,546</td>
<td>1,000,000</td>
<td>200,000</td>
<td>140,000</td>
<td>660,000</td>
<td>660,000</td>
<td>1,400,000</td>
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<tr>
<td>6. Subscribers Network</td>
<td>65,025,251</td>
<td>35,232,251</td>
<td>20,000,000</td>
<td>5,000,000</td>
<td>6,000,000</td>
<td>17,000,000</td>
<td>19,000,000</td>
<td>1,645,000</td>
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<tr>
<td>7. Main Auto Exchange</td>
<td>42,490,257</td>
<td>19,125,257</td>
<td>22,710,000</td>
<td>2,000,000</td>
<td>1,800,000</td>
<td>19,110,000</td>
<td>19,110,000</td>
<td>1,645,000</td>
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<tr>
<td>8. Training Centre</td>
<td>7,250,645</td>
<td>4,300,645</td>
<td>2,000,000</td>
<td>400,000</td>
<td>750,000</td>
<td>840,000</td>
<td>840,000</td>
<td>890,000</td>
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<td></td>
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<tr>
<td>9. Rural Minor Auto Exchange</td>
<td>5,666,716</td>
<td>4,106,716</td>
<td>1,500,000</td>
<td>60,000</td>
<td>65,000</td>
<td>1,377,000</td>
<td>21,567,560</td>
<td>6,300,000</td>
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<td></td>
</tr>
<tr>
<td>10. Trunk and Junction Network</td>
<td>78,157,698</td>
<td>57,357,698</td>
<td>36,000,000</td>
<td>6,550,440</td>
<td>7,900,000</td>
<td>21,567,560</td>
<td>21,567,560</td>
<td>6,300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. SELCOM</td>
<td>9,649,101</td>
<td>5,260,101</td>
<td>4,389,000</td>
<td>3,140,000</td>
<td>1,449,000</td>
<td>64,000</td>
<td>64,000</td>
<td>64,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. District Stores</td>
<td>257,793</td>
<td>67,793</td>
<td>200,000</td>
<td>80,000</td>
<td>55,000</td>
<td>64,000</td>
<td>64,000</td>
<td>64,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Extension of Headquarter's Building</td>
<td>-</td>
<td>-</td>
<td>2,500,000</td>
<td>10</td>
<td>2,499,990</td>
<td>263,063</td>
<td>263,063</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. H/Q Building and Accounts Branch</td>
<td>2,500,000</td>
<td>-</td>
<td>-</td>
<td>2,500,000</td>
<td>10</td>
<td>2,499,990</td>
<td>263,063</td>
<td>263,063</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. International Satellite Communications</td>
<td>1,500,000</td>
<td>-</td>
<td>1,500,000</td>
<td>450,000</td>
<td>500,000</td>
<td>66,960,215</td>
<td>15,015,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sub - Total**

| Sub - Total | 250,779,684 | 104,894,684 | 110,670,000 | 21,849,775 | 22,869,010 | 66,960,215 | 15,015,000 |
H.Q. ESTIMATE FILE

EST. No: ( ) ............

TITLE

Connected Files

Regional ..............
H.Q. ..............

Estimate recorded on .......

............... H.Q. Estimate Clerk

I D.G.T.

Submitted. My memo ( ) dlm .............. dated
............... herein refers.

Anticipated to commence work in .............. (State month)
Anticipated to complete in .............. (State month & year)

Date ..............

............... Pengarah/Pengawal Talikom
Kawasan ..............

I (To be completed by Region) ALLOCATION REQUIRED

<table>
<thead>
<tr>
<th>Description</th>
<th>Proposed Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Year</td>
</tr>
<tr>
<td>(a) Materials</td>
<td>...............</td>
</tr>
<tr>
<td>(b) I&amp;M Salaries</td>
<td>...............</td>
</tr>
<tr>
<td>(c) Other Charges (Direct)</td>
<td>...............</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>...............</td>
</tr>
<tr>
<td>(d) T&amp;T for Dev. Projects (to be inserted for Development Estimates only)</td>
<td>...............</td>
</tr>
</tbody>
</table>

III (To be completed by HQ)

PARTICULARS OF ALLOCATION

<table>
<thead>
<tr>
<th></th>
<th>Current Year</th>
<th>19</th>
<th>19</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Approval of Estimate</td>
<td>........</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Supplement</td>
<td>........</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd &quot;</td>
<td>........</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd &quot;</td>
<td>........</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Allocation</strong></td>
<td>........</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Allocation For Estimate $ ............

Estimate Closed on .................

Diagram 6 - 1 Expenditure Required By Region.
done towards the project and to carry out the work. Each regional controller will have to submit an estimate of the expenditure to the Headquarters in Kuala Lumpur. Part of the Form used for estimating the estimates on the "Other Charges Annually Recurrent Expenditures" are shown in Diagram 6-2 and 6-3. These estimates are first scrutinised by the Director concerned and if he thinks they are satisfactory and below $100,000/- he will approve them. After the estimates are approved, it is then the duty of the regional controller to ensure that the work is carried out.

The approval of the estimates will be indicated on an Authorisation Form (A.F.) as shown in Diagram 6-4 Appendix B. Section One of this form have to be completed by the relevant section in the Headquarters. The estimate number will be prefixed in brackets with the sectional abbreviation. For example estimates relating to Radio/Transmission will be prefixed (R/T) and so on. (Note all correspondence with the Headquarters, the Region must indicate the prefix against the Estimate Number so that they can be speedily channelled to the appropriate section). Two copies of the Authorisation Form and the approved estimates will be returned to the Region.

When the Regional Controller receives the approved estimates together with the Authorisation Form, he will then authorise his respective officers to commence work. These officers will have to prepare requisition forms to be submitted directly to the Stores and Workshop in Kuala Lumpur for the necessary equipment and materials. In the requisition form, the following particulars are given.

(1) Estimates Number
(2) Cost Classification
(3) Vote Code
(4) Requisition Number relating to the different items under materials.
(5) Amendments to the original draft estimate, if any

If in the course of carrying out the work, the regional controller finds that the provision has been underestimated, then a supplementary estimate has to be prepared, showing the various items that are required in addition to those originally provided in the approved estimate. This supplementary estimate together with an explanatory memo will have to be submitted to the Headquarters in the usual way. It will have the same estimate number that appears on the original approved estimates but the word "Supplement" will be added. If this supplementary estimate is approved, the original of the supplementary estimate will be returned to the regional controller together with an allocation memo.

Similarly if there is any savings on an estimate, the Headquarters must be notified as soon as possible giving details to enable the allocation to be adjusted and the saving made available for other works.
## O.C.A.R. - Estimates for 1968

### Region: .................

#### Sheet 1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Overtime</td>
<td>Time allowance-operating staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Overtime</td>
<td>Time allowance-Technical staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Overtime</td>
<td>Time allowance-Telegraph Office</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Overtime</td>
<td>Ordinary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Overtime</td>
<td>Public Holidays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) Overtime</td>
<td>W.S. Station</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) Overtime</td>
<td>Public Holidays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(h) Overtime</td>
<td>T.V. Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Overtime</td>
<td>Development Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j) Overtime</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Diagram 6 - 2 - Form Used in Estimating the Estimate for the Other Charges Annually Recurrent (O.C.A.R.)
<table>
<thead>
<tr>
<th>Title of Subhead</th>
<th>Total Alloc.</th>
<th>Expenditure</th>
<th>Balance</th>
<th>Outstanding Liabilities</th>
<th>Actually Incurred</th>
<th>Amount held in reserve for anticipated Liabilities</th>
<th>Remarks</th>
</tr>
</thead>
</table>

Diagram 6 - 3
JABATAN TALIKOM
Borang Peranggaran

(Borang ini hendak-lah di-kembarkan kepada"Salinan tindakan" Anggaran oleh pihak yang meluluskan-nya dan segala bahagian, mana sesuai mesti-lah di-
isikan mengikut susunan angka)

{1) Di-sampaikan

1 - KEBENARAN KERJA

Pengarah
Borang Talikom

Bilangan Fail Ibpt
DGT(L)5070

Kawasan
D.T. Sel. 3060

Daerah
Kajang

Kawasan Selangor

(i) Sila Tatap Kebenaran Kerja saperti berikut:

Nama kerja Provision of U/G Cable from VQ.

Bil. Anggaran

Jenis Belanja

Wang di-untokkan
(Butir-saperti bahagian Peruntukan 3 di-bawah)

[1) Sel.125/68

Dpt.2.1/EU

$7,074/-

14406-Subs

200/-

14416/2

14416/2

T&.T. co. Dev.

Projects

Subs.

(ii) 2 salinan anggaran di-hantar bersama ini

Haribulan

PEN. PENGAWAK TALIKOM

PEN. KANAN

.............

Haribulan

Pengawal Talikom

Pengarah Talikom Negara

Pengawal Talikom

3-KENYATAAN PERBELANJAAN - BUTIR 2 PERUNTUKAN DAN BELANJA BETUL

Peruntukan
butir 2

Di-untokkan

Belanja betul
19...19

Lebih
atau
Kurang
dari
peruntukan

(a) Barang 2(Di-dapati dengan di-bayar melalui requisition

(b) Barang 2(Di-dapati dari simpanan tempatan)

(c) Gaji (Yang di-Kenakan Ka P.E.)

(d) Gajihari

(e) Lain 2 bayaran (Langsong)

(f) Lain 2 bayaran (Tak Langsong)

(g) Nilai barang 2 di-dapati perchuma
Pengarah Talikom Negara

(1) Di-sampaikan

(2) Lukisan dan butir² untuk Bahagian Ekonomi di-kembarkan (Potong jika tidak pakai)

(3) Saya sahkan bahwa segala bayaran berkenaan barang², gaji, bursa dan lain² telah di-debitkan dengan betul-nya kapada peruntukan² yang berkaitan dan segala keredit dari barang² yang di-ambil balek dan yang berlebihan telah di-terima.

(4) Keterangan perbelanjaan lebih dari baki 10% ada-lah saperti berikut kurang

(5) Peruntukan tambahan sa-banyak $........ di-benarkan di-bawah ...... dalam DGT ............

Haribulan .................

..................................

Pengawal Talikom

Diagram 6 - 4 Authorisation Form
When the work on an approved estimate is completed, the regional controller will then arrange to have the estimate closed immediately. Then the completed Authorisation Form is sent back to the Headquarters as soon as possible. The Headquarters will file the Authorisation Form in the relevant files and then passed to the Sectional Controller concerned. The Sectional Controller after scrutinising the Form will pass the file to the Economic Planning Section for any necessary action after which the original Authorisation Form is returned to the regional controller for retention.

(iv) A postcompletion audit of the capital projects.

Proper capital expenditure control requires the attention of the officers in the Telecoms to estimate intelligently the requirements and to substantiate such estimates with facts and detailed explanation and also to maintain proper liability record and also to personally ensure that the expenditure does not exceed the liability noted.

(iii) Internal Control

In order to evaluate each capital project in relation to all others and to obtain an overall control on capital expenditure, the Telecoms has prepared a Telecommunications Five Year Plan to indicate the amount of expenditure required for the next five years. This Plan acts as a control device just like the capital budget prepared by the commercial firms.

This Plan prepared by the Telecoms has to be first approved by the Treasury before any money can be spent on the expenditures. This practice of having Treasury to approve the request for capital appropriations is characteristics of most control programmes. This means that the request is first reviewed at the departmental level in the Telecoms itself and then finally by the Economic Planning Unit - Prime Minister's Department and Treasury.

However, if control is to be effective some way must be found to follow-up - to make certain that the funds appropriated for each capital project are spent for the purpose for which they were voted and that the appropriation is not exceeded. The Authorisation Form of the Telecoms serves this purpose. It shows the amount of funds appropriated for each project, the amount spent and the amount on balance.

Although extensive information is required, the Telecoms too make postcompletion audit of her capital projects. This is done by the Economic Planning Section in the Telecoms. This postcompletion audit enables the Telecoms to compare actual costs and revenue with similar estimates made at the time the appropriation was authorised and to see if the project was as advantageous as originally thought.

In brief, the controls reported by the Telecoms fall typically into the following four classes:

(1) the Telecoms Five Year Plan which frequently takes into account the long range plans of the Telecoms
CHAPTER SEVEN

(2) A series of capital expenditure approvals beginning at departmental levels in the Telecoms and extending through the Economic Planning Unit - the Prime Minister's Department and the Treasury.

(3) Materials are essential to practically all of the services and projects. A set of progress reports like the Authorisation Form operation must be available at the right place, at the right time. A postcompletion audit of the capital projects.

(4) In the acquisition function encompasses full responsibility for many of the activities associated with the materials that Telecoms buy, processes and issues to their various departments. The head of the acquisitioning department is the Director of Stores and Workshop.

(5) Organisation for Effective Acquisition

At the end of every month, the storekeepers of various sections submit a Stores Low Stock Report as shown in Diagram 7 - 1 to the Stores and Contract Section advising this section those items that are below minimum stock requirements. This Low Stock Report acts either or less like a Purchase Budget because it is from this report, that the Director of Stores knows what items require replenishment and so on.

After approving the Low Stock Report, as shown in Flow Chart No. 2, procedures are taken to replenish those items that are below minimum stock requirements. The materials purchased by the Telecoms can be briefly classified into three classes namely the Very Attractive Items, the Attractive Items and the Non-Attractive Items. The Very Attractive Items are those that are used by Telecoms regularly and which can be disposed off in the exact quality for instance like radio spare parts and so on. The attractive items are those needed not as frequently as the Very Attractive Items. The Non-Attractive items are the new service items, which are required only occasionally.

Materials required by the Telecoms can be purchased by either Tender or Non-Tender. The non-attractive items are usually items of low per-unit value and such items are purchased directly from local suppliers. The authorisation from the Controller of Stores is required in buying such items.
CHAPTER SEVEN

The Acquisition of Materials

(i) The Acquisition Function

Materials are essential to practically all of the services rendered by the Telecoms Department. Materials needed in any operation must be available at the right place, at the right time, at the right quantity and the supply procedures must be designed to achieve this object with efficiency and economy. For the materials which are purchased regularly it is essential to have an extensive system of receiving usage, stock levels and estimating future requirements. In its broadest form, the acquisition function encompasses full responsibility for many of the activities associated with the materials that Telecoms buy, processes and issues to her various departments. The head of the acquisitioning department is the Director of Stores and Workshop.

(ii) Organisation for Effective Acquisition

At the end of every month, the storekeepers of various sections submit a Stores Low Stock Report as shown in Diagram 7 - 1 to the Stores and Contract Section advising this section those items that are below minimum stock requirements. This Low Stock Report acts more or less like a Purchase Budget because it is from this report, that the Director of Stores knows what items require replenishment and so on.

After approving the Low Stock Report, as shown in Flow Chart No. 9, procedures are taken to replenish those items that are below minimum stock requirements. The materials purchased by the Telecoms can be briefly classified into three classes namely the Very Attractive Items, the Attractive Items and the Non Attractive Items. The Very Attractive Items are those that are used by Telecoms regularly and which can be disposed off in the market easily for instance like radio spare parts and so on. The attractive items are those needed not as frequently as the Very Attractive items. The Non-Attractive items are the slow moving items, which are required only occasionally.

Materials required by the Telecoms can be purchased by either Tender or Non-Tender. The non-attractive items are usually items of low per unit value and such items are purchased directly from local suppliers. The authorisation from the Controller of Stores is required in buying such items.
**TELECOMS STORES LOW STOCK REPORT**

<table>
<thead>
<tr>
<th>Section A</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores Section</td>
<td>Serial No.</td>
</tr>
<tr>
<td>Tally Card Description of Item</td>
<td></td>
</tr>
<tr>
<td>Item Used for/In Equipment</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stock Balance</th>
<th>12 Months Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

Present Min Stock:

Owings (Total):

Storekeeper

**Diagram 7 - 1 Showing stores Low Stock Report**
The Very Attractive and Attractive items are purchased through tenders and there are two types of tenders - (1) the restricted tender and the open tender. The restricted tenders are invitation from known suppliers where cost of the goods required does not exceed $10,000/-. The open tenders are invitation from all suppliers where the cost of the goods required exceed $10,000/-. 

Once the Director of Stores has approved the items to be purchased, a Tender Board comprising of four Division One officers is set up. This Board will review all the tenders sent in by the suppliers. The final selection of the supplier is based on careful consideration of price, quality, terms, freight cost, promised delivery date and so on.

When the materials are received as shown in Chart No. 9 are sent directly to the Quality control Section where the materials are inspected and tested. The aim of such inspection is to ensure compliance with the drawings and specifications as to the quality, design etc. On passing such examination, the Stores and Workshop accepts the goods and a Form called the Form Stores 32 as shown in Diagram 7 - 2 is filled up, and sent to the Storekeeper, notifying him the acceptance of the goods. The Storekeeper will check the items on Form 32 with the items he received, and if there is no discrepancies the Storekeeper will initial the Form which is then returned to the Accounting Department, Payment Section. In the meantime, the storekeeper will post the items he received to his Stock Tally Card. The Accounting Department Payment Section will match the Form 32 with the supplier's invoice, checking the quantity ordered, price and so. It is only after the Payment Section is satisfied that all the data checked are correct, is the payment made.

Custody of Stores

Obviously, where bulk purchasing is carried out there will be a need for storage of the material until it is required for use. Storage facilities are therefore an essential feature of the supply system. The storehouse is the necessary holding point for all items of stock between delivery by the supplier and issue to the user Division or Branch.

Modern store-keeping methods are used to ensure the security and supply of stores and other equipment like mobilecranes are used to ensure speedy transport of materials from stores to the delivery trucks.

As an aid to identification, store-keeping and issuing materials are classified into various groups. Each stores item is identified by a Serial number which indicates the broad grouping and the particular type concerned. For an example, serial 61 relates to the broad grouping of copper line wire. The various sub-division of serial 61 indicate the particular type of wire.

Example

<table>
<thead>
<tr>
<th>Serial 61</th>
<th>Line Wire</th>
</tr>
</thead>
<tbody>
<tr>
<td>S 61/1</td>
<td>Copper Wire Hand Drawn 300 lbs/mile</td>
</tr>
</tbody>
</table>
Flow Chart No. 9 of The Acquisition Process
FORM STORES 32
Telecoms Department

Stores Received

Indent or Local Order No. _________

Date Stores Put to Stock _________

No. _________

Name of Supplier _________

<table>
<thead>
<tr>
<th>Date</th>
<th>Stock</th>
<th>List</th>
<th>Description</th>
<th>Quantity</th>
<th>Value</th>
<th>Remarks</th>
</tr>
</thead>
</table>

 Stores unpacked and examined by _________  Put to stock by _________

Breakage Certificate No. _________  Invoice certified by _________

Workshop Order No. for test _________  Ledger Posted By _________

Diagram 7 - 2 showing form stores 32 of Telecoms Department

3.1 Internal Control

Summary: using the control procedures in the division of responsibility in the purchasing process. No person can make any purchase unless the report submitted by the stores and control section has been approved by the Director of Stores, thus minimizing the extensive collection of any person to affect the Department.
Control Over Issues of Stores

All stock must be accounted for; no stock may be issued without a properly authorised requisition Form. The general stores requisition is known as Form S6 and is used for the bulk of issues. All requisitions submitted to the Stores must be signed by an authorised officer and specimen signatures are kept in the Stores for comparison and verification purposes. The Form S6 is designed as a multi-purpose form. It serves as:

(1) Order from the requisitioning officer.

(2) Authority on which the Stores issues material from stock.

(3) Document on which the user Division or Branch is charged for the good supplied.

(4) Medium for extraction of costing data.

(5) Advice of despatch to requisitioning officer.

When stores are despatched, the advice copy of the requisition is forwarded to the requisitioning officer. This copy which shows the quantities of each item actually released from stock, is used to check goods actually received.

To fulfill the requirements of the Treasury Instructions etc. it is necessary to keep an accurate record of all stocks held, together with details of all receipts and issues. The Stores Janitor Ledger is used for recording all stock movements in terms of quantity and value. This ledger serves two purposes, one as an accounting control and two as a medium of checking the stock levels in relation to consumption.

All documents of the receipt and issue of stores are posted to the Stores Ledger. A separate ledger folio card is kept for each item of stock. This card thus presents a complete picture of the stock and supply position of the item concerned, together with a history of stock movements over a period.

(iii) Internal Control

Foremost among the control procedures is the division of responsibility in the purchasing process. No person can make any purchases unless the report submitted by the stores and contract section has been approved by the Director of Stores, thus eliminating the extensive collusion of any person to cheat the Department.
In addition to the feature of division of responsibility, the other control benefits of the report from the Stores and Contract Branch, the Form Stores 52 and so on should also be noted. The final selection of the supplier by the Tender Board is another feature of control. This prevent any "fictitious" purchase or purchases from unreliable and financially weak supplier.

However, the internal control procedures do not end the moment the goods have been put to stores. Even the goods that are kept in the Stores have to be checked occasionally without any advance notice, thus preventing any unauthorised removal of the goods.

The Accounts Department every week sent a Stock Verification Team to the stores to ensure that every item of stock is checked properly and also to prevent any unauthorised removal of stock. In the presence of the store-keeper, the verification officers make a physical count of the items in the stores and compare these on the Tally Card kept by the store-keeper. Any discrepancies are recorded immediately and a stock verification list as shown is Diagram 7-3A and B is prepared. At the same time, the Tally Card is stamped, the date of checking the actual physical stock and the balance shown in the card, both the verifying officer and the store-keeper have to initial on the card.

The Verification List is then submitted to Controller of Stores notifying him what the Verification Team has found and also requiring him to reply to the Accounts Department as to why the discrepancies occur.

(iv) Special Problems

The main problem encountered is the problem with the supplier not keeping their promised delivery date. This problem is very difficult to solve as the suppliers are mostly foreign suppliers and the delay may be due to some shipping problems and so on.
Verification of Stores

STOCK VERIFICATION LIST

1. On verification of stores against Tally Cards held under your control at Jaya/Brickfields, the following shortage/excess of stores has been found in the section. Your early attention to this query is requested.

Prepared by Stock Verifiers appointed on _______ to survey _______ store at _______

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Date of Check</th>
<th>Item</th>
<th>Actual Stock</th>
<th>Book Stock</th>
<th>Excess</th>
<th>Shortage</th>
</tr>
</thead>
</table>

2. Will you please let me know how the discrepancies have arisen and what steps have been taken by you to prevent a recurrence?

Signed ________
Storekeeper

Signed ________
Verifier

Diagram 7-3 (A) Showing the stock Verification list used in Telecoms Department
Verification of Stores

1. On verification of stores against Tally Cards held under your charge in Petaling Jaya/Brickfields, the following shortage/excess of stores has been found in the _______ section. Your early attention to this query is requested.

<table>
<thead>
<tr>
<th>Item</th>
<th>Shortage</th>
<th>Excess</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Will you please let me know how the discrepancies have arisen and what steps have been taken by you to prevent a recurrence?

Verifier (Accounts Dept.)

Diagram 7-3 (B) showing stock verification list used by Telecoms.
CHAPTER EIGHT

Control of Fixed Assets - Depreciation and Maintenance Charges

(i) Functions Pertaining to control of Fixed Assets

The fixed asset category is taken to include those assets of the Telecoms not acquired for the purposes of resale, but for use in the operation of the Telecoms. There are altogether thirty-four types of fixed assets used in the Telecoms namely, roads, building, equipment and so on as shown in Table 8-1. It is because of such a large number of fixed assets, that it is essential to have appropriate records and procedures to provide adequate control over these fixed assets and also the related expense charges for depreciation and maintenance.

It is the responsibility of the various departments to maintain a proper control of the fixed assets under their jurisdiction, but however certain functions pertaining to the fixed asset like the calculation of depreciation are under centralised control in the Headquarters. It is important that the expenditures relating to fixed assets should be estimated on an overall basis in relation to the functions of the business and the availability of the funds allocated by the Treasury.

The Telecoms keep a special ledger called the Fixed Asset Ledger for recording the cost of the assets and the depreciation charges. This ledger provides a complete historical record, including cost, date of acquisition, location, and accumulated depreciation. Other functions relating to fixed assets include proper accounting and control of depreciation and maintenance charges associated with the fixed asset items and also physical periodic counting of the fixed assets.

(ii) Organisation for the Control of Fixed Assets

Before proceeding to discuss the organisation for the control of fixed assets adopted by the Telecoms, it is advisable to define the terms depreciation and maintenance charges according to the definition used by the Telecoms:

"Depreciation as applied to depreciable telephone plant means the loss in service value not restored by current maintenance, incurred in connexion with the consumption or prospective retirement of telephone plant in the course of service, from causes which are known to in current operation, against which the company is not protected by insurance, and the effect of which can be forecast with a reasonable degree of accuracy. Among the causes to be given consideration are wear and tear, decay action of elements, inadequacy, obsolescence, charges in the art, charges in demand and requirements of public authorities." 1

1 Definition taken from the Renewal Trust Fund - Rules for Administration of Trust Fund.
Maintenance charges are the cost of work where the component parts of renewable plant items in site require replacement or work from the complete plant item.

As shown in Chart 20.29 at the end of every year, all the departments in the Telecommunications have to submit a list of all the fixed assets held under their custody to the Depreciation and Maintenance Schedule Section.

After reviewing all the lists of fixed assets, the officer in charge of the Depreciation and Maintenance Charges Section will issue the required assets to the particular region as per the Schedule. The fixed assets items in the Special Memo will be carefully prepared and if there is any discrepancy which the officer in charge of the Equipment such as the assets listed do not concern the work of that department, then such assets would not be given and the officer concerned has to write in a special advice to the Economic Planning Section of the Telecommunications giving reasons for approving the assets and it is up to the Planning Section to approve such requirements.

Once the assets are received by the departments, the departments are to keep a record showing the date of acquisition, the cost of the assets and the type of assets and its use as shown in Diagram 34 which shows the Power-Machinery Register. Such records have to be submitted to the Headquarters if the assets are to be replaced or sold.

Detailed records of all the fixed assets issued are kept in the Depreciation and Maintenance Charges Section. A complete file of records is known as the fixed asset ledger. This ledger provides an accounting record of all the fixed assets issued, including the cost of the assets, computation of depreciation and maintenance charges, and the region or department accountable for the assets under their jurisdiction.

No. Plant Items Included in this sheet

A special schedule called the Depreciation Schedule as presented on Table 8-1 showing the depreciation of all the fixed assets is also maintained in the depreciation section. This schedule will be prepared and sent in by the region or departments at the end of the year. This is to ensure that the depreciation and maintenance charges computed by the region are correct.

Table 8-1 Showing the Items of the Depreciation Schedule Used in Telecommunications Department

Signed (Officer Preparing Schedule)
"Maintenance charges are the cost of work where the component parts of renewable plant items in situ require replacement separately from the complete plant item."

As shown in Chart No.10 at the end of every year, all the departments in the Telecommunications have to submit a list of all the fixed assets held under their custody to the Depreciation and Maintenance Charges section in the Headquarters. At the same time, if any department should need any new fixed assets item, such department has to send a special memo describing the new fixed assets and the reasons for needing them to the depreciation and maintenance section.

After reviewing all the list of fixed assets, the officer in charge of the Depreciation and Maintenance Charges Section will issue a written authority to the Stores and Workshop authorising them to issue the required assets to the particular region as approved by the Depreciation and Maintenance Charges Section. Those fixed assets items in the Special Memo will be carefully scrutinised and if there is any discrepancy which the officer in charge finds such as the assets listed do not concern the work of that department, then such assets would not be given and the department concerned has to write in a special advice to the Economic Planning Section of the Telecommunications giving reasons for requiring the assets and it is up to the Planning Section to approve such requirements.

Once the assets are received by the departments, the departments have to keep a record showing the date of acquisition, the cost of the assets and the type of assets and its uses as shown in Diagram 8-1 which shows the Power-Machines Register. Such records have to be submitted to the Headquarters if the assets are to be replaced or sold.

Detailed records of all the fixed assets issued are kept in the Depreciation and Maintenance Charges Section. A complete file of these records is known as the fixed asset ledger. This ledger provides a complete accounting record of all the fixed assets issued, including the cost of the assets, computation of depreciation and maintenance charges, and the region or department accountable for the assets under their jurisdiction.

A special schedule called the Depreciation Schedule as presented on Table 8-1 showing the depreciation of all the fixed assets is also maintained in the depreciation section. This schedule will be compared with the fixed asset record sent in by the region or departments at the end of the year. This is to ensure that the depreciation and maintenance charges computed by the region are correct.

Once the assets are sent to the region or department, no equipment can be moved without authorisation from the regional controller or the officer in charge of the department. This eliminates the possibility of disposing off the assets without authority. An authorisation form is required should the equipment be transferred from one region to another or from one department to another.
Flow Chart No 10 of The Fixed Assets Process

1. Director-General
2. Other Departments in Telecoms
3. Depreciation & Maintenance Section
4. Stores & Workshop

- Sent list of all fixed assets under their custody
- Review the list sent in by the other departments
- Sent authority to store
- On receipt of authority then issue items to departments concerned
- Keep a record of all assets issued

Report submitted to Director-General advising him which assets items need replacement

Board of Survey check assets items at the end of year

Replenishment of assets approved

Record all the assets that required replenishment and are removed from Fixed Asset Ledger

Old obsolete items sent here for resale
TELECOMS DEPARTMENT

Power - Machine Register

<table>
<thead>
<tr>
<th>Station</th>
<th>Description</th>
<th>Output</th>
<th>Cost</th>
<th>Purpose</th>
<th>Serial No.</th>
<th>Date</th>
<th>Installed</th>
</tr>
</thead>
</table>

Diagram 8 - 1 Form used for the Power Machine Register

(iv) Special Problems and Solutions

The Telemaco had thirty-four classes of fixed assets and it was very difficult to keep track of all these items especially items like light machinery, small tools and seat equipment. These items are issued to workmen when they go out to the field and they are to be returned to the store when an inspection was completed. A fair amount of work was achieved through having a special register in the Board of Survey & Maintenance. It was important to control the adoption of the fixed assets.

The determination and maintenance of fixed assets was achieved through having a special register kept in the Board of Survey & Maintenance. Whether the workman returned the tools or not, the work of the workman depends on the workman's honesty, but it is very easy to find that all the workmen returned their tools after work. Close control over such items can be achieved by having the foreman sign a requisition form acknowledging all the tools and other small items issued to the workmen when they go out to the field and other tools issued to the workmen. On completion of the work, all the tools issued to the workman must be returned to the store and the foreman will check all the returned tools with the register.
A Board of survey consisting of all senior officers in the Telecoms is appointed by the Director-General at the end of every year to check the stock of fixed assets and also to see which assets items are obsolete and need replacement. A report will be submitted by this Board to the Director-General advising him which items need replacement and so on. Diagram 8-2 shows the format of the type of report submitted by the Board of Survey. Only after this Report has been approved will those items listed in the Report as obsolete be disposed off.

The Depreciation and Maintenance Charges Section records in the fixed assets ledger all those items to be disposed off after the Report by the Board of Survey has been approved. Those disposed items will be sent to Stores and Workshop and once the Stores acknowledge the receipt of them, such items would be removed from the fixed asset ledger.

(iii) Internal Controls are to be retained Item No

From the standpoint of the Telecoms, the internal control procedures adopted operate from the time the fixed assets are sent from the Stores and Workshop to the region or department up to the time when the assets are disposed and returned to the Stores and Workshop for disposal. Thereafter it is the responsibility of the Stores and Workshop to safeguard the custody of these assets. An important factor of control is the adoption of the fixed assets ledger kept by the Depreciation and Maintenance Charges Section. This ledger establishes the accountability over the actual assets which are in the custody of the various regions and department of the company. Another factor of control is achieved through having copies of authorisation forms are needed for any transfer of assets and a special report by the Board of Survey is required before any fixed assets can be disposed off.

(iv) Special Problems and Techniques

The Telecoms has thirty-four classes of fixed assets and it is very difficult to keep-track of all those items especially those items like light machinery, small tools and Test Equipment. These tools are issued to workmen when they go out for to the field and they are to be returned to the storeroom on completion of a particular work. Whether the workmen returned the tools or not on completion of the work depends on the workman's honesty, but it is very difficult to find that all the workmen returned their tools after finishing the work. Closer control over such items can be achieved by requiring the foreman to sign a requisition form acknowledging all the tools and other small items issued to the workmen when they go out to do a particular job. On completion of the job, all the tools issued to the workmen must be returned to the storeroom and the person in charge of the storeroom will check all the returned tools with those
TELECOMS DEPARTMENT

Report of Board of Survey Appointed to Survey at

In accordance with the instructions contained in the Treasury Instructions, our findings and recommendations are noted against each item.

Board of Survey signed

Date

1. The following items are to be retained Item No ______

2. The following items are to be destroyed in the manner specified Item No ______

Signed ________

Date

Diagram 8-2 Showing the form used by the Board of Survey
listed in the requisition form. Any discrepancy should be noted and immediate action should be taken by the foreman to recover the "lost" items.

The first part of this chapter discusses the findings related to the control system for cash and capital expenditure in the Telecosm Department.

The second part of this chapter discusses the recommendations that the writer thinks are suitable for adoption by the Telecosm Department.

(i) Findings of This Study

(a) The sound and effective organisation of the Telecosm gives rise to the present effective system of control for both the cash and capital expenditure. The Telecosm is so staffed that the decisions made at each department level are performed by persons with high calibre of ability and a strong sense of responsibility.

(b) The accounting personnel in the Telecosm is very competent in their work and this is due to the fact that the Director of Accounts is a person who not only knows his work well but also knows the different types of work performed by the persons under his supervision. As a result of this the staff in the accounting department are always "on their toes" with regards to their work. It is said that for the past five years no fraudulent practices have been found in the Telecosm due to the constant surveillance of the accounts by the personnel in the accounts department.

(c) The system of communication in the Telecosm does not provide rapid accessibility of the reports to the top management. This may be due to cumbersome procedures that exist in many government departments and as a result, important and useful information is not provided at the times when they are most needed and by the time such information reaches the top official concerned, they tend to be "outdated". The timeliness of the reports is very important to an large organisation like the Telecosm so that effective decisions may be made promptly.

(d) With regard to the control for cash and capital expenditure there is in no area where the control system has slackened in any way. As stated clearly in the chapters discussing cash receipts and cash payments, there is always a clear line of demarcation between the persons who receive cash and the persons who write the voucher acknowledging such receipts or payments. This prevents the entire resolving or paying procedures from being in the hands of one person who may then cheat the Department. As stated in Chapter Six - the control procedures over the capital expenditures start early.

In conclusion, it must not be forgotten that it is also the people, not the reports alone which make a control system effective. A control system will not be an effective mechanism until the considerable analysis of the facts prior to its being committed to management. It is the people with the accurate analytical ability and effort to make an effective control system effective.
CHAPTER NINE

Conclusions and Recommendations

The first part of this chapter discusses the findings related to the control system for cash and capital expenditure in the Telecommunications Department.

The second part of this chapter discusses the recommendations that the writer thinks are suitable for adoption by the Telecommunications Department.

(a) Findings of This Study

The sound and effective organisation of the Telecommunications gives rise to the present effective system of control for both cash and capital expenditure. The Telecommunications is so staffed that the decisions made at each department level are performed by persons with high calibre of ability and a strong sense of responsibility.

(b) The accounting personnel in the Telecommunications is very competent in their work and this is due to the fact that the Director of Accounts is a person who not only knows his work well but also knows the different types of work performed by the persons under his supervision. As a result of this the staff in the accounting department are always "on their toes" with regards to their work. It is said that for the past five years no fraudulent practices have been found in the Telecommunications due to the constant surveillance of the accounts by the personnel in the accounting department.

(c) The system of communication in the Telecommunications does not provide rapid accessibility of the reports to the top management. This may be due to the cumbersome procedures that exist in many government departments and as a result, important and useful information are not provided at the time when they are most needed and by the time such information reaches the top official concerned they tend to be "outdated". The timeliness of the reports is very important to an large organisation like the Telecommunications so that effective decisions may be made promptly.

(d) With regard to the control for cash and capital expenditures, there is in no area where the control system has slackened in any way. As stated clearly in the chapters discussing cash receipts and cash payments, there is always a clear line of demarcation between the persons who receive cash and the persons who writes the voucher acknowledging such receipts or payments. This prevents the entire receiving or paying procedures from being in the hands of one person who may then cheat the Department. As stated in Chapter Six - the control procedures over the capital expenditures start

In conclusion, it must not be forgotten that it is also the people, not the reports alone which make a control system effective. A control system will not be an effective management tool without considerable analysis of the data prior to its being submitted to management. It is the persons with the adequate analytical ability and effort to make an existing control system effective.
from the notification of approval of the amount of funds to be spent by each department in the Telecoms to the final completion of the project. The control is largely based upon a series of accounting control which identify all expenditures by the code number of the appropriation to which they apply. The accounts department is charged with the responsibility for accumulating the expenditure from each appropriation and post completion audit is performed on each expenditure incurred.

(e) The Telecoms Department has still not fully utilised the mechanised or electronic system of accounting. Very few up-to-date accounting machines have been installed in the Telecoms especially in the Accounts Office where a few accounting machines are used for the preparation of payroll only.

(ii) Recommendations

(a) Study should be continued on the possible way of employing more persons trained in the field of accounting to help to supervise the large volume of work in the accounts department. At present the Accounts Department is understaffed in the sense that most of the work is performed by the Director of Accounts himself. The employment of more trained accountants would surely help the Director of Accounts in lessening the pressure of work that is facing him at the present moment.

(b) Progress reports may be used to help in the controlling of capital expenditure. These progress reports may be in the form of monthly balances taken from the appropriation ledger. Such reports should be sent to the officers who are responsible in some way for the project. These progress reports will provide management with a build-up of charges against appropriations to give advance warnings when things are going wrong, like why is a project late in starting? Why is more money needed? Answers to these questions will provide solution to management to be in a position to institute corrective measures before it is too late.

(c) Educate the officers concerned with the control procedures and objections. Placing policy and procedures in written form is a major aid in achieving this objective. It has been observed that most persons in the Telecoms, especially the engineers know little about the control procedures for capital expenditure.

(d) Encourage suggestions for improving procedures of control from all levels of management.

(e) Finally to maintain the effectiveness of control, the control procedures must be reviewed and up-dated from time to time.

In conclusion, it must not be forgotten that it is also the people, not the reports alone which make a control system effective. A control system will not be an effective management tool without considerable analysis of the data prior to its being submitted to management. It is the persons with the adequate analytical ability and effort to make an existing control system effective.
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