

The Effectiveness of Public School Fund Distribution – A Study of Poor Student Trust Fund

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ABSTRACT

The purpose of this study is to examine the effectiveness of the distribution procedure of the Poor Student Trust Fund to schools in Malaysia. This study will also identify the weaknesses in the fund distribution process and associate it with the internal control activities currently applied in that procedure. A mixed method of data collection via analysis of semi structured interviews and document analysis was employed to gain understanding on the current distribution procedures at the state, district, and school levels, while at the same time highlight the strengths and weaknesses in the current processes. This study found that over-dependence on the manual systems, task redundancies, duplication of resources, poor usage of information and communication technologies, and incompetence of human capital are the factors that contributed to the inefficiency of funds distributed from the state to the beneficiaries at the schools. The results provide further confirmation of the poor accountability of the public sector management in Malaysia, particularly in managing public finance in the education sectors. This study provides an indicator to government and stakeholders that various efforts and change are needed to be taken in order to improve the current fund distribution process, at least in the context of poor student trust funds. The

internal controls have too many weaknesses that consequently lead to the late acceptance of government financial assistance. This will be worse off if it does not reach the right beneficiaries and is susceptible to fraud.

Keywords: Accountability, fraud, internal control, Malaysia, public finance management, public sector accounting

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INTRODUCTION

The Malaysian education policy aims to develop the basic fundamentals, directions, and inspirations of all activities and programs in Malaysian education. As a developing country, the development of Malaysian human capital has been given the highest priority. One of the elements in education philosophy is to ensure continuous improvement in education, which focuses on the importance of early education for children.

In line with the objective of the philosophy, the government established a trust fund (the Poor Student Trust Fund) in 2003. The objective of the fund is to provide financial assistance to students who are poor, with parents who are unable to provide the basic necessities for their children to continue their studies. With the establishment of the trust fund, the government hopes that the level of school dropouts, as a result of poverty, will decrease and finally be eliminated. In addition, the government hopes that all students in Malaysia, regardless of their economy background, will be given an opportunity for continuous education and excel in learning and self-improvement.

However, according to the Auditor General Report 2009, there are several issues regarding the distribution procedures of this trust fund. These include the failure to maintain proper records and distribution delays of the funds to eligible students. It is feared that these problems will deteriorated and lead to fraud, malpractice, and misappropriation of public monies.

In light of these problems, it is interesting to examine the issues relating to the trust fund at the lowest operational level and understand the situation. In short, the purposes of this study are to examine the effectiveness of the current distribution procedure of the trust fund to schools in Malaysia and identify the weaknesses in the process of the fund distribution and associate them with the internal control activities currently applied in that system. Specifically, this paper attempts to answer these research question

Q1: How effective are current distribution procedures of the schools' trust fund in Malaysia?

Q2: What are the weaknesses in those practices and procedures of the distribution?

This study makes several contributions. First, it provides a significant understanding to the trust fund stakeholders such as parents and the public on the financial aid distribution processes in the current education system in Malaysia. Second, this study will assist policymakers in identifying the loopholes in the fund distribution that may lead to misappropriation of the fund. At the end of this paper, the study highlights the weaknesses in the current distribution process and provides recommendations to overcome and reduce the problems. Finally, this study will add to the body of literature about the practices of public sector governance generally and financial management practices, particularly that are scarce in the literature, especially

because the study focuses on the financial distribution of government agencies in developing countries. Prior studies in the public sector were mostly dominated from Australasia, Canada, United States and United Kingdom (Albalate et al., 2017; Broadbent & Guthrie, 2008; Burgess et al., 2017; Ferlie, 2017; Jones et al., 2017; Ferry & Murphy, 2017; Moullin, 2017; Nuhu et al., 2017; Pollanen et al., 2017).

This paper is organized as follows. Next is the literature review followed with research methodology. Section four includes findings and discussion on the current weaknesses of the aid distribution systems. Section five provides the suggestions to improve the weaknesses in section four, followed with conclusion and implications of the research. Last section is limitation and suggestion for the future research.

LITERATURE REVIEW

Accountability in Public Sector

In regard to strained relationships among money providers, taxpayers, and money users, the government makes accountability a particularly important issue in the public sector (Pallot, 1992). Samkin and Schneider (2010), McGregor (1999), Wynne (2004), Parker and Gould (1999), and Sinclair (1995) posited that the accountability relationship for public sector organizations was broader and more complex than the traditional principal-agent relationship in the private sector. Those responsible need to provide information and explanations for their actions and decisions to the stakeholders above and beyond what would

normally be included in a private firm's financial statements (Nelson et al., 2003; Normanton, 1971; Rashid, 2017; Zaheer & Nor et al., 2017).

As compared with a listed company that owes a responsibility to mainly shareholders (Asmuni et al., 2015), government officers who manage government funds need to exercise integrity at the highest levels because they need to serve various important stakeholders and ensure government agencies able to deliver positive results to society who use the services (Moullin, 2017; Kwong, 2013; Yunus et al., 2016). In addition, their behaviour and leadership style will influence subordinates' integrity and trust (Mohamad et al., 2016). Inability to fulfil the need of society will invite harsh public perception of government officers as lazy, doing little work themselves, lacking in integrity (Derus & Abdul-Aziz, 2016) and abuse public office to commit corruption (Asiedu & Deffor, 2017).

As part of the government, the civil servants are accountable to properly serve the beneficiaries of government money, such as poor citizens, in order to satisfy the taxpayers who are willing to sacrifice part of their income to develop the nation and to sufficiently performed their task so that watchdog entities such as regulators, auditor generals, and the opposition do not query their work and practices such as in regards to weaknesses in the internal control exercises. This is because poor internal control coupled with moral misconducts among the employees always has been associated with malpractices such as fraud

and misappropriation of assets and funds (Khadijah et al., 2015; Manan et al., 2013; Salin et al., 2017). In short, various multiple stakeholders in public entities are keen to understand how public money is used to achieve public benefit rather than for making profit-oriented decisions (Ferry & Murphy, 2017; Samkin & Schneider, 2010).

Due to this, a public officer needs to improve internal control effectiveness and governance mechanisms in order to prevent fraud and misappropriation of public funds. Poor internal control leads to opportunities for a perpetrator to commit fraud (Omar et al., 2016; Rahim et al., 2017; Zakaria et al., 2016), while a weak governance structure leads to poor organizational performance (Ahmad et al., 2016; Jaafar et al., 2014), less transparent and reliability of financial reporting (Hashim et al., 2014; Husnin et al., 2016), management entrenchment (Hamid et al., 2011), and ineffective corporate monitoring (Husnin et al., 2013). In contrast, strong internal control such as periodic and surprise inspections can ensure a government organization maintains adequate and complete records to prevent opportunities for wrongdoing. According to KPMG, fraud and misappropriation happens when there is a weakness in the internal control system in the organization. Poor and inadequate internal control leads to fraud, and misappropriation fails to be detected and prevented (KPMG, 2009). Based on Association of Certified Fraud Examiners 2008 Report, 23 per cent of frauds were detected through set internal controls. Puah et al. (2009) suggested that poor internal

control such as inadequate cash security practices, inadequate supervision of staff, and internal auditing failures were factors that contributed to corporate fraud and misappropriation in Malaysia.

This is evidenced by the continuity of the mismanagement and malpractices revealed by the Malaysian auditor general in its auditor general's report year by year, irrespective of whether it occurred at the level of federal government, state government, and statutory bodies. While many warnings and recommendations called for improvements, poor accountability may still be demonstrated by public civil servants. All of the cases show how poor the public fund was managed by the government officers in the various ministries and department. It worsens when less stringent actions were taken to bring and convict the responsible person in the court of justice.

Financial Aid in the Malaysian Education System

The main concern of the government is to narrow the country's education gap. In line with the government mission to provide opportunities and fair education for every Malaysian child, the government has established the Poor Student Trust Fund under Section 10 of The Financial Procedure Act 1957. The main aim of the financial aid trust fund is to give financial assistance to students whose family is poor and unable to provide basic needs for a child's education. Another objective of the fund is to reduce student dropouts when the high cost of education becomes an unbearable burden.

From the year 2003 until June 2008, the distribution process of the financial aid fund was handled by the scholarship division of the Ministry of Education. From July 2008 until today, the function has been transferred to the finance division of Ministry of Education. The finance division, with the help of the state education department and the district education office, distributed financial assistance to the qualified students who come from the lower income families to continue their studies. Because the finance division is responsible to manage and coordinate the distribution of the Poor Student Trust Fund, any instruction, circular, and guideline regarding management of the trust fund must be issued by the finance division.

The financial aid was distributed to eligible students from Standard 1 to Standard 6 from the primary school. The distribution of the financial assistance is extended to Form 1 students from all secondary schools. Eligibility of the applicants to receive financial aid is dependent on household income and income per capita. The household income is different within Peninsular Malaysia and Sabah and Sarawak, where the rate of the household

income in Sabah and Sarawak is higher compared with Peninsular Malaysia. Table 1 refers to poverty category, which has been prescribed in the national poverty line 2009.

The classification of “poor” status is important because the amount of the financial aid will be paid based on the poor status level. For example, Student A who lives in the Sabah rural area comes from a low-income family. His family’s monthly household income is RM 900 per month. Student A is qualified to receive financial aid funds because his family’s household income is below the national poverty income (national poverty line for Sabah: RM 1,050), and he will be paid under the “poor” category.

Income per capita measures will be used when the monthly household income exceeds the national poverty line, but the family faces a financial burden due to the number of family members in the household. Income per capita can be measured by dividing total household income with the number of members of the household. The members of the household only consist of the basic family, including applicant parents. It excludes those who are working, married, and are above 21 years old unless disabled

Table 1
National poverty line 2009

Poverty Category	Poor		Hardcore poor	
	Monthly household income	Income per capita	Monthly household income	Income per capita
	(RM)	(RM)	(RM)	(RM)
Peninsular	760	190	460	110
Sabah	1,050	230	630	130
Sarawak	910	210	590	130

children and undergraduate children. For example, Student B lives in Sarawak. He has seven (7) siblings aged from 2 to 14 years old. His parent's monthly income is RM 1,000. Student B is eligible to receive financial aid funds because he is categorized under hard-core poor because the income per capita for his family is RM112.00 (RM1,000 divided by nine [9]).

METHOD

This research adopts a case study approach to take advantage of rich information and analysis by focusing the research effort and energy to only one subject, i.e., one of the states in Malaysia as a case or sample to study the research problems. This kind of approach is more realistic, practical, and offers more accurate real-world results. Smith (2015) suggested that the case study was the most appropriate method to be applied if there was an opportunity to examine actual practices. In this context, the permission to conduct interviews and verify certain non-publicly available documents are captured and utilised to produce the best outcomes. In addition, as this research intends to evaluate a process of aid distribution, case study is a best approach because it traditionally has been associated with process evaluations (Yin, 2012). Thus, it is able to derive data and provide in-depth understanding of events in real world contexts (Bromley, 1986).

As part of the case study research, this study employed a mixed method of data collection and analysis by combining primary and secondary sources

of information. This will provide the benefits of cross-checking the results from multiple sources of information. Thus, the reliability and validity of the research can be enhanced (Smith, 2015) because it benefits from multiple sources of evidence (Yin, 2011). Prior studies in the public sector governance such as Mir and Rahaman (2007) also used multiple research methods such as interviews, archival material, and observation.

Primary Sources

For the primary data, interviews were conducted with four persons (two personnel from the finance division of the state, one personnel from the national audit department and one school officer). The interview with personnel from the finance division covered general views on the distribution process of the financial aid at the ministerial level, rules and regulation of the distribution of the financial aid process, financial aid application process at the school level, verification process at the district and state level, payment process and time frame required to accomplish the process at all levels. The effectiveness and drawbacks of the adoption of the online application system and the function of school aid management committee were also discussed.

An interview with the auditor from the national audit department aimed to obtain an overview of the issues from the auditor perspective. The interviewee discussed complaints from the public, weaknesses in the current distribution process, the reliability of the information provided in

the financial aid application forms, and the level of knowledge and understanding of the school officers such as headmaster and the school finance assistant regarding rules and procedures. Finally, disciplinary actions were proposed for school officers who failed to perform the job according to the rules and procedures.

The interview with the school officer was focused on the person involved directly in handling the application and payment at the school level. The purpose of the interview is to gain an understanding on the current distribution procedures at the school level and to highlight the strengths and weaknesses in the current processes. The interview method was used to gather information on how schools determine eligible students to receive financial aid, establishment and duties of the school aid management committee, awareness level regarding money credited to school bank accounts, distribution of financial aid fund to students, and examination of the internal control system in schools to avoid the risk of misappropriation and fraud.

Secondary Sources

For the secondary data, this study reviewed the content of the auditor general report, the process flowchart, and other related documents. Every year, the National Audit Department will perform an audit in management of various level and departments of education. In one particular year, the auditor general report highlighted the weaknesses of management

in distribution of financial aid funds that led to delay and misappropriation. The report highlights issues on the application process, selection process, and payment process of the financial aid fund.

The purpose of reviewing the process flowchart is to gain a better understanding on the work processes of the financial aid distribution. The process flow will indicate the communication flow between parties involved in distribution of financial aid. Two types of flowcharts are reviewed in this study: the financial aid application process flowchart and the payment process flowchart. This study will examine the weaknesses in the current processes and verify whether proper internal control has been in place in the process.

Other than that, the study also reviewed other documents such as previous payment reports, invoices, payment vouchers, notification letters sent to schools, and list of cheques received by the finance division. The purpose of examining the document is to determine the types of document involved in distribution of financial aid.

FINDINGS AND DISCUSSION

Below are the findings of this study. Due to confidentiality, the findings from the interview will be presented in general without specifying the sources from any interviewee. Some documents, circulars, and forms are not publicly available and only limited to those involved in the tasks and processes.

Late Payment by Finance Division to Schools

According to the circular, fund payments must be credited to the school's bank account before the new school session begins. For example, the financial aid for the year 2015 must be received by the schools before 1 January 2015. However, based on the review of the reports and documentations, the payment process shows a weakness in regard to delay in payment.

Table 2 shows the dates of payment made to the schools' bank accounts from year 2007 until year 2009. In 2007 and 2009, the delay period reached more than a month, while in 2008 the delay was about 1½ weeks. This study found that disbursement of payment was late due to the late submission of the summary lists to the finance division by the state education department. According to the circular, the state education department must submit a list of qualified applicants before 15 October every year. Late submission of the list causes delay in payment of the financial aid. This is because, after receiving the lists, the finance division needs time for information verification. This is to ensure all information is accurate and complete before payment can be prepared.

The study also found that a long time was required to process payment to the school bank account because the payment voucher needed to be prepared using the online system. One set payment voucher can only consist of 15 school bank accounts. In this state, 40 payment vouchers need to be prepared. After preparing the payment voucher, the payment must be authorized by two higher officers.

This finding shows one of the weaknesses of the current distribution of financial aid is the lateness of the finance division to distribute the payment to the school bank accounts. It indicates the inefficiency in handling government funds. The department failed to achieve the target where payment of the financial aid must be credited to schools' bank accounts before the new school session begins.

Long Processing Cycle of Application

The current financial aid distribution involved a long process cycle before payment can be made to eligible students. It was found that the application process must go through four stages of verification—school aid management committee (Stage 1), district education office (Stage 2), state education department (Stage 3), and finance division (Stage 4)—before payment can be made to eligible students.

Table 2
Date of the payment credited by the finance division to school bank account

Years	Date of payment credited to the school bank account	Date of payment that supposed to be credited	Delay period
2007	16.02.2007	31.12.2006	35 days
2008	15.01.2008	31.12.2007	11 days
2009	19.02.2009	31.12.2008	36 days

In the first stage, the application form must go through the selection and verification process at the school level. At this stage, the school aid management committee must examine application forms and be responsible to perform random checking on students' background before reaching the approval stage. At this stage, the committee takes four weeks to process the application and prepare the summary form that contains the name of the eligible student before submitting it to the district education office.

At the second stage, the district education office has to collect and verify the application summaries from all schools under its authority. At this stage, the district education office takes three weeks to verify information in the summary form from the schools before the summary of application can be submitted to the state education department.

At the third stage, the state education department needs to collect and compile applications of all the districts before submitting to the finance department to proceed with the payment. At this stage, the state education department will screen the applications to analyze whether the applicants had received other financial assistance from other sources such as federal scholarship. Usually the state education office requires two weeks to verify applications for all districts.

The final stage involves another screening process at the finance division. Before the list of applications were submitted

to the payment unit, the data processing unit must do a final screening to ensure complete information in the summary application list. This process will take one week before approval.

After reviewing the flowchart process, it was found that the current application process that uses the manual procedure involved a long application process that can cause late payment of the financial aid to qualified students. It is also prone to human error and unnecessary mistakes that can be avoided if the computerised system is used.

Besides, application of the financial aid must go through four stages of the checking and verification process before final payment can be made to qualified students. There is redundancy in the screening process because the district education office conducts almost a similar function with the state education office. This also contributes to the waste of time, money, energy, and effort as the resources were duplicated to perform identical tasks.

Delay in Distributing Financial Aid to Eligible Students

Table 3
Number of schools late to distribute financial aid to eligible students in 2007

No of days	No of schools
14-20 days	3
21-40 days	8
41-60 days	5
61-80 days	5
80 days and above	1
Total	22

According to the circular, payment of the financial aid must be disbursed to students within 14 days after money has been credited in the schools' bank accounts. Schools were advised to make payment without having any special ceremony that involves politicians in their respective area to deliver the financial aid. Based on the review of the reports and documents, 22 schools that received the financial aid in 2007 were late to distribute the financial aid (Table 3). Eight schools took 21 to 40 days to distribute payment to students, while five schools took 41 to 60 days, and another five schools took 61 to 80 days to disburse payment to eligible students. One school took more than 80 days to pay out the financial aid.

The study found that one reason for the late disbursement of money to students was because schools were late to receive the monthly bank statement. The respondent claimed that the school only received previous month's bank statement on the second week and the third week of the current month. The delay in receiving the school bank statements can cause delay in the payment of the financial aid to eligible students. Again, the issues and problems of manual processing arise here. All financial transaction in schools use the manual system and are paper based, where present schools do not implement Internet banking in the latest banking transaction.

The finance division had sent a notification letter to provide information regarding qualified students who are eligible

to receive the financial aid fund and the estimated date for money to be transferred to the schools' bank accounts. However, sometimes the notification letter failed to reach certain schools due to technical reasons. The absence of the monthly bank statement and notification letter caused schools to have a lack of information regarding the financial aid that should be received by eligible students and failed to disburse the money within the specific time.

Delays in the distribution of the financial aid funds to eligible students lead to opportunities for the misappropriation of money and fraud. The ignorance of the school officers regarding money that have been credited to schools' bank accounts caused the money to be kept too long in school bank accounts. Furthermore, schools do receive other sources of money from various government authorities, and the balance of the money in the school bank account increases from time to time. This will cause the school officer to be unable to identify the purpose of the money being credited to the schools' bank accounts and give opportunities for perpetrators to misuse part of the money for personal use without being realized by others.

Poor Management by the School Aid Management Committee

All schools that received financial aid must establish a school aid management committee. The committee consists of the school headmaster as a chairperson, teachers, and representative from a parent-teacher

association. The committee functions as an internal auditor where the committee has to verify all applications at the school level.

The study found that issues arose when schools did not set up the school aid management committee and failed to maintain proper records on meeting minutes. Complete meeting minutes must show the name of all students who applied for the financial aid fund, and name of successful applicants, name of unsuccessful applicants, and the committee must provide reasonable reasons for the rejected applications.

The verification process at the school level is important because the committee needs to conduct a background check to confirm the “poor” status claimed by the parents. A field visit to the students’ home is one of the committee’s responsibilities to ascertain the student’s real-life situation.

Failure of the schools to establish a committee will lead to questions in regards to the qualification of applicants who receive financial aid, which may lead to financial aid being handed to unqualified applicants. Based on the reports and documents, three schools failed to provide completed meeting minutes regarding selection of qualified applicants in the year 2007, 2008, and 2009.

Poor management of the school aid management committee shows that a school is inefficient in distributing financial aid to poor students. This action will lead to fraud and dishonesty where parents can submit false information about household income and other important information without being tracked by the school because the committee fails to perform its function.

Poor internal control gives an opportunity to ineligible students to apply for financial aid because every application will be accepted without proper checking by the committee.

Inaccurate Source of Online Database System

It has been decided that all government agencies must use data information from the *e-Care* system as a main source of data for distribution of funds to poor citizens. *e-Care* is a database that stores various information on poverty profiles such as family background, sources of income, financial assistance received, and many others. The study found weaknesses in using the *e-Care* system as a source of data to determine eligibility of students to receive financial aid. The information provided by the system is inaccurate and constantly changing according to current financial situation of student’s family. Various ministries and departments use the system to distribute financial assistance to poor households throughout Malaysia. All ministries have direct access to the *e-Care* system for all financial assistance given by each ministry to a household; the information must be updated in the system. However, there is no specific time frame to update the information on financial assistance that caused data in the *e-Care* system to be unstable and constantly changing throughout the year.

Inaccurate data provided by the *e-Care* system caused the school to return the financial aid back to the finance division. The finance division needed to trace where

the eligible students were studying before a new payment could be made to the eligible students at the new school. The long process caused eligible students late to receive financial aid.

Table 4
Financial aid returned back to finance department

Year	Fund return back to the Finance Department in the state	Fund return back to Finance Department from all states
2010	RM 494, 445	RM 12,330,240
2011	RM 577,211	RM 13,994,636
2012	RM 316,600	RM 8,562,788
Total	RM1,388,256	RM 34,887,664

Table 4 shows the amount of payment of the financial aid that was returned back from schools in the state to the finance division and also by schools from all states in Malaysia. Based on the table, a huge amount of money was returned by the schools in the state in the year 2011, amounting to RM577,211, while the total payment returned back from all schools throughout Malaysia amounted to RM13,994,636.

It was found that the money was returned to the finance division because eligible students do not exist in the schools based on the data provided by the *e-Care* system. This problem was only realized when schools claimed that the payment of the financial aid at the school level cannot proceed because the names of students provided by the finance division do not exist in the schools. Thus, the problem of inaccurate data from the *e-Care* system can lead to misappropriation of public monies because payment can be made to non-

existing students at school. If the schools do not return the money to the finance division, irresponsible personnel may manipulate the money for personal benefit.

Inconsistent Information in the Application Form and the Summary Form

Based on the standard application of the financial aid procedure, applicants need to disclose information on parents' income and number of household members. This procedure is to determine the eligibility of the student to receive the financial aid. The school aid management committee needs to analyse the application form and prepare the summary form that contains a list of the eligible students to be submitted to the district education office. However, based on the verifications of reports and documents, it was revealed that there is inconsistent information in application forms of eligible students and information in the summary form that schools had submitted to the district education office.

Table 5 shows the inconsistency of information in the financial aid application form for six students from School 123 with information in the summary form prepared by the school aid management committee and submitted to the district education office. There is a difference of the amounts of parents' monthly income recorded in the financial aid application form and the summary form. Parents' monthly income recorded in the summary form is much lower compared with the information stated in the application form.

Table 5
Difference of information on parents' monthly income in the application form and the summary form

No	Name of school	Name of applicants	Information on parents monthly income in application form (RM)	Information on parents monthly income in summary Form (RM)	Differences (RM)
1		Student A	713.00	420.00	293.00
2		Student B	800.00	700.00	100.00
3	School 123*	Student C	1,050.00	450.00	650.00
4		Student D	1350.00	500.00	850.00
5		Student E	1080.00	500.00	580.00
6		Student F	950.00	600.00	350.00

Note: *Not a real name

The study found that inconsistency of information provided in both the application form and the summary form resulted from an alteration of information made in the summary form by school officers before submitting the form to the district education office. The amount of parents' monthly income in the summary form was recorded lower than the actual amount in the application form. Based on the figures in Table 5, we can see that all amounts disclosed in the summary form are below RM1,000, and there are huge differences in the amounts recorded in the application form and the summary form. The amount was altered below the income of RM1,000 to show that parents' monthly income was below the national poverty line; therefore, it would qualify students to receive financial aid.

The actions of the school officers that do not disclose the actual amount of the parents' monthly income in the summary form and altering the amount contradicts the requirement financial aid guidelines. The action is considered fraud because

the school officer was trying to hide actual information to qualify students in the school to receive financial aid. This action may lead to unequal distribution of the financial aid because those students were not qualified to receive the money. This action is not parallel with the objectives of the financial aid distribution where the money should be disbursed to a qualified poor student.

This study found that inconsistency of information in the financial aid application form and the summary form was a red flag in that there were fraudulent activities occurring in the school where the school officers falsified information in the summary form. This action would encourage dishonesty and fraud in the process of obtaining financial assistance from the government.

No Proper Payment Schedule to the Schools

Based on the process flow of the distribution of the financial aid, it was found that there is no proper payment schedule distributed from the finance division to schools. Even though the procedure of the distribution of

the financial aid was governed by circulars, there was no proper payment schedule distributed by the finance division to inform when payment of the financial aid would be disbursed to the schools. The payment schedule served as a planning tool throughout the year for the finance department where it should highlight when payment would be paid to schools according to the states. By having proper planning, the finance division would have guidelines on payment schedule.

On the other hand, no proper payment schedule also leads to problems for school officers because they do not know when money will be credited to school bank accounts. Currently, schools only depend on the notification letter sent by the finance department shortly before money is credited to schools' bank accounts. The school officer faces many problems when parents keep on asking when payment of the financial aid will be disbursed to their children.

Lack of Adequate Training Given to the School Officers

According to the circular, every government servant must attend seminars and training for at least seven days or 40 hours per year. The main objective of the circular is to ensure that all government servants must complete themselves with attitude, knowledge, and skills in performing their work. Continuous training will give benefits to a government servant, where it will improve his or her quality of work as well as obtaining more knowledge and skills on financial procedures and record keeping as

well as obtaining more knowledge on good values, integrity, and ethics.

However, it was found that there was lack of adequate training given to the school officers to handle the financial record keeping. The problem arises when there is a high turnover of staff, especially teachers and school finance assistants who maintain the financial record keeping. There are situations where schools have a shortage of staff caused by high turnover, especially for the school finance assistant position. Hence, the headmaster needs to borrow staff from the district education office to assist schools in record keeping.

Inadequate training given to staff and lack of skills and experiences to handle financial records led to lack of proper documentation at schools. This study found that inadequate training also affects the performance and productivity of staff because it may have a lack of understanding on the needs of the circulars and is unable to perform the job according to the prescribed procedure. Hence, schools typically receive unfavorable audit comments from the auditor general.

CONCLUSIONS

Late payment of financial aid by the finance division to schools is a weakness in the current distribution process of the financial aid where the money will only be credited to school bank accounts after the new session begins. The delay in payment caused the government to fail in achieving the objective of the financial aid trust fund to support poor students to buy basic school necessities at

the beginning of the new session and also to decrease school dropout cases. Delay in receiving financial aid causes low self-esteem among poor students, and they may refuse to go to school because their parents cannot afford to pay the education fees and costs at the beginning of the new school session.

Among the reasons for this delay is the manual financial aid application process involves long process cycles, where the application needs to go through four stages of verification before payment can be made. The redundancy of the verification process at certain stages caused a long waiting time for processing the application before payment can be made to eligible students.

The delay in disbursement of the financial aid by schools to eligible students also happens when schools do not receive notification letters from the finance division regarding money that has been credited to the school's bank account. Moreover, the monthly bank statements can only be obtained from the respective bank after 14 days of the current month. School officers do not exercise proactive action to call the respective bank to obtain new updates on money credited to school bank accounts and only wait for monthly bank statements to distribute the money.

Another loophole in the current distribution process is poor internal control at the school level where schools do not establish a school aid management committee. Another loophole is the failure to maintain proper meeting minutes regarding the selection of eligible students. The

eligibility of students to receive financial aid is questionable due to the selection of eligible students, who do not go through the proper verification process in which the school aid management committee needs to examine the application form submitted by students to ensure that the parents disclose truthful information.

Inaccurate sources of data provided by the *e-Care* system is one of the reasons for inefficient distribution of the financial aid. The data in the *e-Care* system do not provide accurate information on the eligibility of students to receive financial aid because the information constantly changes according to the current financial situation of the student's family. Furthermore, the ministry of education faced many problems when using the *e-Care* system when the system did not provide the correct school information, which caused payment disbursement to the wrong schools.

The absence of payment schedules provided by the finance division shows that inefficiency of the division to maintain strategic planning throughout the year. The payment schedule serves as a guideline that informed types of payment that will be paid, date of the disbursement of payment, and which states will be paid first. The absence of the payment schedule causes schools to be unaware that money has been credited to schools' bank accounts.

The learning process and the development of employees are important in ensuring employees have full knowledge to effectively perform the job. Inadequate training and courses given to school

officers caused lack of understanding on the requirement of the procedures and guidelines in distributing the financial aid. The frequency of staff moving in and out from the schools especially for the school finance assistant position caused improper documentation because the new staff has limited knowledge and experience in handling school financial transactions and record keeping.

IMPLICATIONS AND SUGGESTIONS

Establishment of the Working Group to Monitor Information in the *e-Care* System

Application through the *e-Care* system expedites the selection process of eligible students where the applications do not have to go through the application process. Accurate sources of data from the system are important to ensure that payment is made to eligible students and made through the right schools. The study recommended that one working group is established to monitor information in *e-Care*. By having the working group, all information regarding financial assistance that has been awarded by other ministries must go through the working group. The working group will set the specific date when the information will be updated in the system, i.e., quarterly or monthly.

The working group also has to limit the authority of other ministries to obtain access to the system. It would be better for one working group to monitor and

update information rather than various ministries having access to the system, thus causing frequent changes to the system information. The working group must ensure all information in the *e-Care* system is accurate and adequate, especially information on school of the eligible students. To ensure effectiveness of the establishment of working group, there must be good collaboration between the working group and the ministry of education. From time to time, the working group must check with the ministry of education regarding the student's school information. Any change of schools must be updated in the *e-Care* system so that payment of financial aid can be channelled to the right school of the eligible students.

Implementation of Internet Banking System

One reason for delay in payment from schools to eligible students is due to late monthly bank statements. The study recommends that schools should use Internet banking services. The advancement of information and communication technologies changes not only people's lives but also improves the way businesses and organization operates (Suhaimi et al., 2016) as technologies able to enhance organisation controls and performance (Suhaimi et al., 2017). In this context, internet banking services allow the schools to view daily financial transactions and easily notice any receipt or payment that is made through the school bank account without waiting for the monthly bank

statement. The schools can simply detect if the finance division has credited money for the financial aid distribution and can distribute financial aid to students within 14 days after money has been credited to the school bank account. However, for safety purposes, the study suggests that the implementation of Internet banking is restricted to view daily transactions only. For withdrawal of money, the schools need to follow the current procedures, which have been described in the school financial management and accounting procedures, to avoid unauthorized payment made through Internet banking services.

Adoption of the Electronic Notification

The current practice uses the notification letter sent by the finance division to schools. To ensure schools receive the information within a specific time, the study suggests that the ministry use an electronic medium such as emails and short message services to inform that payment has been made by the finance department. To ensure schools receive the names of eligible students approved by the finance division, the division can send the list of names through email. This method is more effective and faster than sending notification letters to schools where there is a tendency that letters might fail to reach the recipients.

Change in the Mode of Payment

To overcome problem of delay in payment of the financial aid fund to eligible students, the study suggests that the payment of the

financial aid is made directly from the finance division to students' bank account. The proposed suggestion will speed up the payment process where it will eliminate the role of schools as intermediaries to distribute money to eligible students.

Strengthening the Function of the School Aid Management Committee

The school aid management committee plays an important role in selecting and endorsing eligible students to receive financial aid. Problems arise when schools have lack of understanding regarding the role and function of the committee and do not establish the committee in their schools. To solve this problem, the government needs to take effective action to communicate with schools regarding the role and function of the school aid management committee. During yearly audit work, the department must examine whether schools have established the school aid management committee. The committee will perform as an internal audit committee at the school level where the committee must do random investigation on the students' welfare and status. Furthermore, proper meeting minutes must be prepared as evidence that the committee has to perform its job. The committee must ensure that the financial aid is given to eligible students and must reject the application if there is an irregularity or false information given in the application forms. By understanding the role of the committee, the school officers can avoid dishonesty in the application process.

Continuous Training and Courses Given to School Officers

The ministry must from time to time give adequate training to school officers who are directly involved in handling the distribution of the financial aid at the school level. The school management leader must have adequate knowledge regarding financial procedures and understand the circular's requirements. The hands-on training approach is an efficient method in which to conduct training for headmasters, teachers, and the school finance assistant, i.e., those who are directly involved in managing the funds. The training will provide benefits to schools, where schools can receive prompt feedback regarding unclear matters about their job scope. The ministry also must provide continuous and scheduled training from time to time because staff frequently changes from time to time, especially for the position of a school finance assistant.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study has several limitations. First, it selects only one state as a sample. Future research should include additional states, so more conclusive findings can be derived, and comparisons can be made among the states. Second, this study limits its scope only to the distribution process in the surface that involved selection, verification, payment, and record keeping in many departments under the ministry of education. Future study should include more in-depth study of every process involved in the distribution.

Third, this study only interviews a few people to obtain insight into the current practices. Future research should employ other methods such as through surveys, which can reach more people, so that findings can be more generalized into wider perspectives.

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