

**A STUDY OF FINANCIAL MANAGEMENT PLANNING
(BUDGET) FOR 2012 AT STATE GOVERNMENT OF
KEDAH, MALAYSIA**

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**MASTER OF SCIENCE (MANAGEMENT)
UNIVERSITI UTARA MALAYSIA
2013**

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This Master Project paper submitted to:
Othman Yeop Abdullah Graduate School of Business
in fulfillment of the award of Master of Science (Management)
Universiti Utara Malaysia
2013

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ABSTRACT

This paper describes the budgeting process of in 2012 at State Treasury, State Kedah Government. Based on the financial procedures of Federal Government, and State Kedah regulations and policy, all departments and agencies need to follow the financial procedures, as part of the budgeting process.

The collection of data were done by interviews and document analysis at Kedah State Treasury. The interviews were done by asking several officers in Budget Unit and Finance Unit. The document analysis was done by reading the regulation and policy book, and Circulars (including of Federal and State), Treasury Instruction No. 29 and 31, Finance Circular Letter – Annual Expenditure Provision Procedure, Budget Book 2012, Additional Budget File 2012.

The implementation of budget 2012 was only for 10 months periods (March 2011 to January 2012). The budgeting process at State Kedah is divided into 4 (four) components : Preparation, Approves, Execution, and Auditing. **Preparation** covers providing Circulars by State Treasury, acceptance and checking budget draft from departments, presentation in front of EXCO and DUN for approval. **Approves**, started with checking the completeness of the budget draft for departments, presentation in front of EXCO and DUN for obtaining approval. **Execution**, encompasses provision warrant and sub warrant to departments.

Budget in 2012 emphasis on four strategies : (1) Enhancing Economic Growth, which consist of three sub-strategy, Strengthening Agricultural In Business, Increase Tourism Industry Potential, Promoting The Manufacturing Industry, (2) Improving People Livelihood, encompass Affordable Houses and Quality of Life, (3) Improving Human Capital, and (4) Strengthening State Corporate Governance.

The budgetary process at State Kedah Government, follows Malaysian Budgeting System, also known as Modified Budgeting System (MBS). MBS contain 4 (four) components, (i) Expenditure Target; (ii) Program Agreements and Exceptions Reports; (iii) Cycle of Program Evaluations; and (iv) a more Generalized Approach to Expenditure Control.

Some elements that are considered together in the financial management toward public welfare includes: **Transparency**: This refers to efforts by local governments to make information publicly available in a systematic way at each stage of the budget cycle. **Participation**: This refers to the involvement of civil society in decision making at every stage of the budget cycle. **Accountability**: This refers to the extent to which local governments render an account of their management of budgets to both local legislative assemblies (DPRA) and the public generally. **Gender Equality**: This refers to efforts by local governments to provide space for the poor and women to take part in the budget cycle.

APPRECIATION

First and importantly I pray render thanks to the presence of Allah Subhanahu wa Ta'ala has given His guidance to me, so this case study report can be completed. Further, I would like to thank those individuals who have contributed to allow me to complete my report of this case study.

Earlier, I would like to thank to my supervisor Dr. Rosliza binti Mat Zin show her support and teaching during this period of my research. She gave me good advice, encouragement, guidance, comments and views throughout the study carried out from the beginning until the end of this case study report. Thanks also to all the staff and management in the College of Business, Universiti Utara Malaysia.

Thanks to Y.B. Dato 'Wira Hj Mohd. Puat bin Haji Mohd. Ali, Datin Hajah Sepia bin Isa, Haji Ahmad bin Haji Abdul Ghani Bawadir, and Mrs. Rosmawati binti Abdullah, all Kedah Treasury staff, Kedah Darul Aman, Malaysia, who have given permission to do a practical for three months and obtain some information related to the case study report I do.

Thank you I dedicate to all staff at The Sultanah Bahiyah Library of Universiti Utara Malaysia, which has given a pleasant service I need information, data, and research references.

Thanks and a high appreciation I dedicate to my parent, Rahmad Arifin and Rukmini. Thanks to my sister, Andriana Rahmad, my brother, Iman Suarna and Kurniawan, and also thank to Rina Rozana an Nurul who with great support and patience, always

give a motivation, enthusiasm throughout the study. And I dedicated to my daughter, Nisrina Nabihah Humaira, who became my big motivation and spirit.

Thus, this case study may useful for anyone who need financial information, and may increase a knowledge about the financial system.

Sintok Kedah, 2013

Surya Ramadhan

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1. INTRODUCTION

1.1 Background

The State Kedah Government financial statement shows a true and fair view of the financial affairs of the State Government as at 31 December 2010. The Statement which includes The Balance Sheet and The Memorandum Accounts were certified as all the items were duly supported (National Audit Department, 2010:4).

According to Auditor General's Report (2010:4), overall, the Audit analysis showed that the financial position of the Kedah Government for the year 2010 was satisfactory. In 2010, the balance in the Consolidated Account total RM328.28 million compared to RM265.52 million in 2009. An increase in revenue by RM87.64 million or 23.9% in 2010 and an increase in operating expenditure by RM2.55 million or 0.6% has resulted in a surplus in 2010 amounted to RM22.50 million compared to a deficit in 2009 total RM62.89 million i.e. A substantial increase of RM85.39 million or 135.8%. The increase in revenue has reduced the deficit in the Consolidated Revenue Account in 2010 by RM22.50 million or 7% amounted to RM298.23 million compared to RM320.73 million in 2009. The decrease in cash balance is due to a large increase in Fixed Deposits of RM84 million or 45.7% total RM268 million in 2010 compared to RM184 million in 2009. Whereas, loans from the Federal Government has increased by RM249.87 million in 2010 thus resulted in an increase towards the commitment of the State Government in its Public Debts currently amounted to RM2.61 billion compared to RM2.38 billion in 2009. In addition, more assertive actions taken to recover the arrears of revenue. The errors in 2010 total RM172.67 million have decreased by RM27.16 million or 13.6% compared to RM199.83 million in 2009.

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