

A Case Study on the Role of Chief Integrity Unit (CIU) as a Control Mechanism in  
Malaysian Public Sector Organizations

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*Abstract*

The purpose of this paper is to explain the role of Chief Integrity Unit (CIU) as a control mechanism in the governance of Malaysian public sector organizations. Malaysian Government Transformation Program (GTP) has triggered the establishment of Integrity Unit in all public sector entities with aim of fighting corruption. Thus, this study specifically focuses on the role of CIU in influencing the level of ethics and integrity in the organizations which eventually gives impact on the practices of management accounting. There are two different types of public sector entities that have been studied i.e., state level (CSA) and state statutory body (CSB). An explanatory case study method is used to collect the data whereby semi structured interviews, informal conversations, questionnaire and document reviews are conducted. The finding shows that CIU plays a crucial role in shaping the ethical and integrity culture within the organization. The overall score of the level of ethics and integrity for both case studies is more than 50 per cent which indicates that both CSA and CSB are serious in initiating proper integrity mechanism into their daily activities at work places to maintain the highest levels of transparency, integrity and professionalism. CSB shows a higher percentage as compared to CSA that are 70.85% and 68.26% respectively. CSB performed better than CSA in almost all dimensions except for dimensions of Leadership, Confidential Advice and Support, and Ethics Communication where CSA scores higher percentage. Therefore, it is highly recommended that CSB focus more on these three dimensions and vice versa to CSA. Further in depth study is highly recommended to get more generalize results on the role of Chief Integrity Unit (CIU) as a control mechanism in upholding good governance of Malaysian public sector organizations especially through enhancement of management accounting.

*Keywords:* CIU, Chief Integrity Unit, CISM, ethics, integrity, public sector

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Corporate governance issues are significantly influencing public policy debates on firm controls nowadays. Organizational and management practices including management accounting activities are also being substantially affected (Bhimani, 2009). The governance in public administration, for instant, has been a global issue as a result of the continuous stream of governance failures, fraud, inefficiency, corruption, and poor internal control and financial management (Rosli, Aziz, Mohd, & Said, 2015). Consequently, corruption and its devastating effects on social and economic development have emerged as a major global concern and challenge over the past period (Malaysian Anti-Corruption Commission [MACC] Official Website, 2016).

The international community has address this issue and provides international instruments to tackle corruption in the United Nations Convention against Corruption (UNCAC). These days, when practices of corruption have become more complex, there is an urgent need for a smaller and more informal network of professionals for a better cooperation on a range of related issues in the spirit of sincere cooperation and mutual assistance. Thus, the Southeast Asia Parties against Corruption (SEA-PAC) has been established to fulfil this significant role. Malaysia is one of the SEA-PAC members along with Brunei, Cambodia, Indonesia, Laos, Myanmar, Philippines, Singapore, Thailand and Vietnam (Malaysian Anti-Corruption Commission [MACC] Official Website, 2016). The Malaysian government through its Economic Transformation Program (ETP) is positioning the nation to become a high-income nation by the year 2020. Nonetheless, combating corruption has been identified as one of the key challenges.

Despite the efforts of achieving some significant milestones in this long and challenging journey as shown in Table 1.1, the numbers of arrests on corruption cases are still critical as shown in Table 1.2. Up to July 2016, the total number of arrests already comprised of 588 cases with 296 cases involving public sector officials. The statistics show that 41% of the total corruption offenders were involving government officials as shown in Figure 1.1.

Table 1.1

*Milestones of Anti-corruption strategy in the public sector*

<b>Year</b>	<b>Milestones</b>
2004	: Launching of the National Integrity Plan (NIP) and Establishment of Institute of Integrity Malaysia (IIM)
2008	: Setting up of Malaysian Anti-Corruption Commission (MACC)
2009	: Prime Minister Directive No. 1 2009 – Implementation of Certified Integrity Unit (CeIO) in ministries, departments and public agencies.
2010	: Launching of the Government Transformation Programme (National Key Results Areas – Fighting Corruption) and Economic Transformation Programme. Signing of Integrity Pledge by Chamber of Commerce with Malaysian Anti-Corruption Commission (MACC), Formulation of Corporate Integrity System Malaysia (CISM) Roundtable
2011	: Creation of Corporate Integrity Pledge (CIP)
2012	: Publication of Best Business Practice Circular (3/2012)
2013	: Appointment of Minister of Governance and Integrity
2014	: Prime Minister Directive No. 1 2014 - Establishment of Integrity and Governance Committee (replacing the Prime Minister Directive No.1 2009). Publication of Corporate Integrity System Malaysia (CISM) Toolkit: From Pledge to Practice

*Note.* Adapted and revised from Corporate Integrity System Malaysia (CISM) Official Website.

Table 1.2

*Annual Statistics on Arrest as of July 2016 (n=588)*

<b>Month</b>	<b>Jan</b>	<b>Feb</b>	<b>Mac</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Total</b>
Top Management	0	0	1	0	0	0	0	Public Official
Professional and Management	15	6	7	7	5	23	5	
Support Staff	38	39	31	25	42	33	19	
<b>Total</b>	<b>53</b>	<b>45</b>	<b>39</b>	<b>32</b>	<b>47</b>	<b>56</b>	<b>24</b>	<b>296</b>
Private Sector	30	8	44	28	14	9	6	Civilian
General Public	23	14	21	30	36	14	13	
Local Councillor	0	0	0	0	0	0	0	
Politician	0	0	1	0	0	1	0	
<b>Total</b>	<b>53</b>	<b>22</b>	<b>66</b>	<b>58</b>	<b>50</b>	<b>24</b>	<b>19</b>	<b>292</b>

*Note.* Adapted and revised from MACC Official Website (2016).

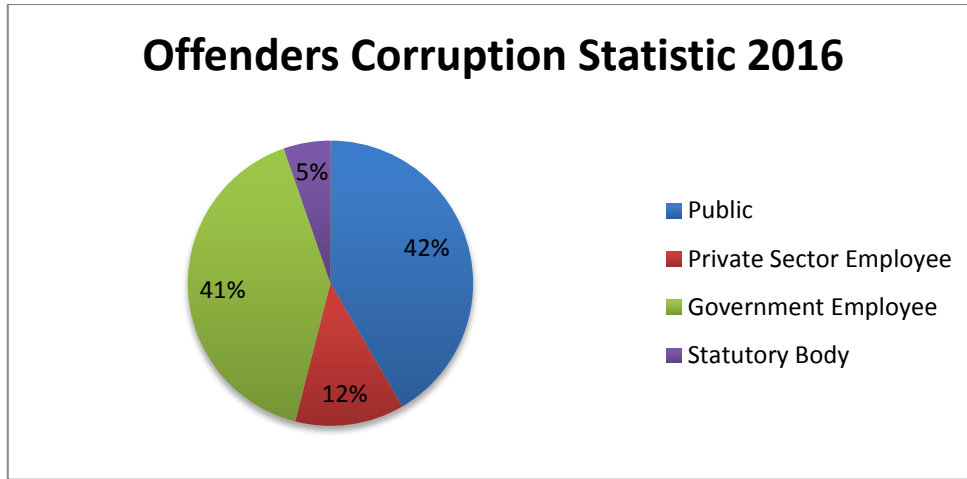


Figure 1.1. Offenders Corruption Statistics 2016. Adapted and revised from MACC Official Website (2016).

In June 2014, Prime Minister Directive was released that gives mandate of establishment of Integrity and Governance Committee (JITU) in all ministries and states departments. Prior to that, Circular No. 6 2013 indicated the requirement for establishment of Integrity Unit in all government agencies was released. The unit is intended to ensure that civil servants adopt an integrity and ethical culture. MACC is held responsible for conducting agencies’ risk-rating to determine the appropriate model of Integrity Unit. The risk level is classified as high, medium or low. Agency Integrity Management Division (BPIA) under MACC plays the role to conduct research, along with planning, drafting and developing internal control policy and integrity institutionalization initiative for Integrity Units under ministries, state governments, departments and government agencies. This initiative is hoping to curb criminal misconduct and violations of the code of conduct and ethics in the civil service organization. The unit will act as a focal point to all matters related to integrity management based on six core functions (MACC Official Website, 2016) as shown in Table 2.1. To ensure the effectiveness of the implementation of integrity unit, Chief Integrity Unit is required to submit a report to the General Secretary / Head of Department and BPIA every four months i.e. before the 15th May, September and January.

Table 2.1

*Core Function of Integrity Unit*

<b>Core Functions</b>	<b>Implementation</b>
Governance	Ensuring the best of governance implemented
Strengthening of integrity	Ensure that the acculturation, institutional and implementation of integrity within the organization.
Detection and confirmation	i) Detecting and verify the complaint criminal misconduct and violations of the code of conduct and ethics of the organization and ensure that appropriate actions are taken. ii) Reported criminal misconduct enforcement agencies responsible.
Management of Complaints	Receive and take action on all complaints / information on criminal misconduct and violations of the code of conduct and ethics organizations.
Compliance	Ensure compliance with the laws and regulations in force.
Disciplinary	Perform the functions of the secretariat Disciplinary Board

Note. Adapted and revised from JPA (BPO) (S) 215/65 Jld.13 (8), Public Administrative Departments.

To date, there are a total of 887 integrity units in all public sector organizations of Malaysia. Yet, there is no studies conducted in relation with the impact of effectiveness of the role of Chief Integrity Unit (CIU) on the level of ethics and integrity of the public sector organizations as well as its role in association with the management accounting. Thus, this paper attempt to achieve the following objectives: (1) To determine the level of ethics and integrity in the Malaysian public sector organization; (2) To relate the level of ethics and integrity to the type of the organizations (3) To offer recommendation towards improvement of the level of ethics and integrity in the subjected case studies.

### **Background of Research**

Malaysian public sector, formerly known as the Malaysian Civil Service (MSC), is structured into three tier levels which are the Federal, State and Local Government. The Federal Government is, in fact, the Central Government with 25 Federal Ministries headed by their respective Ministers and administrative heads, the Secretary-Generals. There are 13 State

Governments within Malaysia implementing state functions along with Federal Departments. The State Governments generate their own revenues and incur their own expenditures even though the Federal Government undertakes projects at the state level agreed upon in the Concurrent List and Federal List in the Constitution of Malaysia (Ali, 2015).

The Local Authorities constitute the City Councils, Municipalities and District Councils that operate with revenue derived from sources within their jurisdiction and boundaries namely assessment, licensing etc. They also receive financial grants from the Federal Government and respective State Governments. These Local Authorities enjoy financial autonomy although they adhere to the general Government procurement procedures. Statutory bodies are set up under Statute Acts both by the Federal and State Governments. These bodies are normally set up for specific purposes and although they are autonomous. They are also generally governed by Government procurement procedures (Ali, 2015).

### **Literature Review**

Ismail (2013) developed measures and proposes that corporate governance indicators can reliably measure and assess integrity. These corporate governance indicators include directors, director's remuneration, shareholders, accountability and audit, business ethics and responsibility, intellectual capital and disclosure. The research makes a contribution to knowledge by providing empirical evidence regarding the use of corporate governance indicators in assessing corporate integrity. On the other hand, Kaptein and Avelino (2005) measured integrity in the organization through a survey-based approach by assessing five elements i.e. (i) the existence of codes; (ii) the quality of compliance programs; (iii) the ways these codes and programs are embedded in and supported by the corporate structure and culture; (iv) the frequency of unethical conduct; and (v) the (potential) impact of unethical conduct on the corporation and its stakeholders.

Institute of Integrity of Malaysia (IIM) measures level of corporate integrity by using Corporate Integrity Assessment Questionnaire (CISM). CISM is a tool introduced and made available by the Malaysian Institute of Integrity (IIM) in late 2010 to facilitate organizations to assess and measure their progress in making a formal and transparent commitment to ethics and integrity in the workplace. Previous studies have used these 12 dimensions of corporate integrity system as shown in Table 2.1 (Rosli et al., 2015). Studies conducted by Said and Omar (2014) on analysis of two giant government linked companies using the Corporate Integrity System found that the level of ethics and integrity on the average is 50%. Company A's level of ethics and integrity is 67.7% (Utility Company), is higher than Company B's level of ethics and integrity of 59.7% (Healthcare Company). Company A scored higher than Company B in terms of Vision and Goals, Legal Compliance, Policies and Rules and Corporate Social Responsibility. The score for Corporate Social Responsibility is highest for both companies with lowest score in Infrastructure that is the way the organization structures or organizes its ethics and integrity function so that it can carry out its goals effectively. The lowest score indicates that these two leading GLCs placed less emphasis on integrity infrastructure to support the companies to carry out its integrity's goals effectively (Said & Omar, 2014).



Table 2.1

*Dimensions of Corporate Integrity System*

<b>Dimension</b>	<b>Description</b>
Vision and Goals	This dimension covers the organization’s overall concept of and approach to ethics and integrity, including its formal articulation of the organization’s underlying philosophy about ethical and moral conduct, and how these expectations are embedded in the organization
Leadership	Covers the responsibilities of the organization’s leadership in shaping, guiding, and supporting the organization’s ethics and integrity initiatives.
Infrastructure	Explores the way the organization structures or organizes its ethics and integrity function so that it can carry out its goals effectively.
Legal Compliance, Policies and Rules	This category assesses the internal framework that provides the floor for ethical behavior. It also includes compliance with the external legal framework, established by the multiple jurisdictions and legal frameworks within which the organization operates.
Organizational Culture	This dimension covers the organization’s overall concept of and approach to ethics and integrity, including its formal articulation of the organization’s underlying philosophy about ethical and moral conduct, and how these expectations are embedded in the organization.
Disciplinary	Assess how the organization sets and enforces its standards for ethical conduct and behaving with integrity. This category addresses rewards and punishments, incentives that promote ethical behavior, and disciplinary action taken to limit or punish unethical work conduct.
Measurement, Research and Assessment	Evaluates how ethics and integrity are measured, whether the organization undertakes research to support ethics strategies that create a culture of ethics and integrity.
Confidential Advice and Support	Describes how the organization provides confidential, neutral, professional, and independent ethics advice to employees, supervisors, managers, executives, members of governing bodies, and other stakeholders.
Ethics Training and Education	Explores ethics and integrity awareness, skill-building training and education, and the integration of such training into the overall development of all employees. This category includes the provision of ethics-related training and skill building throughout the life cycle of staff members, and the degree to which these initiatives are integrated into other organization-wide training commitments.
Ethics Communication	Describes how the ethics and integrity initiative is articulated and promoted, both internally and externally. This category covers how the organization defines its stakeholders and how it gears its key messages to distinct audiences
Whistleblowing	Explores how the organization encourages individuals (both internal and external to the entity) to speak up and make reports of questionable conduct
Accountability	Mechanisms intended to ensure that governing institutions and personnel faithfully perform the duties they owe to citizens, businesses, and other stakeholders. Accountability operates by specifying the relationships between public officials’ behavior and performance on one hand, and rewards and punishments on the other. It can be thought of in three layers: between voters and politicians, between politicians and bureaucrats, and between superior and subordinate public officials. (Lanyi & Azfar, 2005)

### **Methodology**

This research is a case study, specifically studies on the level of ethics and integrity in two public sector entities i.e. state level (case study A) and state statutory body (case study B). Both cases were located in a State of East Coast Region of Peninsular Malaysia. Data were gathered from both primary and secondary sources that include the following which are: (i) Interviews with head of integrity unit i.e. Chief Integrity Unit (CIU). All interviews were tape-recorded and transcribed for analysis; (ii) internally generated documents made available by the head of integrity unit. These documents were reviewed and; (iii) Questionnaire to measure level of ethics and integrity of the organizations were distributed to CIU.

Prior to visiting the organizations, their official website was reviewed to understand the organization better. This includes looking at the organizational chart and the background of the organizations. To gain deeper insight of the CIU and integrity unit in Malaysian public sector organizations, interviews with Institute of Integrity Malaysia (IIM), Malaysian Anti-Corruption Commission (MACC), Malaysian Anti-Corruption Academy (MACA) and researchers from public universities were conducted between December 2015 to August 2016. There is a total of 12 demographic questions and 208 descriptors of 12 CISM dimensions in the questionnaire. CISM analysis provides five benchmark levels of ethics and integrity in the organization as shown in Figure 3.1.

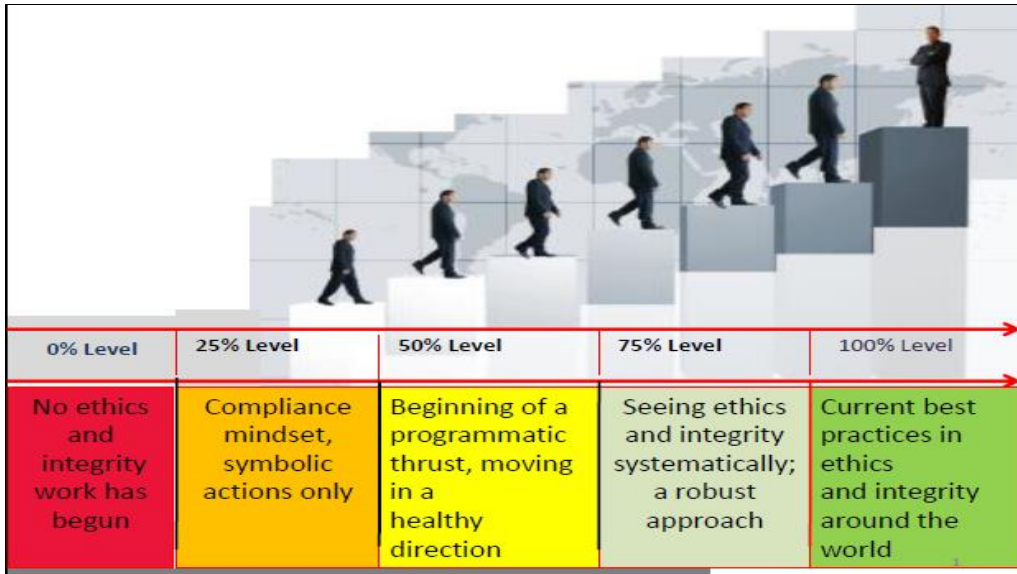


Figure 3.1. Five benchmarks level of CISM. Source: Malaysian Institute of Integrity (IIM)

Table 3.1 illustrates the 208 questions which are related to the 12 CISM dimensions. The five benchmark levels are also shown. The respondents are required to rate the statements on a five-Likert scale with “1”, representing strongly disagree and “5” representing strongly agree.

Table 3.1

*Descriptors/ Questions relating to level of benchmark and dimensions*

<b>*Dimensions\ Levels</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>
0%	Q1 Q2	Q1 Q2 Q3	Q1	Q1	Q1 Q2 Q3	Q1 Q2 Q3	Q1	Q1	Q1	Q1	Q1 Q2	Q1
25%	Q3 Q4 Q5 Q6	Q4 Q5 Q6 Q7	Q2 Q3	Q2 Q3 Q4	Q4 Q5 Q6 Q7	Q4 Q5	Q2 Q3 Q4	Q2 Q3 Q4 Q5	Q2 Q3	Q2 Q3 Q4	Q3 Q4 Q5	Q2 Q3
50%	Q7 Q8 Q9 Q10	Q8 Q9 Q10 Q11	Q4 Q5 Q6 Q7 Q8	Q5 Q6 Q7 Q8	Q8 Q9 Q10 Q11	Q6 Q7 Q8 Q9	Q5 Q6 Q7 Q8	Q6 Q7 Q8 Q9	Q4 Q5 Q6 Q7 Q8	Q5 Q6 Q7	Q6 Q7 Q8 Q9 Q10	Q4 Q5
75%	Q11 Q12 Q13 Q14	Q12 Q13 Q14 Q15 Q16	Q9 Q10 Q11 Q12	Q9 Q10 Q11 Q12 Q13	Q12 Q13 Q14 Q15	Q10 Q11 Q12 Q13	Q9 Q10 Q11 Q12	Q10 Q11 Q12	Q9 Q10 Q11 Q12 Q13 Q14	Q8 Q9 Q10 Q11 Q12	Q13 Q14	Q6 Q7
100%	Q15 Q16 Q17 Q18 Q19	Q17 Q18 Q19 Q20 Q21	Q13 Q14 Q15 Q16 Q17	Q14 Q15 Q16 Q17	Q16 Q17 Q18 Q19 Q20	Q14 Q15 Q16 Q17	Q13 Q14 Q15 Q16 Q17	Q13 Q14 Q15 Q16	Q15 Q16 Q17 Q18	Q13 Q14 Q15 Q16 Q17 Q18	Q15 Q16 Q17 Q18	Q8 Q9 Q10

Note: \*Dimensions:1) Vision and Goals; (2) Leadership; (3) Infrastructure; (4) Legal Compliance, Policies and Rules; (5) Organizational Culture; (6) Disciplinary and Reward Measure; (7) Whistleblowing; (8) Measurement, Research and Assessment; (9) Confidential Advice and Support; (10) Ethics Training and Education; (11) Ethics Communications; (12) Accountability.

### Analysis and Findings

#### Case Study A (CSA)

CSA is the integrity unit of public sector organization at state government level (PSA). Initially, CSA was under Human Resources Department and was separated on its own in year 2014. This is in according to the requirement by the Prime Minister Directive No. 1 2014 where all ministries and state governments must have their own integrity unit function. CSA is under

judiciary of State Secretary Office where the CIU has to report directly. At the same time, it is also required to report to the National Committee Meeting which is held three times per year.

The main function of the CSA is to monitor and control the local council authorities, state departments and statutory bodies of the state. The CIU of CSA possesses a bachelor degree and has working experience related with ethics and integrity less than three years. Having to supervise a huge organization, the small number of employees (10) makes the job function difficult and taxing. In most cases CIU work hand in hand with the internal audit unit to oversee issues of integrity of the state.

### **Case Study B (CSB)**

CSB is the integrity unit in one of the state statutory bodies (PSB). PSB serves as the foundation to further the advancement of education, sports, culture and expand opportunities for education among citizens in the State. There are four subsidiaries under PSB which are related to plantation, mining and education with 82 staffs altogether.

CIU of CSB is holding dual role as both head of integrity unit and head of internal audit division. This is because, in conjunction with the mandate given by the Prime Minister's Directive No. 1 2014, the State Secretary Officer has given the instruction to establish the integrity unit in all state departments and agencies including state statutory bodies. In a clause instructed by the State Secretary Officer, for those departments and statutory bodies without enough resources for appointment of new head of integrity unit, the head of internal audit unit must play the respective role. Since then, the head of internal audit division of PSB also serves as the chief integrity unit. Besides that, she is also given another portfolio that is to look after the investment division of PSB. Despite not having direct experience in handling ethics and integrity unit, the CIU of CSB who is member of Association of Chartered Certified Accountants (ACCA) UK has great experience in audit practices (6 to less than 9 years); according to her, the job scope of both units is more or less the same which is related to compliance. For either function, she

is only required to report to the Chief Executive Unit (CEO). Table 4.1 summarizes the overall findings for both CSA and CSB.

Table 4.1

*Profile Company of Case Study A and Case Study B*

<b>Elements</b>	<b>Case Study A</b>	<b>Case Study B</b>
Type of Organization	State Government Level 2014 as separate unit.	State Statutory Body 2014 endorse portfolio together with the former internal audit division
History	Previously under Human Resources Department	Female
Chief of Integrity Unit	Female	Female
Education Level	Degree	Master and ACCA
Professional		
Qualification regarding ethics and integrity	None	None
Experience relation with Ethics and integrity	Less than 3 years	Six to less than 9 years
Reporting level	State Secretary	Chief Executive Officer Specifically 2; but More than 10 staffs
Number of Staff	More than 10 staffs	
Case reported in last five years	None	Yes. Fraud.

Even though there is a requirement that integrity unit should be established in all public sector organizations according to the Prime Minister Directive 2013 and 2014, but currently not all government agencies have their own integrity unit. Based on the profiling above, the analysis of level ethics and integrity in both organizations shows the different findings. Table 4.2 shows the overall score of the level of ethics and integrity for both case studies which is more than 50 per cent. This indicates that both CSA and CSB are serious in initiating proper integrity mechanism into their daily activities at work places to maintain the highest levels of transparency, integrity and professionalism. But, CSB shows higher percentage as compared to the overall score of CSA is which is 70.85% and 68.26% respectively. The following Table 4.3 discusses the finding analysis and discussion of each dimension by the benchmark level for both case study A and case study B.

Table 4.2

*Summary of CISM Dimensions Percentage Scores*

<b>Dimensions of Corporate Integrity System</b>	<b>CSA</b>	<b>CSB</b>
1) Vision and Mission	65.80 %	68.00 %
2) Leadership	76.40 %	68.00 %
3) Infrastructure	59.60 %	65.80 %
4) Legal Compliance, Policies and Rules	68.00 %	79.80 %
5) Organizational Culture	61.60 %	70.67 %
6) Disciplinary and Reward Measures	64.00 %	68.33 %
7) Measurement, Research and Assessment	73.33 %	79.00 %
8) Confidential Advice and Support	71.33 %	61.33 %
9) Ethics, Training and Education	60.93 %	62.27 %
10) Ethics Communication	75.33 %	65.33 %
11) Whistle blowing	69.47 %	77.67 %
12) Accountability	73.33 %	84.00 %
<b>Overall Score</b>	<b>68.26 %</b>	<b>70.85 %</b>

As shown in the Table 4.2, all dimensions scored more than 50% which signify that both CSA and CSB have begun a programmatic thrust, moving in a healthy direction. The least score obtained is the dimension of infrastructure for CSA which is only 59.60%. Only a few dimensions have achieved the 75% level which is (i) Leadership and (ii) Ethics Communication for CSA and dimensions of (iii) Legal Compliance, Policies and Rules, (iv) Measurement, Research and Assessment, (iv) Whistleblowing and (v) Accountability for CSB. Achieving 75% level implies that these dimensions seeing ethics and integrity systematically and has a robust approach. None of the dimension achieved 100%, thus, requires both CSA and CSB to have further improvement. Table 4.3 compares the five benchmark levels for CSA and CSB for each dimension. It also shows the descriptors/questions associated with each benchmark level and the percentage score obtained for CSA and CSB.

Table 4.3

Analysis of each dimension by the benchmark levels

Comparison of CSA and CSB	Analysis of each dimension																														
<p><b>(1) Vision and Goal</b></p> <p>Legend: CSA (blue diamond), Benchmark (red square), CSB (green triangle)</p>	<table border="1"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1-2</td> <td>20</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q3-6</td> <td>40</td> <td>25</td> <td>45</td> </tr> <tr> <td>50%</td> <td>Q7-10</td> <td>95</td> <td>50</td> <td>95</td> </tr> <tr> <td>75%</td> <td>Q11-14</td> <td>90</td> <td>75</td> <td>100</td> </tr> <tr> <td>100%</td> <td>Q15-19</td> <td>84</td> <td>100</td> <td>80</td> </tr> </tbody> </table> <p>Dimension 1, Vision and Goal shows an overall score of 65.80% and 68.0% for CSA and CSB respectively. CSB perform slightly better than CSA. In terms of benchmark level, initiatives taken by CSA covers the most descriptors at 50% benchmark level while CSB covers the most at 75% benchmark level. To improve further, both cases need to do more in terms of descriptor Q15 and 19 where the all employees should behave in a way to achieve the organization’s vision and ethical action. Improvements can also be made to ensure that the ethics and integrity level of the organizations are frequently benchmarked. Improvements are also needed for Q5 where ethics should not be tolerated only because it would be politically incorrect to fail to mention.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1-2	20	0	20	25%	Q3-6	40	25	45	50%	Q7-10	95	50	95	75%	Q11-14	90	75	100	100%	Q15-19	84	100	80
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25%	Q4-7	70	25	60																											
50%	Q8-11	100	50	100																											
75%	Q12-16	92	75	80																											
100%	Q17-21	80	100	80																											



Table 4.3 continued.

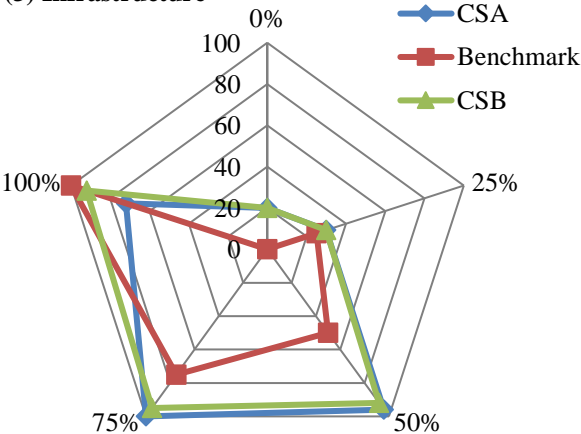
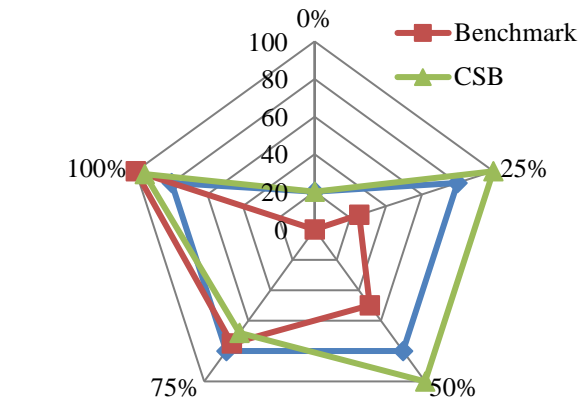
Comparison of CSA and CSB	Analysis of each dimension																														
<p><b>(3) Infrastructure</b></p>  <p>Legend: CSA (blue diamond), Benchmark (red square), CSB (green triangle)</p>	<table border="1" data-bbox="808 325 2027 512"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1</td> <td>20</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q2-3</td> <td>30</td> <td>25</td> <td>30</td> </tr> <tr> <td>50%</td> <td>Q4-8</td> <td>96</td> <td>50</td> <td>92</td> </tr> <tr> <td>75%</td> <td>Q9-12</td> <td>100</td> <td>75</td> <td>95</td> </tr> <tr> <td>100%</td> <td>Q13-17</td> <td>72</td> <td>100</td> <td>92</td> </tr> </tbody> </table> <p>Dimension 3, Infrastructure shows that an overall score for CSB higher 65.80% compare to CSA (59.60%). CSA need improvement for the pre-clearance of chief ethics and integrity officer by any member of management. Nevertheless, both cases score the most descriptor at 50% and 70% benchmark level. CSA needs to ensure the designated budget has been allocated to implement the integrity agenda.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1	20	0	20	25%	Q2-3	30	25	30	50%	Q4-8	96	50	92	75%	Q9-12	100	75	95	100%	Q13-17	72	100	92
Percentage	Descriptors	CSA	Benchmark	CSB																											
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75%	Q9-12	100	75	95																											
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<p><b>(4) Legal Compliance, Policies and Rules</b></p>  <p>Legend: CSA (blue diamond), Benchmark (red square), CSB (green triangle)</p>	<table border="1" data-bbox="808 834 2027 1021"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1</td> <td>20</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q2-4</td> <td>80</td> <td>25</td> <td>100</td> </tr> <tr> <td>50%</td> <td>Q5-8</td> <td>80</td> <td>50</td> <td>100</td> </tr> <tr> <td>75%</td> <td>Q9-13</td> <td>80</td> <td>75</td> <td>84</td> </tr> <tr> <td>100%</td> <td>Q14-17</td> <td>80</td> <td>100</td> <td>95</td> </tr> </tbody> </table> <p>Dimension 4, Legal Compliance, Policies and Rules shows that overall percentage of CSB scores is better than CSA with 79.80% and 68.00% respectively. Both CSA and CSB need to improve on (i) written policies and rules about ethics, integrity, and compliance (ii) adopting a code of conduct (or code of ethics) which outlines basic guidance about legal compliance for employees (iii) prepare the policies and rules in dual language Bahasa Melayu or English-language version; and (iv) ensure that organization’s code of conduct is global yet addresses legal variations across countries.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1	20	0	20	25%	Q2-4	80	25	100	50%	Q5-8	80	50	100	75%	Q9-13	80	75	84	100%	Q14-17	80	100	95
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Table 4.3 continued.

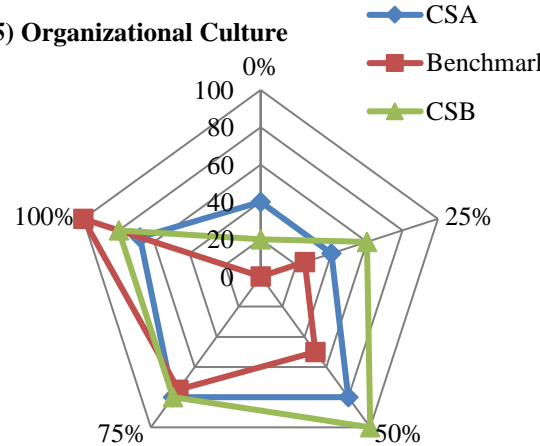
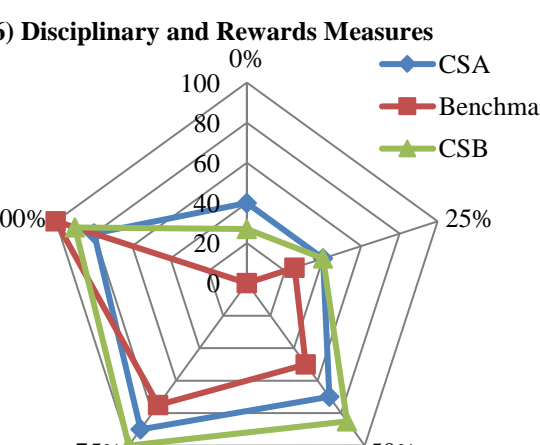
Comparison of CSA and CSB	Analysis of each dimension																														
<p><b>(5) Organizational Culture</b></p> 	<table border="1" data-bbox="806 319 2027 510"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1-3</td> <td>40</td> <td>0</td> <td>33</td> </tr> <tr> <td>25%</td> <td>Q4-7</td> <td>40</td> <td>25</td> <td>60</td> </tr> <tr> <td>50%</td> <td>Q8-11</td> <td>80</td> <td>50</td> <td>100</td> </tr> <tr> <td>75%</td> <td>Q12-15</td> <td>80</td> <td>75</td> <td>80</td> </tr> <tr> <td>100%</td> <td>Q16-17</td> <td>68</td> <td>100</td> <td>80</td> </tr> </tbody> </table> <p>Dimension 5, Organizational Culture shows that overall percentage of CSB is higher than CSA (61.60%). In terms of benchmark level, both score equally well at benchmark level 75%. To achieve 100% benchmark level, both CSA and CSB should improve on (i) justification on violations of rules and standards by referring to national culture or practice (ii) identification of integrity role models in the current leadership ranks as well as in the organization’s past leaders (iii) ensuring the organization is transparent about its commitments to ethics and integrity, and is willing to share both successes and failures with internal and external audiences. CSB needs to ensure that employees feel safe to speak out about wrongdoings of others in the organisation.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1-3	40	0	33	25%	Q4-7	40	25	60	50%	Q8-11	80	50	100	75%	Q12-15	80	75	80	100%	Q16-17	68	100	80
Percentage	Descriptors	CSA	Benchmark	CSB																											
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100%	Q16-17	68	100	80																											
<p><b>(6) Disciplinary and Rewards Measures</b></p> 	<table border="1" data-bbox="806 813 2027 1005"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1-3</td> <td>40</td> <td>0</td> <td>27</td> </tr> <tr> <td>25%</td> <td>Q4-5</td> <td>40</td> <td>25</td> <td>40</td> </tr> <tr> <td>50%</td> <td>Q6-9</td> <td>70</td> <td>50</td> <td>85</td> </tr> <tr> <td>75%</td> <td>Q10-13</td> <td>90</td> <td>75</td> <td>100</td> </tr> <tr> <td>100%</td> <td>Q14-20</td> <td>80</td> <td>100</td> <td>90</td> </tr> </tbody> </table> <p>Dimension 6, Disciplinary and Reward Measures shows an overall score of 64.00% and 68.33% for CSA and CSB respectively. CSB performs better than CSA and fulfilled most descriptors at benchmark level 75% and 100%. But, CSB should improve on imposing disciplinary measures when appropriate. CSA should also improve on the same descriptors as well as (i) always addresses consequences for unethical behaviour in the organization not only if it adversely impact business results (ii) directly addressed unfair treatment especially by management in the organization.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1-3	40	0	27	25%	Q4-5	40	25	40	50%	Q6-9	70	50	85	75%	Q10-13	90	75	100	100%	Q14-20	80	100	90
Percentage	Descriptors	CSA	Benchmark	CSB																											
0%	Q1-3	40	0	27																											
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Table 4.3 continued.

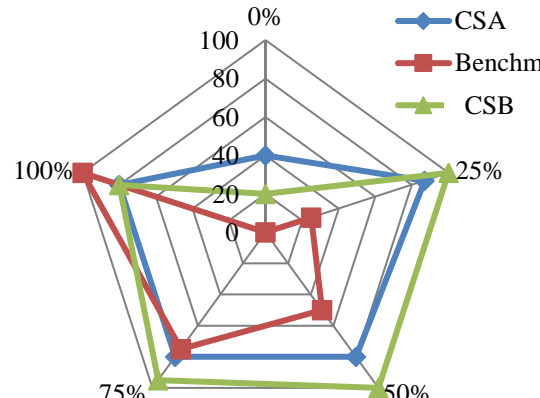
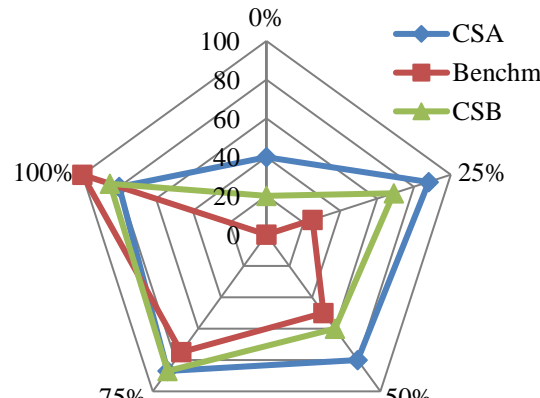
Comparison of CSA and CSB	Analysis of each dimension																														
<p><b>(7) Measurement, Research and Assessment</b></p> 	<table border="1" data-bbox="806 319 2027 518"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1</td> <td>40</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q2-4</td> <td>87</td> <td>25</td> <td>100</td> </tr> <tr> <td>50%</td> <td>Q5-8</td> <td>80</td> <td>50</td> <td>100</td> </tr> <tr> <td>75%</td> <td>Q9-12</td> <td>80</td> <td>75</td> <td>95</td> </tr> <tr> <td>100%</td> <td>Q13-Q17</td> <td>80</td> <td>100</td> <td>80</td> </tr> </tbody> </table> <p data-bbox="806 542 2027 782">For dimension 7, Measurement, Research and Assessment with an average score at 79.00% for CSB is higher than CSA 73.33%. Both cases should consider to (i) draw maximal distinctions between seeking ethical advice versus seeking legal advice (ii) encourage employees to speak directly to their leaders if they have questions about ethics, integrity, or compliance (iii) provide private office inside of the operational chain of command. Moreover, the leaders should (i) actively encourage staff to obtain ethics advice whenever he/she perceives or believes that an ethical issue has arisen (ii) ensure confidentiality of the ethics advisory process at all levels of the organization (iii) authorization of the integrity Unit for issuing “safe harbour” letters so that employees seeking advice are reassured that they cannot be disciplined because they relied upon that advice.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1	40	0	20	25%	Q2-4	87	25	100	50%	Q5-8	80	50	100	75%	Q9-12	80	75	95	100%	Q13-Q17	80	100	80
Percentage	Descriptors	CSA	Benchmark	CSB																											
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75%	Q9-12	80	75	95																											
100%	Q13-Q17	80	100	80																											
<p><b>(8) Confidential Advice and Support</b></p> 	<table border="1" data-bbox="806 829 2027 1029"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1</td> <td>40</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q2-5</td> <td>88</td> <td>25</td> <td>69</td> </tr> <tr> <td>50%</td> <td>Q6-9</td> <td>80</td> <td>50</td> <td>60</td> </tr> <tr> <td>75%</td> <td>Q10-12</td> <td>87</td> <td>75</td> <td>87</td> </tr> <tr> <td>100%</td> <td>Q13-16</td> <td>80</td> <td>100</td> <td>85</td> </tr> </tbody> </table> <p data-bbox="806 1053 2027 1141">Dimension 8, Confidential Advice and Research shows that the overall percentage obtained by CSA and CSB are 71.33% and 61.33% respectively. None of the cases fulfilled hundred percent of the descriptors for each benchmark.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1	40	0	20	25%	Q2-5	88	25	69	50%	Q6-9	80	50	60	75%	Q10-12	87	75	87	100%	Q13-16	80	100	85
Percentage	Descriptors	CSA	Benchmark	CSB																											
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50%	Q6-9	80	50	60																											
75%	Q10-12	87	75	87																											
100%	Q13-16	80	100	85																											

Table 4.3 continued.

Comparison of CSA and CSB	Analysis of each dimension																														
<p><b>(9) Ethics, Training and Education</b></p>	<table border="1"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1</td> <td>40</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q2-3</td> <td>60</td> <td>25</td> <td>50</td> </tr> <tr> <td>50%</td> <td>Q4-8</td> <td>48</td> <td>50</td> <td>68</td> </tr> <tr> <td>75%</td> <td>Q9-14</td> <td>77</td> <td>75</td> <td>93</td> </tr> <tr> <td>100%</td> <td>Q15-18</td> <td>80</td> <td>100</td> <td>80</td> </tr> </tbody> </table> <p>Dimension 9, Ethics, Training and Education shows that overall score for CSA is 60.93% which is slightly lower compare to CSB which is 62.27%. In terms of benchmark level, none of them fulfilled hundred percent of descriptors. Yet, CSB score higher than CSA at 75% level. Both should improve on training programs of integrity and focus on informing employees about policies and meeting legal requirements. To achieve 100% benchmark level, both organizations should improve on (i) staff of the integrity function to help design, develop, deliver, and reinforce the learning from training (ii) providing minimum number of state-of-the-art integrity training per year to all board members all employees.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1	40	0	20	25%	Q2-3	60	25	50	50%	Q4-8	48	50	68	75%	Q9-14	77	75	93	100%	Q15-18	80	100	80
Percentage	Descriptors	CSA	Benchmark	CSB																											
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<p><b>(10) Ethics Communication</b></p>	<table border="1"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1</td> <td>40</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q2-Q4</td> <td>87</td> <td>25</td> <td>67</td> </tr> <tr> <td>50%</td> <td>Q5-7</td> <td>80</td> <td>50</td> <td>80</td> </tr> <tr> <td>75%</td> <td>Q8-12</td> <td>80</td> <td>75</td> <td>80</td> </tr> <tr> <td>100%</td> <td>Q13-18</td> <td>90</td> <td>100</td> <td>80</td> </tr> </tbody> </table> <p>Dimension 10, Ethics Communications showed that CSA percentage is 75.33% higher than CSB is 65.33%. In terms of benchmark level, none of them are fully achieved. CSA score higher at benchmark level 100%, but, it can be improved more by sponsoring events that promote ethical business conduct and increase awareness. Both CSA and CSB should improve on the descriptors listed in benchmark level 25% since they score more than 50%. This can be done by encouraging the managers to talk about integrity informally or on an ad hoc basis.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1	40	0	20	25%	Q2-Q4	87	25	67	50%	Q5-7	80	50	80	75%	Q8-12	80	75	80	100%	Q13-18	90	100	80
Percentage	Descriptors	CSA	Benchmark	CSB																											
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Table 4.3 continued.

Comparison of CSA and CSB	Analysis of each dimension																														
<p><b>(11) Whistleblowing</b></p>	<table border="1"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1-2</td> <td>30</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q3-5</td> <td>73</td> <td>25</td> <td>93</td> </tr> <tr> <td>50%</td> <td>Q6-10</td> <td>84</td> <td>50</td> <td>100</td> </tr> <tr> <td>75%</td> <td>Q13-14</td> <td>80</td> <td>75</td> <td>95</td> </tr> <tr> <td>100%</td> <td>Q15-18</td> <td>80</td> <td>100</td> <td>80</td> </tr> </tbody> </table> <p>Dimension 11, Whistle blowing shows overall scores of 69.47% and 77.67% for both CSA and CSB respectively. CSB performs better than CSA especially at benchmark level 50%. However, CSB needs to improve on the organizational policies about protecting employees from retaliation or retribution. Other approach should be considered to make the employees able to directly to speak about unethical behaviour or misconduct. CSB also should improve on the policy that encourages employees to follow the “chain of command” when facing workplace issues. This is also applied to CSA. CSA should also improve on encouraging or supporting anonymous complaint regarding unethical behaviour. To achieve 100% benchmark level, both CSA and CSB should have the supervisors and managers receive training on how to recognize and prevent retaliation. CSA and CSB should also consider on victims of retaliation to be fully compensated for loss sustained.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1-2	30	0	20	25%	Q3-5	73	25	93	50%	Q6-10	84	50	100	75%	Q13-14	80	75	95	100%	Q15-18	80	100	80
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<p><b>(12) Accountability</b></p>	<table border="1"> <thead> <tr> <th>Percentage</th> <th>Descriptors</th> <th>CSA</th> <th>Benchmark</th> <th>CSB</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Q1</td> <td>40</td> <td>0</td> <td>20</td> </tr> <tr> <td>25%</td> <td>Q2-3</td> <td>80</td> <td>25</td> <td>100</td> </tr> <tr> <td>50%</td> <td>Q4-5</td> <td>80</td> <td>50</td> <td>100</td> </tr> <tr> <td>75%</td> <td>Q6-7</td> <td>80</td> <td>75</td> <td>100</td> </tr> <tr> <td>100%</td> <td>Q8-10</td> <td>87</td> <td>100</td> <td>100</td> </tr> </tbody> </table> <p>Dimension 12, Accountability shows that CSB score higher than CSA with 84.00% and 73.337% percentage respectively. In terms of benchmark level, CSB perform better at level 50%, 75% and 100%; but it has to improve the reactions or response to audit/officials inquiries and discloses information when the disclosure serves its interest. This recommendation is also applied to CSA. Another improvement CSA should consider is: to provide in forms for things that have been verified by credible and reputable independent parties and comply with procedure.</p>	Percentage	Descriptors	CSA	Benchmark	CSB	0%	Q1	40	0	20	25%	Q2-3	80	25	100	50%	Q4-5	80	50	100	75%	Q6-7	80	75	100	100%	Q8-10	87	100	100
Percentage	Descriptors	CSA	Benchmark	CSB																											
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100%	Q8-10	87	100	100																											

As shown in Figure 4.2, CSB performed better than CSA in almost all dimensions except for dimensions of Leadership, Confidential Advice and Support, and Ethics Communication where CSA scores higher percentage. Therefore, it is highly recommended that CSB focus more on these three dimensions. On the other hand, CSA needs more improvement on all dimensions with less focus on the following dimensions: (i) Leadership; (ii) Confidential Advice and Support and (iii) Ethics Communication.

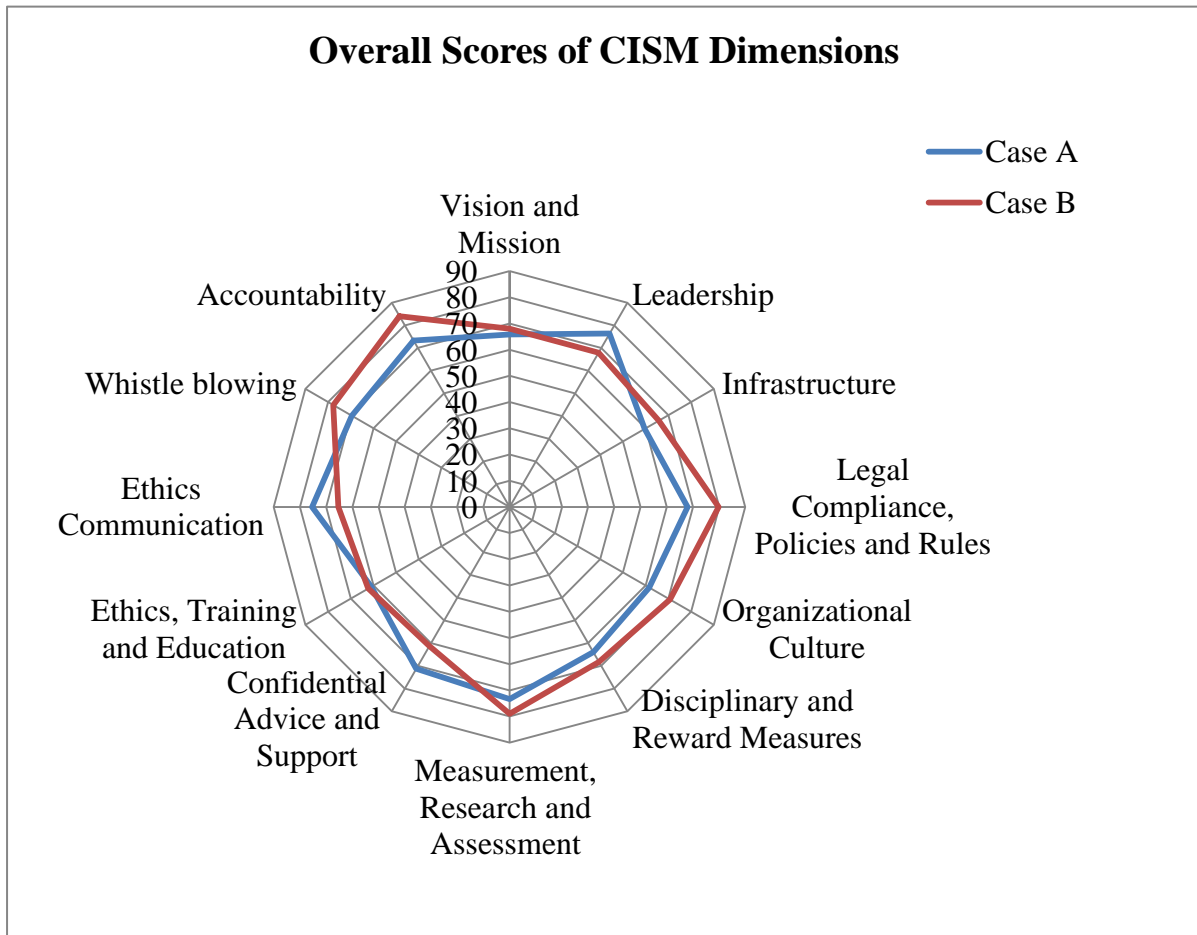


Figure 4.2. Overall scores of CISM Dimension.

**Role of CIU and its Impact on Management Accounting**

Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and

implementation of an organization's strategy. The management accounting field has advanced considerably from a transaction and compliance to that of a strategic business partner i.e. to be stewards of corporate performance management, planning, and budgeting; champions of the corporate governance process, providing risk management, internal control, and financial reporting at a time of great change; and experts in cost management methods that help the organization become more competitive and successful (Institute of Management Accountants, 2008).

Organization performance, on the other hand, has been recognized as a key influence on investment decisions and is also one of the indicators for management performance. Organization performance is used as a measurement to reflect management's effectiveness and efficiency in resource allocation, aiming ultimately at maintaining a sustainable firm performance (Teoh, 2009). The issues of globalization, transparency, integrity and improvement of government service delivery increase the need for governance and accountability of organizations, which leads to the importance of the existence of a quality internal audit function in the organisation (Goodwin, 2004). Following events such as the financial crisis and accounting scandals, the roles of internal control in corporate governance and firm performance has expanded (Shenkir & Walker, 2006).

In this study, chief integrity Unit (CIU) through its integrity unit / portfolio serves as the internal control of the organizations. According to Case Study A (CSA), the integrity unit acts as the Disciplinary Committee for corrective measures. Prior to that, CSA is required to plan and conduct program on ethics and integrity to raise the awareness and accountability of the organizations. CSA works closely with Internal Audit Unit of Public Sector A (PSA) in order to enhance the level of ethics and integrity as well as to prevent corruption or misconduct of accounting management. Internal audit unit of PSA will carry out their audit plan and detect

any issues that are supposed not to happen. Once the report is filed, the integrity unit will take charge and bring this matter to the top management and Malaysian authorities.

On the other hand, the case study B (CSB) shows a different structure of integrity unit where it actually merged under the internal audit division of Public Sector B (PSB). Carrying out two and more portfolios does not affect the impact of Chief Integrity Unit on the level of ethics and integrity. CIU of CSB has adequate experiences in audit and this enable her to carry out her role as CIU effectively. They are able to detect the few fraud cases related to management accounting that happens within the organization and prevent further issue from becoming worst. Several precautions such as the rule of 60% take home pay are suggested to management and are successfully carried out by the organization.

### **Limitation and Conclusion**

This study employed a case study method focusing on only two organizations, and thus results could not be generalizable to all Malaysian public sector organizations. Thus, in future, an empirical quantitative study can be conducted to examine the factors that can lead to a higher level of ethics and integrity in the organisation. A focus group or in depth interview with a larger sample and different types of organizations can also be conducted to explore the level of ethics of the organisation and what could be done to improve it.

In summary, both case study A and B are public sector organizations i.e. State Government and State Statutory Body with huge responsibilities of uplifting the economic and social well-being of the local citizenship of the State. Therefore, level of ethics and integrity is an important priority, to ensure that the public sector organisations are able to fulfil their responsibilities. . Both organizations need to be perceived to have a high level of ethics and integrity by the public. A Chief Integrity Unit (CIU) plays an important role as a preventive and corrective mechanism to the management especially in the public sector organizations as



they are tasked to be accountable and responsible for the taxpayers' welfare. The CIU is seen as an agent to ensure that all the twelve dimensions of level of ethics and integrity, namely (1) Vision and Goals; (2) Leadership; (3) Infrastructure; (4) Legal Compliance, Policies and Rules; (5) Organizational Culture; (6) Disciplinary and Reward Measure; (7) Whistleblowing; (8) Measurement, Research and Assessment; (9) Confidential Advice and Support; (10) Ethics Training and Education; (11) Ethics Communications; (12) Accountability can be improved. With improvements in the twelve dimensions, the level of ethics and organisation can be improved.

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