

KUALA LUMPUR (March 6): Malaysia's auditor general on Wednesday flagged going-concern issues at two federal government agencies Federal Land Development Authority (Felda) and PR1MA Corp Malaysia.

Both Felda and PR1MA face "going concern" issues — an accounting parlance that casts doubt on an organisation's resources and income to stay afloat — based on levels of debt and reliance on government aid, the auditor general said in a statement following the release of the 2022 Auditor General Report.

Felda tops federal agencies with highest deficit of RM1.01 bil

Felda is now the federal agency reporting the highest deficit at RM1.01 billion, according to Auditor General Wan Suraya Wan Mohd Radzi in the report.

Felda's expenditures in 2022 amounted to RM1.947 billion, surpassing its income of RM942 million, which was further offset by an increased impairment of RM742 million, resulting in a current deficit of RM1.005 billion.

The heightened impairment was attributed to the devaluation of investment value by RM380 million, outstanding amounts from subsidiary companies totalling RM193 million, and settler debts of RM147 million.

Four other agencies with the highest defi-

AG flags going-concern issues at Felda, PR1MA

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cits in 2022, highlighted in the AG's Report, were the Electric Industry Fund (KWIE), the Railway Assets Corporation (RAC), the National Trust Fund Group (KWAN), and Kuala Lumpur City Hall (DBKL).

KWIE incurred expenses totalling RM1.015 billion, surpassing its income of RM25 million, leading to a current deficit of RM990 million in 2022.

The deficit was due to KWIE not receiving any revenue from excess electricity tariff rebates or charges due to increased fuel costs. Additionally, KWIE's funds were utilised to cover rebate expenses as a mitigation plan to minimise the impact of electricity tariffs on consumers, as reported in the AG's Report.

The RAC reported expenses of RM641 million exceeding income of RM157 million, resulting in a current deficit of

RM484 million, due to a decline in revenue from the sale of second-hand goods amounting to RM162 million in 2022.

For KWAN, its expenses in 2022 totalled RM922 million, surpassing income of RM569 million, resulting in a current deficit of RM353 million. This occurred due to expenses related to the acquisition of Covid-19 vaccines amounting to RM896 million.

DBKL, meanwhile, experienced expenses of RM2.792 billion surpassing income of RM2.51 billion, resulting in a current deficit of RM283 million. This was attributed to an increase in service and supply expenses amounting to RM267 million for the maintenance of facilities and public housing, as well as city cleaning.

The AG's report also indicated that the Employees Provident Fund (EPF) had a surplus income of RM35.72 billion, leading the government agencies with a surplus in 2022, followed by Bank Negara Malaysia (RM6.99 billion), the Public Sector Home Financing Board (LPPSA; RM2.6 billion), Lembaga Tabung Haji (RM1.93 billion), and Bank Rakyat (RM1.8 billion).

PR1MA may struggle to repay RM1.75b sukuk in October

The Ministry of Housing and Local Government's PR1MA, meanwhile, may struggle to repay the second tranche of its sukuk, amounting to some RM1.75 billion, maturing in October this year.

According to the AG's report, PR1MA has an Islamic medium term note loan repayment, with balances which amounted to RM3.792 billion (2021: RM4.542 billion).

"PR1MA needs to pay the debts by the year 2027, including Sukuk Tranche 2 amounting to RM1.750 billion, which will mature in October 2024.

Based on cash and cash equivalent amounting to RM428 million as at Dec 31, 2022, PR1MA "will encounter difficulties to repay the Sukuk Tranche 2," said the report.

PR1MA incurred a net loss amounting to RM257 million and recorded liabilities amounting to RM5.746 billion in 2022.

The audit recommends that PR1MA re-evaluate their development strategy of residential and commercial projects based on current needs and market conditions, to ensure marketability of completed residential and commercial units to be able to achieve PR1MA's project development objectives.

The audit also suggested for PR1MA to ensure that cash projections from the sales of residential and commercial units can be achieved to fund operational activities, besides settling the Sukuk Tranche 2 amount.

10 agencies had total borrowings of RM122.39 bil

The report tabled to the Parliament on Wednesday covers 130 financial statements by government agencies for the year 2022 out of 140 submitted for audit. Four federal agencies have yet to submit their statements due to "financial system network disruption" and delay in appointment of board chairman.

The AG issued unmodified opinions — which generally means that auditors saw no issues with the statements presented — for 116 of the agencies. However, 14 of the federal agencies were given modified opinions comprising 13 qualified opinions and one adverse opinion.

Of the 130 audited statements, the AG said special attention should be given for financial performance of federal agencies for current surplus or deficit, asset and liabilities, federal government grants, borrowings and investments in subsidies.

The AG noted that 10 agencies had the highest borrowings totalling RM122.39 billion, of which four still owed the federal government RM5.34 billion though three of the four have rescheduled their repayments.

The one with the most borrowings among them is Public Sector Home Financing Board (LPPSA) with RM62.08 billion borrowings, followed by the National Higher Education Fund or PTPTN (RM41.5 billion), Felda (RM8.66 billion), PR1MA (RM3.79 billion), Port Klang Authority (RM3.47 billion), Malaysian Highway Authority (RM767 million), Social Security Organisation or Socso (RM708 million), Malaysian Timber Industry Board (RM694 million), RAC (RM420 million) and Bank Simpanan Nasional (RM300 million).

Federal agencies that report the highest deficits in 2022

Agency	Deficit (RM bil)	Percentage (%)
Federal Land Development Authority (Felda)	1.01	32.3
Electric Industry Fund (KWIE)	0.99	31.8
Railway Assets Corporation (RAC)	0.48	15.5
National Trust Fund (KWAN)	0.35	11.3
Kuala Lumpur City Hall (DBKL)	0.28	9.1

Source: Auditor General's Report 2022

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