IN THE RED

CONCERN OVER FELDA AND PR1MA'S HEALTH

AG says they are facing ongoing issues, with high debt levels and reliance on govt assistance

KUALA LUMPUR

THE Auditor General (AG) has raised concerns over the financial health of the Federal Land Development Authority (Felda) and PR1MA Corp Malaysia.

"They (Felda and PR1MA) face ongoing issues based on their level of debts and reliance on government assistance," AG Datuk Wan Suraya Wan Mohd Radzi said yesterday.

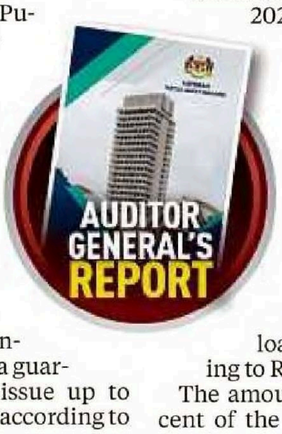
Datuk Wan Suraya Wan Mohd Radzi

The assistance from the government comes in the form of grants, loans, and guarantees.

The 2022 AG's Report highlighted that Felda incurred an increased net loss of RM1.005 billion in 2022, almost double that of its RM545 million net loss in 2021.

PR1MA logged a net loss of RM257 million in 2022, with liabilities that have now increased to RM5.7 billion.

In June last year, Putrajaya agreed to restructure Felda's debts through the issuance of sukuk and revolving credit to restore the state oil palm plantation agency's finances.



In July, it was reported that the government would provide a guarantee for Felda to issue up to RM9.9 billion sukuk, according to the Finance Ministry.

In a statement, the ministry said the government would set aside up to RM1 billion annually for the redemption of Felda sukuk.

The sukuk, among others, will finance the settlement of Felda settlers' debts.

PR1MA has reportedly struggled to complete some projects and clear its inventory.

Last May, the government said it would ensure there would not be any more sick PR1MA projects by 2024.

Meanwhile, Analysis of Financial Statements of Federal Agencies for the Year 2022 revealed that Felda, the National Trust Fund (KWAN) and Kuala Lumpur City Hall were among five federal agencies that recorded the highest deficit in 2022.

The others were Kumpulan Wang Industri Elektrik (KWIE) and the Railway Asset Corp (RAC).

The five agencies, the report said, recorded a combined total of RM3.115 billion in deficit for 2022.

Felda's RM1.005 billion deficit was followed by KWIE at RM990 million and KWAN at RM353 million. City Hall's stood at RM283 million.

The report also named 10 federal agencies that had loan balances amounting to RM122.388 billion.

The amount made up 99.4 per cent of the RM123.137 billion of the loan balances of 24 federal agencies audited for 2022.

The federal agencies with the highest loan balances were the Public Sector Home Financing Board (LPPSA) at RM62.083 billion followed by the National Higher Education Fund Corp (PTPTN) at RM41.500 billion, Felda at RM8.569 billion, PR1MA at RM3.792 billion and Port Klang Authority (PKA) at RM3.465 billion.

Also included on the list were the Malaysian Highway Authority (MHA), the Social Security Organisation (Socso), the Malaysian Timber Industry Board (MTIB), RAC and Bank Simpanan Nasional.

PKA, MHA, Felda and RAC recorded RM5.338 billion in loan balances from the Federal Government.

"Audit analyses conducted also found that three federal agencies had made new borrowings amounting to RM10.708 billion from financial institutions in 2022."

The report said the agencies that made the new borrowings were LPPSA, PTPTN and Socso.

"The audit analyses found that two of the three federal agencies made the new borrowings for the purpose of settling repayments of loans, that have reached their maturity dates."

It said this situation would expose them to the risk of increasing their commitments, which would impact their capability to settle the loans.

Meanwhile, Wan Suraya said four federal agencies had yet to submit their 2022 financial statements.

She said this was due to issues linked to the financial system network and delays in appointing board members for the respective bodies.

In total, 140 federal agencies submitted their 2022 financial statements, of which 130 have been certified.

She said 116 federal agencies' financial statements were issued the AG's Certificate with an unmodified opinion, while 14 were issued the AG's Certificate with a modified opinion, comprising 13 qualified opinions and one adverse opinion.

Wan Suraya said federal agencies with weaknesses in their financial statement preparation also received attention in the report, especially those receiving the AG's Certificate with a modified opinion for three consecutive years, from 2020 to 2022.

"Among other issues, these agencies have failed to comply with accounting standards, maintained weak financial record-keeping, and encountered financial system problems," she said.