

MANAGEMENT OF SPECIAL PURPOSE VEHICLES (SPVs)

Main Points

What we examined?

- The audit was on Special Purpose Vehicles (SPVs) under the Minister of Finance (Incorporated) [MKD] which carried out specific functions on behalf of the Malaysia Government. The incorporation of SPVs is in accordance with the approval of the YB Minister of Finance based on the Minister of Finance (Incorporation) Act 1957 [Act 375] or the decision of the Cabinet Meeting or the decision of the Economic Action Council or the Budget Speech.
- The audit was on activity performance, corporate governance practices and management of SPVs activities for a period of years 2018 to June 2021.
- Two aspects assessed for activity performance are output and specific functions. The output achievement was assessed based on the SPVs' performance in carrying out its activities while the achievement of the specific functions was assessed based on the achievement of the specific functions in line with the approval obtained.
- The corporate governance practices involved assessing the SPVs' compliance with the Guidelines for Board Members Appointed by the Minister of Finance (Incorporated) [MKD Handbook] and the Companies Act 2016.
- To evaluate activity management, five SPVs were selected from each category, namely for sukuk issuance: DanaInfra Nasional Berhad (Danainfra); for financing management: Pembinaan PFI Sdn. Bhd. (PPFI); for strategic investment: Piramid Pertama Sdn. Bhd. (Piramid); for acquisition: Actius Terra Global Holdings Sdn. Bhd. (Actius Terra); and for special schemes: Perwaja Terengganu Sdn. Bhd. (PTSB).

Why is it important to audit?

- As at December 2021, the Federal Government had an interest of more than 50% paid up share capital amounted to RM2.394 billion in 26 SPVs.
- To evaluate whether the achievements and implementations of specific functions of the SPVs are in line with the approvals given.
- To evaluate good corporate governance practices.

What we found?

- In total, five SPVs (20%) had successfully achieved their specific functions while 18 SPVs (72%) are still performing their specific functions. Two SPVs (8%) have changed their specific functions.

- SPVs' compliance with the existing MKD Handbook is at minimum level because the characteristics and criteria of SPVs are different from other companies.
- The exemption for the SPVs' Board Members compliance to the MKD Handbook and Guidelines for the SPVs' Board Members Appointed by MKD were approved by the Minister of Finance on 15 July 2022.
- The Audit findings on the evaluation of the activity management for five SPVs are as follows:
 - the balance of fund from the share sale and purchase transactions recorded by Pyramid differs from the debt balance recorded in the financial statements of the Federal Government;
 - Actius Terra did not carried out the previous specific function but instead had been repurposed to another function; and
 - the cash payment by Tabung Amanah Warisan Negeri Terengganu (TAWNT) amounting to RM126.50 million has yet to be received.

What do we recommend?

- The parties involved should consider the following recommendations:
 - to monitor the compliance of Guidelines for the SPVs' Board Members Appointed by MKD to ensure good corporate governance practices and activities can be managed in an orderly and efficiently manner;
 - to reconcile the difference between the fund balance of the share sale and purchase transactions recorded by Pyramid with the debt balance recorded in the financial statements of the Federal Government; and
 - to follow up with the Terengganu state authority on the loan payment by TAWNT amounting to RM126.50 million which is still outstanding.