

SYARIKAT JAMINAN PEMBIAYAAN PERNIAGAAN BERHAD

Main Points

What we examined?

- Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) was established on 26 March 2009 as a Special Purpose Vehicle (SPV) wholly owned by the Minister of Finance (Incorporated) [MKD]. The mandate of SJPP is to manage and administer the Government guarantee scheme under the Second Economic Stimulus Package announced in the Budget 2009. The purpose of this scheme is to enable Small and Medium Enterprises (SMEs) to access funding facilities from the financial institutions involved.
- The performance and management of SJPP's main activities evaluated are business financing guarantee activities for the period 2019 to May 2022.
- Two aspects that are assessed for activity performance are output and outcome achievement. Output achievement is assessed based on the Key Performance Indicator (KPI) and the outcome achievement is based on the contribution of financing guarantees for SMEs to the Gross Domestic Product (GDP).
- For the management of business financing guarantee activities, the three aspects assessed are the application and approval of financing guarantee; a collection of guarantee fees; and financing guarantee claims.
- Evaluation of eight aspects of corporate governance best practices namely the Chairman, the Board of Directors (BOD), the Principal Officer, the Company Secretary, the Business Plan and KPI, the Standard Operating Procedures, the Audit Committee and the Internal Audit was conducted for the period 2019 to May 2022.
- Financial position analysis was conducted on the audited financial statements for the years 2019 and 2020 as well as the unaudited financial statements for the year 2021.

Why is it important to audit?

- SJPP provides guarantees to financial institutions for approved financing to eligible SME in line with Government policy.
- As of May 2022, SJPP has been allocated a total of RM81 billion financing limit Government guarantees to manage 11 Government guarantee schemes for SMEs since 2009. Eight Government guarantee schemes are still active while three schemes have been closed. Total distribution to the financial institutions for SMEs is RM79.500 billion.

- For the period 2009 to February 2022, SJPP has approved a total of RM50.313 billion applications for financing guarantees by financial institutions involving 69,293 accounts. A total of RM42.628 billion (84.7%) of financing was disbursed to SMEs by the financial institutions with a total guarantee of RM31.846 billion.
- From the establishment of SJPP in 2009 to February 2022, financing guarantee net claims payments to financial institutions amounted to RM587.02 million (1.4%) compared to a total of RM42.628 billion in financing disbursed to SMEs.

What we found?

- Overall, SJPP has achieved the objectives of its establishment through the achievement of outputs, namely the target amount of funding approved and guarantee claims paid.
- The outcome achievement shows the positive impact of Government guarantees schemes through SJPP in the contribution of SMEs to the national GDP at 38.9% (2019) and 38.2% (2020).
- The increase in fee collection of the financing guarantee scheme contributed to the company's strong financial position and enabled the payment of dividends to MKD as well as having surplus funds to be channeled for the needs of guarantee claims.
- The management of financing guarantee activities in terms of application and claim process duration experienced delays due to the Covid-19 pandemic. In addition, there were errors in the calculation of the guarantee fee that caused the guarantee fee to be over/under collected.
- SJPP's corporate governance practices are at a satisfactory level with control mechanisms at the Prokhas Sdn. Bhd. (Prokhas) level and direct monitoring by MKD.

What do we recommend?

- Stakeholders should consider the following recommendations:
 - to utilize the company's surplus funds to meet the needs of the guarantee scheme claim in the future;
 - to ensure thorough review and verification of guarantee fees to avoid risk of misstatement of SJPP's financial position reporting; and
 - to improve corporate governance in the aspects of the payment rate of BOD meeting allowances and the involvement of the BOD in the strategic planning of SJPP.