

MALAYSIA DEBT VENTURES BERHAD

Main Points

What we examined?

- Malaysia Debt Ventures Berhad (MDV) was established under the Companies Act 1965 [*Act 125*] on 23 April 2002 as company limited by shares.
- As of 31 December 2021, paid-up capital MDV amounting to RM500 million whereby majority shares owned by Minister of Finance (Incorporated). MDV is regulated by the Ministry of Science, Technology and Innovation. MDV's mandate is to provide financing facilities to all technology-driven companies/projects/contracts.
- Assessment of the activity performance involves output and outcome achievement. Output achievement was assessed based on Corporate's Key Performance Indicators (KPI) as well as utilisation and repayment of borrowed fund. Meanwhile, the outcome achievements were assessed based on the financing impacts, corporate/strategic planning, and dividend payout to the shareholders.
- Activity management was assessed based on two aspects, namely, management and monitoring mechanism of financing facilities. Management of financing facilities consisted of credit risk grading and Notice of Assignment (NoA) whereas monitoring mechanism consisted of collections, non-performing financing (NPF) and write-off NPF.
- Evaluation of nine aspects of good corporate governance was carried out for the year 2019 until 2022.
- The financial position was analysed based on the audited financial statements for the financial year ended 2019, 2020, and 2021.

Why is it important to audit?

- To assess the level of achievement of MDV's establishment objectives through its core activities as financial provider to all technology-driven companies/projects/contracts.
- MDV acquired financial capital by means of borrowings amounting to RM2.144 billion and grant amounting to RM88.90 million to implement the company's operations whereas disbursement of financing totaling RM2.143 billion.

What we found?

- Overall, MDV has achieved the objectives of establishment in providing financing to technology-driven companies/projects/contracts. Nevertheless, whether the financed projects had achieved the objectives could not be determined, as MDV was not mandated to evaluate their achievement.
- MDV has achieved the target of Corporate KPI for the year 2019 to 2021 but not for the year 2022, with the achievement of 78.3% compared to 80%.
- The performance of utilisation and repayment of borrowed fund was satisfactory since fund was being obtained, utilised and repaid.
- The outcome achievements consisted of corporate/strategic planning, and dividend payout to shareholders were at a satisfactory level. However, the financing impact at MDV's level could not be determined.
- The management of financing facilities revealed that:
 - the management of credit risk grading was efficient, as the assessment was done in accordance with the policy; and
 - the management of Notice of Assignment (NoA) was inefficient due to the MDV's weaknesses that allowed one borrower to amend the statement in the template NoA for its own benefit, causing the interest of MDV to be omitted and suffering financial loss before tax of RM18.60 million for the year ended 31 December 2022.
- The monitoring mechanism of financing facilities revealed that:
 - the management of collections was inefficient due to either the reminder notices were not issued or the delayed in sending out the reminder notices to the borrowers between two to 17 days.
 - the management of NPF was inefficient because the target of gross NPF/gross impaired financing (GIF) for the year 2019, 2021, and 2022 were failed to be met; and
 - the management of bad debt written-off was inefficient because only 66.7% of sample accounts complied with the policy of writing down or writing off non-performing financing (NPF).
- MDV's corporate governance practices were at a satisfactory level. Five of the nine aspects were not fully practiced, namely the board of directors, the company secretary, the audit committee, the corporate plan/strategic plan, and the standard operating procedures.

What do we recommend?

- The stakeholders shall consider the recommendations as follows:
 - set the target for technology sectors' impact at company's level so that it could be evaluated and to present the achievement of strategic plan to the Board of Directors for monitoring.
 - MOF plays an important role in ensuring that the interests of the Government are safeguarded, such as the dividend payout by the company commensurate with the investments made by the Government.
 - to comply with the minimum credit risk grading as the financing approval's prerequisite and send out the reminder notices according to the period to minimise the risk of account turn into NPF status.
 - to ensure thorough check on NoA prior to approval and enhance the Disbursement SOP with factoring methods as per Treasury Circular (PK6).
 - to follow up on the misuse case of NoA, which incurred the outstanding financing of RM17.10 million, to the concluding stage.
 - to ensure the write-off policy has been complied with prior to writing off an account.
 - to enhance the corporate governance practices in the aspects of Board of Directors' learning programme, the role of Company Secretary, and the meeting between Board Audit Committee with Internal Auditor without the presence of management.