

UiTM HOLDINGS SDN. BHD.

Main Points**What we examined?**

- UiTM Holdings Sdn. Bhd. (UiTM Holdings) is a Company Limited By Shares established on 5 June 2007 under the Companies Act 1965 [Act 125] with an initial paid-up capital of RM2 and increased to RM259.98 million as of 31 December 2022. The paid-up capital consists of ordinary shares amounting to RM124.38 million and Islamic Accumulated Redeemable Convertible Preferences Shares amounting to RM135.60 million. UiTM Holdings is a wholly owned company of Universiti Teknologi MARA (UiTM) which is regulated under the Ministry of Higher Education.
- The assessment of performance and management of UiTM Holding's main activity is on investment in subsidiary companies for the period of 2019 to March 2023.
- The two aspects that were evaluated for activity performance are output achievement and outcome achievement. Key performance indicators (KPI); investment performance in subsidiary companies; and financial performance of the UiTM Holdings Group are the three elements measured for output achievement. While the achievement outcome was evaluated based on two aspects which are the annual dividend return to UiTM; and UiTM's electricity cost savings.
- Assessment of activity management was based on four aspects namely capital injection from UiTM; investment activities in the field of Energy; investment activities in the field of Healthcare; as well as investment strategic direction.
- Evaluation of nine elements of corporate governance which are the Chairman; Board of Directors; Group Chief Executive Officer; Company Secretary; Business Plan and KPI; Standard Operating Procedures; Audit and Risk Committee; Internal Audit; as well as the Nomination and Remuneration Committee were made for the period of 2019 to March 2023.
- Analysis of the financial position was carried out on the audited financial statements from 2019 to 2022.

Why is it important to audit?

- UiTM Holdings has been mandated to create wealth for UiTM, to create investment opportunities and to improve the strategic position of the company's core business. The objective of its establishment is to be a holding company for investments or hold shares, debentures, loans, bonds and others that are issued or guaranteed by the government or other parties locally and overseas; advisor and consultant to the government and other parties in the field of education; and to run general businesses.

- As of 31 December 2022, UiTM has invested a total of RM259.98 million in UiTM Holdings in the form of capital injection and loan to equity conversion.

What we found?

- Overall, UiTM Holdings has not yet fully achieved the mandate and objectives of its establishment in fulfilling its role as an investment holding company in its subsidiary companies, which provide returns to UiTM.
 - The output performance was not satisfactory from the aspect of KPIs which have not met the target and not monitored by the Board of Directors of UiTM Holdings as well as the investment in subsidiary companies have impaired up to 52%. The financial position of the UiTM Holdings Group was less stable within the evaluated period.
 - The outcome in terms of dividend return to UiTM could not be evaluated yet. However, the outcome from the solar rooftop power generation project was effective.
- The management of investment activities in the aspect of capital injection by UiTM was improper due to no approval obtained from the Minister of Finance.
- Investment activities in the field of Energy were less efficient. There were weaknesses in the implementation of the large scale solar electric power generation and rooftop solar projects as follows:
 - the conversion of the UiTM Solar Park I's land category status to industry status has not yet been completed even though the project has been fully operated since 2019 resulted fine and quit rent totaling of RM14.69 million imposed by the Pejabat Daerah dan Tanah Kuantan;
 - serious soil erosion occurred at UiTM Solar Park I and UiTM Solar Park II;
 - the cable installation which was not perfectly sealed had caused frequent cable loss incidents due to pests at UiTM Solar Park II that led to revenue loss of RM415,019 and cable replacement of RM98,055 for the period of 2022 to March 2023; and
 - 41% of construction defect complaints related to the solar rooftop projects have yet to be rectified and need further discussion.
- Investment activities in the field of Healthcare as a whole were inefficient. There were weaknesses in the implementation of its activities as follows:
 - the existing UiTM Private Specialist Center (UPSC) private hospital license is renewed passed schedule;

- target of specialist doctor visits was not achieved with shortages of sessions between 12 and 14 sessions compared to the targeted 36 sessions;
- usage of main medical equipments with procurement cost of RM15.23 million did not reach the target except for ENT Scope in 2019 (104%);
- rental agreement for the PPUiTM building has yet to be renewed since 1 July 2020;
- moldy ceilings and walls problem in the hospital rooms and areas; and
- UPSC strategic plan has not met the target.
- The investment strategic roadmap has been carried out properly. However, the roadmap has yet to be approved by UiTM's Board of Directors.
- UiTM Holdings' corporate governance practices were at a less satisfactory level with seven out of nine elements not fully practiced.

What do we recommend?

- The Management and UiTM Holdings Board of Directors as well as the Management and UiTM Board of Directors need to give consideration to the following recommendations:
 - to monitor the KPI achievement of the UiTM Holdings Group to ensure its actual achievements.
 - to ensure the approval of the Minister of Higher Education and the Minister of Finance are obtained prior to any capital injection and loans to UiTM subsidiary companies in line with the provisions of the law under Act 173 and Act 598.
 - to improve the management of activities in the field of Energy such as resolve the issue of conversion of the land usage term for UiTM Solar Park I; to solve the problem of soil erosion and cable installation; and resolve defect complaints for the rooftop solar power generation projects.
 - to improve the management of activities in the field of Healthcare including promptly resolving problems and weaknesses in the management of UPSC operations; as well as finalise the rental agreement and resolve the PPUiTM building maintenance issues.
 - to ensure a clear direction for the UiTM Holdings Group in order to improve the Group's operations as well as to monitor its implementation.
 - to improve corporate governance practices from the aspect of Board of Directors' Terms and Reference and composition; composition of the Board of Directors' committees; Board of Directors learning programme; and the appointment of Company Secretary.

