

Gov't agency fails to collect RM240m in loan repayments

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AUDIT REPORT | The auditor-general's audit of the Cooperatives Societies Commission (SKM) has found that it failed to collect loan repayments worth a total of RM239.56 million from more than 500 cooperatives.

This, coupled with insufficient efforts made to penalise defaulters, risked adversely affecting the commission's ability to continue disbursing loans to cooperatives.

"In the audit's opinion, the process of collecting loan payments are unsatisfactory because the non-performing loans (NPL) rate is over 11 percent and rose to 17.6 percent on Dec 31, 2016.

"Besides that, SKM failed to foreclose mortgages and to take stern action 12 cooperatives that have never once made loan repayments.

"This can impair (the commission's) ability to have revolving funds for the Cooperative Working Capital Fund," said the report.

As of December 2016, SKM failed to collect loan repayments from 526 accounts, costing the government RM239.56 million. Meanwhile, the unpaid loans of the 12 cooperatives mentioned are worth RM3.32 million in total. Loan periods ranged from three to 28 years.

It failed to foreclose assets worth RM1.7 million despite receiving a notice to do so issued by its own Finance and Credit Control division (BPKK).

Nevertheless, the report found that the commission had been efficient at distributing loans through its working capital fund.

In 2016, the fund had its government allocation slashed by half to RM50 million, after receiving RM100 million in 2014 and 2015.

SKM is parked under the Domestic Trade, Cooperatives and Consumerism Ministry (KPDNKK) and oversees cooperatives in the country. It helps them by providing them funds in the form of loans for projects and is also responsible for the collection of loan repayments.

Failed to take action

In addition to failing to collect loan repayments and foreclose mortgages, SKM also failed to take legal action against loan defaulters despite being recommended to do so, said the report.

Of the 41 cooperatives recommended to it for legal action by BPKK, such action was only commenced against one cooperative. The remainder 40 had outstanding payments worth RM11.23 million.

The report also revealed that SKM had been lapsing in carrying out in-person checks on projects it approved loans for despite it being part of its standard operating procedure (SOP).

“The result is that BPKK does not know the real status of projects it is financing (on top of) not receiving loan repayments,” the report commented.

The report added that the department responsible for doing this had just seven staff, who were tasked with processing and approving loan applications, overseeing all cooperatives and taking action on NPL.

In its reply to the audit, SKM said it has cancelled the registration of several defaulting cooperatives. It has also appointed liquidators for certain cooperatives.

The commission admitted that it has been having issues with legal representation but had on Oct 5 sent payment letters to cooperatives slated for legal action.

In regards to failing to conduct physical checks on projects, SKM said such checks had been done “as per needed” as it also produced relevant financial reports.

It also promised to improve its managing of BPKK and its adherence to existing SOPs.

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