

4 July 2024



NATIONAL AUDIT DEPARTMENT AND PUBLIC ACCOUNTS COMMITTEE REPORT

Kuala Lumpur, 4 July 2024 -The Board of Directors of Pembangunan Sumber Manusia Berhad (PSMB) takes note of the report presented by the National Audit Department (JAN) and the Public Accounts Committee (PAC) in Parliament today.

For background, the audit process outlined in both reports was for the period of 2019 to 2023. Improvements have been made in response to the audit's findings.

Following that, levy collection increased from RM475 million in 2020, RM848 million in 2021, RM1,809 million in 2022 to RM2,133 million in 2023. The lower levy collection in 2020 and 2021 was due to the COVID-19 pandemic, where employers affected by the implementation of the Movement Control Order (MCO) were granted a moratorium on their levy payment during the period. However, the levy collection then recovered to its normal rate in 2022.

There was also an increase in the levy utilisation rate from 63% in 2020, 32% in 2021, 42% in 2022, to 71% in 2023. This calculation was based on the levies paid. The levy utilisation rate for 2023 would exceed 83% if we take into account approved but unpaid levies (where payment will only be made post-training).

At the same time, profit before tax also increased from RM25.8 million in 2020, RM12.1 million in 2021, RM29.8 million in 2022 to RM97.5 million in 2023.

To address the issue of unpaid levies, PSMB empowered the Compliance Inspectorate and Enforcement Department and created a special task force last year consisting of members from the Levy Department and Enforcement Department. This enabled PSMB to collect levy arrears amounting to RM96.27 million in 2023, compared to RM34.36 million in 2020, RM52.34 million in 2021 and RM81.78 million in 2022.

Reforms through KESUMA's Directive

Under the directive of the Minister of KESUMA, PSMB has undergone a reformation process to improve its corporate governance this year. These included:

1. Cancelling the Skills Passport Project without **incurring costs or losses** to HRD Corp or the government.
2. To further refine PSMB's corporate governance, the Board has decided to segregate the "Risk and Audit Committee" into two (2) separate "Risk" and "Audit" Board Committees. Each of these two (2) Committees comprises different members of the board of directors and is headed by two independent, non-executive members with experience in the key areas within both functions.
3. The introduction of the Strategic Initiative Account (SIA), which is segregated from the

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levy trustee account. The SIA will ensure better transparency and efficiency in managing our finances. PSMB emphasises that the levies collected from employers should be used to train their own employees. However, the move to separate the accounts further fortifies the process to ensure that levies collected from employers will be used solely for the purpose of training registered employees. The SIA is funded by PSMB's Accumulated Profits (not using levy funds) to support upskilling programmes and human capital development for small and medium enterprises (SMEs), micro-SMEs and underserved communities.

4. Tightening internal processes in securing the approval of the Investment Panel, which consists of members of the board with experience in investment. This also includes emboldening the treasury division of PSMB, which is in charge of carrying out due diligence for every investment decision.
5. Simplifying and encouraging more levy utilisation by employers through new initiatives. These include utilising levies to obtain training services from international training providers such as Google, LinkedIn, Microsoft, Udemy, Alibaba, and more. In addition, 50% of the levy balance can be used to upgrade in-house training facilities and to pay internship allowances.
6. Improving the efficiency of processing grant approval and training grant payment from seven (7) days to 24 hours.
7. Implementing a training application monitoring system in which every applicant can only apply for a training programme once via government grants. This tracking method is based on the record of their registered identification card (IC) number. The new system will reject these applications automatically once duplication of the same IC number is detected.

PSMB will ensure that continuous improvements are made to ensure good corporate governance. This is so that the mandate accorded to the agency to develop the nation's human capital development can be carried out effectively.

Datuk Abu Huraira Abu Yazid
Chairman of HRD Corp Board of Directors

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