

PRIME MINISTER DEPARTMENT
NORTHERN CORRIDOR IMPLEMENTATION
AUTHORITIES
PROJECTS AND PROGRAMMES UNDER THE
NORTHERN CORRIDOR ECONOMIC REGION

Main Points

What we
examine?

- J The Northern Corridor Implementation Authority (NCIA) was established on 1 October 2008 under Northern Corridor Authority Act 2008 (Act 687). The primary mandate of NCIA is to encourage and accelerate the development of Northern Corridor Economic Region (NCER) to become a world-class economic region and a destination of choice for investment, work and life. NCIA acts as a catalyst and implements high value-added development projects and programmes, develops human capital and promote private sector participation.
- J The audit covered two main areas, i.e. performance activities and projects/programmes management.
- J The achievement of the projects/programmes were assessed based on the output and outcome. The evaluation of project/programme management consisted of four areas, namely financial management, land management, acquisition plus specification and quality compliance.

Why is it
important to
audit?

- J To assess whether the management of projects and programmes under NCER are implemented efficiently and effectively to achieve the stated objectives of becoming a world class economic region by 2025 and the destination of choice for investment, work and live.
- J The total cost amounted to RM5.067 billion was approved under the 11th Malaysia Plan to be implemented in NCER for projects, programmes and research studies using allocations received from the Federal Government.

What we
found?

- J The contribution of projects and programmes implemented in NCER in terms of investment and job creation cannot be assessed at the moment as the target date under the NCER Strategic Development Plan is in 2025. The success rate of the Chuping Valley Industrial (CVIA), Perlis Inland Port (PIP), Terminal Kangar Sentral (KS),

Kedah Rubber City (KRC) and Ipoh Heritage Tourism (IHT) cannot be measured as the projects are still not fully completed. The achievement of outcome for empowerNCER programme was only 57.1%, the EMM 2.0 programme could only be measured for four out of 13 seasons and the Perlis Superfruit Valley programme could not be measured because the implementation period is until December 31, 2030 (10 years). The absence of a complete information on investment and job opportunities data in NCER makes it difficult for NCIA to monitor and recommend uniform standards, guidelines, best practices, processes and in facilitating the development of NCER. The key Audit findings that need attention are as follows:

- 11 contracts could not be completed within the original contract period. A total of 26 Extension of Time (EOT) were issued involving periods between 28 to 818 days.
- PIP project has not yet started and was delayed for 1,095 days.
- The Terminal Padang Besar (Terminal PB) project has incurred Liquidated Ascertained Damages (LAD) totalling RM429,025.05 or 135 days after getting the LAD reduction approval from RM4,514 to RM3,177.97 a day.
- The IHT Package 1 project could not be completed within the given EOT and LAD was imposed until 31 December 2021 amounting to RM36,515.60.
- The Terminal PB project has not obtained the Certificate of Making Good Defects (CMGD) although the Certificate of Practical Completion (CPC) was issued on 16 June 2020 and the DLP period (12 months) has expired on 16 June 2021.
- The overall expenditure under RMKe-11 exceeded the budget provided by RM78.58 million.
- Expenditure for five projects, one programme and one study exceeded the budget by RM175.32 million.
- Budget disbursed for entrepreneurNCER programme was RM0.11 million in excess of the project cost.
- Expenditure not budgeted for two programmes, namely EMM 2.0 programme and Organic Rice Hab Development amounting to RM1.25 million and RM0.5 million.

- Virement of budget without the notices of change approval involving RM8.38 million.
- There is still no action taken on repatriation of unspent development budget amounting to RM9.65 million for projects not continued in RMKe-11.
- The duration of the land leasehold of the Integrated Building Centre (IBC) and CVIA Management Model have yet to be finalised.
- The issue of land leasehold for the EMM 2.0 programme has yet to be resolved.
- Procurement was not detailed out in the assignment scope of technical collaboration.
- Acquisition of IHT projects is in excess of budget approved by RM11.02 million.
- The project development defects of Terminal PB have not yet been rectified.

What do we recommend?

) To ensure that the weaknesses raised are not repeated in the implementation and management of future projects and programmes, the Audit recommends that the NCIA take the following corrective actions:

- Ensure the NCER Blueprint documents a comprehensive strategic planning covering projects to be implemented by the state governments and NCIA for the Federal Government as a guide for projects direction and implementation. In addition, NCIA need to ensure the target of investment and employment opportunities at the state level and by sector is embodied in the NCER Blueprint for monitoring of achievements.
- Ensure the implementation of projects and programmes is within the timeline and in line with states development plan, thus ensuring the direction, basis and strategy in relation to development within NCER is in line with the objectives of the establishment of NCER.
- Ensure that financial management of projects and programmes is carried out in accordance with financial regulations, hence, the need for financial documents to be maintained and organized properly to monitor budget and expenditure thus

provide a true picture of budget spent. JPM need to identify and list projects that have been approved but not implemented within a two-year period which need to be reviewed to avoid cost increases.

- Ensure project development defects are rectified promptly so that project operation is not jeopardized.