

COLLECTION OF RENTAL INCOME FOR REAL ESTATE

Railway Assets Corporation
Ministry of Transportation

Main Points

**What we
examine?**

- Collection of rental income for real estate of Railway Assets Corporation (RAC). RAC acts as a business planner in managing and transforming railway assets into valuable properties capable of generating continuous income for the Government.

**Why it is
important?**

- To determine whether the collection of rental income for real estate by RAC complies with applicable laws, terms of agreement and financial regulations.

**What we
found?**

- Based on Audit scope, RAC has successfully carried out its duty in generating rental income from railway properties. Rental income collected for the year 2021 and 2022 was RM69.80 million. However, there are weaknesses in recording, monitoring and enforcement on collection of rental income for real estate. There is a possibility of RAC losing revenue amounting to RM24.45 million. Audit findings are as follows:
 - rental income for real estate amounted to RM12.84 million was not collected; and
 - rental income for real estate as per rental agreement amounted to RM170,474 was not collected; and
 - rental income for real estate as per Rental Offer Letter (ROL) amounted to RM12.67 million was not collected.
 - rental income for real estate amounted to RM11.61 million was not be charged to Keretapi Tanah Melayu Berhad's (KTMB's) subsidiary.

**What do we
recommend?**

- The Audit recommendations are as follows:
 - enforcing the terms in the rental agreement against 12 tenants including 10 private limited companies with arrears;
 - ensuring 54 and other tenants who have returned the ROL are followed up with a rental agreement to safeguard the interests of RAC; and
 - ensuring the rental issue between RAC and company 174274-D and KTMB is negotiated and resolved immediately in accordance with the provisions of Act 463.