

MINISTRY OF TRANSPORT KERETAPI TANAH MELAYU BERHAD KTMB SERVICES UPGRADING PROJECT

Main Points

What we examined?

- The Keretapi Tanah Melayu Berhad (KTMB) Services Upgrading Project is one of KTMB's Transformation Programmes through the Operation & Maintenance and Governance (OM&G) stream. The project also aims to improve KTMB's overall operations and provide better services to the people through several proposed projects.
- This audit was conducted to evaluate whether the KTMB Project has been implemented prudently, efficiently and effectively to achieve the objectives set in providing safer, efficient and smooth services to passengers and cargo as well as to increase KTMB's revenue.
- This Audit covered two main areas, namely the performance and management of the project for 2015 to 2020. The performance of the project was evaluated based on the achievement of the output and outcome. The evaluation for project management included financial performance, contract management, spare parts usage as well as the structure of governance and monitoring.
- The Audit was conducted at the Development Division and the Administration and Finance Division of Ministry of Transport (MOT), the Economic Planning Unit of the Prime Minister's Department and KTMB Headquarters in Jalan Sultan Hishamuddin, Kuala Lumpur. The sample selected for KTMB Project was 18 projects from 31 projects. The project sampling was conducted based on high allocation as well as problems identified during project completion. Physical inspections were conducted at KTMB depots and stations in Selangor, Johor, Perak and Kelantan.

Why it is important to be audited?

- The Government had approved an allocation of RM2.300 billion for upgrading KTMB's services during Rolling Plan 4, 2014, under the Tenth Malaysia Plan.

- To evaluate whether the objectives set for the project have been achieved, namely to provide safer, more efficient and smooth services to passengers and cargo as well as to increase KTMB's revenue.

What we found?

- Overall, the management of the KTMB Project is unsatisfactory because the overall project completion was still 67.7% until November 2021. In 2019, the total revenue for KTMB services was RM546.27 million which showed an increase, compared to the revenue of RM411.17 million before the project was implemented in 2015. Audit analysis on the level of passenger satisfaction for Intercity, Commuter and ETS services showed that 242 respondents 44.0% stated that the service was good. Weaknesses that need to be noted are as follows:
 - The Pasir Gudang Railway Track project worth RM81.09 million was listed as a sick project.
 - There was a failure to comply with contract requirements and weaknesses in the inventory and logistics management for Overhaul Locomotive - Blue Tiger Project worth RM91.16 million.
 - There was a change of scope in the Power Generating Car Project worth RM33.68 million, from overhaul work to the procurement of new engines.
 - There was additional scope for Refurbishment Passengers Coaches 75 Project worth RM128.60 million.
 - There was no improvement in the duration of overhaul activities for the Air Conditioning Unit 91 Project worth RM1.41 million, despite the availability of the air conditioning spare parts.
 - 14 contracts were signed late, between 56 to 459 days from the date the Acceptance Letters were issued.
 - 10 types of spare parts worth RM2.81 million were not used optimally for the Overhead Catenary System Project.

What do we recommend?

- To overcome the weaknesses highlighted and to ensure that no recurrence in the future, the National Audit Department recommends the following actions:

- MOT/KTMB needs to review the project scope requirements to avoid changes in scope/work that affect the contractors project implementation period.
- MOT/KTMB needs to carefully plan the procurement of spare parts and ensure their optimal use to overcome the problem of storage and mitigate the risk of loss.
- MOT/KTMB has to ensure that matters related governance and monitoring are comprehensive and effective so as to achieve a successful implementation of the project in line with the desired objectives.

