

**PUBLIC ACCOUNTS COMMITTEE REPORT
ON
THE CONSTRUCTION OF THE SENTUL DISTRICT POLICE HEADQUARTERS
(IPD), KUALA LUMPUR
MINISTRY OF HOME AFFAIRS & THE PUBLIC WORKS DEPARTMENT**

1. INTRODUCTION

The presentation of the Auditor-General's Report 2013 (Series 2) at the House of Representatives on 16 June 2014 has exposed certain items related to the Construction Project of the Sentul District Police Headquarters (IPD), Kuala Lumpur. After examining the Report, the Public Accounts Committee sees the need to further discuss in detail the 11th paragraph, so that the Public Accounts Committee can give opinions and recommendations without prejudice on the issues raised in the Sentul District Police Headquarters (IPD) Construction Project.

2. THE OBJECTIVES OF DISCUSSION BY THE PUBLIC ACCOUNTS COMMITTEE

The Public Accounts Committee has discussed on the construction issue of the Sentul District Police Headquarters (IPD), Kuala Lumpur that has been raised in the Auditor-General's Report 2013 (Series 2). In line with the responsibility given under the Rule 77 of Standing Orders of the Dewan Rakyat and Article 304(a) Treasury Order (Amendment 2008), the Committee has made examination on this matter for the purpose of:

- i. Identifying the Government's policy that is related to the procurement issue;
- ii. Determining whether expenditures were made with prudence or otherwise;
- iii. Identifying whether the payment made was in accordance with the current Government regulations;
- iv. Recommending appropriate action that should be taken to all involved parties in the event of irregularities in the spending of public money; and
- v. Examining the quality of constructions that have been completed.

3. SCOPE AND METHODOLOGY

The discussions have been made using these approaches:

- a) By inviting the Deputy Auditor-General (Federal) to give clarification regarding the issue raised.
- b) By inviting the parties that involved in the construction of the Sentul District Police Headquarters (IPD), Kuala Lumpur which were the Ministry of Home Affairs, the Public Works Department (PWD) and the Royal Malaysian Police to give clarification on the feedback and actions taken; and
- c) By inviting representatives from the central agencies like the Ministry of Finance; the National Accounts Department; the Public Service Department and the Economic Planning Unit to also attend the meeting.

4. LIMITATIONS OF THE PUBLIC ACCOUNTS COMMITTEE

No limitations identified.

5. THE BACKGROUND OF THE CONSTRUCTION PROJECT OF THE SENTUL DISTRICT POLICE HEADQUARTERS (IPD), KUALA LUMPUR

The Construction Project of the Sentul District Police Headquarters (IPD), Kuala Lumpur was a project listed in the Ninth Malaysia Plan (RMKe-9) and under the Private Finance Initiative (PFI) program which was given implementation priority in 2008. The project was implemented on a 2.14 acres land, including the renovation and upgrading works of the 35 year-old District Police Headquarters, Sentul. The management and operations of the Sentul District Police Headquarters was temporarily located to Jinjang Police Station and Kepong Police Station since 16 May 2010 while Sentul Police Station continued its operations in a rented premise. The Public Works Department was appointed as the implementing agency for the project. The contractor appointed to carry out the construction works was SAFF Builders Sdn. Bhd. through direct negotiations with contract value of RM64 millions and completion period of 90 weeks. The project supposedly completed on the 3rd February 2012 but was only completed on the 31st May 2013 after 4 approved time extensions of 483 days. The Superintending Officer for the project was the Director of the Public Works Department of the Federal Territories.

6. THE OUTCOMES OF THE DISCUSSION AND FINDINGS OF THE PUBLIC ACCOUNTS COMMITTEE

The discussion session started with the clarification regarding the issue by the Deputy Auditor-General (Federal) to the Public Accounts Committee. Afterwards, the parties involved with the issue which were the Ministry of Home Affairs represented by Dato' Sri Mohamad Khalid bin Haji Shariff, the Secretary General of the Ministry of Home Affairs and Datuk Ir. Hj. Adanan bin Mohamed Hussain, the Deputy Director General of Public Works Department (Business Sector) were called to give clarification. The summaries of matters discussed are as below:

6.1 Clarification by the Deputy Auditor-General (Federal)

The Deputy Auditor-General (Federal) has informed regarding the outcomes of study of the construction of the Sentul District Police Headquarters (IPD), Kuala Lumpur:

- a) In overall, the construction of the Sentul IPD has achieved its objective which was to prepare a modern and comfortable building. However, the project was completed after 4 approved time extensions (483 days).

- b) A few weaknesses found are as below:
 - i) Delay in occupying the new building and it was fully occupied on January 2014 although the Handing Over Certificate of Work Completed was issued by the PWD of Federal Territories on 5 June 2013;
 - ii) The Ministry of Finance through a letter dated 24 September 2008 has agreed for the project to be implemented through direct negotiation with the SAFF Builders Sdn. Bhd. However, there was no evidence of Letter of Intent issued by PWD to the Contractor;
 - iii) Procurement of materials or finished products that were imported into the country without the approval of the Ministry of Finance;
 - iv) The construction of security fencing was not constructed for the entire complex as no fencing was built in front of the police station; and

- v) There were unsuitable construction designs and the quality of the construction works were unsatisfactory, as below:
- The location of water taps were unsuitable
 - The height of windows installed were unsuitable and the location of bathroom windows and women shower room was easily accessible from the outside;
 - Crack on the surface of the flat concrete roof; and
 - Sediment at the landscape area.
- c) The ceiling provision for this project was RM77 millions. Audit review showed that until 31 December 2013, up to 17 Variation Orders (VO) were approved, amounting to RM2.37 millions and 42 Contract of Price Adjustment (PHK) were approved amounting to RM3.99 millions. After taken into account the VO and PHK, the value of the original contract of RM64 millions has increased to RM70.36 millions which was an increase of 9.9% percent. Other than the price of the contract, the Ministry of Home Affairs (KDN) too incurred other costs involved in this project which was RM8.18 millions.
- d) The Handing Over Certificate of Work Completed was issued by the PWD of Federal Territories on 5 June 2013. However, the building was only fully occupied on January 2014. During the construction period, the Sentul Police Station has temporarily operated at a rented premise which was at SO1 Level 1, Putra Majestik AT. Lot 29 Sek 83, Jalan Kasipillay, Kuala Lumpur with a rent of RM12,252 per month. The rental period was for 3 years term starting from 1 April 2010 until 30 March 2013. However, the rental period has been extended to 30 March 2014 as the transfer to the new building could not be implemented according to the plan.

6.2 Clarification by the Secretary General of the Ministry of Home Affairs, the Deputy Director General of Public Works Department (Business Sector) and Director of Logistic Department, Royal Malaysian Police

The Secretary General of the Ministry of Home Affairs has informed that the project was carried out through conventional consultants and the PWD of

Federal Territories was appointed as an implementer agency. The original ceiling cost was RM77 millions and the Ministry of Home Affairs has received an additional of RM1 million, making the ceiling cost to RM78 millions. Meanwhile, the overall ceiling cost was RM83.6 millions and the Ministry of Finance has approved the additional ceiling cost. One of the factors for the increased in ceiling cost was the increased of consultation cost to continue carrying out the consultation due to the time extension to complete the project.

6.2.1. Factors for Time Extension Certificate given to the contractor are as follow:

- a. A soil investigation study was conducted by IKRAM before appointing a contractor. During the construction, the appointed contractor found grade A granite during borings activity. That led to changes in drawings.
- b. Consultants faced time limitation in preparing construction drawings before the procurement through direct negotiation continue being implemented.
- c. Additional requirements like CCTV, investigation rooms and observation rooms need to be implemented for security reasons.
- d. Cable installation by Tenaga Nasional Berhad took time as it needs to comply with the requirement by the Kuala Lumpur City Hall that required the cable installation to be done as horizontal direct drilling.

6.2.2. Procurement of materials or finished products that were imported into the country without the approval of the Ministry of Finance.

For this project, not all items were imported as there were a mixed of local and imported components. This has fulfilled the requirements to use local items.

6.2.3. The construction of security fencing was not built in front of the Police Station.

According to the Director of Logistic Department, Royal Malaysian Police, the absence of the fence is just the one leading to the Police Station. The front of Police Station was not built with fence to make it easier for the

public to reach the Police. However, the Police Station has 24 hours officers on duty and is equipped with CCTV. Other than that, security study is conducted from time to time.

7. SUMMARY OF THE PUBLIC ACCOUNTS COMMITTEE

7.1. The design prepared by the consultants need to be checked in detail and approved by the Public Works Department so that there will no longer be problem in terms of design after the construction is completed.

7.2. Since the Public Works Department has the expertise in the construction of Government buildings, the issue of unsatisfactory quality should not happen.

7.3. The user (the Royal Malaysian Police) needs to be involved actively during the planning process particularly in the security aspect during the designing level and also in other matters that need special requirements.

7.4. IKRAM as the appointed consultant by PWD did not carry out their responsibilities efficiently which led to difficulties, delayed in the completion of the project and increased of cost of the project.

8. RECOMMENDATIONS BY THE PUBLIC ACCOUNTS COMMITTEE

8.1. The National Audit Department needs to give special attention to all projects offered or implemented under the PFI concept that receive fund from PFI Sdn Bhd like in this project.

This is because PFI projects like the construction of the Sentul IPD is out of the normal Government expenditure.

8.2. PAC recommends the National Audit Department to conduct special study against the management of projects financed under the PFI concept.

8.3. The Public Works Department needs to have an Audit process for designing or by having special software that can determine it is a standard design to ensure no problem will arise from the design during the construction.

8.4. PAC recommends PWD to restructure its organisation and work procedures to ensure monitoring on consultants and contractor works can be done more intensively.

8.5. The Value Management Section in the Economic Planning Unit (EPU), the Prime Minister's Department needs to monitor so that problem related to design, the needs of the users, land reclamation and so on will not recur in other projects in the future.

The Public Accounts Committee

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