

**ASESSMENT OF RISK MANAGEMENT
IN GOVERNMENT CONSTRUCTION
PROJECT**

ATHIRAH IZZATI BINTI ZAKARIA

B. ENG(HONS.) CIVIL ENGINEERING

UNIVERSITI MALAYSIA PAHANG



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I/We* hereby declare that I/We* have checked this thesis/project* and in my/our* opinion, this thesis/project* is adequate in terms of scope and quality for the award of the Bachelor Degree of Civil Engineering

(Supervisor's Signature)

Full Name : Dr. Mohamad Idris bin Ali
Position : Dean Faculty of Civil Engineering and Earth Resources
Date :

(Co-supervisor's Signature)

Full Name :
Position :
Date :



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I hereby declare that the work in this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Malaysia Pahang or any other institutions.

(Student's Signature)

Full Name : ATHIRAH IZZATI BINTI ZAKARIA

ID Number : AA14119

Date : 11 June 2018

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ATHIRAH IZZATI INTI ZAKARIA

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ABSTRAK

Kejayaan mengurus risiko mempengaruhi dalam kejayaan projek pembinaan. Masalah penangguhan dalam industri pembinaan yang merupakan fenomena global dan industri pembinaan di Malaysia juga tidak terkecuali. Salah satu punca adalah kontraktor yang tidak cekap. Tujuan utama kajian ini adalah menilai pengurusan risiko yang wujud dalam perolehan kontrak. Kajian ini mengambil pendekatan dengan menganalisis kriteria pemilihan kontraktor utama untuk projek pembinaan. Penilaian dibuat keatas dokumen berikut, iaitu; Garis Panduan Penilaian Tender MOF, Sumber Kuasa, Prinsip dan Dasar Perolehan Kerajaan (PK 1) dan Pentadbiran Kontrak dalam Perolehan Kerajaan untuk mengenal pasti pengurusan risiko yang sedia ada sebelum pembinaan bermula bagi mengurangkan risiko di dalam kerja-kerja pembinaan. Hasilnya menunjukkan bahawa pengurusan risiko sudah berlaku pada peringkat proses tender untuk memilih kontraktor yang kompeten untuk sesuatu projek. Terdapat tindakan yang boleh mengawal risiko kegagalan projek pembinaan seawal pemilihan kontraktor. Tindakan tersebut disusun didalam bentuk polisi, prosedur dan amalan. Tindakan tersebut dapat mengawal risiko-risiko berikut: (1) kesulitan aliran tunai, (2) birokrasi, (3) kelewatan kelulusan projek dan permit, (4) variasi kontrak yang berlebihan, dan (5) pengawasan yang lemah. Kesemua tindakan ini adalah dibawah kategori kewangan dan peruntukan politik dan kontrak.

ABSTRACT

The success of managing the risks affects the success of construction projects. The problem of delays in the construction industry is a global phenomenon and the construction industry in Malaysia is no exception. One of the reason is due to incompetent contractor selected. The main purpose of this study is to assess the risk management that exists in contract procurement. This study takes an integrated approach by analyzing the criteria for selection of main contractors for construction projects. Analysis is made on the following documents, namely; MOF Tender Assessment Guideline, Power Source, Principles and Government Procurement Policy (PK 1) and Contract Administration in Government Procurement to identify existing risk management before construction commences to minimize risks in construction work. The results show that risk management has already occurred at the tender process stage to select a competent contractor for a project. There are actions that can control the risk of failure of the construction project as early as the selection of contractors. The action is structured in the form of policies, procedures and practices. Those actions can control the following risks: (1) cash flow difficulties, (2) bureaucracy, (3) delays in project approval and permits, (4) excessive contract variations, and (5) poor supervision. All of these actions are under the finance category and politic and contract provisions category.

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LIST OF ABBREVIATIONS

GDP	Gross Domestic Product
MOF	Ministry of Finance
PLC	Project Lifecycle
PK 1	Perolehan Kontrak 1

CHAPTER 1

INTRODUCTION

1.1 Introduction

The construction sector was the main contributor to the GDP at 9.9%, followed by manufacturing (7.3%), agriculture (7.1%), private consumption (6.5%) and petroleum and mining (2.1%) (Thestar.com.my, 2014). Based on figure 1.1, Malaysia GDP from construction graph is fluctuated but it is increased to 14093 MYR Million in the first quarter of 2018 from 13352 MYR Million in the fourth quarter of 2017. GDP from Construction in Malaysia averaged 10269.76 MYR Million from 2010 until 2018, reaching an all-time high of 14093 MYR Million in the first quarter of 2018 and a record low of 6464 MYR Million in the first quarter of 2010.



Figure 1.1 Bar chart of Malaysia GDP from construction

Source: Tradingeconomic.com (2018).



Figure 1.2 Line graph of Malaysia GDP from construction
Source: Tradingeconomic.com (2018).

However, the failure of the construction project to achieve targeted time, cost and quality that has been stated in the contract especially for government project has become an issue. Changes in material price, changes in exchange rate, inflation, weather changes, inappropriate and inadequate procurement, inadequate client's finance and payment for completed work, problems with subcontractors, faulty contractual management system, equipment availability and failure, mistakes during construction stage and contractor's poor site management can be the main factors for the failure of the project.

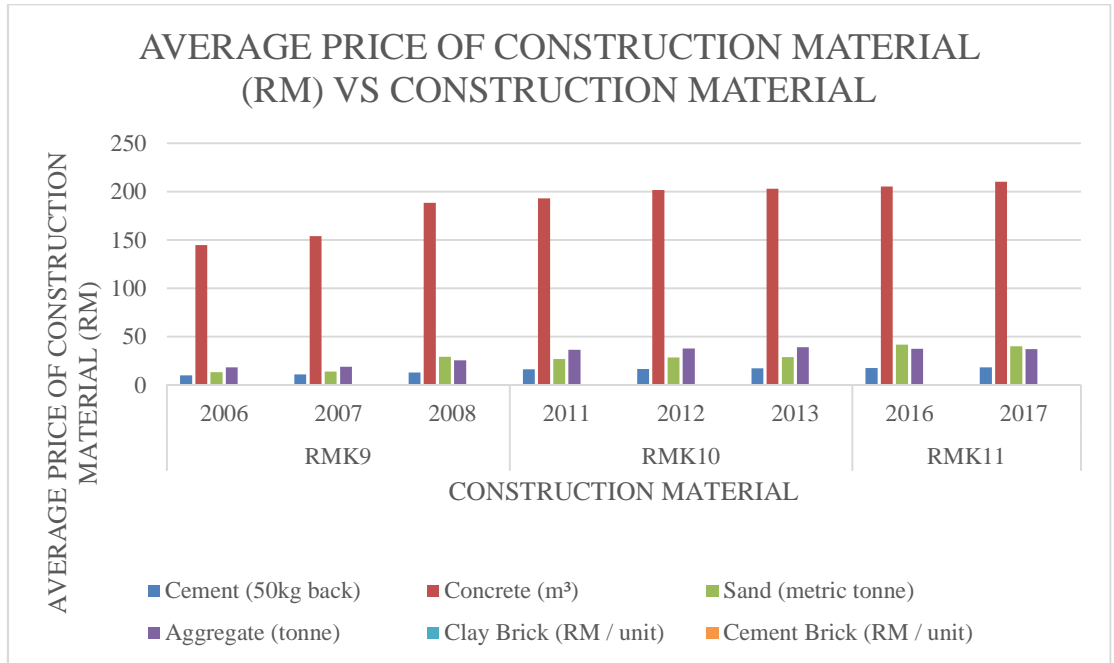


Figure 1.3 Average price of construction material (RM) vs construction material

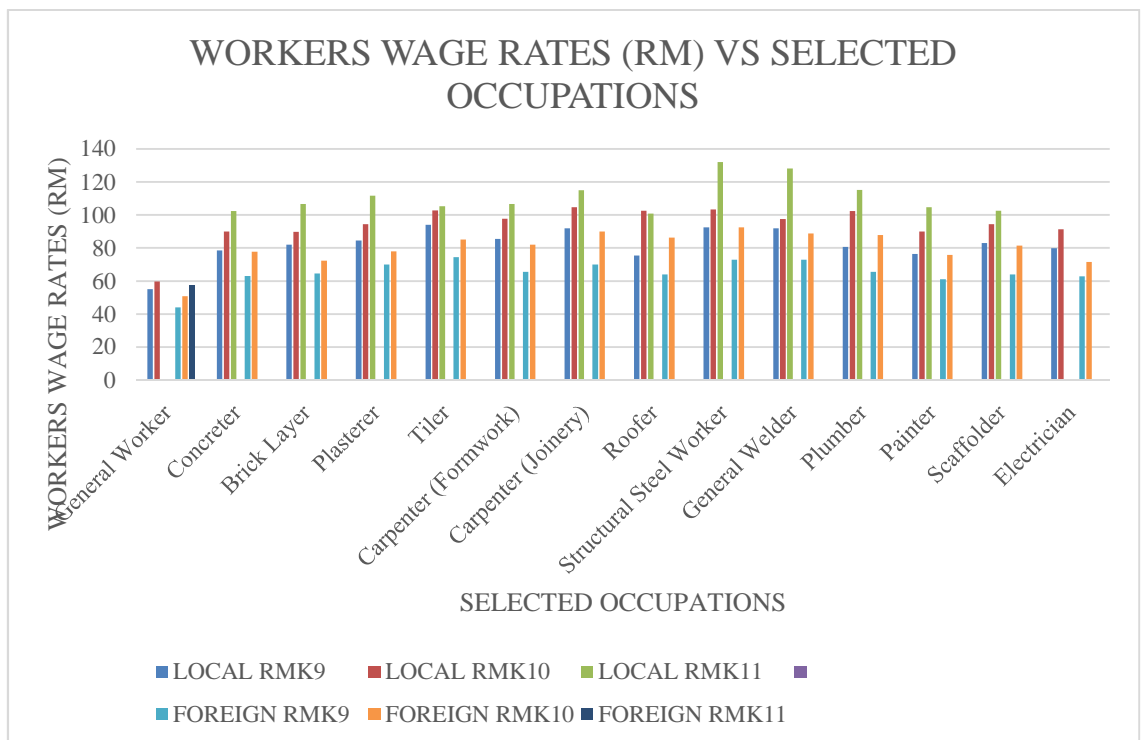


Figure 1.4 Workers wage rates (RM) vs selected occupations

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