

Strata Governance Challenges: An Empirical Analysis of Annual General Meeting Non-Compliance in Majlis Bandaraya Johor Bahru

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ABSTRACT

The effectiveness of strata governance in Malaysia relies heavily on Annual General Meetings (AGMs) to ensure transparency and accountability. However, official statistics from Majlis Bandaraya Johor Bahru (MBJB) reveal that a significant number of strata schemes that is 71 schemes within its jurisdiction fail to conduct AGMs as mandated by the Strata Management Act 2013. This study aims to empirically analyze non-compliance trends using secondary data collected from the MBJB Commissioner of Buildings (COB) records, focusing on the number and distribution of AGM defaulters. The research examines patterns by scheme type and management structure. Findings from this analysis are to provide insights into governance challenges specific to the MBJB area and support evidence-based recommendations for enforcement and policy improvement.

Keywords: Strata governance, AGM compliance, decision-making, non-compliance, enforcement

INTRODUCTION

Strata housing has become a dominant feature of Malaysia's urban landscape due to accelerated urban growth, increased land costs, and the need for high-density residential solutions. The preference for vertical living—exemplified by condominiums, apartments, and integrated developments—has risen sharply. As of 2023, the urbanization rate in Malaysia stood at 77.7% and is expected to reach 81.8% by 2030 (UN-Habitat, 2023). This demographic transition is mirrored by the proliferation of strata-titled properties governed under the Strata Management Act 2013 (Act 757).

According to the Department of Director General of Lands and Mines (JKPTG), there were 22,898 registered strata schemes and nearly 1.95 million parcel units in Peninsular Malaysia by 2022, representing a 1.35% growth in ownership registration compared to 2019. Within this framework, Annual General Meetings (AGMs) are pivotal to operational governance, facilitating owner participation in decisions related to financial oversight, committee elections, and management policies. Despite these critical functions, compliance with AGM requirements remains inconsistent. In the jurisdiction of Majlis Bandaraya Johor Bahru (MBJB), a substantial portion of strata schemes fail to organize AGMs as required by law, compromising transparency and stakeholder engagement. This paper investigates AGM non-compliance patterns within MBJB, drawing from COB administrative data.

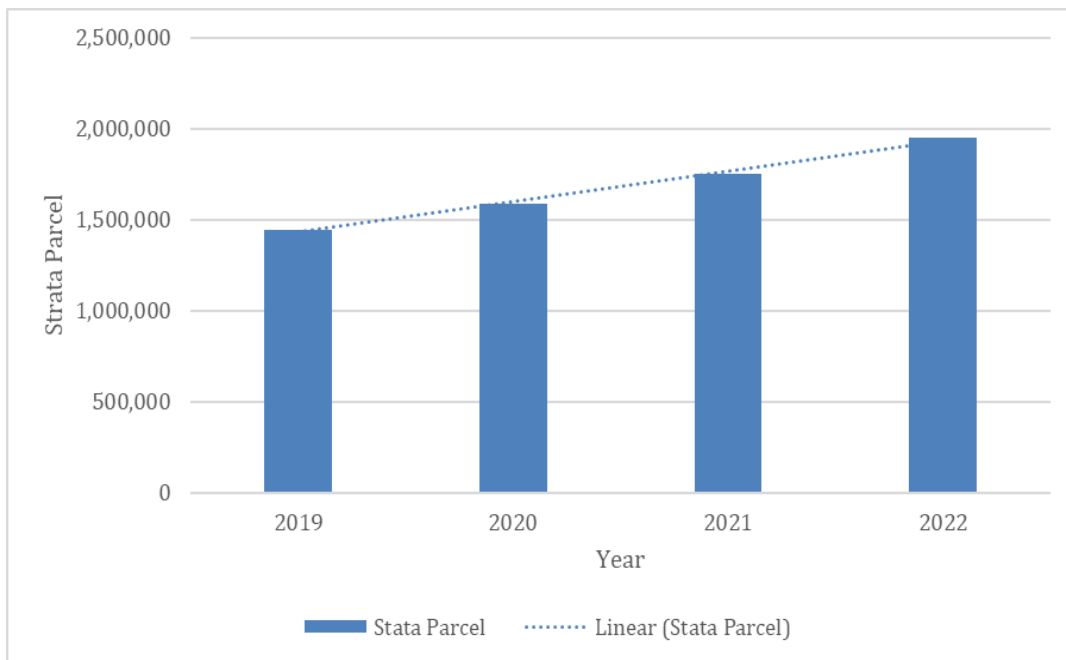


Figure 1: Total Strata Parcel Registered in Peninsular Malaysia

This study aims to i) analyze the spatial and categorical distribution of strata schemes in the jurisdiction of Majlis Bandaraya Johor Bahru (MBJB) that have failed to conduct Annual General Meetings (AGMs) in accordance with the Strata Management Act 2013; ii) identify recurring trends and patterns of AGM non-compliance, particularly in relation to scheme types such as low-cost flats, mixed-use developments, and high-rise condominiums, as well as differences based on management structures like JMBs and MCs; and iii) examine underlying causes for this non-compliance and propose relevant legal, administrative, or policy recommendations to enhance enforcement and governance capacity within MBJB.

LITERATURE REVIEW

Evolution of Strata Management Law in Malaysia

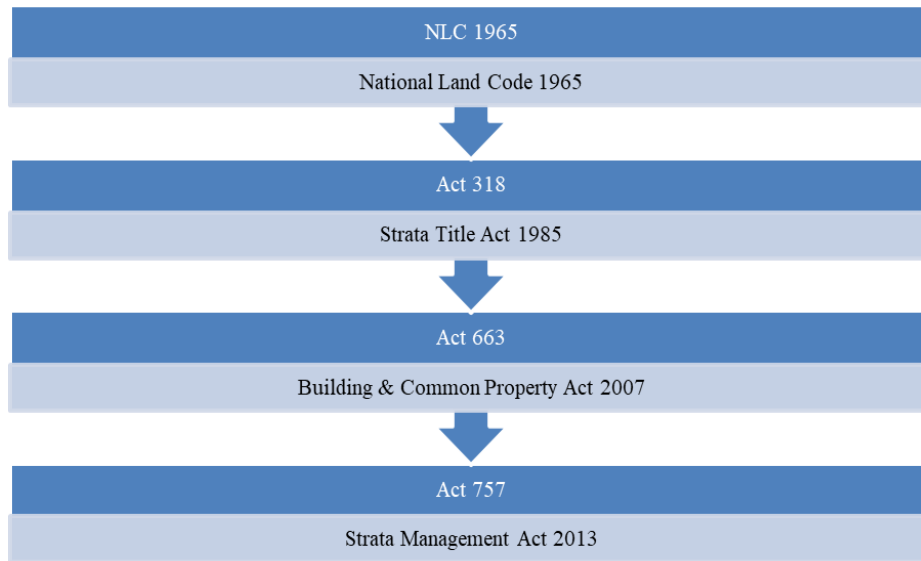
Strata management in Malaysia originated under the National Land Code 1965 (NLC 1965), which incorporated elements from the New South Wales Conveyancing (Strata Titles) Act 1961. This adaptation allowed for the subdivision of buildings and issuance of subsidiary titles under Sections 355 to 374 of the NLC (Choon et al., 2015). However, the early legislation lacked clarity on matters such as accessory parcels, phased development, and amalgamation and has led to the impracticality of the provisions, which led developers to avoid compliance (Mahmood, 2018).

To address these shortcomings, the Strata Titles Act 1985 (Act 318) was introduced, aiming to streamline transactions involving ownership registration, parcel transfers, and charges (Shukri & Ainul, 2010). Nevertheless, management aspects only commenced after title issuance, leaving a governance gap during the development and vacant possession stages. This led to the introduction of the Building and Common Property (Maintenance and Management) Act 2007 (Act 663).

Act 663 came into force on 13 February 2007 and introduced key entities such as the Commissioner of Buildings (COB), Joint Management Body (JMB), and Management Corporation (MC). Under this act, COBs were tasked with enforcing maintenance standards, while JMBs and MCs managed day-to-day affairs of strata schemes. Despite its significance, Act 663 was criticized for its limited scope and operational inefficiencies. Between 2009 and 2011, the volume of complaints rose sharply, and issues like ineffective service delivery, lack of provisions for mixed developments, and regulatory overlaps became evident (Asiah, 2015).

These challenges led to the repeal of Act 663 and the enactment of the Strata Management Act 2013 (Act 757), which remains in force. Act 757 governs strata schemes from the point of vacant possession through to the full

transfer of management responsibilities. It introduced several new provisions, including the Deputy Commissioner of Buildings, a dedicated Strata Management Tribunal, comprehensive penalty clauses, and mechanisms for fee collection. This legislative progression marks a critical shift towards an integrated, end-to-end approach to strata governance in Malaysia.



Importance of Annual General Meetings (AGM) and Resolution

The Annual General Meeting (AGM) is a cornerstone of effective strata governance, mandated under the Strata Management Act 2013 (Act 757) to ensure transparency, accountability, and participatory decision-making among parcel owners. The AGM serves as a formal platform for presenting audited financial statements, approving annual budgets, electing committee members, and addressing issues concerning the maintenance and management of common property. It provides parcel owners with the opportunity to voice concerns, deliberate on proposals, and vote on key matters affecting the scheme. Integral to the AGM process are the various types of resolutions stipulated by the law—namely, common resolutions, special resolutions, comprehensive resolution and unanimous resolutions—each carrying specific quorum and voting requirements.

Table 1: Type of Resolution in AGM

Type of Resolution	Description	Example
Common Resolution	A resolution passed in an AGM with at least 14 days' notice and decided by a majority of not less than 1/2 of the valid votes.	Increase in maintenance charges
Special Resolution	A resolution passed in an AGM with at least 21 days' notice and decided by a majority of not less than 3/4 of the valid votes cast	Amend by-laws
Comprehensive Resolution	This resolution involves a more comprehensive process and requires greater consent from the parcel owners. It includes the following requirements: Must be considered at the AGM of the JMB, MC, or SUB-MC with at least 30 days' notice stating the resolution. At the end of the 60-day period after the AGM, in a poll, the total number of share units of the parcels casting valid votes for the resolution must be at least two-thirds of the aggregate share units of the parcels of all the owners forming the management corporation.	Formation of Sub-MC
Unanimous Decision	A resolution passed at an AGM held with at least 21 days' notice, and decided by every valid vote taken at the AGM by a show of hands or if a poll is demanded and taken by every vote cast on the poll.	Termination of strata scheme

Responsibility of Commissioner of Building in Annual General Meeting

In accordance with the Strata Management Act 2013 (Act 757), a Commissioner of Buildings (COB) must be designated within each local authority's jurisdiction to oversee and enforce the provisions stipulated by the act. They were introduced under Act 663 and is still in use today. The COB is legally empowered to carry out a range of administrative and regulatory functions related to strata property governance. These include overseeing the registration processes for Joint Management Bodies (JMBs) and Management Corporations (MCs), and ensuring that these entities fulfil their obligations towards residents and the management of their respective strata properties. Furthermore, under the Strata Management (Compounding of Offences) Regulations 2019, the COB has the authority to issue compounds to strata owners and developers who commit offences under the act.

The COB is appointed by the State Authority (PBN) under Section 4, Act 757 and is empowered in accordance with the act. Among the functions of the COB are: -

- Monitoring the filing and reviewing of the Schedule of Plots and share units;
- Monitoring the establishment of the first JMB and MC;
- Providing advisory services and monitoring the course of a subsequent general meeting held by the JMB/MC.;
- Making appointments and monitoring management agents by the COB;
- Implementing enforcement actions; and others

COB can take action against any JMBs/MC that failed to comply with the Act 757 to hold AGM every 12 to 15 months from the last AGM according to Paragraph 10(2) Act 757. COB can issue compound under Paragraph 34(2) Strata Management (Maintenance and Management) Regulations 2015 [P.U. (A) 107/2015] that is penalty below RM50,000 or jailed under 3 years or both.

Comparison with other countries

In Singapore, the strata management law is abided with Building Maintenance and Strata Management Act 2004 (BMSMA). The Management Corporations (MCST) are must held AGM each year and not more than 15 months after the last AGM according to Section 27 BMSMA. Failing to do it will result the MCST to be accused in the court.

There is also a court case from Singapore that is *STB 1 of 2020 – Lim Kim Seng v MCST Plan No 2298 (Changi Green)*. This case is related with section 103 and 104 of the BMSMA that is the resolution and election in the Annual General Meetings (AGMs) are not counted due to the invalid Annual General Meetings (AGMs). This resulted that the Changi Green need to held back the Annual General Meetings (AGMs) with proper manners.

METHODOLOGY

This study adopts a quantitative research design based on secondary data obtained from the Commissioner of Buildings (COB) office under Majlis Bandaraya Johor Bahru (MBJB). The dataset includes strata schemes with information on locality, scheme category, and Annual General Meetings (AGMs) compliance status. Descriptive statistics will be used to analyze the distribution of non-compliant strata schemes across various locations and management entities such as Joint Management Bodies (JMBs) and Management Corporations (MCs). The methodology focuses on identifying trends and patterns of Annual General Meetings (AGMs) non-compliance, which will help in understanding underlying governance issues. These findings will form the basis for policy recommendations aimed at improving compliance and overall strata management within the MBJB jurisdiction.

RESULTS & DISCUSSIONS

Based on official data obtained from the MBJB Commissioner of Buildings (COB), a total of 71 residential strata schemes within the MBJB area have been identified as having inactive Joint Management Bodies (JMB)

or Management Corporations (MC). This widespread inactivity is a significant contributor to the failure of these schemes to conduct mandatory Annual General Meetings (AGMs) as required under the Strata Management Act 2013. The dataset includes types and number of schemes as shown in the table below.

Type of Scheme	Number of Scheme
Residential	24
Commercial	47

Many of these schemes are located in high-density urban areas such as Tebrau, Pulai, Johor Bahru and Pasir Gudang. The inactive status of these JMBs/MCs often correlates with additional governance issues including unsubmitted financial reports, lack of committee members, and non-functional communication channels with parcel owners. This issue also supported by Shuhaimi (2022) that shows one of the most offences taken by the COB is the duties of JMB in the relation to accounts. This empirical evidence supports the view that governance failure in strata schemes is not merely procedural but stems from deeper institutional weaknesses, especially in lower-income or high-vacancy developments. Interviewed with one of the COB MBJB mentioning that the reason why JMBs/MCs are inactive is because there are no residents or parcel owner that are willing to become committee and low of balance account. These reasons have made the parcel owner are not confident with their committee and lead to the inactive status. The number of schemes shows that the commercial scheme is more than residential because most of the commercial owner are more tend to focus on their business rather than joining committee member and manage the scheme. It further emphasizes the need for proactive interventions by local authorities, including structured support systems, capacity-building, and possible legal amendments to empower COB offices for earlier enforcement actions.

CONCLUSION

This study contributes to a deeper, data-driven understanding of strata governance challenges within the jurisdiction of Majlis Bandaraya Johor Bahru (MBJB), specifically focusing on Annual General Meeting (AGM) non-compliance. By analyzing official records from the Commissioner of Buildings (COB) at MBJB, the research identifies 71 strata schemes including residential and commercial schemes with inactive Joint Management Bodies (JMBs) or Management Corporations (MCs). This widespread inactivity reflects systemic issues in strata governance, particularly in high-density and lower-income residential developments. The findings highlight how governance failure extends beyond procedural delays and is rooted in a lack of capacity, unclear regulatory follow-through, and insufficient owner engagement. Moreover, the study underscores the pressing need for institutional reform, including enhanced legal mechanisms for early intervention, targeted training programs for JMBs/MCs committee members and the empowerment of COB offices with adequate resources. In doing so, this research provides valuable insights that support evidence-based policy interventions, contributing to more sustainable and transparent management of strata-titled properties in Malaysia's urban landscape.

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