



REPUBLIC OF SINGAPORE

REPORT

OF THE

AUDITOR-GENERAL

FOR THE FINANCIAL YEAR

2019/20



**AUDITOR-GENERAL'S OFFICE
SINGAPORE**

6 August 2020

Madam Halimah Yacob
President
Republic of Singapore

Dear Madam President

In accordance with the provisions of the Audit Act (Cap. 17, 1999 Revised Edition), I am pleased to submit my Report on the audits carried out for the financial year 2019/20.

There was a delay in the submission of my Report this year due to the COVID-19 measures, including the circuit breaker period. This affected the timeline for the preparation of the Government Financial Statements and consequently, the completion of the audit by AGO.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Goh Soon Poh'.

Goh Soon Poh
Auditor-General

REPORT
OF THE
AUDITOR-GENERAL
FOR THE FINANCIAL YEAR
2019/20



Auditor-General's Office
Singapore

MISSION

To audit and report to the President and Parliament on the proper accounting and use of public resources so as to enhance public accountability and help strengthen the financial governance of the public service.

CONTENTS

	<i>Page</i>
OVERVIEW	1
PART I A : AUDIT OF GOVERNMENT FINANCIAL STATEMENTS	11
PART I B : AUDIT OF GOVERNMENT MINISTRIES, ORGANS OF STATE AND GOVERNMENT FUNDS	13
MINISTRY OF FINANCE	
Accountant-General’s Department	
Weak Controls over the Most Privileged Operating System	
User Account	14
PRIME MINISTER’S OFFICE	
Public Service Division	
Weak Controls over Privileged Operating System Accounts	17
MINISTRY OF FOREIGN AFFAIRS	
Weak Enforcement of Terms in Service Agreements	
with Authorised Visa Agents	19
ICT Controls and Governance Need to be Strengthened	21
PART II : AUDIT OF STATUTORY BOARDS	25
MINISTRY OF COMMUNICATIONS AND INFORMATION	
National Library Board	
Lapses in Procurement	28
Lapses in Management of Contract Variations for the	
National Archives Development Project	30

MINISTRY OF EDUCATION

Ngee Ann Polytechnic

Inadequate Review of Critical Database Activities Carried Out

Using Privileged Database User Accounts 33

Republic Polytechnic

Electronic Payment Files Not Secured 34

MINISTRY OF THE ENVIRONMENT AND WATER RESOURCES

Public Utilities Board

Weaknesses in Controls over Payments under PPP Project 36

Lapses in Access Controls over IT System for PPP Project 37

Lapses in Management of Development Project 39

MINISTRY OF TRADE AND INDUSTRY

Jurong Town Corporation

Unauthorised Subletting of Leased and Tenanted Premises 42

Illegal Storage and Sale of Diesel at Leased Premises 43

Payment to Terminated Contractor Could Have Been Withheld 44

Weaknesses in Cash Collection Process and Falsification
of Receipts 45

Possible Irregularities Noted in Quotations 46

PRIME MINISTER'S OFFICE

Government Technology Agency

Lapses in Procurement Evaluation 48

PART III : THEMATIC AUDIT 53

MINISTRY OF MANPOWER

Workforce Singapore Agency

Inconsistent Practices across Programme Partners in

Grant Administration	62
Inadequate Assessment of Career Conversion	62
No Assurance of Cost Reasonableness of Items to be Supported	63
Inadequate Assessment of Eligibility for Grant Support	64
Inconsistent Practice in Determining Grant Quantum	64
Circumvention of Approval Limits by Not Aggregating	
Grant Applications	65
Possible Circumvention of Eligibility Criterion and Possible	
Fraudulent Grant Claims	65
Double Funding of Companies	66
Delays in Grant Disbursements	67
Master Grant Record Not Accurate for Proper Grant Management ..	68
Monitoring of PCP Outcomes Needs to be Strengthened	69
Lack of Monitoring of Cases with Outstanding Claims	69
Recovery of Unutilised Grants Could be Improved	70
Weaknesses in IT Controls	70

MINISTRY OF TRADE AND INDUSTRY

Enterprise Singapore Board

Approval Not Sought for Deviations from Grant Guidelines and

Grant Agreement	74
Inconsistencies in Performing Financial Assessment and Assessing	
Grant Eligibility	75

	<i>Page</i>
Gaps in Assessing Projections and Proposed Costs	76
Lapses in Grant Disbursements	77
Basis for Funding Manpower Costs Needs to be Reviewed	77
Inadequate Controls to Detect Circumvention of Local Shareholding Criterion	78
Inadequate Monitoring of Disbursements to Companies	79
Follow-up on Lapsed Projects Could be Improved	79
Weaknesses in IT Controls	80
 PART IV : AUDIT OF GOVERNMENT-OWNED COMPANIES AND OTHER ACCOUNTS	 84
 ANNEXES	
Annex I : AGO’s Audit Authority	86
Annex II : Criteria for Appointment of Auditors	91

OVERVIEW

OVERVIEW

I am pleased to present my Report on the audits carried out by the Auditor-General's Office (AGO) for the financial year 2019/20.

The audits give assurance to the President and Parliament on the proper accounting, management and use of public resources. In the process, they help strengthen financial governance of the public service and enhance the accountability of public sector entities as custodians and stewards of public resources.

Audit Authority

The Auditor-General's authority to audit and report is provided for in legislation. The key legislation that governs AGO's work are the Constitution of the Republic of Singapore (1999 Revised Edition) and the Audit Act (Cap. 17, 1999 Revised Edition). The details of AGO's audit authority are in Annex I.

AGO audits the accounts of all Government departments and offices. AGO also audits public authorities and bodies administering public funds as prescribed by law, or upon request and with the approval of the Minister for Finance. In general, AGO carries out the following types of audits:

- **Financial statements audit** which involves the checking of accounts with the objective of giving an audit opinion on the annual financial statements prepared by the entity.
- **Selective audit** which involves the checking of selected activities and operations, carried out in relation to the accounts, for financial irregularity, and to ascertain whether there has been excess, extravagance or gross inefficiency leading to waste, and whether measures to prevent them are in place. Such an audit is not intended to render an opinion on the financial statements or draw any conclusion on the overall performance of the audited entity.
- **Thematic audit** which is an in-depth examination of a selected area and may involve more than one public sector entity. The in-depth examination enables AGO to report on good practices in financial governance and controls that it may come across in the course of the audit, in addition to lapses.

Audit Approach

AGO adopts a risk-based approach in determining the areas to be covered in an audit. In selecting areas for audit, one of the key factors AGO considers is the materiality of transactions. Dollar value is an important consideration in determining materiality but it is not the only consideration. AGO also considers other factors such as the potential impact an irregularity in a particular area may have on the entity or the public sector as a whole.

In carrying out the audit, AGO examines records, files, reports and other documents, conducts site visits and interviews relevant officers. AGO also considers internal controls that entities have put in place to safeguard resources against waste, loss and misuse in the selected areas of audit. The audit observations reported are based on the information and evidence so gathered. As audits are conducted on a test check basis, they do not reveal all irregularities and weaknesses. However, they should help to uncover some of the serious lapses.

Reporting of Audit Observations

All audit observations are conveyed to the Permanent Secretaries of the respective Government ministries, Heads of the respective organs of state and the Chief Executives of the respective statutory boards and other entities by way of AGO Management Letters, which also incorporate the entity's management comments. In the case of statutory boards, the Management Letters are also sent to the Permanent Secretaries of their respective supervising ministries.

The more significant audit observations are covered in this Report. These are typically observations which indicate malfeasance, lapses with significant financial impact, systemic or common lapses that may seriously weaken financial governance and controls if not corrected, or serve as useful learning points for improvements across the Whole-of-Government.

This Report is submitted to the President who shall, in accordance with section 3(3) of the Audit Act, present it to Parliament. The Public Accounts Committee deliberates on the Report and may call upon public sector entities to account for lapses, where it deems necessary.

The reporting of audit observations in the *Report of the Auditor-General* is an essential part of the system of public accountability.

Audits Carried Out for the Financial Year 2019/20

AGO audited the following:

- The Government Financial Statements (incorporating the accounts of all 16 Government ministries and 8 organs of state)
- 1 Government fund
- 13 statutory boards
- 4 Government-owned companies
- 3 other accounts

Financial Statements Audits

For the financial year 2019/20, I have issued an unmodified audit opinion on the Government Financial Statements. I have also audited and issued unmodified audit opinions on the financial statements of three statutory boards, a Government fund, four Government-owned companies and three other accounts.

Selective Audits

AGO carried out selective audits of eight statutory boards whose financial statements were not audited by AGO.

Thematic Audit

AGO conducted a thematic audit on selected business grant programmes managed by the Workforce Singapore Agency (WSG) and the Enterprise Singapore Board (ESG).

In addition to the above audits, AGO carried out checks on Government ministries, organs of state and statutory boards arising from matters that come to AGO's attention through complaints, feedback or observations from past audits.

Summary of Audit Observations

AGO's audit observations for the financial year 2019/20 are mainly in the areas of Information Technology (IT) controls, procurement and contract management, operations management, and management of business grants. The audit observations have been conveyed to the public sector entities concerned through AGO Management Letters for their follow-up. The more significant audit observations relating to 3 out of 16 Government ministries and 8 out of 13 statutory boards audited are highlighted in this Report. The key areas are as follows:

- Weaknesses in IT controls
- Lapses in procurement and contract management
- Lapses in operations management
- Gaps in management of business grant programmes

(1) Weaknesses in IT Controls

AGO noted weaknesses in IT controls and Information and Communication Technology (ICT) governance in its audits of the following public sector entities: the Ministry of Finance (Accountant-General's Department), the Prime Minister's Office (Public Service Division), the Ministry of Foreign Affairs (MFA), the Ngee Ann Polytechnic (NP), the Republic Polytechnic (RP), the Public Utilities Board (PUB), WSG and ESG.

Some of the weaknesses in IT controls noted were over the most privileged operating system (OS) user accounts and privileged user activities. The most privileged OS account is a powerful account which gives the user full access privileges to the operating system, including the ability to make changes to the activity logs, user access and OS security settings. It is therefore generally considered a best practice to restrict access to the most privileged OS account and to monitor and review all activities carried out using this account. AGO also noted technical misconfigurations of the security software in application and database (DB) servers in a few entities. The misconfigurations led to OS administrators being able to access the most privileged OS accounts and other privileged OS accounts, without password authentication.

AGO further noted that some entities did not conduct adequate reviews of activities carried out using privileged accounts. For NP, AGO noted that there was inadequate review of the critical DB activities carried out using the privileged DB user accounts. This was because it did not configure its Security Information and Event Management system to flag out certain critical actions for review.

For a Public-Private Partnership (PPP) project under PUB, AGO noted that PUB did not ensure that its private sector partner had implemented adequate controls on users' access to the latter's IT system. The control lapses included: excessive rights granted to the partner's vendor, sharing of an administrator account among staff of the partner and its vendor staff, no separate accounts for users with both privileged and non-privileged roles and no automatic time-out implemented for user accounts.

For MFA, AGO noted that its overall ICT governance ought to be strengthened, particularly in the conduct of planned ICT audits and annual self-assessment.

For RP, AGO noted that it did not implement security measures to safeguard the integrity of its electronic payment batch files, resulting in the risk of unauthorised changes being made to the payment files. While there were some mitigating controls, these were inadequate.

(2) *Lapses in Procurement and Contract Management*

AGO found lapses in procurement and contract management at the Government Technology Agency, the Jurong Town Corporation (JTC), the National Library Board (NLB) and PUB.

The lapses in procurement included:

- Price reasonableness of single bids not adequately assessed;
- Bids not evaluated in accordance with published criteria and requirements;
- Volume parameters used in evaluation not determined before close of tender;
- Optional categories of items not fully evaluated during tender evaluation. This fact was not disclosed to the Tender Approving Authority in the tender evaluation report; and
- Pricing errors in tender submissions not detected.

The weaknesses observed in the management of contract variations included:

- Approvals not obtained before carrying out variation works. In some cases, approvals were sought after works had commenced or after works had already been completed;
- No approvals sought for substantial increase in variation costs over earlier approved variation costs;
- Wrong rates applied in the valuation of cost deductions; and
- Not deducting costs for works not done.

For NLB in particular, AGO noted that its management of contract variations and overall project management for the revamp of the National Archives of Singapore building was weak. There was a lack of scrutiny in the management of contract variations. In-principle approvals (IPAs) were sought for variations without compelling reasons, and IPA requests were approved even though no ballpark cost estimates were provided. In the end, there was cost overrun. The project eventually exceeded the approved project cost by \$1.72 million, about 8.4 per cent of the approved project cost of \$20.53 million. Public officers who are appointed as approving authorities for procurement and contracts should take their role seriously. They should scrutinise requests, raise questions and exercise due diligence as approving authorities.

For JTC, AGO observed that it had made a payment to a terminated contractor even though under the contract, it could have withheld the payment and used it to offset against the debt claimable from the contractor. JTC subsequently filed a claim against the terminated contractor for the debt claimable under the contract. As at 30 June 2020, JTC had not received any payment for the claim.

(3) *Lapses in Operations Management*

AGO found lapses in operational processes at MFA, JTC and PUB.

In the audit of an overseas mission, AGO noted that there were inadequate measures to enforce terms stipulated in the service agreements signed with its Authorised Visa Agents (AVAs). The service agreements stipulated a fixed visa application fee and required AVAs to only use designated credit cards when transmitting visa processing fees to MFA. However, AGO found that visa application fees stated on the websites of three AVAs were higher than the fixed fee stipulated in the service agreements. In addition, the controls in the ICT system were not effective in detecting the use of non-designated credit cards by AVAs to transmit visa processing fees.

In the audit of JTC, AGO noted that its leased and tenanted premises may have been sublet to about 26,000 entities without its approval. Following AGO's audit, JTC carried out a quick investigation of about 2,800 of the 26,000 entities. From the investigation, 2,010 were suspected cases of unauthorised subletting. In addition, during site visits, AGO noted instances of illegal storage and/or sale of diesel to the public at four of its leased industrial premises. Such illegal activities could pose environmental and safety risks to the public.

In the audit of PUB, AGO observed weaknesses in controls over payments made under a PPP arrangement. The private sector partner was able to modify real-time values of parameters in its IT system, which would affect the amounts to be paid by PUB. Furthermore, PUB had largely relied on information provided by the partner to make payments without carrying out adequate independent verification.

(4) *Gaps in Management of Business Grant Programmes*

AGO carried out a thematic audit covering six selected business grant programmes managed by WSG and ESG (three each for WSG and ESG). A total of \$333.40 million was disbursed under these six selected business grant programmes for the period 1 April 2018 to 30 June 2019. Of these, AGO test-checked 285 disbursements made by WSG and ESG to programme partners (PPs) and directly to grant recipients, totalling \$100.81 million (or 30.24 per cent). In addition, AGO test-checked 361 disbursements totalling \$7.83 million made by selected PPs to companies awarded the grants. The audit covered five stages of grant management, as elaborated below.

Grant Design and Setup

WSG and ESG had generally put in place policies and procedures to manage the selected grant programmes. By and large, the grant programmes had defined objectives and deliverables which were approved by the correct authority.

Grant Evaluation and Approval

Both WSG and ESG had established criteria and guidelines for the evaluation of grant applications. Generally, there was proper segregation of roles for grant evaluation and grant approval. ESG also leveraged on IT systems for its grant processing. Nevertheless, there were some areas for improvement. For WSG, there were inconsistent practices across PPs in their stipulation of requirements to grant recipients and their checks performed on grant applications. AGO also noted three cases where companies or individuals might have circumvented grant requirements and controls put in place. WSG had since made police reports on these cases. For ESG, the administration of grants was decentralised to its officers in the various ESG clusters. However, there were inconsistent practices across the different officers when assessing companies' eligibility. There was also inadequate assurance that deviations from policy guidelines were monitored and approved.

Grant Disbursement

WSG and ESG had put in place processes and guidelines for checking and approving grant claims, including having different levels of approving authorities based on grant amount. However, there were areas where controls could be improved. For WSG, AGO found instances of double claims by companies and cases of double funding across different grants. For ESG, AGO noted cases where the grants disbursed were not in line with grant guidelines, resulting in excess or shortfall in disbursements.

Grant Monitoring and Review

Both WSG and ESG entered into agreements with grant recipients or PPs for approved grants, stipulating the deliverables and outcomes to be monitored. Grant recipients and PPs were required to submit reports and documents to show progress or achievement of milestones/deliverables. There were nevertheless areas for improvements. For WSG, there was a need to strengthen monitoring of the programme outcomes for one of the grant programmes while for ESG, it could improve its oversight of PPs with regard to disbursements made to participating companies of overseas trade fairs and missions.

Grant Cessation

Both WSG and ESG had put in place standard operating procedures setting out the process for closure of agreements and the timeline for refund of any unutilised grants. However, there were instances where WSG did not follow up with the PPs to recover unutilised grants in a timely manner for programmes which had ended. While ESG had a process in place to identify lapsed projects, the monitoring of its officers' follow-up actions was inadequate.

Falsification of Receipts and Possible Irregularities Noted in Quotations

AGO found weaknesses in controls over the cash collection process at JTC, such as no segregation of duties in receiving and recording of cash received, and no reconciliation of cash collected with the hardcopy receipts issued. In addition, five of the receipts provided to AGO contained signs which cast doubt on their authenticity. Following AGO's observations, JTC carried out an investigation and had lodged a police report.

AGO also found possible irregularities in three quotations submitted by a JTC contractor for a star rate item¹, and had concerns over the authenticity of all three quotations. Following AGO's observations, JTC carried out an investigation and had lodged a police report.

Concluding Remarks

AGO's audits serve to enhance public accountability and help strengthen the financial governance of public sector entities. This report highlights the more significant observations from AGO's audits carried out for the financial year 2019/20.

In the area of IT controls, public sector entities should give greater attention to the management of the most privileged OS user account and other privileged OS and DB user accounts. This is important as these accounts are not only assigned to officers from public sector entities but also to IT vendor staff. Such privileged accounts have powerful access rights. Public sector entities should therefore ensure that the security software governing access of these accounts is properly configured and restrict the use of these accounts to users on a strict job-needs basis. There should also be reviews of activities carried out using these privileged accounts.

¹ Star rate item refers to item for which rate is not listed in the contract.

In the area of procurement and contract management, public officers entrusted with responsibilities as approving authorities, e.g. in approving tenders or contract variations, can do more to scrutinise proposals submitted to them. They should go through evaluation reports and proposals thoroughly, raise questions when proposals are not clear or justifications are not compelling, or when key information on costs and cost reasonableness is not included. Approving authorities play an important role in ensuring that Government procurement principles of transparency, open and fair competition, and value for money are upheld. There is also a need for basic staff work to be improved such as providing reasons when proposing changes or variations, seeking approval prior to making financial commitments and documenting reasons for key decisions.

I am pleased to note that the public sector entities audited by AGO take the audit observations seriously and are committed to taking concrete steps to rectify the lapses and weaknesses. AGO will follow up with the public sector entities to ascertain that remedial actions are taken.

Acknowledgements

I would like to acknowledge the co-operation given to AGO by the Government ministries, organs of state, statutory boards, Government-owned companies and other entities audited.

I would also like to express my appreciation to all my officers for maintaining high professional standards and showing dedication and commitment in enhancing public accountability.

GOH SOON POH
Auditor-General
Singapore

6 August 2020

PART I

(A)

**AUDIT OF GOVERNMENT FINANCIAL
STATEMENTS**

(B)

**AUDIT OF GOVERNMENT MINISTRIES,
ORGANS OF STATE AND
GOVERNMENT FUNDS**

PART IA : AUDIT OF GOVERNMENT FINANCIAL STATEMENTS

1. The Auditor-General has issued an unmodified audit opinion on the Financial Statements of the Government of Singapore for the financial year ended 31 March 2020, upon completion of the audit required under section 8(1) of the Audit Act (Cap. 17, 1999 Revised Edition).

Government's Responsibility for the Financial Statements

2. The Minister for Finance is responsible for the preparation of the financial statements in accordance with Article 147(5) of the Constitution of the Republic of Singapore (1999 Revised Edition) and section 18 of the Financial Procedure Act (Cap. 109, 2012 Revised Edition).

3. The Accountant-General is responsible under the Financial Procedure Act for the supervision and administration of the Government accounting system and is required under the Financial Regulations (Cap. 109, Rg 1) to prepare and submit to the Minister the statements required under section 18 of the Financial Procedure Act.

4. The Permanent Secretaries of ministries and Heads of organs of state, as Accounting Officers, are responsible, inter alia, for ensuring that proper books and systems of accounts are adopted and maintained in every department under their charge, in accordance with the Financial Regulations.

Auditor-General's Responsibility for the Audit of the Financial Statements

5. The Auditor-General is required to audit and report on these financial statements under section 8(1) of the Audit Act. In discharging this responsibility, the audit objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement.

6. As part of the audit, professional judgement is exercised and professional scepticism is maintained throughout the audit. The audit also includes:
- a. Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for opinion;
 - b. Obtaining an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls; and
 - c. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made, having regard to the law.

Submission of Audited Financial Statements and Audit Report

7. The Minister is required to submit the audited Financial Statements to the President under Article 147(5) of the Constitution of the Republic of Singapore and section 18 of the Financial Procedure Act.

8. In accordance with section 8(3) of the Audit Act, the Auditor-General submitted the audit report on the Financial Statements to the President on 5 August 2020. The President would present to Parliament the audited Financial Statements with the audit report thereon.

9. There was a delay in the submission of the audit report this year due to the COVID-19 measures, including the circuit breaker period. This affected the timeline for the preparation of the Financial Statements by public sector entities and consequently, the completion of the audit of the Financial Statements by AGO.

Acknowledgements

10. AGO would like to thank the Accountant-General's Department for its co-operation in the audit.

PART I B : AUDIT OF GOVERNMENT MINISTRIES, ORGANS OF STATE AND GOVERNMENT FUNDS

Government Ministries and Organs of State

1. In the course of the audit of the Government Financial Statements (GFS), AGO carries out test checks of internal controls of selected areas in Government ministries and organs of state. These include checks for financial irregularity, excess, extravagance, or gross inefficiency leading to waste in the use of funds and resources, and on whether measures to prevent such lapses are in place. The authority for these audits is provided by section 5 of the Audit Act.

Government Funds

2. The enabling Acts of certain Government funds within the GFS require separate accounts to be prepared and audited by the Auditor-General or another auditor. When the Auditor-General is not auditing the accounts, the Minister concerned will appoint an auditor in consultation with the Auditor-General. In advising on the appointment, the Auditor-General takes into account the criteria listed in Annex II.

3. The Auditor-General audited the financial statements of the Workers' Fund¹ for the financial year 2019/20 as provided for under the Work Injury Compensation (Workers' Fund) Regulations (Cap. 354, Rg 2). An unmodified audit opinion was issued on the financial statements.

4. For Government funds whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every five to seven years. A selective audit is an examination of selected activities and operations, carried out in relation to the accounts, to check for financial irregularity (not for the purpose of rendering an opinion on the financial statements), and to ascertain whether there has been excess, extravagance, or gross inefficiency leading to waste, and whether measures to prevent them are in place. In the financial year 2019/20, AGO did not carry out any selective audit of Government funds.

5. In addition, AGO carried out checks on Government ministries, organs of state and Government funds arising from matters that come to AGO's attention through complaints, feedback or observations from past audits.

¹ The Workers' Fund is audited by AGO annually as its Regulations do not provide for any other auditor to audit its accounts.

Acknowledgements

6. AGO would like to thank all the Government ministries and organs of state for their co-operation in the audits.

Selected Observations

7. Selected observations arising from the audits of Government ministries and organs of state are summarised in the paragraphs that follow.

MINISTRY OF FINANCE

ACCOUNTANT-GENERAL'S DEPARTMENT

Weak Controls over the Most Privileged Operating System User Account

8. The Accountant-General's Department (AGD) uses the PaC@Gov system to administer and effect payments relating to payroll and claims (such as transport and medical claims) to civil servants. AGD engaged an IT vendor to support and maintain the PaC@Gov system.

9. AGO's test checks of two PaC@Gov application servers found that the controls over the most privileged operating system (OS) user account were weak:

- a. All six OS administrators, who were AGD's IT vendor staff, were able to, and had logged into the most privileged OS user account without password authentication; and
- b. AGD's log review process was not robust, resulting in AGD being unable to detect that there was unauthorised use of the most privileged OS user account.

10. The most privileged OS user account has full access privileges to make changes to the OS audit logs, OS user access, interface files (such as files containing data on bonuses and allowances uploaded onto the system) and OS security settings. Any unauthorised activity carried out using the most privileged OS user account could compromise the PaC@Gov application servers and could affect the processing of bonuses and allowances in the PaC@Gov system.

A. *Logging into the Most Privileged OS User Account Without Password Authentication*

11. At the time of AGO's audit in February 2020, six of AGD's IT vendor staff performed the role of the OS administrator. As part of their duties, they may require access to the most privileged OS user account. According to AGD, it had requested its IT vendor to control the OS administrators' access to the most privileged OS user account with a password and the OS administrator could only obtain the password after seeking approval from a designated AGD officer before each use. The password is to be reset after each use.

12. However, AGO found that the two application servers were misconfigured by AGD's IT vendor such that after the OS administrators had logged into the server using their individual non-privileged OS user account and password, they could gain access to the most privileged OS user account without having to key in any password. AGO's review of logs on activities carried out during the period 1 April 2019 to 11 February 2020 found 111 instances where the six OS administrators had gained access to the most privileged OS user account without password authentication to perform activities on the two application servers. The OS administrators did not seek AGD's approval for each use as the system did not prompt for a password upon log-in to the account. The lack of password authentication to access the most privileged OS user account increased the risk of unauthorised access and consequently, unauthorised activities carried out using this account.

B. Log Review Process Not Robust

13. AGD had a log review process that required its IT vendor to carry out a first-level review of the logs on activities carried out by the OS administrators and to highlight anomalies for AGD's second-level review and follow-up. However, AGO found that the first-level review, which was carried out by an independent team within the IT vendor's organisation, did not check whether the use of the most privileged OS user account was authorised by AGD. The first-level review also did not check whether activities performed should have been carried out using the privileged OS user account. As a result, while the 111 instances where the OS administrators had used the most privileged OS user account were captured in the logs and noted during the first-level review by the IT vendor staff, those instances were not highlighted to AGD for its second-level review and follow-up. Consequently, any unauthorised or improper use of the most privileged OS user account would not be detected by AGD.

14. AGD informed AGO that it had performed full remediation and follow-up actions to ensure that the integrity of the PaC@Gov system and the Government payroll processing had not been compromised. In particular, AGD had:

- a. Fully rectified the technical misconfiguration of the two application servers to ensure that access to the most privileged OS user account would be subject to password authentication and approval controls that had been put in place;
- b. Reviewed all access to the most privileged OS user account by the OS administrators from October 2018² to March 2020 for the PaC@Gov system, and confirmed that the activities carried out were valid system administration tasks;
- c. Reviewed and confirmed that the most privileged OS user account was not used for unauthorised access or changes to the data residing in the PaC@Gov system;
- d. Validated the existence of mitigating safeguards against unauthorised access to the database from the application servers;

² AGD had implemented an automated solution in October 2018 to manage the privileged accounts' access in the PaC@Gov system. One of the features of this solution is the session recording of activities carried out by OS administrators in the servers.

- e. Worked with its IT vendor to set out detailed work instructions and documentation requirements for the first-level log review process carried out by the IT vendor staff; and
- f. Noted that the root cause of the lapse was misconfiguration of controls in the servers by its IT vendor, and had since taken up the issues on the technical misconfiguration and inadequate log review process with its IT vendor to holistically address the lapses.

15. AGD had also worked with the Government Technology Agency (GovTech) to take the following proactive and pre-emptive measures at the Whole-of-Government level to prevent similar recurrence of lapses:

- a. GovTech had issued a technical advisory on 1 June 2020 to help public sector agencies implement security controls pertaining to the configuration of the most privileged OS user accounts; and
- b. GovTech would work with agencies and key IT vendors to carry out a review to identify and remediate similar server misconfiguration issues by 15 August 2020.

PRIME MINISTER'S OFFICE

PUBLIC SERVICE DIVISION

Weak Controls over Privileged Operating System Accounts

16. The Public Service Division (PSD) uses the Human Resource Management System (HRMS) to administer personnel information (e.g. personal particulars, training and leave records) and payroll-related information of civil servants. The HRMS is also used by civil servants for HR-related activities such as applying for leave and filling in staff appraisal forms.

17. There are six operating system (OS) administrators for HRMS, all of whom are staff of an IT vendor. AGO's test checks found that the controls over the privileged OS user accounts were weak:

- a. There was no restriction on the use of the most privileged OS account and two OS administrators had been using this account to carry out daily activities for operational efficiency. There was also no review of all the activities carried out using the most privileged OS account; and
- b. A security software had been wrongly configured to allow another two OS administrators to access two other privileged OS accounts, which were not meant to be used by them, without password authentication.

A. No Restriction on Use of Most Privileged OS Account by OS Administrators to Carry Out Daily Activities

18. Two of the six OS administrators had been using the most privileged OS account to carry out daily activities in the two main HRMS database servers. AGO also noted that PSD did not review all the activities carried out using the most privileged OS account during its monthly review of logs. According to PSD, the two OS administrators had been using the account to carry out daily activities for operational efficiency. PSD did not require the OS administrators to seek PSD's approval each time they use the account.

19. The most privileged OS account is a powerful account which gives the user full access to the OS, including rights to make changes to the audit log capturing the activities of OS administrators, changes to user access rights and OS security settings. Hence, it is generally considered a best practice to restrict access to the most privileged OS account and monitor and review all activities relating to this account.

B. Software Wrongly Configured Allowing Unauthorised IT Staff to Access Privileged Accounts Without Password Authentication

20. AGO also observed that another two of the six OS administrators could log into two other privileged OS accounts without keying in any password in HRMS. AGO found that a security software which was used to control access to privileged accounts in HRMS had been wrongly configured to allow these two OS administrators to access the two privileged accounts without password authentication. According to PSD, these two OS administrators should not have had access to the two privileged accounts.

21. The weak controls over access to privileged OS accounts increased the risks of unauthorised activities in the operating system and the database not being detected. Such unauthorised activities might result in HRMS not being able to store or retrieve data in its database. Users (both HR users and end-users) might not be able to access data in HRMS to perform HR-related activities such as creating personnel records, generating staff curriculum vitae and applying for leave.

22. PSD informed AGO that:

- a. Going forward, it would ensure that access to the most privileged OS account would be granted strictly on a needs basis. It would also monitor and review all activities performed using the most privileged OS account on a monthly basis;
- b. It had completed the analysis of system logs for 14 months and confirmed that the two OS administrators had not logged on to the two other privileged accounts during the period analysed; and
- c. It had reviewed and rectified the configuration of the security software, and strengthened controls over the privileged access of its IT vendor staff. This was completed in end May 2020.

MINISTRY OF FOREIGN AFFAIRS

Weak Enforcement of Terms in Service Agreements with Authorised Visa Agents

23. AGO's audit of an overseas mission (OM) found that there were inadequate measures put in place to enforce terms stipulated in the service agreements signed with its Authorised Visa Agents (AVAs). AVAs are companies appointed by OMs to process visa applications and collect visa processing fees on their behalf. Amongst other things, the service agreements stipulated a fixed visa application fee (comprising a fixed visa processing fee to be paid to the Singapore Government and a fixed service fee to be retained by the AVA) and required the AVAs to use designated credit cards when transmitting the visa processing fees to the Singapore Government.

24. AGO noted that:

- a. The visa application fees stated on the websites of three AVAs (out of the mission's 16 AVAs) were between 16 per cent and 50 per cent higher than the fixed fee stipulated in the service agreements. The excess fees, if collected, would be retained by these AVAs; and
- b. 42 credit cards that were not designated by the mission were used to transmit the visa processing fees for 15,777 visa applications over the period June 2018 to March 2019 test-checked.

A. Visa Application Fee Higher than Stipulated Fee

25. It is important for the Ministry of Foreign Affairs (MFA) to monitor and enforce the terms stated in the service agreements. Practices of over-charging, if left unchecked, could affect the Government's reputation as visa applicants may assume that the Government condoned such practices.

26. The three AVAs explained to MFA that the websites checked by AGO were not their official websites but websites created by either a department or staff from their company without the company's approval. The AVAs had since removed these unofficial websites. MFA had also taken action to penalise the three AVAs.

27. MFA informed AGO that OMs that use the services of AVAs have been conducting twice-yearly checks. As part of these checks, the OMs would ensure that visa application fees are prominently displayed in the AVAs' offices and on the AVAs' official websites. MFA would take further steps to improve the audit process. MFA would remind OMs to conduct audit checks more stringently, including making surprise visits to AVAs' branch offices in addition to their main offices and conducting checks on websites other than the AVAs' official websites.

B. Use of Non-designated Credit Cards for Transmitting Visa Processing Fees

28. The service agreements required AVAs to only use designated credit cards when transmitting visa processing fees to MFA. This is for the purpose of accountability and facilitates investigations into unauthorised submission of visa applications.

29. AGO noted that the controls in the Information and Communication Technology (ICT) system and audit checks carried out by the mission were not effective in detecting the use of non-designated credit cards. The mission had since identified the 12 AVAs which had used 33 of the 42 non-designated credit cards to transmit the processing fees for 15,646 visa applications. While all the visa processing fees for the 15,777 applications had been received, the mission was not able to identify the party which had used the remaining nine non-designated credit cards to transmit the processing fees for 131 visa applications.

30. MFA informed AGO that AVAs which do not comply with the requirement to only use designated credit cards when transmitting visa processing fees would be penalised in accordance with its Penalty Framework for AVAs. MFA would work with the Immigration and Checkpoints Authority (ICA) to explore further measures to tighten controls over the use of non-designated credit cards. MFA would also work with ICA to further investigate if there had been any unauthorised submission of visa applications through the system.

ICT Controls and Governance Need to be Strengthened

31. The Integrated Finance for Overseas Missions System (iFOMS) is a standalone financial system used by officers in MFA to track each OM's budget and record the mission's financial transactions. The iFOMS contains confidential data and information on vendors and staff of OMs. AGO test-checked the IT application controls over iFOMS in MFA Headquarters (HQ) and three OMs for the period 1 April 2017 to 31 March 2019.

32. AGO's audit noted the following lapses in the management of iFOMS user accounts and access rights:

- a. There were 39 instances (out of 96 instances checked) where monthly reviews of user accounts and access rights at MFA HQ and the three OMs were not performed, not properly performed or not supported with evidence of work done. While there were improvements after iFOMS and the review process were enhanced in January 2018, such as reduction in the number of instances where monthly reviews were not performed, AGO noted that lapses relating to monthly reviews not properly performed and not properly documented continued to occur;

- b. There were delays in removing 18 unneeded user accounts and their associated access rights by up to 117 working days from the date the officers resigned, were re-deployed or changed job roles;
- c. There was no evidence of supervisory checks on the monthly reviews of user accounts and access rights for 13 out of 24 months checked; and
- d. There was no review of activities carried out using privileged user accounts since iFOMS was commissioned in 2013.

33. It is important to conduct monthly reviews of user accounts as this would help detect user accounts that are no longer needed, which should then be promptly removed. Prompt removal of such accounts will ensure that user access to the system is restricted based on job needs. Privileged user accounts (which were assigned to MFA officers and IT vendor staff) can be used to access and make changes to data and information in iFOMS. Any unauthorised use could compromise the confidentiality and integrity of data in the system. It is therefore important to regularly review activities performed using privileged user accounts.

34. MFA informed AGO that it would enhance staff training on the proper performance of monthly reviews and maintenance of proper documentation. It would also review its ICT policy and guidelines so that officers involved in the management and review of user accounts and access rights were clear about their roles and responsibilities. In addition, MFA would look into enhancing iFOMS to capture activities carried out using the privileged user accounts for review.

35. While conducting the IT application controls audit of iFOMS, AGO noted that the overall ICT governance at MFA should be strengthened, particularly in the following areas:

a. *Planned ICT Audits Not Carried Out for Three Years*

AGO noted that MFA did not carry out any of its planned ICT audits for three years from financial years 2017/18 to 2019/20. While there was an audit plan for financial year 2017/18, the plan was postponed and changed several times over the financial years 2017/18 to 2019/20 without proper justification. As a result, none of the originally planned ICT audits was eventually carried out during these three years. AGO also noted that there was no monitoring system in place to ensure that the planned audits were carried out. The Government Instruction Manual on IT Management requires agencies to have comprehensive ICT audit plans covering all their ICT systems. It is important that ICT audits are carried out as planned to ensure that control gaps are identified promptly for rectification.

b. *Annual Self-assessment Not Carried Out*

Since 2014, the Government Instruction Manual on IT Management requires agencies to conduct an annual self-assessment on key mandatory ICT requirements for all their systems. AGO noted that MFA had conducted the assessment in 2014 when the requirement was first introduced, but not in subsequent years. As the self-assessment is intended for ministries to assess whether there are ICT control gaps which need to be addressed, it is important for MFA to carry out these assessments annually.

36. MFA informed AGO that it had noted AGO's observations and would put in place measures to strengthen its ICT governance. MFA had since developed a more comprehensive ICT audit plan for financial years 2020/21 to 2022/23 covering all its ICT systems and infrastructure. MFA would also put in place a reporting mechanism to monitor and report on the status of completed ICT audits to its senior management. It had also commenced its self-assessment on key mandatory ICT requirements for financial year 2019/20 in January 2020.

PART II

AUDIT OF STATUTORY BOARDS

PART II : AUDIT OF STATUTORY BOARDS

Financial Statements Audits

1. The Auditor-General has issued unmodified audit opinions on the financial year 2019/20 financial statements of the following three statutory boards that were audited by AGO:

- a. Accounting and Corporate Regulatory Authority;
- b. Inland Revenue Authority of Singapore; and
- c. Monetary Authority of Singapore¹.

2. In accordance with section 4(1)(a) of the Audit Act (Cap. 17, 1999 Revised Edition), the Auditor-General audits statutory boards where the law provides for the Auditor-General to audit their accounts.

3. The law requires the accounts of most statutory boards to be audited by the Auditor-General or another auditor. When the Auditor-General is not auditing the accounts, the Minister concerned will appoint an auditor in consultation with the Auditor-General. In advising on the appointment, the Auditor-General takes into account the criteria listed in Annex II.

Selective Audits

4. For statutory boards whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every five to seven years. The authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act.

¹ The Monetary Authority of Singapore is audited by AGO annually as its Act does not provide for any other auditor to audit its accounts.

5. A selective audit is an examination of selected activities and operations, carried out in relation to the accounts, to check for financial irregularity (not for the purpose of rendering an opinion on the financial statements), and to ascertain whether there has been excess, extravagance, or gross inefficiency leading to waste, and whether measures to prevent them are in place.

6. In the financial year 2019/20, AGO carried out selective audits of the following eight statutory boards:

- a. Government Technology Agency;
- b. Info-communications Media Development Authority;
- c. Jurong Town Corporation;
- d. National Library Board;
- e. Ngee Ann Polytechnic;
- f. Public Utilities Board;
- g. Republic Polytechnic; and
- h. Singapore Examinations and Assessment Board.

7. In addition, AGO carried out checks on other statutory boards arising from matters that come to AGO's attention through complaints, feedback or observations from past audits.

Acknowledgements

8. AGO would like to thank the statutory boards for their co-operation in the audits.

Selected Observations

9. Selected observations arising from the audits of statutory boards are summarised and reflected under their respective supervising ministries in the paragraphs that follow.

MINISTRY OF COMMUNICATIONS AND INFORMATION

NATIONAL LIBRARY BOARD

10. For the audit of the National Library Board (NLB), AGO covered the following areas in its test checks:

- a. Procurement and payment;
- b. Development project;
- c. Revenue (library fines); and
- d. Heritage assets.

The more significant observations arising from the audit are presented in the paragraphs that follow.

Lapses in Procurement

11. AGO's test checks of 29 tenders and quotations (approved procurement value totalling \$252.62 million) awarded during the period 1 April 2017 to 30 June 2019 found lapses in nine cases (approved procurement value totalling \$19.39 million). The lapses included inadequate assessment of price reasonableness of single bids² and not evaluating bid submissions in a fair manner. As a result, there was inadequate assurance that NLB had adhered to the Government procurement principles of value for money, fairness and transparency.

A. Inadequate Assessment of Price Reasonableness of Single Bids

12. AGO found seven cases, comprising five tenders and two quotations (approved procurement value totalling \$18.96 million), where NLB did not adequately assess the price reasonableness of single bids.

13. For five cases, NLB had concluded that the single bid was reasonable by comparing it against NLB's estimated procurement value (EPV), which was not derived based on adequate market sensing. In three of these cases, the EPV was either derived from a budgetary quote provided by the same vendor subsequently recommended for award, or the EPV could not be substantiated with any supporting document. Comparing the bid against the EPV derived from the same bidder is effectively a self-to-self comparison. In most of these cases, there was no evidence that the approving authority had questioned the inadequate assessment. Approving authorities should exercise their responsibilities diligently to ensure that procurement decisions are properly considered.

14. For the remaining two cases, NLB had concluded that the price of the single bid was reasonable based on its comparison with past tender/quotation, without taking into account differences in scope and specifications. The differences were also not highlighted in the evaluation report for the approving authority to make an informed decision.

² Single bid refers to sole bid received or single qualifying bid.

B. Evaluation of Bid Submissions Not Conducted in a Fair Manner

15. AGO noted the following lapses in six cases³, comprising four tenders and two quotations (approved procurement value totalling \$1.55 million):

- a. For four cases, NLB had either not adequately verified whether the bidders had complied with the published tender/quotation requirements or had evaluated the bids based on requirements different from those published. In three of the cases, contracts were awarded to bidders whose bids did not meet mandatory requirements. The award outcome could have been different for one case (approved procurement value of \$0.39 million) had NLB evaluated the bids in accordance with the published requirements.
- b. In two cases⁴, the scoring matrix used to compute evaluation scores was determined only after the close of the tender/quotation, or there was no evidence showing otherwise. As the bids would have been known by then, NLB could be subject to allegations that the scoring matrix was designed to favour certain bidders.
- c. For one case (approved procurement value of \$40,820), NLB had used different evaluation criteria from those published. Two of the four bidders were also disqualified for not meeting requirements which were not clearly indicated as mandatory (i.e. non-compliance would result in disqualification). Had NLB not disqualified these two bidders, the outcome of the award could have been different.

16. NLB informed AGO that it would strengthen its assessment of price reasonableness. It would also exercise greater due diligence in ensuring that bidders met its requirements. It had improved its processes to ensure that the correct criteria were used for evaluation, and scoring matrices were finalised and documented before the close of the tender/quotation.

³ Four of the six cases are also reported under the seven cases where there was inadequate assessment of price reasonableness of single bids.

⁴ One case is also reported under the four cases where NLB had not adequately verified compliance with published requirements or had evaluated the bids based on requirements different from those published.

Lapses in Management of Contract Variations for the National Archives Development Project

17. AGO test-checked 75 contract variations (estimated cost totalling \$1.69 million) under a construction contract for the revamp of the National Archives of Singapore building (approved project cost of \$20.53 million⁵) and found that management of the project was inadequate on several fronts. There was a lack of scrutiny in the management of contract variations. Many of the in-principle approvals (IPAs) sought for contract variations were approved even though no ballpark cost estimates were provided. These included variation works involving sums as high as \$0.37 million. Giving approval and making financial commitments without clarity on the costs involved meant that the project would run a high risk of project cost overrun. Details of the lapses involving 42 variations (or 56 per cent of the variations test-checked) amounting to about \$1.35 million are as follows:

- a. IPAs were sought for 36 variations without compelling reasons. According to the Government Instruction Manual on Procurement, IPA should be used only for emergency or other urgent unexpected situations, and the use of IPA should be an exception instead of the norm. For 17 of the 36 variations test-checked, AGO noted that works commenced eight days to about two months after the IPAs were obtained, indicating that there was no urgency for the works.
- b. Of the 36 contract variations where IPAs were granted, ballpark cost estimates were not provided for 20 of them (55.6 per cent) when IPAs were being sought. This meant that NLB had given approval for works to commence even though it did not know the magnitude of the costs involved.
- c. There were delays in obtaining formal approval for the variations after the IPAs were given. NLB took between 24 days and about 8 months to obtain formal approval after the IPAs were granted for the 36 variations. Obtaining formal approval as early as possible is important to facilitate the monitoring of project costs and to ensure that the project is kept within approved project costs. This is especially important as cost estimates were not provided for 20 of the variations at the point when the IPAs were given.

⁵ This comprised the contract value of \$19.55 million and contingency sum of \$0.98 million.

- d. Three IPAs⁶ were incorrectly obtained from an approving authority with lower approval limits.
- e. Instructions to commence works for six variations were issued before obtaining the requisite approval.

18. AGO also noted that there was inadequate monitoring of project expenditure to ensure that financial commitments were kept within the approved project cost. The project eventually exceeded the approved project cost by \$1.72 million, which was about 8.4 per cent of the approved project cost of \$20.53 million. In addition, NLB only sought approval from its approving authority for exceeding the approved project cost five months after it became aware of the cost overrun. Seeking retrospective approval undermined the role of the approving authority and indicated a weakness in financial controls.

19. NLB acknowledged that IPA should not be the norm in managing variation works. NLB informed AGO that it had enhanced its contract variation processes by implementing the following measures to tighten the approval and tracking of variation works:

- a. All urgent works requiring IPA should be substantiated with reasons;
- b. Consultant's ballpark estimate for each variation work should be stated when seeking IPA;
- c. Formal approval for variations should be obtained within six weeks after IPA; and
- d. The balance in the contingency sum should be stated when seeking IPA.

20. In addition, NLB informed AGO that it targeted to implement an automated system in 2021 for online tracking of contract variations and project cost utilisation for its development projects.

⁶ These IPAs covered 11 of the 36 contract variations.

MINISTRY OF EDUCATION

NGEE ANN POLYTECHNIC

21. For the audit of the Ngee Ann Polytechnic (NP), AGO covered the following areas in its test checks:

- a. Procurement and payment;
- b. IT general controls;
- c. Student loans;
- d. Continuing Education and Training – course fees and grants from the SkillsFuture Singapore Agency;
- e. Rental income and management of tenancy agreements;
- f. Related party transactions with subsidiary companies; and
- g. Investments.

The more significant observation arising from the audit is presented in the paragraphs that follow.

Inadequate Review of Critical Database Activities Carried Out Using Privileged Database User Accounts

22. AGO's checks found that there was inadequate review by NP of the activities performed by privileged database users on its key financial and IT system, NPAl. The system comprises modules on finance, human resources, learning management and students. It contains important information such as payroll records, bank account details of staff and vendors, as well as student information such as student grades. There were six privileged database users (comprising five NP staff and one IT vendor staff) with access rights which allow them to perform critical database actions, such as updating and deleting data and granting access rights to users. It is therefore important to monitor the activities of these privileged database users as any unauthorised activity could compromise the confidentiality and integrity of data in the system.

23. AGO noted that since 30 May 2016, NP has implemented a Security Information and Event Management (SIEM) system to facilitate its review of the activities of the privileged database user accounts. The SIEM system collects activity logs from the NPAl system and generates security alerts on possible security violations and breaches, for review. AGO was informed by NP that only 6 out of 38 actions that could be performed by the privileged database users were configured in the SIEM system to be flagged out for review. AGO noted that NP did not carry out any risk assessment to support the selection of only these six actions for review. The reasons for the decision were also not documented. Amongst the 32 actions that were not flagged out for review were critical actions such as updating and deleting data in the database. Thus, privileged users could potentially access and make unauthorised modifications to the data, without such actions being flagged out for review.

24. NP informed AGO that it had since performed a risk assessment and reconfigured the SIEM system to cover 32 out of the 38 actions from March 2020. The six remaining database actions were not covered because they were assessed to be of lower impact to IT security. NP would also engage a consultant in the first quarter of financial year 2020/21 to conduct a comprehensive risk assessment.

REPUBLIC POLYTECHNIC

25. For the audit of the Republic Polytechnic (RP), AGO covered the following areas in its test checks:

- a. Procurement and payment;
- b. Student loans;
- c. Student fees;
- d. Continuing Education and Training (CET) – course fees and grants from the SkillsFuture Singapore Agency;
- e. Expenditure on manpower for personnel conducting CET courses;
- f. Management of staff apartments; and
- g. Fixed assets.

The more significant observation arising from the audit is presented in the paragraphs that follow.

Electronic Payment Files Not Secured

26. AGO reviewed the controls over payment processing and noted that RP did not implement security measures to safeguard the integrity of its electronic payment batch files. While RP has in place mitigating controls, AGO noted that these controls were inadequate. Consequently, this exposed RP to the risk of unauthorised changes being made to the payment files before these files were uploaded to the bank's system for payments, potentially resulting in unauthorised payments.

27. RP informed AGO that it was not aware of the availability of features to secure its electronic payment batch files before uploading. RP had since assessed the security measures that could be implemented and worked with the bank to encrypt its payment files from May 2020. Since January 2020, RP had enhanced its controls by generating logs capturing the upload and deletion of payment batch files to check for any unauthorised activity. It would also generate logs from April to December 2019 and perform a retrospective check for any unauthorised activity. As RP would be implementing a new Human Resource and Finance system in the second half of 2021, RP had also confirmed that the payment files from the new system would be encrypted before they are interfaced with the bank's system.

MINISTRY OF THE ENVIRONMENT AND WATER RESOURCES

PUBLIC UTILITIES BOARD

28. For the audit of the Public Utilities Board (PUB), AGO covered the following areas in its test checks:

- a. Payments under a Public-Private Partnership (PPP) project;
- b. Management of a development project;
- c. Revenue;
- d. Procurement and payment;
- e. Contract management; and
- f. Expenditure on manpower.

The more significant observations arising from the audit are presented in the paragraphs that follow.

Weaknesses in Controls over Payments under PPP Project

29. AGO test-checked payments made to a private sector partner (partner) for the supply of NEWater to PUB under a PPP arrangement, and noted control weaknesses in PUB's verification for payments.

30. Under a long-term⁷ agreement established with the partner, PUB will make monthly payments to the partner for the supply of NEWater. Deductions from payments may be made when contractual specifications are not met, such as water storage tank level falling below a specified level or excessive residual waste discharged from the plant. Every month, the partner would submit its claim together with supporting information (e.g. water output volume, storage tank levels and feedwater quantity⁸) for PUB's verification.

31. AGO had two key observations. First, the partner was able to modify real-time values of parameters in its IT system, which would affect the amounts to be paid by PUB. Second, PUB had largely relied on information provided by the partner to make payments without carrying out adequate independent verification. Hence, there was no assurance that the payments made by PUB were correctly determined. It is important for PUB to put in place effective controls to verify the amounts to be paid or deducted to minimise the risk of incorrect payments. This is especially so given the long-term nature of the partnership. Details are elaborated in the paragraphs that follow.

A. Modification of Real-time Values in IT System by Partner

32. Under the agreement, selected payment parameters are required to be measured and monitored using the partner's IT system. AGO noted instances where the partner had modified real-time values of the parameters in its IT system. Such modifications could have affected payments as deductions could be made had PUB been aware of the fact that specifications were not met. As there were no controls in place for PUB to check whether the values of the parameters had been modified prior to making payment, there was no assurance that payments made to the partner were correct.

⁷ The contract period of PPP projects typically ranges from 20 to 25 years.

⁸ Feedwater refers to water supplied to the plant that is to be treated into NEWater. Its quantity is one of the inputs used to determine if there is excessive residual waste discharged by the plant, which warrants deductions from payments to be made.

B. Reliance on Information Provided by Partner for Payments

33. For the following payment parameters: (a) water output volume; (b) reduced water storage tank level; and (c) excessive residual waste, AGO noted that PUB had relied solely on the information provided by the partner to verify the partner's claim. The information provided included daily flowmeter readings recorded by the partner, as well as data downloads on the water storage tank level and feedwater quantity from the partner's IT system. There was thus no independence in PUB's verification for payment. In addition, verifying against data from the IT system might not be effective as AGO's test checks had noted instances where the data on water storage tank level had been modified by the partner.

34. PUB informed AGO that it had taken measures and would enhance its controls to address the weaknesses surfaced by AGO. In respect of water output volume, PUB conducted a review and was satisfied that the quantity measurements for water output were fair, and the corresponding payments made were accurate. For the other payment parameters, PUB expects to complete its review by the end of 2020 and would impose deductions on the partner where necessary.

Lapses in Access Controls over IT System for PPP Project

35. AGO found that PUB did not ensure that its partner had complied with PUB's policy on IT controls. In the course of AGO's test checks on payments made to the partner, AGO noted that the partner had not implemented adequate controls on users' access to its IT system. The control lapses included (a) excessive access rights granted to the partner's vendor; (b) sharing of an administrator account; (c) no separate accounts for users with privileged and non-privileged roles; and (d) no automatic time-out for user accounts. These lapses would increase the risk of compromise to the data residing in the IT system.

A. Excessive Access Rights Granted to Partner's Vendor

36. AGO observed that a staff of the partner's vendor was assigned an administrator account which accorded the staff the most privileged access rights, including rights to manage user access, and to create and delete user accounts. The vendor's staff was granted excessive rights which were not required for the job. This was not in accordance with PUB's policy which states that vendors should not be granted privileged rights.

B. Sharing of Administrator Account

37. AGO also found that the same staff of the vendor mentioned above and two staff of the partner had been sharing one administrator account with privileged access rights.

38. This was not in compliance with PUB's policy which required users to each have a unique user identification. Allowing users to share an account would make it difficult to identify the user who had performed a particular activity.

C. No Separate Accounts for Users with Privileged and Non-privileged Roles

39. PUB's policy required users who take on both privileged and non-privileged roles to be assigned two separate accounts, i.e. one account for each role, as the access rights for the two roles are different. AGO noted that the same two staff of the partner mentioned above held dual roles and were sharing one administrator account to carry out activities for both privileged and non-privileged roles.

40. For good control, administrator accounts should only be used to perform administrator tasks, and user accounts with non-privileged roles should be used to perform non-administrator tasks. This would minimise the usage of administrator accounts and minimise the risk of possible unauthorised privileged access, e.g. due to unattended sessions.

D. No Automatic Time-out for User Accounts

41. PUB's policy states that access duration for supervisor and operator accounts in the IT system shall have automatic time-out. AGO noted that there was no automatic time-out set for all user accounts in the IT system. This increases the risk of unauthorised use of these accounts.

42. PUB informed AGO that the partner had since removed the administrator account assigned to the vendor's staff. In addition, the partner had assigned a unique administrator account and an additional user account with non-privileged role to each of its two staff. Time-out controls had also been implemented. PUB further informed AGO that it had conducted a cybersecurity audit in May 2020 and details of the audit would be conveyed in writing to the partner, together with a deadline for rectifying all non-compliance.

Lapses in Management of Development Project

43. PUB appointed a contractor to construct a water plant and engaged a consultant to manage the construction contract on its behalf. Construction commenced in November 2015 and was substantially completed in November 2018. The contractor was also appointed to provide maintenance services for the plant under a 24-month maintenance services contract. AGO's test checks on the three contracts, namely the consultancy, construction and maintenance services contracts (total value of \$227.09 million) found the following lapses:

- a. Weaknesses in management of contract variations for the construction contract;
- b. Lapses in adjustments for price fluctuations under the construction contract; and
- c. No assessment of cost reasonableness of rate for unskilled manpower under the maintenance services contract.

These lapses are presented in the paragraphs that follow.

A. Weaknesses in Management of Contract Variations for the Construction Contract

44. AGO's test checks found that:

- a. Approvals for 13 (out of 58) contract variations amounting to \$4.59 million (or 53.9 per cent of total costs of variations test-checked) were obtained from the approving authority one to seven months after works had commenced or were already completed. For 12 of these contract variations (amounting to \$4.56 million), approval was obtained around five to seven months after construction was completed;
- b. No approval was sought for the substantial increase in variation costs for three contract variations. The increase in each of the variation costs ranged from 23.9 per cent to 59.1 per cent of the earlier approved costs. The finalised cost for the three variations was \$336,800, an increase of about 31.6 per cent above the approved estimated cost of \$256,000;

- c. Wrong rates were applied in the valuation of cost deductions for equipment no longer required for two contract variations. Instead of applying contract rates for the equipment, the consultant had used star rates⁹ from the quotations obtained by the contractor. This resulted in PUB making deductions that were \$72,300 less than what was required; and
- d. Costs for works not done were not deducted for one contract variation, resulting in an estimated overpayment of \$23,200.

45. PUB acknowledged the lapses in approvals for contract variations. PUB also agreed that contract rates should have been applied for the instances highlighted and would be seeking recovery from the contractor, including the overpayment in relation to works not done.

B. Lapses in Adjustments for Price Fluctuations under the Construction Contract

46. Under the construction contract, PUB would take into account changes in the prices of steel reinforcement and concrete, and make adjustments in the monthly progress payments to the contractor. At the time of the audit, a total of \$1,047,000 (additions) and \$820,100 (deductions) in adjustments were made for the price fluctuations for steel reinforcement and concrete respectively. The price adjustments were determined by the consultant engaged by PUB. AGO's test checks of the adjustments found instances where price adjustments had not been properly assessed in accordance with contractual provisions. The lapses are as follows:

- a. Incorrect price indices were applied for steel reinforcement price adjustments for seven (out of eight) structures, resulting in an estimated overpayment of \$113,000; and
- b. No price adjustments were made for four structures. PUB had since determined that it had underpaid the contractor by \$8,600.

⁹ Star rates refer to rates used for valuation of items that are not listed in the contract.

47. PUB informed AGO that it would make the necessary adjustments in the final account after reviewing the price fluctuations for the remaining structures under the contract. PUB would also enhance its procedures by requiring its officers to check the consultant's computation for such price adjustments before finalising payment.

C. No Assessment of Cost Reasonableness of Rate for Unskilled Manpower under the Maintenance Services Contract

48. PUB issued a works order under the maintenance services contract for the contractor to provide unskilled manpower to assist with plant operations. The works were carried out by four workers who worked rotating shifts on a 24/7 basis. PUB explained that the manpower was required to assist PUB operators with on-site work such as manual valve operations, equipment verification and manual desludging, perform basic diagnosis of plant/equipment faults, perform first-line trouble shooting work, and manual tasks such as washing of water sample bottles, tidying of the laboratory, etc. The estimated value of the works order was \$607,000 for a period of 23 months. AGO noted that the rate for the unskilled manpower was high and there was no evidence that PUB had assessed the cost reasonableness of the rate before awarding the tender. Using the average unskilled manpower rate priced by all tenderers at tender close, the expenditure would be around \$365,400, which was about 39.8 per cent lower than the estimated value of \$607,000. AGO is of the view that PUB should have carried out an assessment of the reasonableness of the rate before awarding the tender. There was thus no assurance that PUB had obtained value for the use of public funds.

49. PUB explained that for operational reasons, it had appointed the contractor which had designed and built the plant to also maintain it for the initial period of operation. PUB also assessed that it was necessary for the same contractor to undertake some of the operational work at the plant rather than to engage a third party. PUB explained that as this was the first of such water plants, going with a third party for operational work would mean taking on greater operational and technical risks than what it could accept. PUB informed AGO that after the first two years of the plant's operations, it would move to procuring services on a fixed schedule of rates.

MINISTRY OF TRADE AND INDUSTRY

JURONG TOWN CORPORATION

50. For the audit of the Jurong Town Corporation (JTC), AGO covered the following areas in its test checks:

- a. Revenue;
- b. Expenditure;
- c. Cash collection; and
- d. Procurement and contract management.

The more significant observations arising from the audit are presented in the paragraphs that follow.

Unauthorised Subletting of Leased and Tenanted Premises

51. AGO's test checks of lease and tenancy management at JTC found that JTC premises may have been sublet to about 26,000 business entities without its approval. Unauthorised subletting could expose JTC to the risks of unauthorised or illegal activities occurring on its premises and financial loss due to under-collection of sublet fees.

52. JTC allows lessees and tenants¹⁰ to sublet part of their premises to related or other entities with JTC's approval. When subletting, lessees or tenants are required to comply with conditions such as the maximum sublet area and payment of sublet fees¹¹. In financial year 2018/19, JTC collected \$13.61 million in sublet fees.

¹⁰ Lessees refer to business entities which JTC has lease agreements with (typical tenure of 20 to 30 years). Tenants refer to business entities which JTC has tenancy agreements with (typical tenure of three years).

¹¹ Generally, sublet fees would not be charged for subletting to related entities with which the lessees have a shareholding relationship of at least 51 per cent.

53. AGO's test checks found that about 26,000 business entities had indicated JTC premises as their registered addresses¹² even though these entities were neither JTC's lessees or tenants, nor subtenants approved by JTC. This could mean unauthorised subletting by the lessees or tenants to these business entities without JTC's approval.

54. AGO's site visits to 15 premises between November 2019 and January 2020 found 41 suspected unauthorised subtenants in 12 premises.

55. Following AGO's observations, JTC performed a quick investigation on 2,792 of the 26,000 business entities. From the investigation, 2,010 (or 72 per cent) were suspected cases of unauthorised subletting, of which, 1,260 cases were related entities of lessees and tenants.

56. JTC informed AGO that it would write to its lessees and tenants to clarify on the unknown entities using JTC premises as their registered address. JTC would also improve its inspection regime to reduce the incidence of unauthorised subletting on its premises. This includes sharpening its analysis to prioritise its inspection efforts.

Illegal Storage and Sale of Diesel at Leased Premises

57. During site visits conducted between November 2019 and January 2020, AGO noted illegal storage and/or sale of diesel to the public at four leased industrial premises. These illegal activities pose environmental and safety risks to the public.

58. The lease agreements with lessees state the authorised usage of the JTC premise. Lessees have to seek JTC's approval before any change of use. Lessees would also have to comply with relevant regulatory requirements applicable to the type of usage. For example, under the Fire Safety Act (Cap. 109A, 2000 Revised Edition), only licensed premises shall store petroleum (including diesel) or any flammable material and these licensed premises need to meet certain fire safety requirements.

¹² These refer to the business entities' addresses registered with the Accounting and Corporate Regulatory Authority.

59. AGO noted that the lessees had used the premises for storage and sale of diesel without JTC's authorisation. For three of the four premises, the lessees also did not obtain any licence for the storage of diesel nor did they obtain approval for sale of diesel to the public, as required under the law. For the fourth case, while the lessee had obtained a licence for storage of diesel, it did not obtain any approval for the sale of diesel. As these premises were not licensed or approved to store and/or sell diesel to the public, they may not meet the fire safety requirements, and could thus pose environmental and safety risks to the public.

60. JTC informed AGO that it would explore additional measures to complement its inspection process. JTC would also remind its officers to look out for unauthorised diesel pumps when they are on site. In addition, JTC had since established an arrangement for the Singapore Civil Defence Force to grant the relevant licence only if lessees had obtained JTC's prior consent for the installation of diesel pumps on JTC premises. For the cases identified by AGO, JTC would work with the relevant agencies to take enforcement action against the lessees for the breaches.

Payment to Terminated Contractor Could Have Been Withheld

61. AGO noted that JTC had made a payment of \$0.89 million to a terminated contractor¹³ even though under the contract, JTC could have withheld the payment and used it to offset against the debt claimable from the contractor.

62. In June 2017, JTC awarded a 27-month contract for refurbishment works to a contractor at a contract sum of \$41 million. Works commenced upon award of the contract. A few months later, works slowed down, progress fell behind schedule and continued to worsen despite reminders and warnings. JTC terminated the contract in October 2018 after the contractor went into liquidation. JTC then engaged another contractor to complete the refurbishment works.

¹³ A liquidator was appointed to wind up the affairs of the terminated contractor when it went into liquidation. JTC had made the payment to the liquidator of the terminated contractor.

63. The contract provided that in the event of termination for default, JTC would not be liable to pay the terminated contractor any sum until the total cost for the completion of the refurbishment works and other expenses incurred by JTC had been ascertained. Hence, JTC could have withheld outstanding payments to the contractor during this period. If the total cost and expenses exceeded the sum payable to the terminated contractor, JTC could use the sum payable to offset against the debt claimable from the contractor.

64. AGO noted that JTC had paid the terminated contractor \$0.89 million in November 2018, one month after contract termination and before ascertaining the total cost and expenses to be incurred by JTC to complete the refurbishment works. AGO also noted that although JTC had sought legal advice on various issues before making the payment to the terminated contractor, it did not seek legal advice regarding the contract provision on withholding of payments upon termination of contract.

65. In August 2019, JTC filed a claim of \$24.46 million with the liquidator against the terminated contractor for the debt claimable under the contract.

66. As at 30 June 2020, JTC had not received any payment for the claim of \$24.46 million. JTC could have withheld the payment of \$0.89 million and used it to offset against the total debt claimable from the terminated contractor.

67. JTC explained that it had made the payment to the terminated contractor as the payment was certified before the contractor went into liquidation. JTC accepted AGO's recommendation to consider contract provisions and timing of material events carefully before making any payment to terminated contractors.

Weaknesses in Cash Collection Process and Falsification of Receipts

68. AGO's review of controls over the cash collection process at JTC found weaknesses such as no segregation of duties in the receiving and recording of cash received, and no reconciliation of cash collected with the hardcopy receipts issued to check for completeness before the cash was banked in. These weaknesses increased the risk that cash collected but not recorded and banked in would not be detected. In addition, five of the receipts provided to AGO contained signs which cast doubt on their authenticity.

69. For cash received over the counter, there was no segregation of duties: the JTC officer who collected the cash would also record the receipt in the JTC accounting system and generate an official hardcopy receipt printed on receipt papers which are serially numbered. One portion of the receipt is given to the customer while the other portion is retained by JTC for record. For the period January 2018 to September 2019, a total of \$3.84 million was collected in cash. The amount collected in cash was as high as \$124,000 per transaction.

70. In addition, AGO noted that there were neither periodic reviews nor surprise checks on the stock of unused hardcopy receipt papers to ensure that all receipt papers were properly accounted for. Details such as date and name of officers who drew down from the stock of unused receipt papers were also not properly recorded for accountability.

71. AGO's test checks on the portion of receipts retained by JTC, issued during the period 1 April 2018 to 15 October 2019, found that eight receipts were missing. Five of the receipts were subsequently provided to AGO. However, AGO noted signs on these receipts which cast doubt on their authenticity. JTC was not able to locate the remaining three receipts.

72. Following AGO's observations, JTC carried out an investigation and had since lodged a police report.

73. JTC had ceased accepting cash payments with effect from 31 January 2020. In addition, JTC informed AGO that it had reviewed the collection process for non-cash payments and implemented additional procedures to tighten the controls on the issuance of receipt papers. These include segregating the issuance of receipt papers from the receipting team, improving the receipt issuance records and performing daily reconciliation of collections with receipts issued.

Possible Irregularities Noted in Quotations

74. AGO's test checks on quotations sourced by JTC's contractors for 20 star rate items¹⁴ found that quotations submitted for one star rate item (\$66,240) might not be authentic. JTC also did not compare the quotations for this item against previous rates paid for similar items when assessing the price reasonableness of these quotations.

¹⁴ Star rate items refer to items for which rates are not listed in the contract.

75. JTC asked a contractor to provide driver services, a star rate item, for one year from 1 April 2017 to 31 March 2018. For star rate items, the contractor was required to source and provide three quotations to JTC for evaluation and approval. Government procurement guidelines state that rates from past projects could be used to assess the reasonableness of the quotations.

76. AGO found possible irregularities in the three quotations submitted by the contractor and had concerns over the authenticity of all three quotations. AGO also noted that JTC accepted the lowest quotation without comparing the quotations received with previous rates for similar services. The lowest quotation was between 17 and 100 per cent higher than previous rates paid for similar driver services. A total of \$66,240 was paid to the contractor for the services.

77. Following AGO's observations, JTC carried out an investigation and informed AGO that it had lodged a police report with regard to concerns over the authenticity of the quotations. JTC also informed AGO that there was an absence of robust checks by its staff in reviewing and approving the quotations and that it would be taking disciplinary action against the staff. JTC would also step up efforts on capability building in contract management for its officers through conducting regular refresher courses and setting up a helpdesk to provide contract management advice.

PRIME MINISTER'S OFFICE

GOVERNMENT TECHNOLOGY AGENCY

78. For the audit of the Government Technology Agency (GovTech), AGO covered the following areas in its test checks:

- a. Procurement and payment;
- b. Revenue; and
- c. Grants.

The more significant observations arising from the audit are presented in the paragraphs that follow.

Lapses in Procurement Evaluation

79. AGO’s test checks of 40 tenders and quotations awarded (approved procurement value totalling \$1.61 billion) for the period 1 April 2017 to 30 June 2019 found lapses in the evaluation of seven tenders and quotations (approved procurement value totalling \$665.76 million). The lapses included optional items not evaluated, pricing errors in tender submissions not detected, volume parameters not determined before close of tender and inadequate evaluation of cost reasonableness of bid by single supplier. As a result, there was inadequate assurance that GovTech had adhered to the Government procurement principles of transparency and value for money. The more significant lapses are presented in the paragraphs that follow.

A. Optional Categories of Items Not Fully Evaluated

80. AGO’s test checks found that GovTech did not fully evaluate two of the three optional categories of items in the evaluation of a Whole-of-Government (WOG) tender¹⁵ for provision of servers and other IT equipment (approved procurement value of \$634 million). GovTech did not evaluate any item in the “Extended Warranty” category and only partially evaluated the items in the “Accessories” category. The fact that the optional categories of items were not fully evaluated and the reasons for doing so were not disclosed to the approving authority for it to make an informed decision on the award. It was also not disclosed to the public sector agencies that could leverage on the WOG contract for them to have full information when making procurement decisions. The two optional categories of items made up \$97.41 million (or 15.4 per cent) of the approved procurement value.

¹⁵ Also known as “bulk tender”, this is a procurement approach for collective purchases of common goods and services which aggregates demand across public sector agencies to benefit from economies of scale.

81. GovTech clarified that only commonly procured optional items were evaluated for this tender. Following GovTech's clarification, AGO requested GovTech to check whether all optional items were evaluated in other WOG tenders. GovTech informed AGO that its checks on 14 other WOG tenders (approved procurement value totalling \$1.93 billion) awarded in the same period found that four WOG tenders had optional items. Two of them (approved procurement value totalling \$418.54 million) had optional items that were similarly not evaluated. For one tender, the procurement value for the optional items totalled \$12.92 million (or 9.2 per cent of the total procurement value). For the other tender, GovTech did not specify the procurement value of the optional items as it had deemed their unit rates to be low relative to the base items and demand to be low.

82. AGO's view is that optional items should be evaluated as they are components of a tender and the consequent contract. If there are good reasons for not evaluating the optional items, these should be documented and included in the submissions to the approving authority for it to make an informed decision on the tender award. Public sector agencies should similarly be informed so that they can make their purchases from WOG contracts with the full information provided.

83. GovTech informed AGO that it would document the reasons for not evaluating optional items in the evaluation report for future WOG tenders. It would also inform public sector agencies about the optional items that were not evaluated via a central procurement portal.

B. Pricing Errors in Tender Submissions Not Detected

84. AGO's test checks also found that GovTech did not detect pricing errors in tender submissions for the same WOG tender mentioned in paragraph 80. GovTech was not aware of the pricing errors for 19 accessories and services under the "Accessories" optional category, until about four months after the tender was awarded. GovTech only found out about the pricing errors when two awarded contractors informed GovTech of misalignment issues in their tender submissions which led to the pricing errors. Some of the pricing errors were significant. For example, the rate for one man-day of professional services was wrongly reflected as 61 times higher than the intended rate.

85. While the pricing errors had not resulted in incorrect payments, this was mainly because there had not been any purchase of the accessories and services at the time of AGO's audit. GovTech should have carried out due diligence checks on prices during evaluation as pricing errors could lead to public sector agencies being charged the wrong prices.

86. GovTech informed AGO that it had issued contract variations to correct the pricing errors and had reminded its staff to exercise greater diligence in checking the price schedules of optional items submitted by tenderers.

C. Volume Parameters Used in Evaluation Not Determined before Close of Tender

87. AGO's test checks found that the volume of transactions and items (volume parameters¹⁶) for three cost components used in the evaluation of a tender for a digital identity biometric system (approved procurement value of \$24.41 million) was not determined before the close of tender. Three of the volume parameters used for tender evaluation (namely the number of transactions, number of man-days required for service requests on system enhancements, and number of new kiosks) were only determined during the evaluation stage. AGO also noted that there was no documentation on how GovTech had decided on the volume parameters that were used in the evaluation. Hence, there was inadequate assurance that GovTech had fully adhered to the Government procurement principle of transparency.

88. Tenderers were required to submit pricing rates for the cost components based on the volume parameters stated in the Invitation to Tender (ITT). However, AGO noted that GovTech did not use the volume parameters in the ITT to evaluate the cost for transaction charges, system enhancements and new kiosks. It also did not inform the approving authority that it had used volume parameters that were different from those stated in the ITT for evaluation. Had the volume parameters published in the ITT been used in the tender evaluation, a different tenderer would have attained the highest evaluation score.

¹⁶ Volume parameters refer to the cost component quantities that were used to derive the tender price.

89. According to GovTech, there was no documentation on how the volume parameters were determined because the inputs used to determine the volume parameters were mostly obtained verbally from public sector agencies during the evaluation stage. Subsequent to AGO's query, GovTech approached the agencies to obtain their inputs in writing. However, AGO noted that these inputs included data on actual volumes of transactions that took place after the award of tender and hence there was inadequate assurance that the inputs could have been used during evaluation.

90. GovTech explained that the volume parameters indicated in the ITT were only to illustrate how the overall tender price was to be derived for tender submissions. This was also stated in the ITT. They were not meant to be used for evaluation. However, AGO noted that one of the parameters stated in the ITT, namely the number of training courses, was used for evaluation. Hence, it was not clear which of the volume parameters were for illustrative purposes only and which were to be used for evaluation. By not informing the approving authority that the volume parameters used for evaluation were different from those published in the ITT, the approving authority would not have the full information to make an informed decision on the tender award.

91. GovTech informed AGO that it would update its procurement instructions to remind its staff to determine the volume parameters before the close of tender and to highlight any deviation in the evaluation report with the necessary justifications.

D. Inadequate Evaluation of Cost Reasonableness of Bid by Single Supplier

92. AGO's test checks found that there was inadequate evaluation of cost reasonableness of a bid by a single supplier for the leasing of workspace to manage central network services. The contract (approved procurement value of \$6.29 million) was for a leasing period of 10 years and 3 months; comprising a base period of 5 years and 3 months and optional annual renewals for up to 5 years. AGO noted that the leasing costs for the option periods of up to 5 years (totalling \$3.20 million or 50.9 per cent of the approved procurement value) and the one-time cost for fit-out works (totalling \$0.40 million or 6.4 per cent of the approved procurement value) were not included in the cost reasonableness assessment. The approving authority was also not informed that these costs were excluded from the assessment and the reasons for excluding them. The inadequate evaluation could have affected the approving authority's ability to make an informed decision on the award.

93. GovTech explained that the lapses occurred because the evaluation team had not adhered to its procedures for procurement involving a single supplier. GovTech also informed AGO that it had since reminded its staff of the procedures when undertaking cost reasonableness assessments in future procurement involving a single supplier.

PART III

THEMATIC AUDIT

PART III : THEMATIC AUDIT

1. In the financial year 2019/20, AGO conducted a thematic audit on selected business grant programmes managed by the Workforce Singapore Agency (WSG) and the Enterprise Singapore Board (ESG).

2. A thematic audit is an in-depth examination of a selected area, which may involve more than one public sector entity. The in-depth examination enables AGO to report on good practices in financial governance and controls that it may come across in the course of the audit, in addition to lapses.

3. Thematic audits may involve Government ministries, organs of state, Government funds or statutory boards. For Government ministries, organs of state and Government funds, the authority is provided for under section 5(1) of the Audit Act. For statutory boards, the authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act.

Acknowledgements

4. AGO would like to thank WSG and ESG for their co-operation in the audit.

Scope of Audit

5. The thematic audit focused on the management of business grant programmes by WSG and ESG during the period 1 April 2018 to 30 June 2019. The audit covered the following stages in grant management:

- a. Stage 1: Grant Design and Setup
 - whether there were processes and controls in place to ensure that grant programmes were authorised and administered in accordance with the objective(s) of the grant.
- b. Stage 2: Grant Evaluation and Approval
 - whether there were processes and controls in place to ensure that grant applications were properly evaluated and approved; and
 - whether agreements with grant recipients were properly entered into.

- c. Stage 3: Grant Disbursement
 - whether there were processes and controls in place to ensure that disbursements were properly supported and approved for the intended purpose(s) and disbursed in an accurate and timely manner; and
 - whether deviations from approved terms (if any) were justified, properly approved and disbursed.

- d. Stage 4: Grant Monitoring and Review
 - whether there were processes and controls in place to ensure that grants were managed in accordance with relevant terms and conditions, and that the deliverables were achieved.

- e. Stage 5: Cessation of Grants
 - whether there were processes and controls in place to take stock of final deliverables and settle the accounts (including recovery of any unutilised grants) in a timely and accurate manner.

6. The audit examined whether there was a proper framework for grant management and whether due process was followed for the above stages. The audit did not seek to certify whether the grant recipients had, in all material aspects, used or managed the grants in accordance with the grant terms and conditions. For grants which were managed by WSG and ESG jointly with their programme partners (PPs) such as Trade Associations and Chambers (TACs), the audit focus was on WSG's and ESG's roles and responsibilities in the grant management.

Summary

7. A total of \$453.19 million was disbursed by WSG and ESG under their business grant programmes for the period 1 April 2018 to 30 June 2019. The thematic audit covered three key grant programmes under each entity as shown in the table below.

Grant Programme ¹	Total Disbursements from 1 April 2018 to 30 June 2019 (\$ million)
Workforce Singapore Agency	
Professional Conversion Programme (PCP)	68.30
WorkPro	54.05
Career Support Programme (CSP)	23.82
Total	146.17
Enterprise Singapore Board	
Enterprise Development Grant (EDG) ²	144.31
Local Enterprise and Association Development Programme (LEAD)	24.46
International Marketing Activities Programme (iMAP)	18.46
Total	187.23
Grand Total	333.40

¹ Please see Appendix at page 82 for the grant programme descriptions.

² EDG was launched on 25 October 2018 from the merger of two grants, i.e. Capability Development Grant (CDG) and Global Company Partnership (GCP) Grant under the former Standards, Productivity and Innovation Board (SPRING) and International Enterprise Singapore Board (IE Singapore) respectively. AGO's test checks included disbursements for CDG and GCP during the period 1 April 2018 to 30 June 2019.

8. AGO's test checks covered the above grants administered by WSG and ESG, and their PPs³. AGO test-checked 285 disbursements made by WSG and ESG to PPs and directly to grant recipients, totalling \$100.81 million (or 30.24 per cent out of the \$333.40 million disbursed during this period). For the grants administered by PPs, AGO separately test-checked 361 disbursements totalling \$7.83 million made by selected PPs to companies awarded the grants.

9. AGO also reviewed the key IT controls of the grant management systems used in administering the selected grants, namely the Funding Management System (FMS) at WSG and the Enterprise Singapore Grant Portal (ESGP) at ESG.

10. The key observations from the audit are presented in the paragraphs that follow.

11. From the audit, AGO noted that there was a need to strengthen oversight of PPs which administer grant programmes on behalf of WSG and ESG. While AGO understands the need to provide some flexibility to the PPs in applying grant guidelines, it is important to ensure that baseline requirements are met and adequate measures are in place to reduce inconsistency across the PPs in administering the grants. The assessment of grant applicants' eligibility and the verification of supporting documents could also be improved.

A. Grant Design and Setup

12. AGO observed that generally WSG and ESG had put in place policies and procedures to manage the selected grant programmes. By and large, the grant programmes had defined objectives and deliverables which were approved by the correct authority. There were periodic reviews to assess whether the grant programmes had achieved their objectives and to streamline the programmes where necessary.

³ WSG's PCP is administered by 32 PPs. Two of these PPs also administer WorkPro. For CSP, it is administered by WSG officers with certain grant processes outsourced to a service provider. For ESG, TACs administered iMAP grants to participating companies of overseas trade fairs and missions. EDG and most LEAD programmes are administered by ESG officers.

B. Grant Evaluation and Approval

13. AGO noted that both WSG and ESG had established criteria and guidelines for the evaluation of grant applications. Approving authorities (tiered based on grant quantum) were established for approving grant applications and deviations from policy guidelines. Generally, there was proper segregation of roles for grant evaluation and grant approval.

14. For ESG, it also leveraged on IT systems for grant processing, such as submission of grant applications, evaluation, auto-routing for approval, as well as auto-computation and capping of grant amount. In addition, ESG instituted a framework where errant entities or individuals would be disqualified from receiving further grants when terms and conditions were breached. ESG had also established an internal benchmark and follow-up process to ensure timely processing of EDG grant applications.

15. Nevertheless, AGO noted some areas for improvement. For WSG, there is a need for better oversight of PPs which administer grants on its behalf. This is especially important as the PPs were of varying sizes and had different systems of controls. AGO found inconsistent practices across PPs in their stipulation of requirements to grant recipients and their checks performed on grant applications. There was also inadequate assessment of the proposed costs to be supported and verification of grant applicants' eligibility. AGO also noted instances where companies or individuals might have circumvented the grant requirements and controls put in place. In AGO's view, even though the administration of the grant programmes was outsourced to the PPs, WSG remains accountable for how the funds are managed and should maintain adequate oversight of the PPs.

16. In the case of ESG where the administration of grants was decentralised to its officers in the various ESG clusters⁴, there was inadequate assurance that deviations from policy guidelines were monitored and approved. In addition, there were inconsistent practices and varying extent of checks by different evaluators in the various ESG clusters when assessing companies' eligibility. There was also inadequate documentary evidence of assessment of the reasonableness of companies' projections and proposed costs used to determine eligibility or compute grant support. AGO understands that ESG has adopted a customer-centric approach with the aim to reduce the administrative burden of companies and TACs in applying for grants, and to also address the specific requirements of different industries. In AGO's view, there needs to be adequate measures to reduce the inconsistencies in grant administration and ensure that the grants are administered in a fair and equitable manner.

C. Grant Disbursement

17. WSG and ESG had put in place processes and guidelines for checking and approving grant claims, including having different levels of approving authorities based on grant amount. AGO's test checks found that disbursements were made only upon verification of supporting documents to the claims. In addition, WSG had imposed on PPs audit requirements for both PCP and WorkPro. In the case of ESG, all grant claims need to be audited by either an auditor from ESG's pre-qualified panel of auditors (POA) or an auditor appointed by the company submitting the claim. ESG also conducts periodic sample checks on the work performed by auditors in the POA. ESG had also put in place an internal benchmark and follow-up process to ensure timely processing of claims.

18. However, there were areas where controls could be improved. For WSG, AGO found instances of double claims by companies and cases of double funding across different grants. These indicated the need for WSG to strengthen its checks to mitigate the risk of double funding. AGO's test checks also found delays by a PP in disbursing grants to companies.

19. For ESG, AGO noted cases where the grants disbursed were not in line with grant guidelines, resulting in excess or shortfall in disbursements. Examples included not pro-rating the grant quantum when deliverables were not fully met, funding non-eligible costs and excluding eligible costs.

⁴ ESG officers administering the grants are grouped by various industry clusters to drive cluster and enterprise-level development.

D. Grant Monitoring and Review

20. Both WSG and ESG entered into agreements with grant recipients or PPs for approved grants, stipulating the deliverables and outcomes to be monitored. WSG required PPs to open designated bank accounts and keep separate books of accounts for the funds they administer on behalf of WSG. PPs also entered into standard agreements with companies awarded grants, which specified the milestones/deliverables that companies were required to comply with. Both WSG and ESG imposed requirements for companies/TACs/PPs to submit reports and documents to show the progress or achievement of the milestones/deliverables. For ESG, site visits and meetings with the companies were also conducted.

21. Nevertheless, there were areas where improvements could be made. For WSG, there was a need to strengthen monitoring of the programme outcomes for PCP. AGO found that the information collected by WSG from the PPs for monitoring purpose was incomplete and the practices of the PPs in collating the information also varied. This could affect WSG's ability to carry out proper reviews of whether the objectives of PCP had been achieved.

22. For ESG, it could improve its oversight of TACs with regard to disbursements made to participating companies of overseas trade fairs and missions supported by ESG grants. AGO found cases of incorrect or late disbursements made to these companies by the TACs.

E. Grant Cessation

23. For grant cessation, both WSG and ESG had put in place standard operating procedures setting out the process for closure of agreements and the timeline for refund of any unutilised grants. ESG also provided monitoring reports on lapsed projects to its clusters on a monthly basis for follow-up.

24. Based on test checks, AGO noted instances where WSG did not follow up with the PPs to recover unutilised grants in a timely manner for programmes which had ended. While ESG had a process in place to identify lapsed projects, the monitoring of its officers' follow-up actions was inadequate. As a result, unutilised grants were not recovered in a timely manner, and there were cases where the outstanding amounts had to be written-off when the companies subsequently became insolvent.

F. Grant Management System

25. AGO's test checks noted common weaknesses in IT controls at WSG and ESG over the use of privileged user accounts, and the logging/review of activities of privileged users. These increased the risk of unauthorised activities and changes to data in the systems not being detected, which could compromise the integrity of the grant systems and the grant data within.

26. Details of the key observations for each entity are summarised and reflected under the respective supervising ministries in the paragraphs that follow.

MINISTRY OF MANPOWER

WORKFORCE SINGAPORE AGENCY

27. WSG oversees transformation of the local workforce and industry to meet ongoing economic challenges. It provides support to enable manpower-lean enterprises to remain competitive, helps businesses in different economic sectors create quality jobs, develops a manpower pipeline to support industry growth, and matches the right people to the right jobs. AGO selected three of WSG's key grant programmes, namely PCP, WorkPro and CSP, for audit. For the audit period 1 April 2018 to 30 June 2019, WSG disbursed grants totalling \$68.30 million for PCP, \$54.05 million for WorkPro, and \$23.82 million for CSP.

28. AGO carried out test checks on the five stages of grant management and found that WSG had put in place policies and procedures to manage the three grant programmes, as follows:

- a. There were processes in place to approve new grant programmes, and to renew or revise grant programmes to take into account changes in circumstances;
- b. WSG entered into an agreement with each PP through a Letter of Appointment (LOA) stating the terms and conditions which the PP needs to abide by to deliver a set of outcomes in exchange for funding by WSG;

- c. There was a matrix of approving authorities (tiered based on the grant quantum) put in place for grant award and disbursement;
- d. Generally, there was segregation of key roles in the PPs. For example, the officer processing the application was different from the officer approving the grant award;
- e. WSG had put in place a requirement for audits to be carried out on PPs to ensure that they adhered to WSG's procedures on grant administration;
- f. PPs were required to open designated bank accounts and maintain separate books of accounts for the funds they administered on behalf of WSG; and
- g. PPs were required to submit reports periodically to WSG for monitoring and review to determine whether funding conditions had been met.

29. Nevertheless, WSG could strengthen its controls and processes as follows:

- a. Supervision and oversight of the PPs which administer grant programmes on WSG's behalf could be improved;
- b. Clearer guidelines and training of PPs' staff were needed to ensure consistency and even-handedness in the application of guidelines across PPs;
- c. Controls could be strengthened to prevent or detect cases of companies or individuals circumventing the grant requirements and controls put in place;
- d. Management of grant records could be improved to ensure that key grant information on applications and disbursements was correctly maintained; and
- e. Monitoring of programme outcomes and consistency in PPs' reporting requirements could be improved, and recovery of unutilised grants should be done in a more timely manner.

30. The key observations are in the paragraphs that follow.

Inconsistent Practices across Programme Partners in Grant Administration

31. For PCP, AGO noted that the guidelines provided by WSG to the PPs were broad and inadequate to ensure proper and consistent evaluation and approval of grant applications across the PPs. PPs were also given flexibility to impose additional requirements or to vary certain requirements, resulting in different levels of stringency in grant processing among the PPs.

32. AGO test-checked 8 out of 32 PPs administering the PCP on behalf of WSG, and found inconsistent practices across the PPs. AGO found that some PPs had imposed additional eligibility criteria on the grant recipients (i.e. companies), and some PPs did not request for adequate supporting documents to verify grant eligibility. There were also differing practices in the management of conflict of interest and timeline imposed for claims submission. The inconsistent practices across PPs may subject WSG to allegations of unfairness in the award and management of grants.

33. WSG informed AGO that it would strengthen its supervisory processes over the PPs and improve the administration of the PCP to prevent gaming and fraud. This included implementing digital systems to better support the grant processing and disbursement process. WSG would also mandate the PPs to adhere to baseline requirements for administering the PCP via a new PCP PP Guide. The guide would be developed by the fourth quarter of 2020.

Inadequate Assessment of Career Conversion

34. The key criterion for companies to qualify for a grant under the PCP is that the trainees⁵ current job scope must be different from the previous job scope. AGO noted that there were inadequate guidelines from WSG on how the PPs should assess career conversion and the extent of checks required. As a result, there was inadequate assessment carried out by the PPs.

⁵ The trainee could be an employee of the company or placed under training before being hired by the company.

35. AGO's test checks of 56 cases (disbursements totalling \$4.42 million) by eight PPs found 11 cases (disbursements totalling \$0.19 million) by three PPs where there was inadequate verification of career conversion for trainees. The PPs either did not carry out any check or there was no documentary evidence that checks were done at the point of grant evaluation. AGO noted cases where the trainees' previous and current job scope appeared to be similar. In this regard, there was inadequate assurance that the trainees had met the eligibility criteria and that the intended objective of PCP had been achieved.

36. WSG informed AGO that it would include the requirement for the PPs to assess career conversion and provide guidelines on how the assessment should be performed in the new PCP PP Guide. To ensure compliance with these new requirements, WSG would be conducting sample checks on the PPs.

No Assurance of Cost Reasonableness of Items to be Supported

37. AGO test-checked 68 Job Redesign Grant (JRG) projects (disbursements totalling \$2.06 million) under WorkPro. For 28 projects (disbursements totalling \$0.93 million), there was no documentary evidence that the two PPs had assessed the cost reasonableness of items⁶ to be supported, particularly in cases where only a single quotation was submitted by the companies for the proposed purchase. This was despite WSG's requirement for the PPs to assess cost reasonableness of items. In addition, for one case, the company had proposed to purchase equipment amounting to \$0.13 million from its related company. There was no documentary evidence that the PP had considered the conflict of interest when approving the grant application. In this regard, there was no assurance that the grant awarded, which was based on the price of the items proposed, was reasonable.

38. WSG informed AGO that going forward, for grant schemes like JRG which provide funding support for equipment, it would require companies to provide documented justification for single quote purchases. For single quotation from sole suppliers, companies must provide documentation to justify the business need for the purchase and to explain the lack of alternatives. WSG also informed AGO that it had instructed the PPs to scrutinise the outstanding JRG claims to identify cases with potential conflict of interest.

⁶ Items funded include purchase of equipment, consultancy work, training costs, software, and certification costs.

Inadequate Assessment of Eligibility for Grant Support

39. Out of the 68 JRG projects test-checked, AGO found 63 projects (disbursements totalling \$1.90 million) where the PPs did not request for relevant supporting documents to verify the workers' age when assessing the companies' eligibility for the different grant support tiers. Instead, the PPs had relied on the companies' declarations in the claim submissions. As the age of workers is a key determinant of the grant amount to be disbursed, there should be adequate checks to ensure that the information provided by companies is correct to mitigate the risk of over-funding.

40. WSG informed AGO that it would tighten the claims verification requirements and extend PPs' sample checks to verify relevant supporting documents (such as a copy of the NRIC for mature workers). WSG would also develop digital systems to better support the grant processing and disbursement process, and to mitigate the risk of fraud and abuse.

Inconsistent Practice in Determining Grant Quantum

41. AGO's checks found 265 JRG projects approved between March and October 2019 (totalling \$15.39 million), where one of the PPs did not comply with WSG's instructions to reduce the grant quantum if non-mature workers were benefiting from the grant. As a result, companies who applied for JRG under this PP could have been awarded higher grant quantum, compared to if they had applied to the other PP who had complied with WSG's instruction.

42. AGO noted that the difference in grant quantum resulting from the inconsistent practice could be significant. For one JRG project, had the company applied to the other PP which did not comply with WSG's instructions, it could have obtained a grant amount that was three times of what it was awarded. Hence, there is a need for WSG to exercise greater oversight and give more explicit guidance to the PPs to ensure compliance with instructions in the computation of grant quantum.

43. WSG informed AGO that it would reiterate to the PP that it must comply with WSG's instructions. WSG would also develop a penalty framework for non-compliance. Following AGO's observation, WSG had updated the computation methodology in the WorkPro PP Guide that was issued to the PPs.

Circumvention of Approval Limits by Not Aggregating Grant Applications

44. AGO found that one PP issued 37 PCP grant awards (totalling \$3.30 million) to nine companies for similar types of grant support received over a short span of time. It did not aggregate these grant applications for the purpose of seeking approval for grant award. For one company, the PP approved a total of 10 grant applications (cumulative amount of \$945,000) for the company within a six-month period. Each grant application was just below \$100,000, the threshold beyond which a higher level approving authority and an audit would be required. By not aggregating similar grant applications from the same company, grant awards of significant sums might not be subject to the more stringent controls put in place for higher value grants.

45. WSG shared AGO's concerns. For the nine cases highlighted, WSG informed AGO that the PP would be required to apply the audit requirement if the aggregated disbursements exceeded \$100,000. WSG also informed AGO that going forward, the grant to be funded would be aggregated for approval by the appropriate approving authority based on the cumulative grant amount within a specified time duration. In addition, projects with aggregated disbursements exceeding \$100,000 would be subject to WSG's audit requirements.

Possible Circumvention of Eligibility Criterion and Possible Fraudulent Grant Claims

46. AGO's test checks found three cases where grant requirements under the PCP might have been circumvented, indicating that more could have been done to ensure that WSG's funds were used to provide assistance to companies that genuinely met eligibility criteria.

- a. In the first case (grant of \$12,000), a trainee might have circumvented a grant eligibility criterion. The criterion stated that a trainee cannot be a shareholder of the company that was applying for the grant. AGO noted that the trainee had disposed of shares in the company three days before the company's PCP grant application and re-acquired the shares after the company received the grant.

- b. In the second case (grant of \$49,300), a trainee employed by the company receiving the PCP grant (“Company A”) might have received CPF contributions from another company (“Company B”), casting doubt on whether the trainee was actually employed by Company A. In addition, over a nine-month period, the trainee received salary increments of almost 167 per cent (until the salary was just below WSG’s grant support cap), indicating a possibility that the trainee’s salary may have been inflated to receive higher grant support.
- c. In the third case, a company had made PCP grant applications to two different PPs with overlapping funding periods for two trainees. Excess funding amounting to \$11,600 might therefore have been provided to the company for the overlapping funding periods. AGO also noted indications that some supporting documents submitted by the company to the PPs might not be authentic.

47. WSG informed AGO that it has referred the above cases to the Police. It has also put on hold all disbursements and grant applications relating to the affected companies. WSG shared that it would strengthen its controls to detect such cases, including providing additional guidelines to the PPs and exploring how it could apply data analytics to identify anomalies and outliers.

Double Funding of Companies

48. AGO’s test checks found two cases of companies making double claims at different PPs. This indicated the need to mitigate the risk of double funding. For one case under WorkPro, AGO found that one company had submitted the same invoice for the purchase of the same equipment when making claims from two PPs for different grant projects. This had resulted in double funding of about \$15,700 to the company. For the other case under CSP, AGO found double funding of salary support (totalling \$17,500) for three companies. This arose because of the overlapping funding period, ranging from three to six months, for the CSP and the PCP grants that were awarded to these companies. Based on WSG’s policy, CSP and PCP cannot be funded concurrently.

49. WSG informed AGO that:

- a. It had reviewed the WorkPro case and found no evidence to indicate fraudulent intent by the company, which had since fully refunded the double-claimed grant. WSG would check whether there were other cases of double funding by the end of June 2020. For grants that are administered by more than one PP, and where multiple applications by companies are allowed, WSG would require companies to apply to only one PP;
- b. With effect from 1 June 2020, each CSP claim would be checked against the PCP records to ensure that there are no overlapping funding periods before disbursement. WSG would also review all cases where the companies were awarded grants under both PCP and CSP prior to May 2019⁷ by the third quarter of 2020 to ensure that there was no concurrent funding for PCP and CSP. It would check the cases after May 2019 thereafter. WSG would also explore leveraging on technology to automate checks for double funding; and
- c. It had also recovered the excess CSP grant of \$17,500.

Delays in Grant Disbursements

50. For WorkPro, AGO test-checked 88 grant disbursements (totalling \$2.36 million) by the two PPs and found delays by one PP in making 34 disbursements (totalling \$0.92 million) to companies. The delays ranged from 1 to 14 weeks, after taking into account the eight-week service standard for processing disbursements stipulated in the WorkPro PP Guide. Delays in grant disbursements could affect the companies' cash flow, especially for small and medium-sized enterprises. It is important for WSG to have adequate oversight of the performance of the PPs, including ensuring adherence to the service standards in the PP Guide.

⁷ Before May 2019, WSG relied on companies' declarations on whether they have applied for PCP before, during the application for CSP or at the point of claims submission. Since May 2019, WSG conducts checks for possible double funding across the two programmes.

51. WSG informed AGO that it would improve the WorkPro PPs' monthly tracking report template from June 2020 to include new columns capturing data on service standards. The template would be programmed to perform automatic calculations for better monitoring.

Master Grant Record Not Accurate for Proper Grant Management

52. For CSP, AGO noted that the master grant record⁸ used for the tracking of grant applications and for management reporting was not accurate. AGO's test checks found 57 cases (disbursements totalling \$0.61 million) where key information was not captured or properly maintained in the grant record. For example, there were cases where disbursements were made although there were no grant applications captured, or the applications were indicated as unsuccessful in the grant record. There were also cases where information such as companies' details, employees' NRIC and salaries captured in the grant record was incomplete or incorrect.

53. Although WSG explained that checks on companies' eligibility would be performed at claims submission stage, AGO is of the view that information should be accurately captured at the onset, i.e. during the approval of grant applications. This would help cut down administrative work subsequently and reduce the risk of errors in disbursements.

54. WSG informed AGO that it had verified the disbursements for the cases highlighted and rectified the errors in the master grant record. For one case, WSG had recovered an over-disbursement of \$7,700. WSG would also introduce measures, including periodic checks, to ensure accurate capture of information, pending the completion of an IT system for CSP in the first half of 2021.

⁸ The master grant record is used for checking the company's application status to determine if the company and its employees had been successfully placed under CSP before processing the claim.

Monitoring of PCP Outcomes Needs to be Strengthened

55. AGO test-checked 16 PCPs (disbursements totalling \$14.43 million) managed by eight PPs and found inadequate monitoring of the programme outcomes by WSG for 10 PCPs (disbursements totalling \$3.09 million). AGO found that the information collected by WSG from the PPs for monitoring purposes was incomplete, and the practice of the PPs in collating the information varied. Without accurate information, WSG would not be able to carry out a proper assessment on whether to cease, extend or renew each PCP grant. It could also result in inaccurate management reporting.

56. WSG agreed with AGO that all PPs should report the same types of information for better and more consistent monitoring of PCP outcomes. WSG shared that it would prioritise and focus on reporting the most important PCP outcomes for future PCPs. It would also require all PPs to focus on the monitoring and reporting of these outcomes.

Lack of Monitoring of Cases with Outstanding Claims

57. For CSP, AGO observed that WSG did not monitor approved grant applications with no claims made or with partial claims⁹ although the claim period had long lapsed. Of the 1,340 cases as at 30 June 2019, there were 774 cases (or 57.8 per cent) with estimated claimable sum of \$11.23 million where the claim period had lapsed for up to about two years. For 38 of the 774 cases, the companies had either since been dissolved, or were in the process of being dissolved. AGO is of the view that it is important for WSG to follow up on these outstanding cases so that it could ascertain the reasons why companies did not eventually take up the grant support. Understanding the reasons would provide insights to WSG to promote or enhance CSP or to review the design of CSP.

58. WSG informed AGO that it had since issued reminders to companies with outstanding CSP claims to submit their claims by the stipulated deadlines. WSG also informed the companies that with effect from 1 May 2020, claims would not be processed beyond the final submission deadline.

⁹The disbursements were generally made in two or three tranches depending on the claimant's eligibility.

Recovery of Unutilised Grants Could be Improved

59. AGO test-checked 41 (award value totalling \$87.59 million) out of 94 LOAs issued to PPs under PCP and WorkPro. Out of four cases where advances were given, AGO found two cases (award value totalling \$27.87 million) where WSG did not follow up with the PPs to recover unutilised grants totalling \$0.73 million in a timely manner. The delays ranged from about nine months to three years after the estimated due date for refund.

60. For the first case under WorkPro, as at February 2020, WSG had not recovered from the PP an estimated \$0.65 million of unutilised grants although the grant programme¹⁰ had ended about three years earlier. For the second case under PCP, the PP had informed WSG that the programme had ended and unutilised grants should have been refunded to WSG by February 2019. However, AGO noted that the unutilised grants of \$83,000 were only refunded to WSG about nine months later.

61. WSG informed AGO that it had improved its process for the recovery of unutilised grants with effect from 1 April 2020. For the case under WorkPro highlighted by AGO, WSG received the refund of \$0.65 million from the PP in May 2020.

Weaknesses in IT Controls

62. AGO reviewed the key IT controls relating to grant administration under the Funding Management System (FMS). A vendor was engaged to support and maintain the operating system (OS) and database (DB) of FMS. At the time of audit in December 2019, there were six OS administrators and five DB administrators (all vendor staff) supporting the two FMS servers. AGO's audit found the following weaknesses in controls which increased the risk of unauthorised activities and changes not being detected. These weaknesses could compromise the integrity of the FMS and the grant data within.

¹⁰ This refers to an earlier version of WorkPro which had ended on 31 December 2016.

- a. The OS administrators could gain privileged access to the operating system in the two DB servers using the most privileged OS account, without the need for authentication using the privileged account's password. The use of this account should be controlled as it is a powerful account with full access to the operating system, which includes the ability to make changes to the activity logs, user access and OS security settings.
- b. The DB administrators could also access this privileged OS account although they should not be given access as it was not required for their day-to-day activities. As a result, there is a risk that they could use this account to delete activity logs of any unauthorised activity performed on the database.
- c. More than one OS and DB administrator could concurrently log into the most privileged OS account to carry out activities in the operating system. The OS activity logs also did not capture sufficient information to allow activities to be traced to the individual administrator so as to identify the party responsible for any unauthorised activity.
- d. There was inadequate logging and no evidence of review of activities carried out in the operating system using the most privileged OS account since the implementation of the FMS in 2015.
- e. Since the implementation of the FMS in 2015, the logging of activities carried out by the DB administrators on the FMS database was inadequate as it did not include activities carried out on the data (e.g. inserting a new data record, amending or deleting existing data records). As a result, unauthorised changes made to the data would not be detected and this could compromise the integrity of the grant data in FMS.

63. WSG informed AGO that:

- a. The most privileged OS account would only be used when emergency access is required. The DB administrators' access to this account had been revoked, and they were given non-privileged OS accounts to access the database to perform their day-to-day activities;
- b. It had since ensured traceability of individual administrator's activities. Since May 2020, it had also implemented enhancements to the logging and review of activities using the Government Technology Agency's central log review tool; and
- c. It would review the past activities that were carried out by the OS/DB administrators using the most privileged OS account from April 2019 to March 2020 to ascertain if there was any unauthorised activity performed. This would be completed by November 2020.

MINISTRY OF TRADE AND INDUSTRY

ENTERPRISE SINGAPORE BOARD

64. ESG helps Singapore enterprises grow and transform by supporting projects that help enterprises in capability development, innovation and internationalisation. AGO selected three of ESG's key grant programmes, namely EDG, LEAD and iMAP, for audit. For the audit period 1 April 2018 to 30 June 2019, ESG disbursed grants totalling \$144.31 million for EDG, \$24.46 million for LEAD, and \$18.46 million for iMAP.

65. AGO carried out test checks on the five stages of grant management and found that ESG had put in place policies and procedures to manage the three grant programmes, as follows:

- a. There were periodic reviews of the grant programmes to assess whether the programmes had achieved their objectives;
- b. ESG entered into an agreement with each company or Trade Associations and Chambers (TAC) stating the terms and conditions and deliverables that the company or TAC needs to meet;
- c. There was a matrix of approving authorities (tiered based on the grant quantum) put in place for award of grant and disbursement, as well as for deviations from policy guidelines;
- d. There was segregation of roles between the grant evaluator and the approver;
- e. ESG instituted a framework where errant entities or individuals would be disqualified from receiving further grants when terms and conditions were breached;
- f. ESG leveraged on IT systems for grant processing, such as submission of grant applications, evaluation, auto-routing for approval, as well as auto-computation and capping of grant amount;
- g. Each claim was required to be audited by an auditor prior to disbursement. ESG also conducted periodic performance checks on the auditors by reviewing their work done;
- h. ESG had also put in place an internal framework and follow-up process to ensure timely processing of grant applications and claims; and
- i. Companies and TACs were required to submit reports and documents to show the progress or achievement of the required milestones/deliverables for the supported projects.

66. Nevertheless, there were areas where ESG could strengthen its controls and processes:

- a. There was a need to better monitor and ensure that necessary approvals were sought for deviations from grant guidelines and/or grant terms and conditions;
- b. There should be greater consistency and due diligence in assessing grant applications. Documentation of key considerations could be improved;
- c. There was a need for stronger oversight over TACs to ensure timely disbursement of grants to companies; and
- d. Monitoring of lapsed projects and recovery of unutilised grants could be improved.

67. The key observations are in the paragraphs that follow.

Approval Not Sought for Deviations from Grant Guidelines and Grant Agreement

68. AGO test-checked 75 EDG projects (totalling \$9.85 million) and 122 disbursements (totalling \$15.58 million) made under EDG and LEAD. AGO found 28 instances (totalling \$3.90 million) where approval was not obtained from ESG's approving authorities for deviation from one or more of the grant guidelines or terms and conditions in the grant agreement. Examples of deviations included companies not meeting the financial capability criterion, different funding basis used for computing some grant components and allowing the cost of items and expenditure incurred before the start of the project qualifying period to be covered under the grant. As deviations entail departure from ESG's requirements, they should be subject to scrutiny and approval by the appropriate approving authorities for good governance and accountability.

69. ESG acknowledged the oversight and informed AGO that it had sought retrospective approvals for all the cases identified by AGO. ESG would remind its evaluators of the need to ensure that deviations from grant guidelines or terms and conditions were properly documented and processed in accordance with its policy guidelines. ESG also informed AGO that it was developing a new grants management system with improved controls and processes, such as automatically triggering the need for appropriate approvals when there are deviations from grant guidelines. The system was expected to be implemented in phases, starting from the end of 2020.

Inconsistencies in Performing Financial Assessment and Assessing Grant Eligibility

70. AGO's test checks of 75 EDG projects (award value totalling \$9.85 million) found inconsistencies in how financial assessment of companies was conducted for 42 projects (award value totalling \$7.99 million). Such financial assessment was required to ensure that the companies were financially able to see the projects through completion.

71. For these cases, AGO found that the evaluators had exercised varying degrees of due diligence in their assessment. For example, in cases where the companies did not submit relevant financial records, some evaluators either did not follow up with the companies or could not provide evidence of having done so. AGO found instances where contrary to ESG's policy guidelines, financial assessment was not performed based on the financial records of the previous financial year. Some financial records were dated between 18 and 23 months before the date of application. In addition, some of the financial records accepted were either incomplete or not explicitly certified by the companies' management.

72. It is important for financial assessment to be conducted based on timely and reliable financial records to ensure that only eligible companies would be supported. Inconsistent practices by the different evaluators could also result in unfair evaluation as the level of stringency could vary depending on who evaluates the grant application.

73. ESG informed AGO that it would review how the grant policy guidelines could provide clearer guidance to evaluators, taking into consideration the policy needs while balancing flexibility in response to enterprises' challenges. ESG added that it would ensure that deviations from requirements were documented for approving authorities to make informed decisions.

Gaps in Assessing Projections and Proposed Costs

74. AGO's test checks found that ESG evaluators would generally rely on companies' declarations and projections of project costs and outcomes when evaluating grant applications. In most of the cases, there was inadequate documentary evidence showing that the evaluators had adequately assessed the projections and costs.

75. AGO's test checks of 75 EDG projects (award value totalling \$9.85 million) found gaps in the assessment of the economic impact¹¹ projections for 53 projects (award value totalling \$9 million). AGO noted that information used for assessment was inaccurate or could not be verified against supporting documents. For most cases, there was also inadequate documentary evidence on the evaluators' assessment of the reasonableness of the economic impact projections provided by companies.

76. AGO's test checks of 107 EDG and LEAD projects (award value totalling \$57.63 million) found inconsistencies and gaps in the evaluation of proposed costs for 42 cases (award value totalling \$3.89 million). There was inadequate assessment of the reasonableness of cost estimates, including the rationale for recommending a lower grant support. There were also cases of inconsistent grant support awarded for similar proposed costs for different projects. As a result, there was inadequate assurance that the grant quantum awarded was reasonable and consistently derived.

77. ESG informed AGO that it would follow up on AGO's recommendations to assess the risk of relying on companies' declarations during assessment, and to put in place adequate measures to ensure proper assessment and documentation in making the grant recommendations. ESG had also developed a pilot data analytics tool using data on supported costs from past grant projects, to potentially serve as a reference for ESG officers in their evaluation of proposed costs. ESG would complete the assessment of the usefulness of this tool by the end of 2020. In the meantime, ESG would review the grant policies and fine-tune areas for consistency.

¹¹ Each EDG project is assessed based on its financial/economic impact computed based on the prescribed formula in the grant policy guidelines.

Lapses in Grant Disbursements

78. AGO test-checked 122 grant disbursements (totalling \$15.58 million) made for EDG and LEAD projects, and found the following lapses:

- a. Nine cases (totalling \$0.78 million) with lapses such as not pro-rating the grant quantum when deliverables were not fully met, using incorrect basis to determine grant support, funding non-eligible costs, and excluding eligible costs. This had resulted in excess and shortfall in grant disbursements totalling \$48,900 and \$700 respectively; and
- b. Six cases (totalling \$84,400) where disbursements were made even though the projects had commenced before grant application, contrary to ESG's policy guidelines. Projects that had already commenced before grant application indicated that the companies would have undertaken the projects regardless of the availability of the grants. Hence, funding retrospective application without proper justification and approval would contravene the intention behind the award of the grant.

79. ESG informed AGO that it had completed rectification actions where possible for the cases observed. ESG would remind its officers of the need to exercise due care in the verification of claims. ESG would also continue to work closely with its panel of auditors to improve the quality of audit checks, with an emphasis on checks for retrospective applications.

Basis for Funding Manpower Costs Needs to be Reviewed

80. ESG provides manpower grant support to TACs on an award basis¹² for carrying out LEAD projects. AGO test-checked the manpower grant support awarded to three TACs for three LEAD projects (totalling \$219,400). AGO found that for 40 out of 63 months (or 63.5 per cent) of manpower grant support provided, the grant amount disbursed on an award basis was higher than actual manpower-related costs by a total of \$51,400 (about 23 per cent). AGO noted that the excess funding could be as high as \$4,300 per month for an employee.

¹² Amount disbursed was fixed upfront at the grant approval stage based on estimated manpower and cost norms for different salary tiers.

81. ESG explained that supporting salary on an award basis was to ensure that TACs are able to execute the LEAD projects with sufficient manpower, which is critical for the projects to be successful. The award basis also provides flexibility and helps to reduce the administrative burden on TACs and ESG in the claim submission and verification process. To ensure that the salary tiers used for computation of grant award remain relevant and to mitigate potential risk of overpayment, ESG conducts periodic reviews of the salary tiers every two to three years. ESG informed AGO that it would review the manpower support policy for LEAD and appropriate safeguards to mitigate the risk of over-funding for manpower grant.

Inadequate Controls to Detect Circumvention of Local Shareholding Criterion

82. AGO found that ESG's existing controls may not be adequate to detect circumvention of the 30 per cent local shareholding criterion under EDG. The criterion was put in place to ensure that grant support is provided to companies whose core corporate activities are in Singapore. AGO noted that ESG only performed checks at the point of processing the grant application. There were no checks to ascertain whether the companies were still eligible at the point of claims processing. AGO's test checks of 75 EDG projects found one project where the company (awarded grant of \$70,000) had likely circumvented the local shareholding criterion by transferring shares between its local and foreign shareholders. While the project was subsequently aborted by the company and no disbursements had been made, this case illustrated the possibility of companies circumventing the criterion.

83. ESG informed AGO that for the case highlighted, it would conduct enhanced scrutiny on the company's future grant applications. ESG would review the feasibility of conducting checks on shareholding eligibility after grant approval, such as leveraging data analytics or adopting a risk-based approach based on grant quantum and/or project tenure.

Inadequate Monitoring of Disbursements to Companies

84. AGO test-checked 217 disbursements (totalling \$1.05 million) by TACs to 206 companies for 14 iMAP and LEAD¹³ projects. From the checks, AGO found that disbursements to 44 companies (totalling \$0.13 million) were late by about two months to almost one year after the grants were disbursed by ESG to the TACs. There were also seven projects where disbursements made by the TACs to 76 companies were incorrect, resulting in total under and over-disbursements of \$36,200 and \$4,600 respectively. In this regard, ESG would need to improve its oversight of TACs and enhance its guidelines to TACs to ensure correct disbursement to companies on a timely basis.

85. ESG informed AGO that for iMAP projects, it would review the policy guidelines to ensure adequate oversight of TACs. It was also in the process of conducting post-disbursement checks on the TACs. ESG had started reviewing the LEAD programme and was on track to complete the review. ESG was also following up with the TACs to rectify the incorrect disbursements.

Follow-up on Lapsed Projects Could be Improved

86. AGO test-checked 56 CDG projects (award value totalling \$4.87 million) with claim periods which had ended as at 30 June 2019. AGO found 18 projects (award value totalling \$1.42 million) where ESG did not follow up with the companies on the status of the projects and/or to recover unutilised grants in a timely manner. The delays in follow-up ranged from 1.1 to 4.6 years. The estimated unutilised grants to be clawed back amounted to about \$0.20 million. Delays in follow-up would increase the risk of ESG not being able to claw back unutilised grants. For 5 of the 18 projects, AGO noted that ESG had to write off about \$92,400 of unutilised grants when the companies subsequently became insolvent.

¹³ For overseas deal hunter projects.

87. ESG explained that for cases with prior disbursements made, ESG would monitor and follow up through the monthly reports on lapsed claims. The 18 cases highlighted by AGO were claims relating to applications that were approved before ESG was formed from the merger of the Standards, Productivity and Innovation Board and the International Enterprise Singapore Board, and the process of communication with companies had been long-drawn. ESG added that there might have been follow-up but these were not documented. ESG also informed AGO that it would continue to review and improve its monitoring process of lapsed claims.

Weaknesses in IT Controls

88. AGO reviewed the key IT controls relating to grant administration under the Enterprise Singapore Grant Portal (ESGP) used to manage EDG and CDG. The IT department of ESG manages the ESGP together with two vendors which support and maintain the operating system (OS) and databases (DB). AGO noted that as at December 2019, there were eight OS administrators and three DB administrators, who were all vendor staff. There were also application administrators, comprising ESG staff, who were responsible for activities such as assignment of user access rights. AGO's audit found the following weaknesses in controls, which increased the risk of unauthorised activities and changes not being detected. These weaknesses could compromise the integrity of the ESGP and the grant data within.

- a. There was inadequate review of the activities of DB administrators on the ESGP database, which contained grant data and transactions. ESG only reviewed the activity logs for activities carried out during the periods when the DB administrators were supposed to have accessed the database to perform approved changes. It did not review the logs for unauthorised activities which could have been carried out outside those periods. As a result, any unauthorised activity might not have been detected.
- b. Since the ESGP was implemented more than five years ago in 2014, there has not been any logging nor review of changes made by the application administrator to the routing matrix rules (which determined user access rights in ESGP, including the value of transactions that users can approve). Hence, any unauthorised change would not be detected.

- c. Activities performed by other application administrators such as disqualification of companies and extension of claim expiry periods were logged but not reviewed.
- d. ESG did not perform monthly reviews of user access rights (which were manually assigned) for those who had left or were redeployed. As a result, access rights which were no longer needed were not removed promptly. AGO's checks on 34 user accounts found four instances with delays, ranging from about two to eight months, in removing the access rights no longer required.
- e. ESG did not perform monthly review of inactive accounts of external users of ESGP. Examples of external users are the panel of auditors who require access to review and certify grant claims. AGO's follow-up on 99 inactive accounts of external users found 35 instances with delays in removing the inactive accounts, ranging from a month to 2.2 years.

89. ESG informed AGO that:

- a. Since December 2019, it had started to review the DB activity logs for all time periods. It had also reviewed earlier activity logs and did not detect anomalous activities. ESG would look at more automation by implementing tools like DB Activity Monitoring, by the end of 2020;
- b. It had since implemented logging of changes made to the routing matrix and weekly reports on these changes would be generated for ESG's review;
- c. From December 2019, weekly emails on actions performed by the administrators such as extension of claim expiry dates were generated automatically and sent to the system owner for review. From June 2020, changes made by the administrator to the disqualification records would also be tracked in these weekly reports; and
- d. From January 2020, ESG had started to carry out monthly reviews on user access rights (including access rights that were manually assigned). Since April 2020, ESGP had been configured to remind users to log in and to also automatically remove access rights of users who were inactive for more than 90 days.

Appendix

WSG and ESG Grant Programmes Covered in the Thematic Audit

Grant Programme	Description
Workforce Singapore Agency	
Professional Conversion Programme (PCP)	PCPs are career conversion programmes targeted at Professionals, Managers, Executives and Technicians (PMETs), including mid-career switchers, to undergo skills conversion and move into new occupations or sectors that have good prospects and opportunities for progression. The grant provides funding of course fees and salary support to companies which take in eligible PMETs.
WorkPro	WorkPro encourages employers to implement progressive employment practices to benefit Singaporeans through job redesign, age management practices and flexible work arrangements. The grant funds eligible training and equipment costs, and provides funding to companies when they implement age management practices for older workers and flexible work arrangements.
Career Support Programme (CSP)	CSP is a salary support programme to encourage employers to hire eligible Singapore Citizen (SC) PMETs. Employers can receive salary support for eligible SC PMETs employed. This will help defray a portion of their salary costs as employers tap on the pool of experienced and skilled PMETs.

Appendix

Grant Programme	Description
Enterprise Singapore Board	
Enterprise Development Grant (EDG)	EDG helps Singapore enterprises grow and transform by supporting projects that help enterprises in capability development, innovation and internationalisation. The grant funds qualifying project costs, such as third-party consultancy fees, software and equipment and manpower-related costs.
Local Enterprise and Association Development Programme (LEAD)	LEAD supports efforts by Trade Associations and Chambers (TACs) in helping enterprises enhance their competitiveness and capture new growth opportunities. For qualifying projects, LEAD grant supports eligible costs such as manpower-related costs, equipment and materials, professional services and business development, and intellectual property costs.
International Marketing Activities Programme (iMAP)	iMAP enables TACs to help enterprises access overseas markets through participation at international trade fairs and overseas business missions. It funds eligible expenses such as exhibition rental space, booth construction, publicity and consultancy costs of approved activities.

PART IV

AUDIT OF GOVERNMENT-OWNED COMPANIES AND OTHER ACCOUNTS

PART IV : AUDIT OF GOVERNMENT-OWNED COMPANIES AND OTHER ACCOUNTS

Government-owned Companies

1. The Auditor-General has issued unmodified audit opinions on the financial year 2019/20 financial statements of the following four Government-owned companies that were audited by AGO:

- a. GIC Asset Management Private Limited;
- b. GIC Private Limited;
- c. GIC Real Estate Private Limited; and
- d. GIC Special Investments Private Limited.

2. The audits of the accounts of the above Government-owned companies were carried out in accordance with section 4(1)(b) of the Audit Act (Cap. 17, 1999 Revised Edition).

Other Accounts

3. The Auditor-General has issued unmodified audit opinions on the following accounts that were audited by AGO:

- a. President's Challenge 2018;
- b. Financial Sector Development Fund for the financial year 2019/20; and
- c. ASEAN Cultural Fund (Singapore) for the financial year 2019.

4. At the request of the President, the Auditor-General audits the accounts of the President's Challenge under section 4(1)(b) of the Audit Act.

5. The Auditor-General audits the accounts of the Financial Sector Development Fund in accordance with the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition).

6. The Auditor-General audits the accounts of the ASEAN Cultural Fund (Singapore) as required under an ASEAN agreement.

Acknowledgements

7. AGO would like to thank the Government-owned companies and the administrators of the other accounts for their co-operation in the audits.

ANNEXES

ANNEX I : AGO'S AUDIT AUTHORITY

Audit of Government Ministries, Organs of State and Government Funds

1. Under Article 148F(3) of the Constitution of the Republic of Singapore (1999 Revised Edition), it is the duty of the Auditor-General to audit and report on the accounts of all departments and offices of the Government, the Public Service Commission, the Legal Service Commission, the Supreme Court, the State Courts and Parliament. Under Article 148F(4), he shall perform such other duties and exercise such other powers in relation to the accounts of the Government and accounts of other public authorities and other bodies administering public funds as may be prescribed by or under any written law.

2. The Auditor-General is given the duty under Article 148G(1) to inform the President of any proposed transaction by the Government which, to his knowledge, is likely to draw on the reserves of the Government which were not accumulated by the Government during its current term of office.

3. Under section 3(1) of the Audit Act (Cap. 17, 1999 Revised Edition)¹, the Auditor-General shall carry out an audit and report on the accounts of all departments and offices of the Government (including the office of the Public Service Commission), the Supreme Court, the State Courts and Parliament. He shall perform such other duties and exercise such other powers in relation to the accounts of the Government and the accounts of other public authorities and other bodies administering public funds as may be prescribed by or under any written law as provided for under section 3(4) of the Audit Act².

4. The Auditor-General is authorised under section 8(7) of the Audit Act³ to make recommendations and generally comment on all matters relating to public accounts, public moneys and public stores.

¹ Similar to Article 148F(3) of the Constitution.

² Similar to Article 148F(4) of the Constitution.

³ Section 8(7) of the Audit Act states that "The Auditor-General may, in any report submitted in accordance with the provisions of this Act or otherwise, make recommendations and may generally comment upon all matters relating to public accounts, public moneys and public stores."

Financial Statements Audit

5. The Auditor-General is required to audit and report (that is, express an opinion) on the annual Government Financial Statements as provided for under section 8(1) of the Audit Act which is read with section 18 of the Financial Procedure Act (Cap. 109, 2012 Revised Edition).

6. Section 8(3) of the Audit Act states that “Subject to subsection (4), every report relating to the statement prepared in accordance with subsection (1) shall be submitted by the Auditor-General to the President who shall present the report and statement to Parliament within 30 days of their receipt by him, or if Parliament is not in session, within 14 days after the commencement of its next sitting.”⁴

7. In discharging his duties, the Auditor-General shall, under section 5(1) of the Audit Act, make such examination as he may consider necessary to ascertain whether all reasonable steps have been taken:

- a. To safeguard the collection and custody of public moneys or other moneys subject to his audit;
- b. To ensure that issues and payments of moneys subject to his audit were made in accordance with proper authority and payments were properly chargeable and are supported by sufficient vouchers or proof of payment; and
- c. To ensure that the provisions of the Constitution and of the Financial Procedure Act and any other written law relating to moneys or stores subject to his audit have been in all respects complied with.

⁴ Section 8(4) of the Audit Act states that “Nothing in subsection (3) shall require the presentation to Parliament of any report or statement containing any matter which the Prime Minister and the Minister responsible for defence, on the recommendations of the Permanent Secretary to the Ministry of Defence and the Chief of Defence Force, certify to be necessary for the defence and security of Singapore.”

8. Specifically, an audit under section 5(1)(c) of the Audit Act would require checks to ensure compliance with, inter alia, provisions of the Financial Procedure Act including the Financial Regulations (Cap. 109, Rg 1). In assessing compliance with the Financial Regulations, AGO would check whether Government ministries and organs of state have in place precautions against, inter alia, negligence⁵ and measures to detect apparent extravagance⁶. In other words, AGO would also check whether there has been excess, extravagance or gross inefficiency leading to waste.

Audit of Statutory Boards

Financial Statements Audit

9. Under section 4(1)(a) of the Audit Act, the Auditor-General shall audit the accounts of any public authority⁷ if it is so provided for by any written law.

10. The law requires the accounts of most statutory boards to be audited either by the Auditor-General or another auditor appointed by the Minister responsible in consultation with the Auditor-General. The auditor is required to state in his report:

- a. Whether the financial statements show fairly the financial transactions and the state of affairs of the statutory board;
- b. Whether proper accounting and other records have been kept, including records of all assets of the statutory board whether purchased, donated or otherwise;
- c. Whether the receipts, expenditure, investment of moneys, and the acquisition and disposal of assets, by the statutory board during the financial year have been in accordance with the relevant laws; and
- d. Such other matters arising from the audit as the auditor considers should be reported.

⁵ Regulation 3(e) of the Financial Regulations.

⁶ Regulation 3(f) of the Financial Regulations.

⁷ The definition of “public authority” includes statutory boards.

Selective Audit

11. For statutory boards whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation. The authority for selective audits of statutory boards is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act⁸.

12. The Finance Circular Minute stipulates that the Auditor-General may, separately from and in addition to audits of financial statements, carry out on a selective basis, audits in relation to the accounts of statutory boards “to check for financial regularity and to ascertain whether there has been excess, extravagance, or gross inefficiency tantamount to waste, and whether measures to prevent them are in place.”

Thematic Audit

13. The Auditor-General may carry out thematic audits involving Government ministries, organs of state, Government funds or statutory boards. For Government ministries, organs of state and Government funds, the authority is provided for under section 5(1) of the Audit Act. For statutory boards, the authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act.

Other Audits

14. Under section 4(1)(b) of the Audit Act, if it is not so provided by any written law, the Auditor-General may, with the consent of the Minister for Finance if so requested by a public authority or body administering public funds, audit the accounts of such public authority or body.

⁸ Section 4(4) of the Audit Act states that “Notwithstanding the provisions of any written law relating to the accounts and audit of any public authority, the Minister may, if he is satisfied that the public interest so requires, direct that the accounts of such authority shall be audited by the Auditor-General.”

Powers of Auditor-General

15. Section 6 of the Audit Act provides powers to the Auditor-General for him to carry out his audits. The Auditor-General's powers include having access to all records and documents subject to his audit, calling upon any person to provide explanation or information, and authorising any person to conduct any inquiry, examination or audit on his behalf.

ANNEX II : CRITERIA FOR APPOINTMENT OF AUDITORS

1. The law requires the accounts of most statutory boards, all town councils and certain funds to be audited by the Auditor-General or by another auditor appointed or approved annually by the responsible Minister in consultation with the Auditor-General. The Government Instruction Manuals also require statutory boards to seek the Auditor-General's concurrence when appointing an auditor.

2. When the Auditor-General is not the auditor and he is consulted on the appointment of an auditor, he will give his advice based on the six criteria below:

- (1) The proposed audit engagement partner is registered or deemed to be registered as a public accountant, and the proposed accounting entity is approved or deemed to be approved as an accounting corporation/firm/limited liability partnership under the Accountants Act (Cap. 2, 2005 Revised Edition);
- (2) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not been suspended or restricted from practice, refused renewal of registration or de-registered, during the last five years, under section 38, 52 or 53 of the Accountants Act;
- (3) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not been inflicted with a penalty, fine or censure, during the last three years, under section 52 or 53 of the Accountants Act;
- (4) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not, in the past five years, been found by a Court to have been professionally negligent or to have failed to exercise due care in an audit;

- (5) The proposed accounting entity has been the auditor of the public agency for fewer than seven cumulative years, or has observed a cooling-off period of at least five¹ consecutive years since or during the period covering its last seven appointments; and
- (6) The proposed audit engagement partner has been the partner in charge of the public agency's audit for fewer than seven cumulative years, or has observed a cooling-off period of at least five¹ consecutive years since or during the period covering his last seven appointments as the engagement partner.

Application Notes:

- (a) "Accounting entity" means an accounting corporation, an accounting firm or an accounting limited liability partnership.
- (b) "Directors/partners involved in the proposed audit engagement" refer to directors/partners who would be in the engagement team for the proposed financial statements audit or could influence the outcome of the proposed financial statements audit. For example, audit engagement partner, engagement quality control review partner, concurring partner and member of the technical panel for the proposed financial statements audit.
- (c) Where, on the same matter, the proposed accounting entity or the director/partner involved in the proposed audit engagement is issued with an order under the Accountants Act [criterion (2) or (3)] and also found by a Court to have been professionally negligent or to have failed to exercise due care in an audit [criterion (4)], the debarment period will take effect from the date of the order issued under the Act or the date of the Court verdict, whichever is earlier.

¹ The cooling-off period has been increased from two consecutive years to five consecutive years with effect from 1 April 2020. To allow a smooth transition to the new requirement, the cooling-off period will be three consecutive years provided that the cooling-off period starts prior to 15 December 2023.

- (d) The previous audit engagement partner of the public agency who is serving his cooling-off period, is to comply with the restrictions on activities during the cooling-off period as specified in paragraph 290.149J of the “Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities” spelled out in the Accountants (Public Accountants) Rules (Cap. 2, R 1).

3. Criteria (1) to (4) give the assurance that the accounting entity and its directors/partners involved in the audit engagement are suitably qualified and have a clean record for a sustained period, with regard to orders issued by the Public Accountants Oversight Committee² or adverse judgment by a Court. Criteria (5) and (6) provide for rotation of the accounting entity and audit engagement partner. Application note (c) ensures that there will be no double penalty for the same case of professional misconduct. Application note (d) gives the assurance that the previous audit engagement partner would not be able to influence the outcome of the public agency’s financial statements audit during his cooling-off period.

4. On an exceptional basis, the Auditor-General, in the public interest, may also take into account (over and above the six criteria) matters coming to his attention relating to the past performance of the proposed auditor.

² Under the Accountants Act, the Public Accountants Oversight Committee assists the Accounting and Corporate Regulatory Authority in the control and regulation of professional conduct of public accountants, accounting corporations, accounting firms and accounting limited liability partnerships (LLPs). In doing so, the Committee shall inquire into any complaint against any public accountant, accounting corporation, accounting firm or accounting LLP and, if necessary, institute disciplinary actions. The Committee also administers the practice monitoring programme which is designed to ascertain whether a public accountant has complied with the prescribed standards, methods, procedures and other requirements when providing public accountancy services.

