



REPUBLIC OF SINGAPORE

REPORT

OF THE

AUDITOR-GENERAL

FOR THE FINANCIAL YEAR

2020/21



**AUDITOR-GENERAL'S OFFICE
SINGAPORE**

2 July 2021

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 2020/21.

Yours sincerely

Goh Soon Poh
Auditor-General

REPORT
OF THE
AUDITOR-GENERAL
FOR THE FINANCIAL YEAR
2020/21



**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.

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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 2020/21.

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 2020/21

AGO audited the following:

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

Financial Statements Audits

For the financial year 2020/21, 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, four Government-owned companies and two 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 facility management contracts managed by the Ministry of Education (MOE) and the Ministry of Home Affairs (MHA).

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 2020/21 have been conveyed to the public sector entities concerned through AGO Management Letters for their follow-up. The more significant audit observations are highlighted in this Report.

The key areas are as follows:

- Lapses in management of operations and weaknesses in controls
- Lapses in procurement and contract management
- Weaknesses in IT controls
- Improvements needed in management of facility management contracts
- Possible irregularities in records furnished for audit

(1) Lapses in Management of Operations and Weaknesses in Controls

AGO noted lapses in the management of operations and weaknesses in controls at some public sector entities, including the Health Promotion Board (HPB), the National Heritage Board (NHB) and the Public Service Division (PSD).

For HPB, AGO noted wastages from excess fitness trackers not put to use. These were fitness trackers purchased for the National Steps Challenge seasons 1 to 5, which had ended between one and five years prior to the audit. AGO's test checks found around 268,000 excess trackers with value totalling \$4.26 million. Following AGO's observation, HPB carried out a full stock count in January 2021 which showed 341,000 excess trackers with value totalling \$5.39 million. AGO also noted that HPB's processes were inadequate to ensure that the movement of fitness trackers was properly monitored and that the stock of trackers was properly accounted for. The receipt and distribution of trackers involved manual processes and multiple external parties. There was no central monitoring of the movement and stock of trackers; records maintained were incomplete; and there was no periodic reconciliation of records with physical stock on hand.

For NHB, AGO found weaknesses in the records management of heritage materials. There were discrepancies in the records maintained in the systems and the manual records. Good records management is important as the records of heritage materials are relied upon for tracking, stocktaking and reporting in the financial statements.

PSD manages the medical and dental benefits for the Civil Service. AGO's audit found erroneous claims including claims paid to ineligible officers/pensioners and their dependants; Medisave contributions made to ineligible officers; and claims paid for expenses incurred at entities that were not in the list of approved medical institutions. There were also possible duplicate claims, split claims and bypassing of dental claim rules. Overall, AGO found around 9,500 possible erroneous claims. While this amounted to only 0.3 per cent of the total of 3 million claims processed during the audit period, the estimated possible overpayment by the Government was not small, at around \$0.50 million.

(2) *Lapses in Procurement and Contract Management*

AGO found lapses in procurement and contract management at some public sector entities including the Maritime and Port Authority of Singapore (MPA), the People's Association (PA) and the Singapore Polytechnic (SP).

For MPA, an officer had engaged in detailed discussions with a tenderer to make significant changes to its proposal and had also informed the tenderer to start work before the Tender Approving Authority had decided on the tender award.

For PA, AGO noted lapses in adjustments for price fluctuations for the main construction contract of one development project. For example, PA had capped the adjustment for concrete and steel reinforcement at 70 per cent of the total price fluctuation of the materials. This was not in accordance with Government's instructions to adopt full price fluctuations in construction contracts. AGO also observed weaknesses in management of contract variations for two main construction contracts, such as approval not sought before commencement of variation works, no evidence of approval sought for increase in variation costs, and lapses in assessments of cost reasonableness of star rate items. In addition, there were lapses in management of term contracts which included the splitting of purchase orders (dated on the same day) for similar scope of works or works to be carried out at the same location. This may have been done to circumvent the need to seek approval from a higher approving authority. AGO also noted instances where works were carried out before issuance of purchase orders and retrospective approval of winning quotations.

For SP, Debarment Recommendation Reports were not put up for two tenderers (from two unrelated tenders) who had withdrawn their bids after the close of tenders but before the tenders were awarded. Withdrawal of tenders after the close of tender but before tender award is a serious matter. SP did not put up these two cases to the Standing Committee on Debarment, which is the central authority in Government that decides on actions to be taken against defaulting tenderers. Such actions could include debarment from being awarded Government tenders for a period of time.

(3) *Weaknesses in IT Controls*

Weaknesses in IT controls noted at the Accountant-General's Department (AGD) and the Accounting and Corporate Regulatory Authority (ACRA) were over the management of the most privileged operating system (OS) user accounts. The most privileged OS user account is a powerful account which gives the user full access privileges to the operating system, including the ability to make changes to OS audit logs, OS user access and OS security settings i.e. "root" privileges. Any unauthorised activity carried out using the most privileged OS user account or "root" privileges could compromise the respective servers and affect the processing and recording of financial transactions in the servers.

For MHA's Integrated Logistics Management System, AGO noted that there was no segregation of duties – the review of administrator activity logs was carried out by the same person who had performed these activities in the relevant servers/system. Other weaknesses included no logging of administrators' activities, inadequate review of administrators' activities and no documentary evidence of log reviews.

(4) *Improvements Needed in Management of Facility Management Contracts*

AGO carried out a thematic audit on selected facility management (FM) contracts managed by MOE and MHA. The total expenditure incurred by both ministries on FM services for the period 1 April 2018 to 31 March 2020 was \$371.36 million. AGO test-checked 659 samples totalling \$241.27 million for key FM contracts under the two ministries. Key observations are elaborated below.

Planning and Establishing Needs

MOE and MHA had generally put in place policies and procedures to manage the process in relation to planning, budgeting, determination of needs and the approach for FM. By and large, processes were in place to ensure that relevant Government instructions on procurement were considered. Both ministries had also developed ministry-specific procurement manuals to guide their officers. Nevertheless, MOE could consider further aggregation of procurement for services that are commonly used by schools. This may yield better value for money through economies of scale and reduce procurement administration in schools.

Procurement and Contracting

Both MOE and MHA had put in place measures to ensure that appropriate sourcing methods for procurement were used. The specifications, conditions of contracts and evaluation criteria were appropriately determined and clearly stipulated when sourcing for FM services. Both ministries had also used structured evaluation approaches when evaluating selected tenders. Overall, the procurement and contracting processes for the FM services test-checked were generally in line with the Government Instruction Manual on Procurement.

Managing Contracts

Generally, MOE and MHA had ensured that purchase/work orders for works were properly assessed and approved. Both ministries had processes and controls in place to ensure that payments were in general properly supported, approved and paid accurately and in a timely manner. However, there were areas where controls could be improved. For MOE, there were instances where there was no documentary evidence to show that regular audits/inspections required in the contracts were carried out. There were also delays in issuing instructions to effect contract variations and to terminate FM services which were no longer required, resulting in over and underpayments. For MHA, there was a need to strengthen its oversight of contractors' compliance with contractual requirements and ensure that contract variations were put up for deviations from contractual requirements. MHA could also improve the way it monitors Key Performance Indicators of its contractors.

Closure/Renewal of Contracts

Both MOE and MHA generally had processes and controls in place for closure/renewal of FM contracts. However, there were instances of delays in finalising the accounts for two FM contracts under MOE.

Good Practices

AGO observed a number of good practices at both ministries. MOE had a strong focus on leveraging technology to enhance FM services and improve productivity. Examples include the implementation of a smart mobile application for school personnel to report FM-related faults and pilots on smart FM technologies such as cleaning robots and smart energy and water meters. MHA had developed a competency framework and training plan to build up FM capabilities in the Home Team. It had also centralised the management of FM contracts across the Home Team under its new statutory board, the Home Team Science and Technology Agency. The centralised model enabled MHA to have an effective overview of all its FM contracts, and build deeper FM expertise through more targeted competency and career development of its FM officers.

(5) Possible Irregularities in Records Furnished for Audit

AGO noted possible irregularities in the records furnished for AGO's checks in the audits of the Ministry of Culture, Community and Youth (MCCY), MOE, MHA, the Housing and Development Board (HDB) and PA.

In the audit of MCCY, AGO found that supporting documents for claims contained signs that they could have been photocopies of one another with alterations made to the dates and duration of services rendered.

For MOE and MHA, AGO came across a few instances where there were signs that supporting documents were created or documents were backdated to satisfy AGO's queries.

For HDB, test checks on quotations used for assessing reasonableness of star rate items found indications that some quotations could have been created or altered to give the impression that they were obtained from other suppliers.

In the audit of PA, the possible irregularities noted include signs of possible falsification of quotations, alteration of hardcopy payment supporting documents, and the creation and backdating of documents.

Following AGO's observations, the relevant agencies had carried out investigations and lodged police reports where appropriate.

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 2020/2021.

There are three areas that public sector entities should pay greater attention to:

- Outsourcing of services – Even as more services are outsourced to external contractors and vendors, accountability and responsibility cannot be outsourced. Public sector entities remain accountable and responsible for the use of public funds. Entities should therefore maintain effective oversight of their contractors and vendors to ensure that services are delivered in accordance with contractual requirements and payments are made only for works done/services rendered;
- Straight-through processing – Many public sector entities take a risk-based approach and have adopted “straight-through processing” for certain types of transactions. Such “straight-through processing” should be complemented by the use of data analytics to detect outliers and anomalies for investigation; and
- Records management – Proper records management and documentation are areas that require greater diligence from public officers and attention from senior management.

I am pleased to note that the public sector entities audited by AGO take the audit observations seriously and are committed to address the lapses and weaknesses. AGO will follow up with them on their remedial actions.

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

2 July 2021

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 2021, 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 28 June 2021. The President would present to Parliament the audited Financial Statements with the audit report thereon.

Acknowledgements

9. 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 for in 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. For Government funds whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every five years for large Statutory Boards and Government funds. 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 2020/21, AGO did not carry out any selective audit of Government funds.

4. 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.

Acknowledgements

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

Selected Observations

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

MINISTRY OF CULTURE, COMMUNITY AND YOUTH

Fabrication of Documents for Audit and Weaknesses in Controls over Claim Processing

7. AGO's test checks on claims made by individuals for services rendered to a department in the Ministry of Culture, Community and Youth (MCCY) found tell-tale signs on supporting documents which cast doubt on their authenticity. AGO also noted weaknesses in controls over claim processing which increased the risk of unauthorised or inaccurate payments.

8. AGO's test checks on 10 claims totalling \$1,812 made between April 2019 and March 2020 found that 6 of the 10 softcopy attendance records provided to AGO as supporting documents for the claims contained tell-tale signs which cast doubt on their authenticity. The tell-tale signs indicated that the records could have been photocopies of one another with alterations made to the dates and duration of services rendered.

9. AGO's test checks on an additional 597 claims totalling \$39,276 made during the same period found similar tell-tale signs of pre-printed signatures on 151 claim forms (totalling \$7,248) and other lapses which indicated weak controls over claim processing. The lapses included the following:

- a. No supporting documents such as approval of requirements and attendance records for 46 claims amounting to \$4,872;

- b. No evidence of checks made by the Payment Verifying Officer on 41 attendance records and 210 claim forms for 251 claims amounting to \$15,060; and
- c. Duplicate or incorrect payments for 17 claims which resulted in overpayment of \$792.

10. Following AGO's observations, MCCY carried out an investigation and informed AGO that the six attendance records (mentioned in paragraph 8 above) had been fabricated to meet AGO's request for the records. Two officers in the department performing the roles of Payment Approving Officer and Payment Verifying Officer respectively had fabricated the six attendance records as they could not locate the original attendance records. The fabrication included making copies of an authentic attendance record signed by the claimant and Requesting Officer, using correction fluid to remove the original service dates, and inserting the dates and time based on the details of transactions selected by AGO. According to MCCY, while there were missing documents and irregularities in the attendance records, MCCY's checks found that the services had indeed been performed and the claims were valid.

11. As for the 151 claim forms (mentioned in paragraph 9 above), MCCY's investigation found that the external parties responsible for certifying the services rendered at their premises had pre-printed their signatures on the claim forms for administrative convenience, and there was no evidence of fraud.

12. MCCY informed AGO that it takes a serious view of the lapses reported and had taken immediate steps to address them. MCCY had since recovered all the overpayments. For the cases highlighted by AGO, MCCY had taken disciplinary actions against the two officers who had fabricated the documents and introduced measures to strengthen the controls to prevent recurrence of the lapses. As for the external parties who had a role in certifying the services rendered, MCCY was already working with them to tighten and improve the process.

MINISTRY OF DEFENCE

Overpayment for Contracted Healthcare Services

13. The Ministry of Defence (MINDEF) entered into a 10-year contract with a national healthcare institution for the provision of cardiac health screening services to national service pre-enlistees and servicemen. The contract started in October 2018 and the annual contract value was \$8.91 million. The contract also had provisions for medical services not in the contract price list to be carried out. For such services, MINDEF would be billed based on the government subsidised rate.

14. AGO's audit of payments under this contract noted overpayment of 323 bills totalling \$84,300 during the period 30 September 2019 to 18 March 2021. The overpayment occurred because the healthcare institution had incorrectly billed MINDEF at the private non-subsidised rate, instead of the government subsidised rate, for two types of medical tests not in the contract price list.

15. Of the 323 bills, AGO noted 121 bills that were overpaid (with total value of \$31,300). After AGO alerted MINDEF, another 202 bills that were overpaid (with total value of \$53,000) were noted by the healthcare institution upon its investigation.

16. MINDEF informed AGO that the billing error had occurred because the staff at the healthcare institution had wrongly removed the government subsidy for the two tests during a fee review on 28 September 2019. MINDEF also informed AGO that it was difficult to verify whether the prices charged were correct as the healthcare institution did not give MINDEF the pricing rate for tests not found in the contract list.

17. AGO recommended that MINDEF review its current payment process for tests not found in the contract list and work closely with the healthcare institution to see whether checks could be enhanced to prevent or detect errors in billing.

18. MINDEF informed AGO that it would complete the recovery of overpayment from the healthcare institution by July 2021. In addition, MINDEF would implement checks to scrutinise bills that did not include government subsidies for follow-up with the healthcare institution, to ensure correct charging, before making payment.

MINISTRY OF FINANCE

ACCOUNTANT-GENERAL'S DEPARTMENT

Weak Controls over the Most Privileged Operating System User Account and Monitoring of Privileged User Activities

19. NFS@Gov is the Government's core accounting and financial transaction system, used by all Government ministries and organs of state. NFS@Gov supports a wide range of functions, including processing of invoices and payments to all Government suppliers. It is also used for the preparation of financial accounts of ministries and organs of state for reporting in the Government Financial Statements. The Accountant-General's Department (AGD) engages an IT vendor to support and maintain NFS@Gov.

20. AGO's audit of the IT general controls relating to NFS@Gov in 2020 found that the controls over the most privileged operating system (OS) user account were weak. There were also weaknesses in the logging and review of privileged user activities. As a result, controls over the processing and recording of financial transactions in NFS@Gov could be compromised.

A. Weak Controls over the Most Privileged OS User Account

21. At the time of AGO's audit, two of AGD's IT vendor staff performed the role of the OS administrator of NFS@Gov. AGD had relied on its IT vendor to configure a security software to allow the OS administrators to execute only a certain number of commands using the privileges of the most privileged OS user account (i.e. "root" privileges).

22. The most privileged OS user account had full access privileges to make changes to the OS audit logs, OS user access and OS security settings. Any unauthorised activity carried out using the "root" privileges could compromise the NFS@Gov servers and affect the processing and recording of financial transactions (e.g. payments to Government suppliers) in NFS@Gov.

23. AGO's test checks of four NFS@Gov servers (i.e. two application servers and two database servers) found technical misconfigurations of the security software in all four servers. The configurations were not in compliance with the Government Technology Agency (GovTech)'s advisory dated 1 June 2020. As a result, the two OS administrators could execute any command using the "root" privileges while they were executing three of the authorised commands.

24. In addition, AGD observed that controls over changes made to the configurations of the security software were not effective. To prevent unauthorised changes, AGD had designated an account for making changes to the configurations. However, AGO found that the security software was not properly configured which resulted in the two OS administrators being able to change the configurations using their own OS user account instead of the account designated by AGD.

25. AGD said that the root cause of the observation pertained to gaps in the implementation of two specific recommendations in the GovTech advisory. The other recommendations in the GovTech advisory had been promptly and properly implemented.

26. AGD had since rectified the technical misconfigurations in the security software. AGD informed AGO that while the misconfigurations had not been picked up in its internal documentation review, the specific configuration would have been reviewed in its ongoing internal IT audit. AGD had also reviewed the logs in the four NFS@Gov servers for the period 9 April 2020¹ to 31 March 2021 and confirmed that the two OS administrators did not execute any unauthorised command.

27. Going forward, the vendor had engaged a Central Practice Team (CPT) to review GovTech's ICT advisories and help minimise any gap in understanding, and provide consistency in the implementation of GovTech's advisories. Both AGD and the CPT would engage GovTech to proactively verify the sufficiency of actions taken.

28. Lastly, AGD had transited its IT setup into a GovTech-managed site in May 2021. This would enable AGD to directly leverage on GovTech's specialised technical expertise on security-related reviews.

¹ NFS@Gov system migration was completed on 9 April 2020.

B. Weaknesses in Logging and Review of Privileged User Activities

29. AGO found the following weaknesses in the logging and review of privileged user activities:

- a. The OS administrators' activity logs collected by the Security Information and Events Management (SIEM) tool were incomplete. AGO test-checked two types of OS administrators' activity logs obtained from the four NFS@Gov servers for the period 16 August 2020 to 17 October 2020. AGO found that 202 out of the 12,802 log entries sent from the NFS@Gov servers were not stored and reflected in the SIEM log files that were collated and sent for review;
- b. The reviews of database (DB) administrators' activities in the NFS@Gov database were incomplete as not all activities specified by AGD were captured in the SIEM log files; and
- c. The scope of reviews of SIEM administrators' activities in the SIEM tool was not adequate as only two types of activities were reviewed. Other critical activities that could compromise the effectiveness of the SIEM tool such as changes to roles or logging configurations were not included for review.

30. Incomplete logging and inadequate review of the activities performed by privileged users would increase the risk of unauthorised activities and changes not being detected.

31. AGD informed AGO that it had since:

- a. Engaged its product vendor to investigate the root cause of incomplete logs of OS administrators' activities and made changes to the SIEM tool. AGD had also reviewed the activities undertaken by the OS administrators since 9 April 2020¹ and found no unauthorised activities;

- b. Included all DB administrators' activities to be monitored in the SIEM log files. AGD had also reviewed the activities performed by the DB administrators for the period 9 April 2020¹ to 16 January 2021² and confirmed that there were no unauthorised activities; and
- c. Enhanced the review of the SIEM administrators' activities to include critical activities such as changes to roles and logging configurations. AGD would continue to assess and review if additional activities performed by the SIEM administrators should be included for review.

PRIME MINISTER'S OFFICE

PUBLIC SERVICE DIVISION

Areas for Improvement in Administration of Civil Service Medical and Dental Benefits

32. The Public Service Division (PSD) is the policy owner for medical and dental benefits for the Civil Service. It works with AGD to administer medical and dental benefits for officers/pensioners and their eligible dependants. PSD and AGD use various IT systems to administer and manage Civil Service medical and dental benefits and to process reimbursement claims from in-service officers and pensioners.

33. For the period 1 January 2018 to 31 March 2020, there were 3 million medical and dental claims processed for 177,190 officers/pensioners and their dependants. Government expenditure on these claims amounted to \$463.58 million. In addition, total Medisave contributions made by the Government under the Civil Service medical benefits framework during the same period was \$316.25 million.

34. AGO carried out data analysis on medical benefits entitlement records; medical and dental claims processed and paid by the Government; and Medisave contributions made by the Government from 1 January 2018 to 31 March 2020.

² AGD had enhanced its log review process for the DB administrators' activities since 17 January 2021.

35. The table below summarises the key audit observations, the number of possible erroneous claims and the total possible overpayment by the Government for the audit period 1 January 2018 to 31 March 2020.

Key Audit Observations	Number of Possible Erroneous Claims	Possible Overpayment (\$)
Claims Paid to Ineligible Officers/Pensioners and Their Dependants	2,405	208,400
Medisave Contributions Made to Ineligible Officers	n.a.	194,500
Claims Paid for Expenses Incurred at Entities Not in List of Approved Medical Institutions	5,231	99,800
Possible Duplicate Claims, Split Claims and Bypassing of Dental Claim Rules	1,914	48,300
Total	9,550[#]	551,000[#]
Less: Payments to officers who claimed less than \$350 medical benefits in the relevant calendar year. Under the officers' medical benefits scheme, these amounts would have been credited to the officers' Medisave accounts if they had not made the claims.		(55,600) ³
Estimated Net Possible Overpayment		495,400[#]

[#] There were claims which fell under more than one category of audit observations. After taking into account such claims, the estimated net possible overpayment amounted to \$494,600 (and the total unique number of possible erroneous claims is 9,498).

36. The details of the audit observations are in the paragraphs that follow.

³ Estimated using AGD's data on "MSO balance transfer" pertaining to balance of the unutilised \$350 medical benefits of officers on Medisave-cum-Subsidised Outpatient (MSO) scheme for the calendar years 2018 and 2019.

A. Claims Paid to Ineligible Officers/Pensioners and Their Dependants

37. AGO found 2,405 possible claims incorrectly paid to 705 ineligible officers/pensioners and their dependants as their medical benefits entitlement records in the IT systems were not updated. Government expenditure on these claims amounted to \$208,400. These claims should not have been paid for the following reasons:

- a. The officers were on no-pay leave for one continuous month or more, and hence would not be eligible for medical and dental benefits under the Government Instruction Manual on Staff (Medical & Health);
- b. The officers/pensioners/dependants had passed away;
- c. The officers had left service;
- d. The child dependants had passed the age threshold to be eligible for dependant benefits;
- e. Date of admissions/visits for claims pertaining to spouse dependants was after the date of divorce; or
- f. Spouse dependants' NRIC numbers reflected in the Government's medical benefits entitlement records did not match with the NRIC numbers in official marriage records.

38. PSD and AGD explained that these errors occurred because of the current discrete Human Resource (HR) and Payroll/Claims systems landscape leading to entitlement records not always being fully synchronised across the IT systems, or delays in the updating of officers'/pensioners' medical benefits entitlement records.

B. Medisave Contributions Made to Ineligible Officers

39. AGO's data analysis of Medisave contributions for the period 1 January 2018 to 31 March 2020 found that 184 officers were wrongly paid a total of \$194,500 in Medisave contributions during the period. These officers were not eligible for Medisave contributions based on their medical benefits schemes.

40. AGD explained that the cases could have arisen due to late or erroneous update of medical benefits entitlement records by the public sector entities. AGD informed AGO that it would follow up with the entities involved and recover the overpaid Medisave contributions from the officers or the Central Provident Fund Board if needed.

C. *Claims Paid for Expenses Incurred at Entities Not in List of Approved Medical Institutions*

41. AGO found 5,231 claims totalling \$99,800 that were incorrectly reimbursed to officers/pensioners as those were claims for expenses incurred at entities that were not in the list of approved medical institutions eligible for claims. The list of approved medical institutions included Restructured Hospitals, Polyclinics, and private medical clinics and dialysis centres licensed under the Private Hospitals and Medical Clinics Act (Cap. 248, 1999 Revised Edition). It excluded entities such as Traditional Chinese Medicine clinics and chiropractic clinics which do not fall under the purview of the Act.

42. AGO noted that there was no control or mechanism within the claims processing system to detect and reject claims made for expenses incurred at entities not in the list of approved medical institutions. There was also no requirement for public sector entities to use post-payment analytics to flag out ineligible claims that had been reimbursed.

D. *Possible Duplicate Claims, Split Claims and Bypassing of Dental Claim Rules*

43. AGO's data analysis also found indications of possible duplicate claims, split claims and bypassing of dental claim rules during the period 1 January 2018 to 31 March 2020. Government expenditure for the 1,914 claims amounted to \$48,300. AGO noted that there were no automated checks to detect and reject exact duplicate claims submitted across the various IT systems. There were also no controls or measures to help the respective public sector entities detect possible split claims, or built-in controls within the claims processing system to prevent submission of medical claims using receipts issued by a dental clinic or submission of dental claims using receipts issued by a medical clinic. In addition, there were no checks to prevent the same receipt from being submitted for both medical and dental claims.

Conclusion

44. Overall, AGO's audit found around 9,500 possible erroneous payments for medical and dental benefits. While this amounted to only 0.3 per cent of the total of 3 million claims processed for the period audited, the estimated possible overpayment by the Government is not small, at around \$0.50 million. AGO noted that there was no mechanism in place for agencies to be alerted when the medical benefits entitlement records were not fully synchronised across the various IT systems. Similarly, there was no mechanism in place to trigger follow-up actions when there was a delay in updating such records.

45. PSD and AGD informed AGO that the claims system was designed to be on a "self-declaration honour-based approach" and allowed straight-through processing of most claims. To complement this process, tools were available in the Whole-of-Government (WOG) finance analytics platform for public sector entities to perform post-payment analytics. However, AGO noted that the current analytics on the WOG platform would not flag out all the categories of lapses/exceptions noted in AGO's audit, for example, claims paid to ineligible persons and possible split claims. AGO also noted that it was not mandatory for public sector entities to perform post-payment analytics. While AGO did not observe any indications of systemic lapses, AGO recommended that PSD and AGD take a systematic approach to improve controls in payments and claims processing, and work closely with the respective entities to rectify erroneous cases.

46. PSD and AGD noted the lapses/exceptions flagged out by AGO's data analysis and would follow up to further strengthen the governance of the Civil Service medical and dental benefits expenditure. PSD and AGD informed AGO that the new HR and Payroll (HRP) system, which would be implemented later in the year, would integrate the various IT systems involved in the administration of the Government's medical and dental benefits expenditure. A one-time rectification exercise would be conducted to reconcile and synchronise the medical benefits entitlement records in the IT systems upon the adoption of the HRP system. The HRP system would have better system controls and checks to address the issues highlighted by AGO, including new approval workflow and system alerts (e.g. daily reports to flag out unsuccessful transactions). New interfaces had been built in the HRP system to obtain data, where possible, directly from source agencies in a timely manner to reduce the risk of manual entry errors and delays.

47. In addition, PSD and AGD would educate officers on the claims policies and rules, and level up the capability of public sector entities to leverage on data analytics. Public sector entities would be reminded on the importance to perform regular post-payment analytics via the WOG finance analytics platform, and to ensure prompt follow-up actions if required. For cases found to involve dishonesty, disciplinary actions should be taken against the officers involved. This would send a strong deterrent message on the stand against such behaviours in the Civil Service.

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 2020/21 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 years for large Statutory Boards and Government funds. 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 2020/21, AGO carried out selective audits of the following eight statutory boards:

- a. Health Promotion Board;
- b. Health Sciences Authority;
- c. Housing and Development Board;
- d. Land Transport Authority of Singapore;
- e. National Arts Council;
- f. National Heritage Board;
- g. People's Association; and
- h. Singapore Polytechnic.

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

Lapses in Procurement of Digital Film Projection System

10. Arising from a complaint, AGO carried out test checks on a tender for the supply, delivery, installation, commissioning and maintenance of a digital film projection system² (approved procurement value of \$4.75 million). AGO observed lapses at various stages of the procurement. As a result, there was inadequate assurance that the Government procurement principles of value for money, fairness and transparency had been adhered to.

A. *Pre-tender Engagement*

11. AGO noted that the National Library Board (NLB) had discussed its requirements with a company related to the awarded tenderer before the tender was published. During the course of discussions, the said company submitted several budgetary quotes to NLB. This was done as early as eight months before the tender was published in March 2018. According to NLB, it had requested a budgetary quote from another company but did not receive any response. However, NLB could not provide any documentary evidence to substantiate this. In addition, NLB had worked with the awarded tenderer prior to the publication of tender, to develop the tender specifications for one of the tender items (approved procurement value of \$0.19 million).

² This tender was for a system comprising various equipment and system software, including maintenance and technical support for five years.

12. Following the publication of the tender, eight potential tenderers attended the compulsory tender briefing conducted by NLB. AGO noted that NLB did not share with the other potential tenderers its clarification in response to questions raised by the awarded tenderer after the tender briefing. The clarification was related to costing information which could affect how tenderers price their bids. For fairness and transparency, such queries raised by any potential tenderer and NLB's clarification relating to costing information should be shared with all potential tenderers.

B. Evaluation of Tender Submissions and Price Assessment

13. Three bids were received at the close of tender. Of these, two did not meet NLB's mandatory tender requirements and thus, only one qualifying bid by the awarded tenderer was evaluated. AGO found the following lapses in NLB's assessment of price reasonableness of the single qualifying bid:

- a. NLB had concluded that the bid price was reasonable based on comparison with the Estimated Procurement Value (EPV). However, about 52 per cent of the EPV was derived based on a budgetary quote from the related company of the awarded tenderer. Hence, this was effectively a self-to-self comparison and might not be representative of market prices. Another 45 per cent³ of the EPV was based on NLB's own cost estimates which could not be substantiated.
- b. There was also no assessment conducted on the reasonableness of the maintenance costs (ranging from \$133,594 for the second year⁴ to \$310,728 for the fifth year). There were significant yearly increases, as high as 44 per cent, in the maintenance costs although the scope of maintenance services remained generally the same from year to year.

14. AGO also noted that the awarded tenderer's performance track record was not adequately evaluated. NLB did not apply its published evaluation criterion of using testimonials from the tenderer's past clients to assess the track record of the awarded tenderer. Instead, NLB concluded that the awarded tenderer had a good performance record solely based on the credentials and accolades mentioned in the tender proposal without conducting independent checks with the past clients.

³ For the remaining three per cent of the EPV, NLB had explained that it was based on a verbal quote.

⁴ Maintenance costs were not applicable for the first year as it was covered under warranty.

C. Approval of Tender Award

15. AGO noted that despite the gaps in the price assessment and evaluation of tender proposals in the Tender Evaluation Committee (TEC)'s submission to the Tender Approving Authority (TAA), there was no evidence that the TAA had raised questions with the TEC on the gaps. In addition, the TEC had provided incorrect information to the TAA which might have affected the TAA's ability to make informed decisions on the tender award. Therefore, there was inadequate assurance that the assessment during the tender award process was robust.

16. NLB informed AGO that it would:

- a. Remind its staff to comply with NLB's prevailing internal guidelines on how staff should conduct themselves professionally to ensure, among other things, fairness when dealing with vendors;
- b. Maintain proper documentation on the information revealed to vendors during requirement gathering and the information received from vendors in response. When such information is referenced for developing requirement specifications, the TEC would be informed to ensure fairness in evaluation;
- c. Ensure that assessment of price reasonableness of future tender bids is properly substantiated and documented;
- d. Conduct tender evaluations in accordance with the published evaluation criteria; and
- e. Improve on the completeness and accuracy of information to be included in tender evaluation reports and checks to be done by the TEC.

MINISTRY OF CULTURE, COMMUNITY AND YOUTH

NATIONAL ARTS COUNCIL

17. For the audit of the National Arts Council (NAC), AGO covered the following areas in its test checks:

- a. Procurement and payment;
- b. Grants;
- c. Rental income and subsidy; and
- d. Fixed assets.

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

Inadequate Oversight of Usage and Subletting of Arts Housing Premises

18. As at 30 June 2020, NAC managed a total of 37 arts housing premises. These were tenanted to 66 tenants. The properties were mainly rented from the Singapore Land Authority (SLA) and NAC in turn tenanted these out for arts housing. NAC's tenants were not allowed to sublet the tenanted arts spaces except for selected commercial spaces. The tenants were responsible for inviting and evaluating the bids for rental of the commercial spaces and submitting the subletting applications to NAC for approval.

19. AGO's checks found lapses in the area of rental management by NAC including inadequate oversight of the use of its arts housing premises and subletting of commercial spaces by NAC's tenants.

A. Inadequate Oversight of Usage of Premises for Arts Housing

20. AGO's test checks found that 74 entities which were not NAC's tenants/sub-tenants had either used the address of one of NAC's arts housing premises as their registered address or could be operating at NAC's premises. Of these, 66 entities had used the address of one of NAC's premises to register with the relevant authorities (i.e. the Accounting and Corporate Regulatory Authority and the Registry of Societies). For the remaining eight entities, AGO found indications from site visits conducted during the period December 2020 to February 2021 that these entities were operating at NAC's premises. Following AGO's observations, NAC reviewed the entities and informed AGO that most of the entities were related to NAC's tenants or were former tenants. However, NAC could only provide documents to show that 10 entities were related to the tenants or were former tenants. NAC could not provide documents to show that the tenants had informed NAC about their related entities using NAC's premises or that it was aware that former tenants had continued to use its premises after the tenancy expired.

21. In addition, AGO noted that the registered activities of seven non-tenant entities⁵ did not fall within the approved use of the premises stated in the tenancy agreements between NAC and SLA, which was mainly for arts housing purposes. The registered activities of these seven non-tenant entities included activities unrelated to the arts, such as design and construction, and logistics. There is a need for NAC to monitor and ensure that its premises are used for the purposes stated in the tenancy agreements between NAC and SLA.

22. NAC acknowledged the need for strengthened oversight. It would require tenants to seek its approval for their related entities to use NAC's premises as their registered address. It would also perform annual checks against records of the Accounting and Corporate Regulatory Authority and the Registry of Societies for all its premises.

23. As regards the non-tenant entities with registered activities that did not fall within the approved use, NAC informed AGO that it had since notified those tenants to de-register the non-tenant entities from its premises. NAC would follow up with all its tenants to reiterate the point that non-approved use of the premises was not allowed. In addition, NAC would perform checks at the premises to detect any non-approved use and carry out enforcement actions.

⁵ NAC informed AGO that most of these entities were either allowed to use the premises by the tenant or were related parties of tenants/sub-tenants (e.g. companies set up by the sub-tenant that had occupied the same premises).

B. Inadequate Oversight of Subletting of Commercial Spaces by Tenants

24. AGO's checks noted that NAC did not exercise adequate oversight of its tenants in their subletting of commercial spaces. Of the five tenants that had sublet commercial spaces, AGO noted one instance where the tenancy period in three sub-tenancy agreements⁶ was two to three years longer than what NAC had approved. In another two instances, NAC did not follow up to ensure that commitments stated in the sub-tenants' tender proposals (e.g. renovations amounting to at least \$200,000) were fulfilled after the award of tenancy.

25. AGO also noted gaps in NAC's guidelines to tenants on subletting. For example, there were no requirements to declare conflict of interest for bid evaluation by the tenant and for evaluation criteria to be finalised before the open call for rental applications. Such requirements are necessary to ensure fairness in the subletting of NAC's premises.

26. NAC acknowledged the finding and informed AGO that it has started to review its commercial subletting policy and would tighten its oversight of tenants' management of the commercial spaces.

NATIONAL HERITAGE BOARD

27. For the audit of the National Heritage Board (NHB), AGO covered the following areas in its test checks:

- a. Heritage materials;
- b. User accounts in the Singapore Collections Management System and Automated Collections Tagging System;
- c. Procurement and payment;
- d. Revenue contracts; and
- e. Cash donations.

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

⁶ The tenant had sublet different parts of the commercial space to three entities.

Weaknesses in Records Management of Heritage Materials

28. AGO's checks found weaknesses in the records management of heritage materials. NHB maintained about 350,000 records of heritage materials in a number of systems, namely the computerised Singapore Collections Management System (SCMS), Automated Collections Tagging System (ACTS) and Alliance for Corporate Excellence (ACE) system⁷. NHB also maintained manual records of heritage materials at museums and heritage institutions. The total value of heritage materials reported in NHB's audited financial statements as at 31 March 2020 was \$506.72 million.

29. AGO's checks found discrepancies in the records maintained in the systems and the manual records. As at 1 October 2020, there were 696 unmatched records between the records in ACTS and the manual records maintained at museums and heritage institutions. There were also another 63 unmatched records between SCMS and ACTS. Arising from AGO's request for information on heritage materials, NHB checked and found that another 119 heritage materials recorded in SCMS were not accounted for in ACE. Good records management is important as the records of heritage materials are relied upon for tracking, stocktaking and reporting in the financial statements.

30. In addition, AGO's checks of 295 records in ACTS found that the locations of 63 heritage materials were inaccurate. AGO also sighted seven heritage materials at the Heritage Conservation Centre⁸ which were not recorded in ACTS, indicating that the records were incomplete.

⁷ SCMS is used to process and track acquisitions and accessioning of heritage materials (including donated heritage materials). ACTS is used to tag and track movement of heritage materials while ACE is NHB's financial system.

⁸ The Heritage Conservation Centre is the repository and conservation facility for the management and preservation of Singapore's heritage materials.

31. AGO also noted that NHB did not have a full listing of more than 40,000 unmatched records which were flagged out from a reconciliation between SCMS and ACTS in 2016, before SCMS was upgraded. NHB was also unable to provide supporting documents to AGO to explain the reduction of unmatched records from the more than 40,000 unmatched records in 2016 to 5,193 unmatched as at 23 October 2020. In addition, AGO noted that deletion of 3,464 records in SCMS could not be substantiated by supporting documents. NHB informed AGO that the removal of unmatched records was part of a data cleaning exercise to remove invalid or repeated records. Only users with the appropriate authority would review and delete the records. AGO's view is that without supporting documents, there was a lack of assurance that the updating and removal of records from SCMS were authorised and valid.

32. NHB informed AGO that it managed a large volume of heritage materials that included inherited collections dating back to the 1880s, some of which had little or no accompanying information. To better manage the growing number of heritage materials, it had started the process of digitalising the records in 2006. The process to clean up legacy records involved conducting research and investigating the historical context of the heritage materials. To accurately obtain information regarding the heritage materials, support from multiple NHB's divisions, archival search and research by historical experts were often required. The process was resource-intensive and had been ongoing.

33. NHB also informed AGO that it was committed towards utilising one system instead of multiple systems and manual records to track its heritage materials. The ongoing reconciliation and clean-up of records as well as the eventual merger of systems were part of a multi-year action plan developed after a collections management review initiated in 2018. NHB was also working on streamlining and strengthening all its collections management processes, including how collections data is captured, updated and accessed. In addition, NHB noted the importance of maintaining documentary evidence of the reasons for removal of records and would enhance the process for doing so. NHB assured AGO that its control over the existence of heritage materials was not solely through the stock counts conducted. Other mitigating controls in place included control over physical access to the heritage materials.

Lapses in Evaluation of Tenders for Period Contracts

34. AGO's test checks of 18 tenders found lapses in the evaluation of two period contract tenders. Period contracts are established to supply a list of goods and services at a pre-determined rate for a period of time between the contractor(s) and the public sector entity. Under each period contract, there is a Schedule of Rates listing the service items and pre-determined rate at a specified Unit-of-Measurement. After a period contract has been established, the public sector entity can directly issue purchase orders (POs) for purchases off the period contract with any of the appointed contractor(s) without calling open tenders or quotations.

35. The two period contract tenders were for Exhibition Design Services (approved procurement value of \$9.20 million for five years) and Art Handling and Transportation Services (approved procurement value of \$12.30 million for five years). The respective Tender Approving Authorities had awarded a large number of service items to a panel of contractors even though the Tender Evaluation Committees (TEC) did not evaluate the price bids of a significant percentage of the service items awarded. AGO also noted that the awarded unit price for the same item varied significantly among the experienced contractors⁹. Consequently, there was inadequate assurance that purchases made under the period contracts were in line with the Government procurement principle of value for money.

36. For the two tenders, tenderers had submitted price bids for 496 (out of 497) and all 256 service items respectively per year for five years. AGO's checks found that the TEC had only evaluated the price bids of 140 service items (or 28.2 per cent and 54.7 per cent respectively) as those were quoted by all tenderers for each period contract. Consequently, the price bids of the remaining 356 (or 71.8 per cent) and 116 service items (or 45.3 per cent) that were quoted by at least one tenderer were not evaluated.

⁹ For the period contract on Exhibition Design Services, NHB had identified four of the eight awarded contractors as experienced contractors. For the period contract on Art Handling and Transportation Services, NHB had identified two of the four awarded contractors as experienced contractors.

37. AGO’s test checks of the unit prices of the items awarded to the experienced contractors found that the unit prices for the same items varied significantly among the contractors. For instance, for the period contract on Exhibition Design Services, the unit price difference for “Content Development for Scriptwriting”¹⁰ was as high as \$490,000 (or 5.5 times) among the four experienced contractors appointed to the panel. The unit prices among those four ranged from \$600,000 (highest) to \$110,000 (lowest). For the period contract on Art Handling and Transportation Services, the item on “Air Con 40-footer Container Rental”¹¹ had a difference of \$8,950 (or 9.5 times) between the unit price quoted by the two experienced contractors.

38. For the period contract on Exhibition Design Services, AGO noted that of the 435 service items that were awarded to an experienced contractor in Year 1, the unit prices for 294 items (or 67.6 per cent) were the highest among the four experienced contractors appointed to the panel. The price differences were as much as 124 times the lowest awarded unit price for the same item quoted by other experienced contractors on the panel. NHB had issued POs to the contractor totalling \$476,500 or 52.9 per cent of the total value of purchases made under the contract for the period June to December 2020. AGO’s test checks of four POs issued to the contractor, based on its unit prices, indicated that there could be a total cost difference of about \$53,000 when compared with the unit prices quoted by another experienced contractor on the panel.

39. NHB informed AGO that when its museums select an exhibition designer from the panel of contractors, the museums would consider the requirements of the project and the contractor’s capability and availability to meet those requirements. NHB explained that the quality of design services was an important consideration for museum exhibitions. Although not all unit prices of service items were evaluated prior to the award of the contract, the museums had requested for comparative quotes to ensure cost reasonableness for some exhibitions.

¹⁰ Rate per 100,000 words.

¹¹ Rate per month.

40. For the period contract on Art Handling and Transportation Services, AGO noted that of the 256 items that were awarded to an experienced contractor in Year 1, the unit prices for 213 items (or 83.2 per cent) were higher than the prices quoted by another experienced contractor on the panel. The price differences were as much as 58 times the unit price of similar items quoted by the other experienced contractor. NHB had issued POs to the contractor totalling \$727,400, or 91.9 per cent of the total value of purchases made under the contract for the period November 2019 to October 2020. AGO's test checks of four POs issued to the contractor, based on its unit prices, indicated that there could be a total cost difference of about \$131,000 when compared with the unit prices quoted by the other experienced contractor on the panel.

41. NHB explained that the quality of the contractor providing art handling services was important to safeguard the artefacts and maintain the trust of donors and lenders who had entrusted their artefacts to NHB. Besides cost considerations, museums would consider the expertise of contractors in handling different types of artefacts, security and climate control standards of off-site storage facilities, and the quality of freight forwarding services.

42. NHB informed AGO that it would review the service items in the two period contracts for cost reasonableness and would seek approval to remove those service items with unit rates assessed to be high. In addition, NHB would review and improve the design of future tenders including refinement of the scope of services so that all tenderers would be able to put in price bids for the service items on the same basis. NHB would look into refining the quality component of its evaluation criteria for the period contracts to better reflect NHB's requirements.

PEOPLE'S ASSOCIATION

43. For the audit of two development projects under the People's Association (PA), AGO covered the following areas in its test checks:

- a. Sourcing and evaluation;
- b. Contract management; and
- c. Revenue contracting for commercial spaces.

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

Lapses in Contract Management of Development Projects

44. PA appointed contractors to construct two development projects and also engaged consultants to manage the main construction contracts on its behalf. AGO's test checks of the construction contracts for the two development projects (value totalling \$623.96 million) found the following:

- a. Lapses in adjustments for price fluctuations for the main construction contract under one development project; and
- b. Weaknesses in management of contract variations for the main construction contracts under both development projects.

A. Lapses in Adjustments for Price Fluctuations

45. For the main construction contract of one of the development projects, PA would take into account changes in the prices of concrete and steel reinforcement, and adjust payments to the contractor based on price indices published by the Building and Construction Authority. This was to mitigate the risk of contractors pricing in uncertainties into tender prices. A total of \$4.12 million in deductions were made to the payments as price indices for both concrete and steel reinforcement were on a downward trend during the contract period. The quantum of price adjustments was assessed by the consultant engaged by PA. AGO noted two lapses from its review:

(i) Full Price Fluctuation Not Adopted

46. AGO noted that PA had capped the adjustment for concrete and steel reinforcement price fluctuation at 70 per cent of the total price fluctuation of the materials. This was not in accordance with Government's instructions to adopt full price fluctuation (i.e. no cap on price and/or quantity) in construction contracts. With the cap on price fluctuation adjustment at 70 per cent, contractors might have priced in the risk of uncertainty in their bids.

(ii) No Assurance that Quantities Used for Computation were Correct

47. AGO's review found that the consultant did not follow the contractual requirement to use delivery orders (DOs), which recorded the quantities of materials delivered to the site, to determine the quantities of concrete and steel reinforcement subjected to price fluctuation adjustments. Instead, the consultant had first determined the quantities of concrete and steel reinforcement based on the quantities as at the pre-tender stage, and subsequently adjusted the quantities based on certified work done. AGO noted a significant difference between the DO quantities of both materials that were delivered to the site compared to the quantities certified by the consultant — the quantities certified by the consultant were 26.4 per cent and 37.6 per cent lesser for concrete and steel reinforcement respectively. AGO estimated that the possible additional deduction would be \$2 million had the price fluctuation adjustments been computed based on DO quantities according to the contract.

48. PA explained that the difference between the DO quantities and the certified quantities used for the price fluctuation adjustments was due to construction wastages and materials used for non-permanent works. However, PA was unable to provide documents to substantiate the large difference, citing that there was no requirement for the consultant to record material quantities attributed to wastages or non-permanent works. There was hence no assurance that the quantities used for price fluctuation adjustments were correct.

49. PA informed AGO that it had since incorporated a standard material price fluctuation clause for full price fluctuation which specified that material price fluctuation adjustments shall be based on actual quantities delivered to site as per DOs for all applicable project tenders. PA also informed AGO that it would work with the consultant to recalculate the price fluctuation adjustments of the materials, and seek legal advice for any recovery.

B. Weaknesses in Management of Contract Variations

50. AGO found lapses in the management of contract variations by PA and its consultants, which included lapses in approvals and valuations of contract variations. The lapses indicated weaknesses in the monitoring of contract variations and inadequate oversight of the consultants by PA. The high number of cases with no evidence of approval also pointed to poor documentary trails, which increased the risk of irregularities not being detected. There was inadequate assurance that the need for variations had been scrutinised and that financial prudence had been exercised in the use of public funds. In addition, the lack of independent sources to assess the cost reasonableness of star rate items¹² and the failure to properly account for variation works also did not provide assurance that PA had obtained full value for the public funds spent.

51. AGO's test checks of 465 contract variations (amounting to \$26.48 million) found lapses in the approvals for 252 variations¹³ (or 54.2 per cent) amounting to \$13.62 million (or 51.4 per cent). These included:

- a. No evidence of approval for 109 (out of 465) contract variations amounting to \$8.06 million (or 30.4 per cent of total cost of variations test-checked);
- b. Approvals for 142 (out of 356) contract variations amounting to \$5.44 million (or 29.5 per cent of approved variations test-checked) were obtained from the approving authority 1 month to 5.5 years after works had commenced or were already completed; and
- c. No evidence that approval was sought for the increase in variation cost for six contract variations from the total approved amount of \$0.51 million to \$0.81 million (or 58.8 per cent). The increase for each variation ranged from 21.6 per cent to 226.6 per cent. Three out of the six variations required approval from the next higher approving authority level.

¹² Star rate items refer to items for which rates are not listed in the contract.

¹³ Some variations have more than one category of lapse.

52. AGO's test checks of 14 contract variations (amounting to \$8.30 million) found lapses in the valuations of 11 variations¹⁴ (amounting to \$7.01 million):

- a. Assessments of cost reasonableness of star rate items totalling \$1.26 million (or 59.4 per cent of value of star rate items test-checked) were not based on independent sources for 8 (out of 14) contract variations test-checked. The quotations obtained for these star rate items were all provided either by the contractor or the sub-contractor involved in the project; and
- b. 26 instances of variation work items in 10 contract variations with lapses such as use of incorrect rates to value variation works and errors in measurement of quantities. As a result, there was an estimated overpayment of \$621,700 and underpayment of \$161,600.

53. AGO also found two instances where the contract was not adjusted to account for contract variation. These involved works that were not carried out in accordance with contractual provisions. The estimated overpayments amounted to \$279,300.

54. PA informed AGO that the lapses in approvals and the lack of independent assessment for star rate items were due to staff oversight and consultants not being familiar with PA's internal work processes and requirements. To improve the management of contract variations, PA had put in place the following measures:

- a. Required the reporting and monitoring of contract variations in project progress meetings;
- b. Published Contract Variation Manuals to guide PA staff and consultants in the management of contract variations; and
- c. Established an e-filing system for documenting variation approvals.

55. PA also informed AGO that in instances where overpayment or underpayment were established, it would follow up with cost recovery or make payment to the contractor for the underpayment.

¹⁴ Some variations have more than one category of lapse.

Possible Irregularities in Documents Relating to Payments

56. For one of its development projects, PA engaged contractors to carry out minor building works at the facility (contract value totalling \$6.50 million). PA had also engaged a managing agent to assist it in managing the facility. For star rate items, three quotations were to be obtained to assess price reasonableness. AGO test-checked 36 payments (totalling \$1.27 million) made between 1 April 2018 and 31 March 2020 to two contractors and found possible irregularities in the supporting documents for 34 payments (or 94.4 per cent). The 34 payments (totalling \$1.17 million) with possible irregularities¹⁵ had each involved one or more star rate items (star rate items totalling \$1.06 million, or 83.5 per cent of the total payment amount test-checked). The possible irregularities include possible falsification of quotations, alteration of hardcopy payment supporting documents and creation and backdating of documents to give the false impression that proper processes had been followed.

57. As AGO had concerns over the authenticity of the documents provided, AGO recommended that PA carry out an investigation. PA informed AGO that it had since completed its investigation and lodged a police report. PA had also initiated disciplinary proceedings against the staff involved.

Possible Lapses and Irregularities in Management of Term Contracts

58. AGO's test checks of the same 36 payments (totalling \$1.27 million) revealed other possible lapses and irregularities in 35 payments¹⁶ (totalling \$1.26 million). The possible lapses and irregularities include:

- a. Splitting of purchase orders (POs);
- b. Works carried out before issuance of POs;
- c. Winning quotations approved by PA officers retrospectively;

¹⁵ There may be more than one possible irregularity for each payment.

¹⁶ There may be more than one possible lapse/irregularity for each payment.

- d. Star rate items formed bulk of payment and possible inflation of the price of star rate items; and
- e. Inappropriate use of contract rates and/or inflated quantities.

The numerous possible lapses and irregularities may indicate poor contract management of term contracts by PA.

A. Splitting of Purchase Orders

59. AGO observed instances where POs for similar scope of works or works to be carried out at the same location may have been split to circumvent the need to seek approval from a higher approving authority. A total of 20 payments (totalling \$0.76 million, or 59.8 per cent of the total payment amount test-checked) were affected. In the majority of instances, the related POs were dated on the same day. The related POs should have been aggregated for approval by the higher approving authority.

B. Works Carried Out before Issuance of Purchase Orders

60. AGO noted 18 payments (totalling \$0.75 million, or 59.1 per cent of the total payment amount test-checked) for works which were carried out before POs were issued. The delay in raising POs ranged from one month to two years after works were completed. Works carried out before issuance of POs indicated a breakdown in controls to ensure that works were properly evaluated, reviewed and approved before commencement of works.

C. Winning Quotations Approved by PA Officers Retrospectively

61. According to PA's process for term contracts, a PA officer should review and give approval for term contract works to proceed by signing off on the hardcopy winning quotation before a PO was raised. AGO noted indications from hardcopy supporting documents that 15 winning quotations, affecting 14 payments¹⁷ totalling \$0.54 million, had been approved by PA officers after POs were raised. There was hence no assurance that works ordered and the corresponding costs had been properly reviewed and approved prior to the issuance of POs.

¹⁷ There may be more than one quotation for each payment.

D. Star Rate Items Formed Bulk of Payment and Possible Inflation of the Price of Star Rate Items

62. According to the Government Instruction Manual on Procurement, star rates should not form the bulk of the valuation of works under contracts. The use of star rate items in term contracts should be an exception rather than the norm. However, AGO noted that 34 out of the 36 payments test-checked involved one or more star rate items. The total amount paid for star rate items amounted to \$1.06 million, or 83.5 per cent of the total payment amount test-checked. This indicated that a significant proportion of the works might not have gone through open and competitive methods of procurement to ensure that the Government procurement principles of open and fair competition, transparency and value for money were adhered to.

63. AGO obtained independent quotations for selected star rate items under eight payments and noted that PA might have been overcharged between 1.2 and 19.3 times the market rates for those star rate items. Overall, PA might have been overcharged by about \$50,900, or 37 per cent more than market rates for the selected star rate items.

E. Inappropriate Use of Contract Rates and/or Inflated Quantities

64. For the 36 payments test-checked, AGO noted that inappropriate contract rates (i.e. contract rate used for payment did not match the work done on site) and/or inflated quantities (i.e. quantities used to compute work done was more than the work completed on site) were used in five of those payments. PA might have paid more than necessary for the works done.

65. AGO recommended PA to conduct an investigation into the observations noted. PA had since completed its investigation and lodged a police report in relation to some of the observations. PA had also initiated disciplinary proceedings against the staff involved. Concurrently, PA had set up a taskforce to strengthen its governance and term contract management processes.

Critical Tender Requirements Not Explicitly Incorporated into Tenancy Agreements

66. As at 31 December 2020, PA had leased out five commercial spaces at one of its facilities to four tenants. The tenancy period was for a period of three years each with the option to extend for another three years. AGO's test checks of the four tenancies (revenue contract value totalling \$6.09 million over the six-year period) found that PA had not explicitly incorporated two critical tender requirements into the tenancy agreements, namely (a) childcare fee cap and (b) adjustments to be made to monthly rent and service & conservancy charge (S&CC) for any change to tenanted floor area.

A. Childcare Fee Cap Not Explicitly Incorporated into Tenancy Agreement

67. For the tenancy of one commercial space (revenue contract value of \$1.07 million over the six-year period) leased out for childcare services, PA had not ensured that its critical tender requirement for the tenant to cap the monthly full day childcare fee for the first two years of operation (from August 2017 to August 2019) was explicitly incorporated into the tenancy agreement and adhered to by the tenant. The tenant had instead charged fees that were 23 per cent higher than the cap specified for the initial two years of operation.

B. Tender Requirements to Adjust Monthly Rent and S&CC for Changes to Tenanted Floor Area Not Explicitly Incorporated into Tenancy Agreements

68. For all four tenancies, PA had not ensured that its tender requirements to allow PA to adjust monthly rent and S&CC for any change to the tenanted floor area were explicitly incorporated into the tenancy agreements. When re-surveys were carried out for the five commercial spaces after tender award, the floor areas of three units were found to be smaller than those stated in the tenancy agreements and the floor areas of two units were larger. PA would have correspondingly over-collected rent and S&CC for the three units (estimated at \$33,800 over the first three years) and under-collected for the two units (estimated at \$38,800 over the first three years) had the tender requirements been explicitly incorporated into the tenancy agreements.

69. PA acknowledged the lapses and informed AGO that the tenant offering childcare services would make refunds to parents on the difference in the full day childcare fee charged during its initial two years of operations. PA would also refund the excess rent and S&CC to the tenants for the three units and write off the shortfall for the two units. In addition, PA would enhance existing measures to make sure that requirements in tender documents and proposals made by tenderers during their tender bids were duly incorporated into the tenancy agreements, and also ensure that the terms and conditions of tenancy agreements were adhered to.

MINISTRY OF EDUCATION

SINGAPORE POLYTECHNIC

70. The audit of the Singapore Polytechnic (SP) covered test checks in the following areas:

- a. Procurement and payment;
- b. Continuing Education and Training grants from the SkillsFuture Singapore Agency;
- c. Revenue – rental management and course fees;
- d. Investment management;
- e. Management of outstanding receivables;
- f. Salary payment to adjunct lecturers;
- g. Fixed assets; and
- h. IT general controls.

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

Debarment Recommendation Reports Not Put Up for Withdrawal of Tender Bids before Award

71. From the test checks of 40 tenders and quotations (total approved procurement value of \$31.50 million) for the period 1 April 2018 to 31 March 2020, AGO noted that SP did not put up Debarment Recommendation Reports on two tenderers. The two tenderers had withdrawn their bids for two unrelated tenders (total approved procurement value of \$0.57 million) after the close of the respective tenders but before award of the contracts. According to the Government Instruction Manual on Procurement, tenderers who withdraw their bids after close of tender but before award are liable to be debarred from being awarded Government tenders for a certain period of time. Public sector entities are required to put up their recommendation for debarment to the Standing Committee on Debarment (SCOD), which is the central Government authority to decide on actions to be taken against all cases of defaulting tenderers.

72. The two tenderers had submitted the lowest tender bid for the respective tenders. For the first case, the tenderer's bid price was 33 per cent lower than the next lowest bid. For the second case, the tenderer's bid price was 15 per cent lower than the next lowest bid. The two tenderers had requested to withdraw their bids 7 days and 35 days respectively after the close of tenders. AGO noted that the full list of tender bid prices would be made available on the Whole-of-Government procurement system, GeBIZ, typically within the same day upon the close of tender. Hence, it would have been possible for the tenderers to be aware of the other tender bid prices when they requested SP to withdraw their bids from the tender. Their reasons for withdrawal were that they had erroneously underquoted the bids. SP had assessed that the errors were genuine but it did not take any action to put up the cases to SCOD on whether to debar these two defaulting tenderers.

73. Withdrawal of tenders after the close of tender but before tender award is a serious matter and a ground for debarment of tenderers. The Government Instruction Manual on Procurement requires public sector entities to submit their debarment recommendation to SCOD even if the entity considers the offence not serious enough to warrant debarment. This is to ensure that consistent standards are applied in the assessment of defaulting tenderers across different tenders and across different public sector entities. As SP did not surface the two cases to SCOD, the two tenderers who had withdrawn their bids were not subject to scrutiny nor to any action by SCOD. In addition, other public sector entities could unknowingly award contracts to the two defaulting tenderers. There could also be a risk of collusion between tenderers when tenderers withdraw their tender bids before award.

74. AGO noted that one of the two defaulting tenderers was subsequently awarded Government tenders totalling \$2.40 million by four public sector entities (including SP) within a period of about one year after its withdrawal. For the subsequent tender (approved procurement value of \$0.40 million) that SP awarded to the tenderer who had previously withdrawn the bid, AGO noted that the submission to SP's Tender Approving Authority did not mention the fact that the tenderer had withdrawn its previous tender bid to SP. There was thus no full disclosure of information to the Tender Approving Authority.

75. SP informed AGO that following the audit observation, it had since informed SCOD of the two cases. SP would also review and update its processes to ensure compliance with the Government Instruction Manual on Procurement.

MINISTRY OF FINANCE

ACCOUNTING AND CORPORATE REGULATORY AUTHORITY

Weak Controls over the Most Privileged Operating System User Account

76. BizFile+ is the Accounting and Corporate Regulatory Authority (ACRA)'s online filing and information retrieval system. It enables the public to access over 300 electronic services ranging from the submission of statutory documents, to retrieval and purchase of information pertaining to business entities registered with ACRA. Currently, BizFile+ handles more than 1 million transactions each year, including payment of registration and filing fees.

77. AGO's test checks of two BizFile+ database (DB) servers found weak controls over the management of the most privileged operating system (OS) user account. The most privileged OS user account had full access privileges to make changes to the OS audit logs, OS user access and OS security settings, i.e. "root" privileges. Any unauthorised activity carried out using "root" privileges could compromise the BizFile+ DB servers and consequently could affect the processing and recording of financial transactions in BizFile+.

78. Details of the AGO findings are in the paragraphs that follow.

A. No Evidence of Detailed Assessment on List of Commands which OS Administrators Should be Allowed to Execute

79. ACRA decided to restrict four OS administrators, all of whom are IT vendor staff, from executing five commands in BizFile+, while allowing them to execute all other commands, using the “root” privileges. However, AGO noted that there was no evidence of detailed assessment made by ACRA on which commands the four OS administrators should be allowed to execute using the “root” privileges. Such an assessment would enable ACRA to fully identify the risks involved, assess whether such risks were acceptable and consider whether mitigating controls were needed to minimise the risks from granting the OS administrators such access.

B. Weak Controls over Changes Made to Configuration of Security Software

80. AGO noted that the controls over changes made to the configuration of the security software were weak. ACRA relied solely on the OS administrators to report the changes which they had made to the security software. There was no independent verification by ACRA to ensure that all changes made had indeed been reported for review. Hence, ACRA would not be able to effectively detect unauthorised changes, if any.

C. No Logging of Commands Executed by OS Administrators

81. AGO noted that ACRA did not log the commands executed by the OS administrators using the “root” privileges. Therefore, ACRA would not be able to detect unauthorised activities, if any, by the OS administrators.

82. ACRA informed AGO that it had since taken the following actions:

- a. Assessed and determined the specific list of commands necessary for the OS administrators’ job duties, and had modified the configurations of the security software accordingly; and
- b. Since May 2021, ACRA had started logging all commands executed by the OS administrators using the “root” privileges. The log review process by ACRA had also been enhanced to verify commands executed by the OS administrators (including changes made to the configuration of the security software) against documented approvals and supporting documents.

MINISTRY OF HEALTH

HEALTH PROMOTION BOARD

83. For the audit of the Health Promotion Board (HPB), AGO covered the following areas in its test checks:

- a. Management of fitness trackers stock;
- b. Management of Loyalty Programme;
- c. Procurement and payment; and
- d. Sponsorships.

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

Lapses in Management of Fitness Trackers Stock

84. AGO carried out an audit on HPB's management of fitness trackers stock and found lapses such as wastages arising from excess trackers not put to use and an inadequate system to ensure that trackers were properly accounted for.

A. Wastages from Excess Fitness Trackers Not Put to Use

85. AGO's test checks of fitness trackers stock in November 2020 found that 268,191 excess trackers (with value totalling \$4.26 million) purchased for the National Steps Challenge (NSC)¹⁸ seasons 1 to 5 were not put to use although the seasons had ended between one and five years earlier. Fitness trackers are wearable devices that track fitness-related metrics such as steps taken daily and heart rate. A summary of the excess stock is in the table below:

¹⁸ HPB implemented its flagship NSC programme in November 2015 to encourage participants to exercise more and engage in more moderate to vigorous physical activities. HPB procured fitness trackers for each season and distributed them free to all eligible participants who signed up for the programme.

NSC Season (Duration)	No. of Trackers Procured	Excess Trackers as at 26 November 2020			
		Quantity (%)	Period Not Put to Use	Range of Average Unit Cost ¹⁹	Total Value ²⁰
NSC 1 (Nov 2015 - Apr 2016)	202,500	1,750 (0.9%)	4.7 years	\$16.50	\$0.03 million
NSC 2 (Oct 2016 - Apr 2017)	252,000	51,397 (20.4%)	3.7 years	\$13.20 to \$17.39	\$0.76 million
NSC 3 (Oct 2017 - Apr 2018)	510,000	74,847 (14.7%)	2.7 years	\$10.38 to \$24.90	\$1.02 million
NSC 4 (Oct 2018 - Apr 2019)	780,000	48,255 (6.2%)	1.7 years	\$15.80 to \$20.69	\$0.84 million
NSC 5 (Oct 2019 - Apr 2020)	600,000	91,942 (15.3%)	0.7 year	\$16.15 to \$19.83	\$1.61 million
Total	2,344,500	268,191 (11.4%)	-	-	\$4.26 million

86. AGO also found that some of the trackers had mouldy straps and watch faces. In addition, the two-year warranty for 65 per cent of the excess trackers had already expired while the warranty for the remaining 35 per cent would be expiring by December 2021. Excess trackers not put to use by HPB had resulted in a significant sum of public funds wasted over the last five years, as the usability of these trackers would deteriorate over time due to the expiry of warranty and technology obsolescence.

87. Following AGO's observation, HPB carried out a full stock count in January 2021. The full stock count showed that the number of excess trackers was 341,208 (with value totalling \$5.39 million).

¹⁹ For seasons where there was more than one tracker model, this column shows the range of average unit cost for the different models.

²⁰ The value was estimated based on number of excess trackers (as at 26 November 2020) multiplied by the unit cost of the respective tracker model.

88. HPB explained that the main cause for the excess trackers was over-procurement due to the over-estimation of demand at the onset or during the initial distribution period of the NSC seasons. While excess trackers not given out for the season would be utilised for exchanges on an on-going basis, it was challenging to achieve zero wastage as the trackers would have reached the end of useful life after two years and could not be utilised thereafter.

89. HPB informed AGO that it had since begun to dispose of the excess trackers from NSC seasons 1 to 3 as these were obsolete. In addition, HPB had started to explore ways to utilise the excess trackers from NSC seasons 4 and 5, including providing one-for-one exchanges to replace older trackers held by participants. HPB also informed AGO that moving forward, it would plan for the purchase of trackers based on the projected percentage of participants who are likely to collect the trackers. It would also adopt an on-demand basis²¹ when purchasing additional trackers to minimise excess stock. The revised planning and purchasing strategy would be implemented by October 2021 for NSC season 6 onwards.

B. Inadequate System to Ensure Proper Accounting of Fitness Trackers Stock

90. AGO noted that HPB's current processes were inadequate to ensure that the movement of fitness trackers was properly monitored and that the trackers stock was properly accounted for. The receipt and distribution of trackers involved manual processes and multiple external parties such as suppliers of the trackers, an outsourced vendor which provided warehousing and inventory management services of trackers stock, and several event organisers responsible for distribution of trackers at roadshows. However, there was no proper process to centrally monitor and account for the movement and stock of trackers. The records maintained were fragmented and incomplete, and there was no periodic reconciliation of the records with the stock on hand. In addition, there was no documentary evidence on the scope or results of the annual stock checks carried out by HPB at the vendor's warehouse. Without proper controls and processes in place, HPB runs the risk of trackers being lost or pilfered. From AGO's test checks of the physical stock at the warehouse, there was a shortfall of trackers on hand as compared to the stock records maintained by HPB and the vendor.

²¹ This would be based on participants' registration of interest to collect trackers through an appointment system.

91. After AGO's observation, HPB carried out a reconciliation in March 2021 using other system/manual records that it could find on trackers distribution and estimated the shortfall in trackers to be around 17,909 pieces (totalling \$0.72 million). However, given the fragmented and incomplete records, there was inadequate assurance that this represented the actual shortfall.

92. HPB informed AGO that it would take the following actions by end September 2021 to ensure proper accounting of fitness trackers stock:

- a. Enhance the current tracking mechanism to better consolidate the tracker movement records and explore the use of a new digital system to centrally monitor tracker stock movements;
- b. Carry out monthly reconciliation between its record on tracking of stock movements and the stock records of the vendor which provided inventory management services of trackers stock; and
- c. Undertake biannual audits and stock checks at the premises of the vendor.

Lapses in Management of Loyalty Programme

93. AGO's data analysis and test checks on the transactions under HPB's Loyalty Programme (LP) for the period 1 April 2018 to 30 June 2020 found lapses in the management of LP member accounts (LP accounts).

94. The LP was launched by HPB in November 2017. The LP allows members to earn and accumulate healthpoints through the Healthy 365 application when they participate in HPB's key programmes (e.g. National Steps Challenge and Eat, Drink, Shop Healthy Programme). LP members can use the healthpoints to redeem rewards such as electronic vouchers (e-vouchers) issued by HPB or participating merchants. HPB will then reimburse the merchants the value of e-vouchers used by LP members at the merchants' outlets.

95. The lapses noted by AGO included control weaknesses in the creation and maintenance of LP accounts, manual adjustments of healthpoints and rewards, as well as monitoring of suspension of LP accounts. These weaknesses could expose HPB to the risk of individuals gaming the system by making use of ineligible or fictitious accounts to earn healthpoints/redeem rewards or making unauthorised adjustments of healthpoints/rewards. As healthpoints could be used to redeem rewards such as e-vouchers, this could result in HPB making payments for unauthorised and/or ineligible transactions.

A. Control Weaknesses in Creation and Maintenance of LP Accounts

96. AGO found 594 LP accounts belonging to deceased persons which were used to earn healthpoints and/or redeem rewards, with 139 of these accounts created after the date of death. A total of \$14,900 worth of healthpoints were accumulated by these accounts, of which \$6,300 had since been redeemed and paid for by HPB. This happened because HPB did not have guidelines on the monitoring and deactivation of LP accounts belonging to deceased persons. There were also no system checks in place to prevent the creation of LP accounts using NRIC numbers of deceased persons.

97. HPB informed AGO that it had since blocked the use of the 594 accounts belonging to deceased persons and had lodged a police report. It had also carried out monthly manual checks to identify and block accounts belonging to deceased persons from March 2021 and would automate such checks by end July 2021. In addition, HPB had amended the LP terms and conditions on its website to state that in the event of death or renouncement of Singapore citizenship, any unredeemed healthpoints of the affected user shall automatically be forfeited and cannot be transferred to another LP account. HPB would also conduct a one-time clean-up exercise to ascertain the full extent of the amount overpaid arising from the unauthorised use of LP accounts of deceased persons.

B. Control Weaknesses in Manual Adjustments of Healthpoints and Rewards

98. HPB used two IT systems to manage the healthpoints and rewards for LP accounts. AGO noted that there were no controls built into these systems to require approval by another person before manual adjustments (e.g. reinstatement of healthpoints and reissuance of rewards in LP accounts) were effected. In addition, there were either no activity logs on the adjustments made or the logs did not capture critical information (such as the users who made the adjustments) for effective reviews to be carried out. A total of 0.41 million manual adjustments amounting to about \$0.49 million were made in the IT systems during the period 1 April 2018 to 30 June 2020. At the time of audit in December 2020, a total of 72 users (comprising staff from HPB and two external vendors) were given access rights to make manual adjustments in the systems. Given the large number of users granted access rights and the large number of manual adjustments, it is important to put in place proper controls to mitigate the risks of unauthorised adjustments.

99. HPB informed AGO that one of the systems had since been replaced by a new system. The new system generates activity logs on manual adjustments of healthpoints to enable monthly reviews to be carried out. This would be in place from June 2021. As for the other system, it would also be replaced by a new system which would automatically log changes for quarterly reviews. This would be implemented by July 2021.

C. Control Weaknesses in Monitoring of Suspension of LP Accounts

100. AGO's test checks found that there were inadequate controls to ensure that the suspension²² and unsuspension of LP accounts were performed promptly and correctly in the IT system that managed the redemption of rewards. There were also no system-generated reports on the suspension or unsuspension of LP accounts for HPB to perform any review. During the period 1 April 2018 to 30 June 2020, there were 76,269 suspensions for 75,818 LP accounts. AGO's data analysis revealed that 146 accounts continued to be used to redeem vouchers (totalling \$2,790) during the period 1 April 2018 to 30 June 2020 even though they were supposed to be suspended. Based on test checks of some cases, HPB was unable to establish the reasons for the discrepancy due to incomplete source documents. The control weaknesses could expose HPB to the risks of not detecting instances where accounts that should have been suspended were not suspended or were unsuspended prematurely, thus allowing individuals to circumvent the controls to redeem e-vouchers.

²² LP accounts could be suspended due to various reasons such as suspected unauthorised transactions. No further transactions could take place for the accounts during the suspension period.

101. HPB informed AGO that it targets to automate the suspension of LP accounts by September 2021. In the interim period, HPB would carry out reviews once every two months to validate the accuracy of account suspensions.

HEALTH SCIENCES AUTHORITY

102. For the audit of the Health Sciences Authority (HSA), AGO covered the following areas in its test checks:

- a. Revenue collection;
- b. Procurement and payment;
- c. Management of seizure stores; and
- d. IT application controls over the Online Safety, Compliance Application and Registration System.

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

Purchases Should be Aggregated for Competitive Prices and Efficiency

103. For the period from 1 April 2018 to 30 June 2020, HSA's total expenditure on small value purchases²³ was substantial at \$8.02 million. AGO's test checks found that although HSA required items such as chemicals, laboratory devices and consumables (totalling \$1.54 million, or 19.2 per cent of total small value purchases) on a regular basis, it had been buying these items on an ad hoc basis via small value purchases instead of aggregating its requirements and procuring them through quotations or tenders. For example, AGO noted that HSA had purchased \$0.35 million worth of chemicals, reagents and solvents from one vendor via 453 small value purchases over the 27-month period.

²³ A small value purchase is one where the estimated procurement value does not exceed \$6,000. Entities may purchase directly from the vendors and need not procure via quotations or tenders.

104. As specified in the Government Instruction Manual on Procurement, small value purchases should be used only for ad hoc and low value purchases. In view of the significant total dollar value involved and the frequency of purchases for the same items, HSA should aggregate its requirements for the calling of quotations or tenders to enter into a period contract or framework agreement. Doing so would enable HSA to obtain more competitive prices because of economies of scale and to better safeguard its interests via contractual arrangements. Aggregation of demand would also provide HSA with a better overview for optimal procurement decisions and reduce the work needed to raise multiple small value purchases.

105. HSA explained that most of the vendors for these purchases were selected as they were established and credible sources for the quality products required for laboratory work. There was no intention to favour any particular vendor. HSA informed AGO that moving forward, it would step up its use of data analytics to identify frequent small value purchases that should be aggregated and procured via period contracts/framework agreements. It would also continue to educate staff on the appropriate use of small value purchases.

Lapses in Management of Outsourced IT Contract

106. AGO's review found lapses in HSA's management of the contract for application maintenance and helpdesk operation support services for the Pharmaceutical Regulatory Information System. The contract was awarded in 2019 at a total contract value of \$11.36 million covering a period of five years. The lapses included inadequate checks for cases where the vendor might not have met the Service Level Agreement (SLA), inaccurate monthly incident reports used to monitor the vendor's performance, instructions issued for works before contract or contract variation was approved and delays in the collection of security deposits. There was therefore inadequate assurance that HSA had made payment only for services satisfactorily performed and had adequately safeguarded its interest under the contract.

A. Inadequate Checks and Follow-up on Reports Submitted by Vendor

107. The contract required the vendor to submit monthly progress and status reports to HSA. These include reports on incidents which have been resolved and closed, incidents which are still outstanding, incidents which did not meet the SLA and an SLA Summary Report.

108. Based on the monthly incident reports from 16 August 2019 to 30 June 2020, AGO noted that there were 811 incidents (out of 4,976 incidents) where the vendor did not meet the SLA as shown below:

- a. 217 incidents were not resolved within the SLA requirements of seven working days. The period taken to resolve these incidents was as long as 25 working days.
- b. 594 incidents remained unresolved for more than seven working days. The period the incidents remained unresolved ranged from 8 to 228 working days.

109. From AGO's test checks on some cases, there was no evidence of HSA's assessment (at the time when the monthly reports were submitted) on whether any liquidated damages should be imposed on the vendor. If there were no valid reasons for the delay, the amount of liquidated damages which could have been imposed by HSA for the above cases was estimated to be \$189,000.

B. Inaccurate Monthly Incident Reports Used for Monitoring Vendor's Performance

110. AGO noted discrepancies in the number of incidents reported in the various reports including the monthly incident reports. There was therefore inadequate assurance that the monthly incident reports used to monitor the vendor's performance were accurate. For example, the "*Closed and Resolved Incidents Report*" showed 180 incidents where the vendor did not meet the SLA, but these were not in the "*SLA Summary Report*". AGO also noted that 594 incidents were listed as outstanding for more than seven working days in the "*Outstanding Incidents Report*", but these did not appear in the "*SLA Summary Report*". As these discrepancies were not detected by HSA, there was inadequate assurance that the vendor's performance was properly monitored and that HSA had made payment only for services satisfactorily performed.

C. Instructions to Carry Out System Enhancements Issued before Contract or Contract Variation Approved

111. AGO's test checks of nine service requests (totalling \$123,500) found four cases (totalling \$58,400) where instructions to carry out system enhancements were issued about one to four months before the relevant contract or contract variation was approved by the tender board. This was not in line with good financial governance as HSA would have committed to the expenditure before the requisite approval was obtained.

D. Delay in Collection of Security Deposits

112. AGO also noted delays in the collection of security deposits of seven months in the first year (\$149,179) and four months in the second year (\$99,711) of the contract²⁴. Although HSA informed AGO that it had been following up with the vendor on this matter, there was inadequate documentary evidence of the follow-up actions. The delay in the collection of the security deposit increased the risk of HSA's interest not being protected in the event of disputes during the period of delay.

113. HSA informed AGO that it would take the following measures to better manage the outsourced IT contract:

- a. Ensure that the monthly reports used for monitoring the vendor's performance are complete and accurate, and streamline the reports to focus on key incidents and areas that require more attention;
- b. Tighten the process for approval to ensure that service requests can only be approved and implemented after the contract and contract variations have been approved; and
- c. Put in place a tracking mechanism to monitor the status of collection of security deposits, and remind staff to maintain proper documentation on key correspondences with vendors.

²⁴ According to the conditions of contract, the security deposit is to be collected within 30 calendar days from the date of the letter of acceptance/exercise of the option.

Lapses in Management of Seizure Stores

114. AGO observed weak controls over the accounting and management of seized items in two seizure stores under the Tobacco Regulation Branch (TRB). There was inadequate assurance that seized items were accounted for, secured and safeguarded from tampering, pilferage or loss, and that the store records were accurate and reliable. Seized items are evidence related to offences enforced by HSA which are critical for any subsequent legal action. Hence, it is important for HSA to ensure that all seized items are properly captured and movements updated in the store records for proper accountability.

115. AGO's physical sighting of selected seized items at two seizure stores found the following discrepancies between the physical items sighted and the records in the Online Safety, Compliance Application and Registration System (OSCAR)²⁵:

- a. 24 items with quantity in store recorded in OSCAR which could not be located. AGO noted that although these items had since been returned to the owner(s), handed over to another agency, disposed of or taken out for training purposes as far back as three years prior to the audit, the movements had not been updated in OSCAR;
- b. 15 items kept in the safe at the store were not accounted for in OSCAR. Most of these items, comprising foreign passports and cash, were received more than three years ago;
- c. 4 items where the quantity in store recorded in OSCAR was different from the actual quantity counted by AGO at the store. The difference ranged from 1 to 20 units;
- d. 132 items where the store location indicated in OSCAR was different from the actual location the items were kept;

²⁵ OSCAR is an IT system used by HSA to manage its enforcement operations.

- e. 9 instances where duplicate records of items were captured in OSCAR; and
- f. 4 instances where the packaging of items was not properly sealed. The packaging was opened or not entirely sealed as the HSA security seal was torn or the adhesive seal opening of the tamper-proof bags had given way.

116. While TRB had carried out annual seizure store audits, these might not be fully effective as the lapses noted by AGO were not detected in TRB's audits carried out during the relevant period. AGO also noted that the audit procedures should be improved as TRB only verified seized items recorded in OSCAR to the seized items onsite, but there were no checks to ensure that items onsite were accounted for in OSCAR.

117. HSA informed AGO that it had since followed up on the discrepancies noted and found that all seized items were appropriately accounted for. It had also strengthened the processes to ensure that the movements of seized items are properly recorded and the items are properly sealed, through greater supervisory oversight of the seizure management officers. The internal audit checks on the seizure stores had also been enhanced.

Weaknesses in IT Application Controls

118. AGO reviewed the application controls over activities performed by system administrators and the management of user accounts in OSCAR for the period 1 April 2018 to 30 June 2020 and found the following weaknesses:

- a. Changes made by system administrators to user accounts and access roles²⁶ had not been logged and reviewed since OSCAR was commissioned in December 2016. There was therefore a risk of unauthorised changes made to user accounts and access roles not being detected;

²⁶ For example, a role assigned to a user to approve an investigation case in OSCAR.

- b. There was inadequate assurance that monthly reviews of user accounts of staff who left HSA/was transferred out were performed. These reviews are important to ensure that user accounts and access roles that were no longer needed were deactivated and removed. For 7 out of the 27 months covered in the audit, there was either no evidence of the monthly review or the evidence was incomplete; and
- c. There were six user accounts with login to OSCAR after the users' last day of service with HSA. For five user accounts, HSA explained that there were no transactions after the users' last day and the access could be due to a system bug which had been fixed in July 2019. For the remaining user account, it was accessed by an officer who took over the work of the user who had left HSA.

119. HSA informed AGO that:

- a. It had since implemented the logging of system administrators' activities in OSCAR on 24 December 2020 and the activities would be reviewed on a monthly basis. To ensure an independent review, different officers will assume the system administrator role and the reviewer role;
- b. To ensure proper monthly reviews and follow-ups on accounts of resignees and transferees, it had onboarded OSCAR to the Automated Account Management (AAM) system²⁷ since January 2021; and
- c. As an added risk mitigation measure, the activation and deactivation of all OSCAR users' access was done through the System for Information Technology Accounts and Resources (STAR)²⁸ from July 2020.

²⁷ AAM is a workflow system that automates the monthly review of resignees and transferees by triggering this process using established workflows. The carrying out of the review will be documented in the system.

²⁸ STAR is a workflow system that manages the allocation/termination of IT resources as well as the creation/termination of system accounts for users. This system is interfaced with the Human Resource system to automatically email system administrators to remove the accounts of resignees and transferees for various applications.

MINISTRY OF NATIONAL DEVELOPMENT

HOUSING AND DEVELOPMENT BOARD

120. For the audit of the Housing and Development Board (HDB), AGO covered the following areas in its test checks:

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

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

Housing Grants Disbursed to Ineligible Applicants

121. CPF Housing Grants are disbursed to eligible households for the purchase of HDB flats. CPF Housing Grants include Family Grant, Singles Grant, Enhanced CPF Housing Grant and Proximity Housing Grant. AGO carried out data analysis on resale applications with Family Grant or Singles Grant approved during the period 1 April 2018 to 30 September 2020. There were a total of 22,627 resale applications with Family Grant or Singles Grant (totalling \$807.77 million) approved during this period.

122. From the data analysis, AGO noted 1,152 applicants who might not be eligible for the Family Grant or Singles Grant. Of the 1,152 applicants, AGO test-checked 97 applicants and found that HDB had disbursed Family Grants or Singles Grants (totalling \$405,000) to 13 ineligible applicants (or 13.4 per cent). These applicants did not meet eligibility criteria such as non-ownership of private property and income ceiling.

123. HDB informed AGO that it would improve the controls over the processing and assessment of CPF Housing Grants. HDB would recover the Housing Grants from the 13 ineligible applicants and take enforcement action against applicants who had suppressed material information. AGO had also asked HDB to follow up on the remaining 1,055 applicants to ascertain their eligibility for the Housing Grants and update AGO on the outcome.

Lapses in Assessment of Price Reasonableness of Single Bids

124. AGO's test checks of 13 limited tenders (approved procurement value totalling \$27.15 million) awarded during the period 1 April 2017 to 31 March 2020 found that the assessment of price reasonableness of single bids for four limited tenders (approved procurement value totalling \$18.47 million) was inadequate.

125. For three limited tenders (approved procurement value totalling \$16.30 million) with similar scope of works and requirements, AGO found that while HDB had compared the single bid received for each limited tender against HDB's own estimates, the basis for determining HDB's estimates was not comprehensive. The computation of HDB's estimates did not take into account the volume of services which the tenderer was expected to handle, a key factor that would affect tender pricing. In addition, while the three tenders had similar requirements, there was no assessment carried out by HDB on whether there were good reasons why two of the single bids were priced significantly higher than the third bid.

126. HDB explained that its estimates were computed using another factor which would indirectly take into account the volume of services expected. HDB also informed AGO that there were limitations in trying to make detailed cost comparisons between the single bids because of differences such as the operating environment for each tender.

127. For the fourth limited tender (approved procurement value of \$2.17 million) involving enhancement works to roof fixtures, HDB had issued to one contractor a tender document containing details such as as-built drawings and technical requirements of the works required. To obtain a quote for comparison, HDB asked a second contractor to provide a quotation based on a site showround, but without providing any written specification on the requirements of the enhancement works. Hence, there was inadequate assurance that the price quoted by the second contractor, which was used to assess the reasonableness of the single bid, was quoted on a like-for-like basis.

128. HDB explained that it had conducted a site showround without providing the full specifications in writing due to urgency of the works. It had compared the single bid against its consultant's estimate, and took the extra step to get a second contractor to quote, to assess the price reasonableness of the single bid. HDB had deemed the single bid received as reasonable as the bid was between the consultant's estimate and the second contractor's quote after factoring in a certain markup percentage.

129. AGO recognised the operational constraints faced by HDB. Nevertheless, adequate assessment should be carried out to ensure that single bids received from limited tenders were reasonably priced. HDB should ensure that a robust assessment of price reasonableness of single bids, based on like-for-like comparison, was conducted.

Possible Irregularities Noted in Quotations

130. AGO test-checked 194 quotations for 53 contract variations and one works order, approved between July 2017 and November 2020, involving star rate items (totalling \$3.88 million) under nine construction contracts. AGO noted possible irregularities in 40 quotations (or 20.6 per cent), which were for 16 contract variations and one works order involving star rate items amounting to a total of \$0.35 million.

131. HDB appointed consultants to manage its construction contracts and to supervise the contractors. For contract variations/works orders involving star rate items, the consultants were to assess price reasonableness of the rates stated in contractors' invoices or quotations using various methods, such as verifying against one or more quotations from other sources.

132. AGO's test checks of 194 quotations used for assessing reasonableness of star rate items found indications that 40 quotations might have been created or altered to give the impression that they were obtained from other suppliers and were reflective of fair market rates.

133. As AGO had concerns over the authenticity of the quotations, AGO recommended that HDB investigate the matter.

134. HDB informed AGO that it had since carried out an investigation and lodged a police report. HDB also informed AGO that it would enhance its controls over the management of star rate items.

Inadequate Monitoring of Car Park Operations and Enforcement

135. HDB managed 2,048 residential car parks across Singapore, with 1,894 car parks using the Electronic Parking System (EPS) as at February 2021. The operations of the EPS car parks were outsourced to nine Service Providers. In financial year 2019/20, HDB collected \$234.59 million in parking fees from EPS car parks.

136. AGO's test checks of four HDB residential EPS car parks found that the monthly exception reports received by HDB were inadequate for monitoring car park operations. For example, the monthly exception reports did not include information on open-ended parking sessions, i.e. sessions where there was a vehicle entry record but no exit record, or where there was a vehicle exit record but no entry record. AGO carried out test checks on one of the four car parks for the period 1 June 2018 to 31 December 2020 and found that no parking fees were collected for 7,450 instances where vehicles had only exit records but no entry records. HDB was not aware of these instances.

137. AGO had reported similar observations on inadequate monitoring of car park operations and enforcement by HDB five years ago, in the *Report of the Auditor-General for the Financial Year 2015/16*. While HDB had put in place various measures since then to improve car park monitoring and enforcement, HDB's monitoring could be further improved with more complete exception reports.

138. HDB informed AGO that it would continue to explore the use of technology to improve its car park operations.

Unauthorised Subletting of Tenanted Commercial Premises

139. AGO's test checks of tenancy management at HDB found that HDB's commercial premises might have been sublet to about 7,800 business entities as at 30 September 2020 without its approval. Unauthorised subletting could expose HDB to the risks of unauthorised activities occurring on its premises and financial loss due to under-collection of administrative fees.

140. HDB allows tenants to sublet part of their premises to related or other entities with HDB's approval. When subletting, tenants are required to comply with conditions such as maximum sublet area and payment of administrative fee. In financial year 2019/20, HDB collected \$0.26 million in administrative fees from applications for changes in tenancy, including subletting.

141. AGO's test checks found that about 7,800 business entities had registered their addresses with the Accounting and Corporate Regulatory Authority using the addresses of HDB premises, even though these entities were neither HDB's tenants nor sub-tenants. This could mean unauthorised subletting by tenants without HDB's approval.

142. AGO's site visits to 184 premises between December 2020 and April 2021 found 22 possible unauthorised sub-tenants at 20 premises. HDB followed up on these cases and informed AGO that it would advise the tenants to obtain HDB's approval accordingly.

143. HDB also informed AGO that it would remind its tenants not to allow sub-tenants to commence operations until they had obtained HDB's approval. In addition, HDB would review and strengthen its inspection regime to better detect instances of unauthorised subletting.

MINISTRY OF TRANSPORT

LAND TRANSPORT AUTHORITY OF SINGAPORE

144. For the audit of the Land Transport Authority of Singapore (LTA), AGO covered the following areas in its test checks:

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

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

Delays in Refund of Advance Payments Received

145. LTA receives requests from individuals or companies (typically main contractors or sub-contractors) to carry out works such as shifting/removal of streetlights, bus shelters or traffic lights in relation to construction projects or public road diversions. Upon approval of such requests, LTA's term contractors would estimate the cost of such works. LTA would then collect an advance payment²⁹ from the requestor based on the estimated cost of works. LTA would make progress payments to its term contractors for work done, using the advance payments received to offset the progress payments made. Upon completion of the works, LTA would refund any excess in the advance payments received to the requestor.

146. AGO test-checked 60 advance payments (amounting to \$7.95 million) held by LTA as at 31 March 2020 and found delays in refund for 36 cases amounting to \$1.65 million. The delays ranged from 11 months to 12.6 years after the works had been completed. Following AGO's audit, LTA refunded all 36 cases in March 2021. For 12 cases, the amount refunded was more than \$50,000 each with the highest refund amount at \$232,200.

147. AGO noted that the delays in refund arose because of the lack of coordination between LTA divisions, and a lack of monitoring of the advance payments received.

148. LTA informed AGO that it had since tightened the monitoring controls on advance payment accounts, including carrying out quarterly reviews of these accounts.

MARITIME AND PORT AUTHORITY OF SINGAPORE

Lapses in Evaluation and Administration of Tender for Event and Venue Management Services

149. Arising from a complaint, AGO carried out checks on a tender for the procurement of event and venue management services for an event organised by the Maritime and Port Authority of Singapore (MPA) in 2018. AGO found the following lapses in the evaluation and administration of the tender which was awarded at \$0.43 million:

²⁹ Includes an administrative fee based on a certain percentage of the estimated cost of works.

- a. Discussions with a tenderer to make significant changes to its proposal and informing the tenderer to start work before the Tender Approving Authority (TAA) had decided on the tender award; and
- b. Significant error in the tender evaluation report.

150. The lapses noted do not give assurance that the tender was evaluated and awarded in accordance with the Government procurement principles of fair competition and transparency.

A. Discussions with a Tenderer to Make Significant Changes to its Proposal and Informing the Tenderer to Start Work before TAA had Decided on Tender Award

151. MPA called an open tender for the conceptualisation, design, publicity, and execution of a half-day public outreach event, including fabrication of props for games and provision of event and venue management services. Tenderers were required to propose four games at various locations around Singapore. Seven bids were received.

152. AGO's test checks found that the MPA officer in charge of the project had breached Government procurement principles by taking the following actions before the TAA had made its decision on the award of the tender:

- a. Engaged in detailed discussions with one tenderer (which was eventually awarded the contract) and agreed to revise all the four games proposed by the tenderer;
- b. Asked the tenderer to proceed with fabrication of the props; and
- c. Assisted the tenderer to source for and book alternative venues.

153. In addition, the officer had misrepresented to a public sector entity and the managing agent of another public sector entity (which were the venue managers) that the tenderer was the appointed event organiser before the TAA had made its decision on the award of the tender.

154. There were changes made to all four games and all four venues stated in the tenderer's proposal but these changes were not reflected in the Tender Evaluation Report (TER) prepared by the officer and submitted to the Tender Evaluation Committee (TEC) and to the TAA for evaluation and approval respectively. The TEC and TAA had therefore evaluated the proposals based on inaccurate information presented in the TER.

155. Furthermore, no approval for contract variations was sought, nor were variation orders issued for the changes made to the four games and four venues that the tenderer was awarded for. MPA paid the tenderer the total awarded sum without adjustments for the changes made. Based on AGO's estimation, the changes in venues could have led to a decrease in venue rental costs by about \$29,700.

156. It is against Government procurement principles of fair competition and transparency for public sector entities to discuss and agree on changes to tender proposals with tenderers before the award of tender. Furthermore, asking a tenderer to start work before a decision has been made on the award of tender undermines the role of the approving authority.

B. Significant Error in Tender Evaluation Report

157. AGO noted that there was a significant error in the TER which was not detected despite checks by various MPA officers from different departments. The summary for a tenderer's proposal in the TER was not based on what the tenderer had proposed. Instead, it was what another tenderer had proposed. Both tenderers were not successful in the tender.

158. The error could have affected the ability of the TEC and TAA to make an informed decision on the assessment and award respectively.

159. MPA acknowledged the lapses highlighted by AGO and informed AGO that it had since appointed a Panel of Investigation to conduct a thorough investigation on the tender and past similar tenders handled by the same team. MPA also informed AGO that it had and would continue to reinforce training and education on procurement procedures and ensure that officers exercise greater due diligence when performing procurement duties.

PART III

THEMATIC AUDIT

PART III : THEMATIC AUDIT

1. In the financial year 2020/21, AGO conducted a thematic audit on selected facility management (FM) contracts managed by the Ministry of Education (MOE) and the Ministry of Home Affairs (MHA).

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 in 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 MOE and MHA for their co-operation in the audit.

Scope of Audit

5. The thematic audit focused on the management of FM contracts by MOE and MHA during the two-year period from 1 April 2018 to 31 March 2020. The audit sought to assess whether processes and controls were in place across the following stages:

- a. Stage 1: Planning and Establishing Needs
 - whether there were processes and controls in place to ensure that planning, budgeting, and determination of the needs and approach for FM were properly carried out.

- b. Stage 2: Procurement and Contracting
 - whether there were processes and controls in place to ensure that appropriate sourcing methods were used; and that specifications, conditions of contracts and evaluation criteria were appropriately determined;
 - whether tenders were properly evaluated and approved; and
 - whether contracts with contractors were properly entered into.

- c. Stage 3: Managing Contracts
 - whether there were oversight mechanisms, processes and controls in place to ensure that contracts were managed in accordance with contract terms and conditions; outcomes/deliverables were achieved; and contractors' performance were properly monitored;
 - whether the purchase/work orders/variations (including use of star rate items¹) were properly assessed, managed and approved; and
 - whether there were processes and controls in place to ensure that payments were properly supported, approved and paid in an accurate and timely manner.

- d. Stage 4: Closure/Renewal of Contracts
 - whether there were processes and controls in place for proper contract closure/renewal (including refund of any balance of security deposits/performance bond due to the contractors) and proper handing over at the end of contract.

6. The audit examined whether there was a proper framework for FM and whether due process was followed for the above stages. The audit did not seek to certify whether the contractors had, in all material aspects, complied with all contract terms and conditions. For contracts which were managed by outsourced managing agents, the audit focus was on MOE's and MHA's roles and responsibilities in overall FM.

¹ Star rate items refer to items for which rates are not listed in the contract.

Summary

7. MOE and MHA incurred a total of \$371.36 million on FM services for the period 1 April 2018 to 31 March 2020. The thematic audit covered key FM contracts under each Ministry as shown in the table below.

Facility Management Services ²	Total Expenditure from 1 April 2018 to 31 March 2020 (\$ million)
Ministry of Education³	
Cleaning	118.49
Building, Turfing and Planting (BTP)	64.00
Mechanical and Electrical (M&E)	22.58
Managing Agent (MA)	15.56
Total	220.63
Ministry of Home Affairs⁴	
Mechanical and Electrical (M&E)	46.64
Horticultural and Cleaning (H&C)	38.35
Building and Maintenance Works (Building)	31.47
Facility Management Manager (FMM)	26.36
Total	142.82
Grand Total	363.45⁵

² Please see Appendix for descriptions of the FM contracts.

³ MOE categorised its buildings and facilities into 12 school zones and one Headquarters (HQ) zone. AGO test-checked samples covering eight school zones (two each under North, South, East and Northeast) and the HQ zone.

⁴ MHA categorised its buildings and facilities into three zones, namely West, Central and East Zones. AGO test-checked samples covering the West and Central Zones.

⁵ Excludes expenditure for pest control services which AGO did not cover in this audit.

8. AGO's test checks covered the above FM contracts managed by MOE and MHA, and their MA/FMM⁶. AGO test-checked 659 samples covering FM tenders, contracts and payments/purchase orders (POs) made by MOE and MHA for recurrent and ad hoc FM services. The total amount covered by the test checks was \$241.27 million (or 66.4 per cent out of the \$363.45 million expenditure incurred during the audit period).
9. AGO also reviewed the key IT controls of MHA's Integrated Logistics Management System (iLMS) which supported MHA in the procurement and processing of payments for FM services. The IT audit of iLMS covered the Security Information and Event Management (SIEM) tool, Cloud Management System (CMS), network interface files exchange and operating system (OS) security software.
10. From the audit, AGO noted that there was a need to strengthen the oversight of MA/FMM and FM contractors' compliance with contractual requirements. While MOE and MHA had outsourced the administration of their FM operations to the MA/FMM, MOE and MHA remain accountable and responsible for how the services were managed and for payments for work done. In this respect, MOE and MHA needed to exercise adequate oversight of the MA/FMM's work and avoid being overly reliant on the MA/FMM for the entire FM operations. The level of scrutiny and verification of supporting documents for payment claims could also be improved.
11. The key observations from the audit are presented in the paragraphs that follow.

⁶ MA/FMM services include assisting MOE/MHA in administering FM contracts and managing buildings and facilities, and to provide project management services for facilities improvement works.

A. Planning and Establishing Needs

12. AGO observed that generally MOE and MHA had put in place policies and procedures to manage the processes in relation to planning, budgeting, determination of needs and the approach for FM. By and large, processes were in place to ensure that relevant Government instructions on procurement (e.g. procurement methods and procedures) were considered during the planning stage. Thought was also given to determining the appropriate FM approach (e.g. demand aggregation), assessing relevant risks (e.g. contractor concentration risks) and taking steps to mitigate those risks (e.g. by managing the number of contracts awarded to a particular contractor and establishing separate contracts for different zones). The ministries had also developed their ministry-specific procurement manuals to give guidance to officers involved in procurement and tender evaluation.

13. MOE did not have demand aggregation contracts established for the provision of certain FM services commonly procured by schools such as landscaping and pond maintenance works. AGO's view is that there was potential for MOE to consider aggregating the procurement of such common services as this might yield better value for money through economies of scale and increase efficiency in procurement administration across schools.

B. Procurement and Contracting

14. AGO noted that both MOE and MHA had put in place measures to ensure that appropriate sourcing methods (e.g. open tenders) were used; and that specifications, conditions of contracts and evaluation criteria were appropriately determined and clearly stipulated when sourcing for FM services. To minimise "price diving"⁷ and to ensure quality of proposals submitted by tenderers, MOE and MHA had used structured evaluation approaches such as Price-Quality Method (PQM) and Analytic Hierarchical Process (AHP) when evaluating selected tenders for FM services. Under PQM, price and quality criteria are assigned weightages and translated into quantitative scores during tender evaluation. This ensures that quality, reliability and financial viability of the tenderers are appropriately considered in addition to price. AHP is a technique to help in decision making that involves multiple criteria/objectives. By reducing complex decisions to a series of independent one-on-one comparisons of both qualitative and quantitative factors, MOE and MHA were able to select the proposal that best met the desired outcomes.

⁷ Tenderers bidding for contracts at excessively low price.

15. Overall, MOE's and MHA's procurement and contracting processes for the FM services test-checked were generally in line with the Government Instruction Manual on Procurement.

C. Managing Contracts

16. Both MOE and MHA appointed MA/FMM to supervise and certify whether the recurrent services and ad hoc works performed by the FM contractors were in accordance with contractual requirements. The MA/FMM performed regular site visits and inspections (e.g. building maintenance checks, cleaning audits etc.) to check that services were provided by FM contractors at the frequency and standards stipulated in the contracts. The MA/FMM also liaised with FM contractors for the latter to rectify defects/faults detected during inspection checks. Regular meetings were held among MOE/MHA, MA/FMM and FM contractors to evaluate performance and sort out any issue encountered on the ground.

17. Generally, MOE and MHA had ensured that purchase/work orders for works (including the use of star rates) were properly assessed, managed and approved. There were processes and controls in place for MOE and MHA to submit ad hoc work requests to MA/FMM or FM contractors, e.g. when there was a breakdown in a mechanical system requiring corrective maintenance. The MA/FMM was responsible for evaluating quotations (including star rates, if any) submitted by FM contractors and recommending quotations for MOE/MHA's approval. Generally, both MOE and MHA had processes and controls in place to ensure that payments were properly supported, approved and paid accurately and in a timely manner. The FM contractors would submit payment claims (with supporting documents) to the MA/FMM for verification. MOE/MHA would pay the FM contractors based on the MA/FMM's recommendation after the MA/FMM had verified that the payment claim was in order.

18. However, there were areas where controls could be improved. For MOE, AGO found instances where there was no documentary evidence (e.g. audit reports or inspection checklists) to show that regular audits/inspections were carried out by the MA and FM contractors. There were also delays in issuing instructions to effect contract variations and to terminate FM services which were no longer required (e.g. when schools were vacated), resulting in over and underpayments. AGO further noted that MOE could improve its oversight of MA and FM contractors' compliance with contractual requirements and performance standards. The level of scrutiny of FM contractors' payment claims needed to be improved as well to ensure that payment claims were properly supported before payments were made.

19. For MHA, AGO noted cases where the FM contractors did not provide the minimum manpower on-site required under the contract and where contract variations were not put up for deviations from contractual requirements. Annual energy and technical audits were also not conducted at certain premises. AGO noted that MHA could improve the way it monitors the Key Performance Indicators (KPIs) of its FMM and FM contractors. There was a need for MHA to strengthen its oversight of FMM and FM contractors' compliance with contractual requirements, and align policies, processes and management reporting across the different Home Team Departments for more effective contract management.

D. Closure/Renewal of Contracts

20. Both MOE and MHA generally had processes and controls in place for closure/renewal of FM contracts. MOE had processes in place to call new tenders at least six months prior to the expiry of contracts. MHA had conducted assessment of the contractors' performance and obtained the necessary approval from the approving authority before renewing the contracts.

21. Nevertheless, AGO noted delays in finalising the accounts for two FM contracts under MOE. Not finalising the accounts on a timely basis could affect the cash flow of the contractors. There was a need for MOE to improve on the timeliness of finalisation of accounts.

E. MHA's Integrated Logistics Management System (iLMS)

22. AGO test-checked key IT controls on four components of MHA's iLMS, i.e. SIEM tool, CMS, network interface files exchange and OS security software. AGO noted weaknesses in controls that might compromise MHA's ability to detect security breaches and violations effectively. The control weaknesses included no proper segregation of duties between the administrators of SIEM, iLMS servers and CMS and the reviewers of administrators' activities; weaknesses in the review of administrators' activities; and retention of related activity logs for less than the time period stated in the Government Instruction Manual.

F. Possible Irregularities in Records Furnished for Audit

23. AGO came across a few instances where documents might have been created or backdated to satisfy AGO's queries. MHA and MOE informed AGO that police reports had been lodged regarding the authenticity of the documents.

24. Details of the key observations for each ministry are summarised and reflected in the paragraphs that follow.

MINISTRY OF EDUCATION

25. MOE had more than 400 buildings and facilities (e.g. schools, language centres etc.) under its charge. It is important that the buildings and facilities are properly maintained to ensure operational efficiency and a safe environment for students, teachers and staff. MOE categorised its buildings and facilities into 12 school zones and one HQ zone. Separate FM contracts were called for each zone. In total, there were four MAs and 22 FM contractors engaged to manage MOE's buildings and facilities.

26. AGO selected four FM contracts, namely, MA, Cleaning, BTP, and M&E for audit. AGO test-checked a total of 342 samples covering FM tenders, contracts and payments for the maintenance of buildings and facilities in eight school zones and the HQ zone. The FM expenditure for the nine zones totalled \$158.90 million (which made up 72 per cent of MOE's total FM expenditure of \$220.63 million for the four selected FM services) for the two-year period from 1 April 2018 to 31 March 2020.

27. AGO carried out test checks on the four stages of facility management and found that MOE had put in place policies and procedures to manage the contracts:

- a. There were processes in place to ensure that the planning, budgeting and determination of needs were properly carried out. There was also assessment of risks (e.g. contractor concentration risk) and measures taken to mitigate those risks; and
- b. There was a strong focus on leveraging technology to enhance FM services and improve productivity:
 - i. MOE had developed and implemented a smart mobile application which was used since July 2020 for school personnel to report FM-related faults conveniently using their smartphones;
 - ii. MOE leveraged on technology by including specific clauses in the contracts requiring the FM contractors to implement computerised tools and systems for facility management (e.g. use of mobile tablets and digital checklists when performing inspections); and
 - iii. MOE had piloted smart FM technologies such as cleaning robots, smart compaction bins, toilet sensors, and smart energy and water meters across schools.

28. Nevertheless, MOE could strengthen its controls and processes as follows:

- a. Supervision and oversight of the MA and FM contractors could be improved;
- b. Work done by FM contractors and KPIs reported by the MA, especially in relation to the MA's reporting of its own KPIs, should be independently verified;
- c. Ensuring that approvals of requirement were obtained and POs were issued before commencement of works;

- d. Ensuring that the work of the MA and FM contractors were substantiated by documentary evidence before making payments;
- e. Issuance of contract variations should be done on a timely basis; and
- f. Finalisation of accounts should be done in a more timely manner.

29. The key observations are in the following paragraphs.

Opportunity for Demand Aggregation of Landscaping and Pond Maintenance Works

30. During the period 1 April 2017 to 31 March 2020, there were 232 quotations (award value totalling \$5.88 million) called by 140 schools for landscaping and pond maintenance works. In addition, there were 439 quotations (award value totalling \$12.69 million) called by 189 schools for interior design and renovation works in the same period. AGO noted that there was no demand aggregation (DA) contract established by MOE for the provision of such services commonly procured by schools. AGO is of the view that there was opportunity for MOE to consider aggregating procurement of these common services. The demand aggregation might yield value for money through economies of scale and increase efficiency in procurement administration across schools.

31. MOE informed AGO that it would review the feasibility of providing a period contract/framework agreement for the above-mentioned works. MOE targeted to complete the review by September 2021.

No Assurance of Works Done Due to Lack of Documentary Evidence

32. AGO test-checked 98 payments (totalling \$32.90 million) made by MOE and schools for recurrent BTP, Cleaning, and M&E services. AGO found that there was no documentary evidence (e.g. audit reports or inspection checklists) to show that 176 instances of regular audits/inspections required under the contracts were carried out. Without documentary evidence, there was no assurance that the audits/inspections were performed. MOE informed AGO that in 68 of the 176 instances, the required audits/inspections were not conducted while for the remaining 108 instances, it was not able to provide documents to substantiate the audits/inspections performed.

33. AGO noted that some of these inspections (e.g. half-yearly water quality checks, inspections for building works and quarterly maintenance audits for buildings) are critical for the health and safety of occupants. Hence, it is important to ensure that inspections are carried out in accordance with the frequency stipulated in the contract.

34. MOE informed AGO that it would put in place measures to improve the documentation, tracking and reporting of the performance of the required audits/inspections. There were also plans to implement a contract administration IT system in 2023, which would allow more efficient tracking of audits/inspections.

Delays in Submitting Payment Claims

35. AGO test-checked 111 payments (totalling \$34.71 million) for recurrent FM services and 145 payments (totalling \$3.82 million) for ad hoc FM works carried out at MOE and schools. From the checks, AGO found 26 payments (totalling \$4.12 million) where the MA did not ensure that FM contractors' payment claims were submitted to MOE within 90 days of works completion as required under the contracts. The delays by the MA ranged from 4 to 296 days.

36. MOE informed AGO that it would put in place processes to monitor the progress of works and status of payment claims more closely. It would also work with the MA to improve the monthly management reports to show the status of payment claims, and to highlight exceptions and the reasons. In the longer term, MOE also planned to leverage on its future contract administration IT system to help track payment claims more efficiently.

No Approvals of Requirement Obtained and No Purchase Orders Raised before Commencement of Works

37. AGO's test checks of 145 payments (totalling \$3.82 million) for ad hoc FM works carried out at MOE and schools found seven cases (totalling \$448,300) where the approvals of requirement (AORs) were obtained after works had commenced or were already completed. The delays ranged from 3 to 146 days. In addition, of these 145 payments (totalling \$3.82 million), AGO found 21 cases where POs (totalling \$616,000) were raised and issued to the FM contractors after the works had commenced or had already been completed.

38. For good governance and controls, it is important to ensure that AORs and POs are raised, and approvals are obtained prior to the commencement of works. Seeking retrospective approval undermines the role of the approving authority and indicates weak financial controls.

39. MOE informed AGO that it would ensure that AORs and POs were raised, and approvals obtained, prior to the commencement of works. MOE had also established a procedure for staff to seek in-principle approval for emergency or other urgent works and document the approval by the next working day, with follow-up to formalise the AOR within two weeks.

Lapses in Payments for Recurrent Services

40. AGO test-checked 102 payments (totalling \$33.24 million) for recurrent FM services and found the following lapses in 21 payments⁸ (totalling \$4.16 million):

- a. 16 payments (totalling \$3.61 million) made even though there were no supporting documents or incomplete supporting documents at the point of certification of payment;
- b. Three payments (totalling \$0.27 million) made for works not carried out resulting in overpayments of \$36,400. For one case, payments were not made although works had been performed, resulting in underpayments of \$14,400; and
- c. Three payments (totalling \$0.35 million) with errors in the computation of deductions and contract price adjustments, resulting in overpayments and underpayments amounting to \$5,400 and \$2,400 respectively.

41. MOE informed AGO that it had given a stern warning to the MAs for their laxity in not ensuring that all payments were properly supported before making recommendations for payments. Going forward, MOE would exercise greater due care and diligence when certifying payments by stepping up sampling checks on payment documents. For the lapses highlighted, MOE would recover payments from the MAs and FM contractors, and impose the relevant contractual penalties on them.

⁸ 1 of the 21 payments had more than one lapse.

Lapses in Management of Contract Variations

42. AGO analysed 809 Superintending Officer's Instructions (SOIs)⁹ issued from 1 October 2017 to 4 February 2021 and test-checked 73 SOIs. AGO found 32 SOIs where the SOIs were issued to the FM contractors between 109 and 1,029 days after the respective effective date of the change in scope of work. As at 10 March 2021, MOE established that the above delays had resulted in 16 cases of overpayment totalling \$426,600 and three cases of underpayment totalling \$431,600 to the FM contractors, with three other cases pending completion of assessment. For the remaining 10 cases, there were no overpayments nor underpayments as the price adjustments had either been effected or the changes to scope of works did not involve any payment adjustment.

43. AGO also found three cases where SOIs were not put up to omit services which were no longer required as the school buildings had become vacant. One of the cases was pending MOE's assessment of impact while no payment adjustments were required for the remaining two cases. It is important that SOIs/contract variations are issued on a timely basis to ensure that changes to the scope of works stipulated in the contracts are formally executed. This would reduce the risk of over or underpayments. Not formally issuing SOIs on a timely basis also increased the risk of possible disputes with FM contractors on the changes to be made to the scope of works.

44. MOE informed AGO that it would rectify the lapses highlighted and regularise the overpayments and underpayments. MOE had also tightened its process to ensure that SOIs are issued on a timely basis. MOE would maintain a master listing of the status of all sites to check payment claims against. In the longer term, MOE also planned to leverage on its future contract administration IT system to help track the issuance of SOIs more efficiently.

⁹ SOIs refer to the instructions issued to FM contractors to make changes (e.g. additions and omissions) to the contract terms and conditions or scope of works.

Inappropriate Use of Term Contracts

45. AGO noted that MOE had procured smart FM technologies and equipment such as Robot Cleaners, Smart Compaction Bins and Smart Lighting and Aircon Sensors for a pilot project in 2018. The items, with actual payments amounting to \$2.07 million, were procured via the existing FM contracts using star rates instead of via open tenders. The items procured made up 100 per cent of the total value of the required works in the pilot project. According to the Government Instruction Manual on Procurement, star rate items should not form the bulk of the required works, and open and competitive methods of procurement to obtain the required works should be considered. In this case, it was not appropriate to procure the items via star rates as the items procured fell outside the scope of the FM contracts.

46. MOE informed AGO that it was reviewing its internal controls on the procurement of star rate items and would consider the use of open and competitive methods of procurement where appropriate.

Monitoring of Key Performance Indicators Could be Strengthened

47. AGO noted that improvement could be made to the way MOE monitors the KPIs of its FM contractors. AGO found that MOE and the MA did not put in place a systematic process to monitor the KPIs of FM contractors such as time taken by FM contractors to respond to and rectify faults within the stipulated timeframe, and the number of complaints received each month.

48. AGO also noted that there was no structured process to independently verify the KPIs reported by the MA. As the MA would have a vested interest to show that they have met the KPIs so as to avoid payment deductions, it is important for MOE to independently verify or test-check the KPIs reported to ascertain whether the MA had indeed achieved the stipulated level of performance. In this regard, MOE should strengthen its monitoring of KPIs stipulated in its FM contracts to ensure that the MA and FM contractors meet the intended outcomes and performance standards required.

49. MOE informed AGO that it had mandated all schools to report FM faults using its mobile fault reporting app from 1 June 2021 to facilitate systematic tracking of reported faults and time taken by the FM contractors to rectify them. A central repository would also be established for access by both MAs and MOE officers to facilitate assessment of KPIs relating to complaint management. MOE's Quality Assurance unit would also follow up on the enhancements needed to strengthen MOE's monitoring and assessment of MAs' and FM contractors' performance.

Delays in Finalisation of Accounts

50. AGO test-checked the finalisation of accounts for six FM contracts and found delays in finalising the accounts for two contracts. The delays were 17 months after the timeline stipulated in the contracts.

- a. For the BTP contract that ended on 31 August 2018, the accounts had yet to be finalised as at 22 March 2021, i.e. a delay of about 17 months after the timeline stipulated in the contract (13 months after contract end date); and
- b. For the cleaning contract that ended on 30 September 2017, the accounts were finalised 17 months after the timeline stipulated in the contract. The total amount due to the contractor was \$392,000.

51. Not finalising the account on a timely basis would affect the cash flow of the contractors. MOE should avoid any undue delay in the finalisation of accounts and payment of outstanding amounts.

52. MOE informed AGO that it targeted to finalise the outstanding BTP final accounts by September 2021. Going forward, it would put in place measures to initiate the finalisation of accounts earlier. A function would be included in its future contract administration IT system to track the finalisation of accounts for more efficient management.

Possible Irregularities in Records Furnished for Audit

53. As part of an audit of two contracts, AGO selected samples to ascertain if the required works had been carried out. AGO's review noted signs on some supporting documents provided to AGO which cast doubt on their authenticity. This would not provide the assurance that the required works had indeed been carried out.

54. MOE informed AGO that it had carried out further investigations on the cases reported by AGO and had made police reports. MOE would also engage contractors' senior management to convey MOE's zero tolerance for any falsification or fabrication of records. MOE would also convey the same message to its staff.

MINISTRY OF HOME AFFAIRS

55. MHA had more than 250 buildings and facilities under its charge. This included fire stations, police stations and facilities, immigration checkpoints, and the Home Team Academy. It is important that the buildings and facilities are properly maintained to ensure operational efficiency and a safe environment for MHA officers and the public. MHA categorised its buildings and facilities into three zones, namely West, Central and East Zones. Separate FM contracts were called for each of these zones. To streamline the procurement, finance and logistics functions across the different Home Team Departments (HTDs), and provide Ministry HQ with a single unified database to support decision-making, MHA made use of its Integrated Logistics Management System (iLMS). Various functions such as the preparation of purchase requisition (PR) for period contracts, approval of PR, creation and approval of POs, and acknowledgement and certification of goods receipts were done through this system.

56. AGO selected four FM contracts, namely FMM, H&C, M&E, and Building for audit. AGO test-checked a total of 317 samples covering FM tenders, contracts and payments for the maintenance of buildings and facilities in the West and Central Zones. Based on the selected FM contracts and zones, AGO's audit covered expenditure totalling \$82.37 million, which made up 57.7 per cent of MHA's total FM expenditure of \$142.82 million for the four selected FM contracts for the period 1 April 2018 to 31 March 2020.

57. For the IT audit of iLMS, AGO covered the SIEM tool, CMS, network interface files exchange and OS security software.
58. AGO carried out test checks on the four stages of facility management and found that MHA had put in place processes to ensure that the planning, budgeting and determination of needs were properly carried out. There was also assessment of risks (e.g. contractor concentration risk) and measures taken to mitigate those risks.
59. Other good practices which MHA had included:
- a. Establishing a competency framework and training plan to build up capabilities in facility management in the Home Team;
 - b. Centralising the management of FM contracts across the Home Team under its newly formed statutory board, the Home Team Science and Technology Agency (HTX). This centralised model of operation had the benefit of building deeper expertise in FM, allowing for more targeted staff competency and career development and achieving more consistent service standards across HTDs; and
 - c. Implementing the Data Loss Prevention (DLP) Kiosk to detect and prevent unauthorised access to information. The DLP Kiosk restricted the system administrators from copying data out from the iLMS servers or accessing sensitive data in the iLMS system without authorisation.
60. Nevertheless, MHA could strengthen its controls and processes as follows:
- a. Enhance supervision and oversight of the FMM and FM contractors' compliance with contractual requirements;
 - b. Conduct independent verification of the work done by FM contractors and KPIs reported by the FMM, especially in relation to FMM's reporting of its own KPIs;
 - c. Greater alignment of policies, contractual requirements, monitoring processes and management reporting across the different HTDs for more effective contract management; and

- d. Strengthen IT controls in iLMS to more effectively detect security breaches and violations, if any.

61. The key observations are in the following paragraphs.

Manpower Provided Less than Contractual Requirements

62. AGO test-checked 66 recurrent facility management payments (totalling \$6.88 million) and found that for 16 payments (totalling \$3.07 million), the FMM or FM contractors did not provide the requisite minimum manpower on-site on certain days. According to the FM contracts, deductions would be imposed if the number of staff fell below the minimum manpower requirement. However, no action was taken to assess whether deductions should be imposed. In addition, AGO noted that certain Immigration and Checkpoints Authority of Singapore (ICA) and Singapore Police Force (SPF) divisions did not maintain attendance records of FM contractors. Without the attendance records, MHA would not have the assurance that the contractors had provided the minimum number of manpower on-site as required in the contract and yet payments were made for services rendered.

63. MHA informed AGO that the lapses arose because of poor understanding and administration of the contracts, and the over-prescription and inconsistency in some of the contractual requirements. MHA would follow up with the contractors on the necessary remediation for not complying with the contractual requirements.

Systems Not Used to Achieve Intended Objective or Not Provided in Accordance with Contractual Requirements

64. AGO noted that a Biometric Login Fingerprint Time and Attendance System (Biometric System) installed was not fully used to achieve the intended objective of a more efficient way for personnel from the FM contractor to clock in and out. In addition, the FMM did not fully deliver on a common internet-based Computerised Facilities Management System (CFMS) which it had included in its tender proposal.

65. AGO noted that the Home Team Academy (HTA) had required the FM contractor to supply and install a Biometric System in 2015 to allow cleaners from the FM contractor to scan their thumbprints to electronically clock their start and end time of work for each working day. However, instead of using the Biometric System, HTA and FMM relied on manual attendance records that were maintained to monitor cleaners' attendance. As such, the intended objective of installing the Biometric System was not achieved. The annual maintenance cost paid by MHA for the system was \$4,800.

66. AGO also noted inconsistent attendance data between the Biometric System and the manual attendance records, which cast doubt on the accuracy of both records. For example, there were 46 instances where cleaners' attendance in the Biometric System's monthly attendance reports did not tally with the manual records. There were another 15 instances where the records of a few cleaners were not captured in the Biometric System.

67. AGO noted that in the tender for the appointment of FMM for MHA's properties at the Central and West Zones, MHA had required tenderers to provide a CFMS which would be able to perform 10 specified functions to achieve various facility management objectives. However, the awarded FMM only provided a system to track 1 of the 10 specified functions, namely fault reporting. For the other nine functions, six functions were achieved through other methods (e.g. through the use of Word or Excel applications). There was no documentary evidence of monitoring performed for the remaining three functions (i.e. KPIs, defects liability periods and warranty periods). One location did not monitor the three functions while another location did not monitor two of the three functions. Since MHA had required tenderers to provide a CFMS to perform 10 specified functions, the FMM would have priced this within its tender price. By not ensuring that the FMM had delivered the CFMS in accordance with contractual requirements, MHA would not be getting the full value paid to the FMM. It could also impede MHA's ability to properly monitor the FMM's and FM contractors' performance.

68. MHA informed AGO that HTA would look at ways to improve the attendance taking process of personnel from FM contractors. On the CFMS, MHA informed AGO that due to the introduction of new security restrictions, loading of MHA's information into the FMM's system was prohibited. However, contract variation to effect this change was not effected promptly. MHA would regularise the changes through a contract variation by August 2021.

Annual Energy and Technical Audits Not Carried Out

69. AGO test-checked the annual energy and technical audits conducted by the FMM on MHA's properties for the period 1 April 2018 to 31 March 2020. From the checks, AGO found that the FMM did not conduct the annual energy and/or technical audits for 15 premises at ICA, SPF and Singapore Civil Defence Force. Of the 15 premises, 12 premises did not undergo both the annual energy and technical audits. For the remaining three premises, only one type of audit was conducted in one of the two years. Energy audits give an assessment of the energy usage, profiles and utilities cost at MHA's premises while technical audits give an assessment of the safety, durability, maintainability and serviceability of M&E systems. Without such annual audits, MHA would not have oversight of the overall energy usage profiles of systems and the state of M&E systems at its premises. AGO further noted that there were no deductions imposed on the FMM for not carrying out the required audits.

70. MHA informed AGO that effective July 2021, it would require the FMM to attach records of the annual audits performed to support the yearly payment claims. MHA also planned to develop a checklist to guide its officers in checking the completeness of payment claim submissions and provide the necessary training to its officers in this aspect.

Contract Variations Not Put Up for Deviations from Contracts

71. AGO's test checks found instances where contract variations were not put up for deviations from contractual requirements.

72. AGO noted that contract variations were not put up for the reduction in the number of cleaners at an SPF premise on Sundays and Public Holidays and omission of certain M&E works at three HTDs' premises. While MHA explained that it had assessed and agreed with the change, AGO noted that the decision was made at the working level. As the deviations entailed departure from contractual requirements, they should be subject to scrutiny and approval by the appropriate authority for proper contract management. Furthermore, it is important that contract variations are formally executed with the contractor to ensure that the changes to scope of works are legally binding to safeguard MHA's interest.

73. MHA informed AGO that contract variations would be put up to effect the changes by August 2021. MHA would carry out half-yearly sampling checks on variations from June 2021 and provide the necessary training to its officers from August 2021.

Lapses in Survey on Contractor's Performance

74. The FMM contract required half-yearly Customer Satisfaction Surveys to be carried out to assess the performance quality and consistency of the FMM at the HTDs. AGO carried out test checks on half-yearly Customer Satisfaction Surveys conducted on FMM's performance from 1 April 2018 to 31 March 2020 for West and Central Zones. From the checks, AGO noted the following lapses in relation to 103 surveys which were due during the period of review:

- a. 37 surveys were not carried out. As a result, there was no assurance that the FMM's performance had met the required benchmark;
- b. For 12 out of the remaining 66 surveys which were conducted, AGO found that the surveys did not cover a six-month period, contrary to the contractual requirement;
- c. Different methodologies and questions were used for surveys within and across certain HTDs. As a result, it would be difficult for MHA to compare the FMM's performance within and across HTDs; and
- d. MHA did not give any incentive nor impose deduction even though the contract provided for incentive or deduction to be made if the survey score was above or below a benchmark. In this regard, AGO noted that survey results were not aggregated and averaged out to obtain the final score for certain HTDs (e.g. for SPF which comprised various divisions). Hence, these HTDs would not be able to determine if an incentive or deduction should be given or imposed.

75. These lapses indicated laxity of the FMM in ensuring that surveys were conducted in accordance with contractual requirements. It also indicated a need for MHA to enhance its oversight of the FMM's performance.

76. MHA informed AGO that the lapses arose because of poor understanding and administration of the contract. MHA was in the process of taking action against the contractors for not complying with the contractual requirements and reviewing the survey results for any deduction/incentive to be processed. MHA also informed AGO that it had since taken action to standardise the format of the survey from April 2021.

Monitoring of Key Performance Indicators Could be Strengthened

77. AGO test-checked the four FM contracts and noted that improvements could be made to the way MHA monitored the KPIs of its FMM and FM contractors. Of the 107 samples test-checked, AGO found 54 instances where the KPIs of the FMM and FM contractors were not reported in the monthly management reports or planning meetings. For 17 instances where the KPIs were presented in the reports/meetings, they were not supported with statistics for proper performance measurement.

78. AGO also noted that there was no structured process to independently verify the KPIs reported by the FMM. As the FMM had a vested interest to show that it had met KPIs so as to avoid payment deductions, it is important for MHA to independently verify or test-check the KPIs reported to ascertain whether the FMM had indeed achieved the stipulated level of performance. In this regard, MHA should strengthen its monitoring of KPIs stipulated in its FM contracts to ensure that the FMM and FM contractors had met the intended outcomes and performance standards required by MHA.

79. MHA informed AGO that the monthly management reports had since reflected the actual breakdown of performance against the KPIs. This would allow MHA officers to actively monitor and verify the KPIs during the monthly planning meetings. In addition, training would be provided to MHA officers in charge of FM services on an annual basis. Internal spot checks would also be conducted by MHA on a half-yearly basis from June 2021 onwards on the KPIs reported.

Inconsistencies in Contractual Requirements

80. AGO test-checked four FM contracts (totalling \$334.78 million) and noted inconsistencies in requirements among the contracts. AGO noted that the deadlines for submission of reports for three contracts (FMM, H&C and M&E contracts) were not aligned to facilitate timely reporting. The frequency of inspection on water tanks also differed between two contracts (FMM and Building Contracts). Not aligning the contractual requirements among contracts hinders timely submission of reports and scheduling of works.

81. MHA informed AGO that the inconsistencies had arisen mainly due to the establishment of contracts in different years, resulting in the contractual requirements not being standardised. With the centralisation of the oversight role at HTX, MHA expected the alignment and standardisation of contractual requirements to improve. MHA would be putting up contract variations to ensure consistency of contractual requirements for existing contracts by August 2021.

Weaknesses in IT Controls

82. iLMS was first implemented in April 2018 to integrate and harmonise the logistics, finance, procurement and budget planning processes for the SPF. iLMS was subsequently rolled out to the rest of the HTDs in April 2020. The iLMS was used for procuring goods and services and processing payments. It interfaced with the Whole-of-Government procurement system (GeBIZ) and financial accounting system (NFS@Gov). iLMS was also used to plan and track the readiness of MHA's operational equipment for daily operations. As at September 2020, iLMS had a user base of close to 4,000 officers.

83. AGO reviewed the key IT controls on four components of the iLMS, i.e. SIEM tool, CMS, network interface files exchange and OS security software. AGO found the following weaknesses in controls that might compromise MHA's ability to detect security breaches and violations effectively:

- a. The OS administrator of the SIEM server, an IT vendor staff, could make changes (e.g. amend or delete) to the logs of privileged users' activities of the iLMS and SIEM servers collected by the SIEM tool. As such, there was a lack of assurance over the integrity of privileged users' activity logs collected by the SIEM tool;
- b. There was no segregation of duties for the review of activity logs of the administrators for SIEM, iLMS servers and the CMS. The review of activity logs was carried out by the same person who had performed these activities at the servers/system;
- c. Weaknesses were noted in the review of administrators' activities in the SIEM server, the File Transfer (FT) server and the CMS tool. These weaknesses included no documentary evidence of log reviews, no logging of administrators' activities, inadequate review of administrators' activities and reviews not carried out promptly; and
- d. The activity logs of all three CMS administrators were not kept for at least one year prior to September 2020 due to system constraint. This was contrary to the Government Instruction Manual on ICT & Smart Systems Management which required logs to be kept for at least one year to facilitate incident investigation.

84. MHA informed AGO that:

- a. Since December 2020, it had implemented a new SIEM tool to replace the previous SIEM tool. With the new SIEM tool, the activity logs of privileged users of iLMS and SIEM servers would not be stored in the SIEM server. This would protect the logs against tampering and unauthorised access by the SIEM OS administrator;

- b. The activity logs of the administrators of the iLMS servers would be reviewed by MHA's iLMS project team, who was independent of the administrator of the iLMS servers. Different officers would be appointed as the administrators of the iLMS and SIEM servers to maintain proper segregation of duties. For the CMS, the administrator role had also been re-assigned to another member of MHA's iLMS project team, who was not the reviewer of activity logs, to maintain proper segregation of duties;
- c. It had started documenting the reviews of administrators' activities for the FT server and CMS tool from May 2020 and September 2020 respectively. MHA had also started the logging of OS administrators' activities in the SIEM server in August 2020 and review of administrators' activities started after that. In addition, MHA had since enhanced the review of activities performed by the administrators in the FT server and would require reviews to be conducted on a monthly basis. MHA had also included other activities such as deletions of directories, logins to other user accounts, password changes of other user accounts, etc. in the review; and
- d. Since October 2020, the logs containing privileged activities performed by the CMS administrators had been sent to the new SIEM tool and would be kept for a period of 12 months.

Possible Irregularities in Records Furnished for Audit

85. As part of an audit of two contracts, AGO selected samples to ascertain if the required works were carried out. AGO's review noted signs on some supporting documents provided to AGO which cast doubt on their authenticity. This would not provide the assurance that the required works had indeed been carried out.

86. MHA informed AGO that it took a serious view of the above observations and had lodged police reports.

Appendix

Facility Management Contracts Covered in the Thematic Audit

FM Services	Description
Ministry of Education	
Managing Agent (MA)	MA services include assisting MOE to administer FM contracts; managing school buildings and facilities; and providing project management services for facilities improvement works.
Cleaning	Cleaning services include providing cleaning and washing of school buildings and facilities (e.g. external area cleaning and toilet cleaning) and other cleaning services (e.g. cleaning of classrooms and daily canteen cleaning).
Building, Turfing and Planting (BTP)	BTP services include providing recurrent and ad hoc maintenance for school buildings and facilities (including external and internal facades) and maintenance of turf (e.g. school fields) and plants (e.g. trees and shrubs).
Mechanical and Electrical (M&E)	M&E services include providing recurrent and ad hoc maintenance for mechanical systems (e.g. air-conditioning and mechanical ventilation), electrical installations (e.g. fans, light fittings, power supply), domestic systems (e.g. solar heater, water heater and cooler) and specialist systems (e.g. lifts, fire alarm system) in school buildings and facilities.

Appendix

FM Services	Description
Ministry of Home Affairs	
Facility Management Manager (FMM)	FMM services include assisting MHA to manage infrastructure and facilities, administering FM contracts and providing project management services for facilities improvement works.
Horticultural and Cleaning (H&C)	H&C services include providing regular maintenance of horticultural works (e.g. supply of labour, plants, tools and equipment, fertilisers, and transport) and cleaning of buildings and related facilities at MHA.
Mechanical and Electrical (M&E)	M&E services include providing recurrent and ad hoc maintenance for mechanical systems (e.g. air-conditioning and mechanical ventilation), electrical installations (e.g. fans, light fittings, power supply), domestic systems (e.g. solar heater, water heater and cooler) and specialist systems (e.g. lifts, fire alarm system) in MHA's properties.
Building and Maintenance Works (Building)	Building services include providing preventive maintenance and breakdown/corrective maintenance works (e.g. addition and alteration works, and general repairs to building) for MHA's properties.

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 2020/21 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. Financial Sector Development Fund for the financial year 2020/21; and
- b. ASEAN Cultural Fund (Singapore) for the financial year 2020.

4. 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).

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

Acknowledgements

6. 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 in 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 R540.20 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.

