



REPUBLIC OF SINGAPORE

REPORT

OF THE

AUDITOR-GENERAL

FOR THE FINANCIAL YEAR

2021/22



**AUDITOR-GENERAL'S OFFICE
SINGAPORE**

4 July 2022

Madam Halimah Yacob
President
Republic of Singapore

Dear Madam President

In accordance with the provisions of the Audit Act 1966, I am pleased to submit my Report on the audits carried out for the financial year 2021/22.

Yours sincerely

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

Goh Soon Poh
Auditor-General

REPORT
OF THE
AUDITOR-GENERAL
FOR THE FINANCIAL YEAR
2021/22



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 2021/22.

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 and the Audit Act 1966. 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 1966, 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 2021/22

AGO audited the following:

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

Financial Statements Audits

For the financial year 2021/22, I have issued an unmodified audit opinion on the Government Financial Statements. I have also 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 four statutory boards and three Government funds whose financial statements were not audited by AGO.

Thematic Audit

AGO conducted a thematic audit on selected Coronavirus disease 2019 (COVID-19) related procurement and expenditure managed by the Health Promotion Board (HPB), the Singapore Land Authority (SLA) and the Ministry of Manpower (MOM).

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 observations from past audits, feedback or complaints.

Summary of Audit Observations

AGO's audit observations for the financial year 2021/22 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 grants
- Lapses in management of operations
- Weaknesses in procurement and contract management
- Possible irregularities in records furnished for audit
- COVID-19 related procurement and expenditure

(1) Lapses in Management of Grants

AGO found lapses in the management of grants by the SkillsFuture Singapore Agency (SSG), resulting in estimated overpayments totalling \$4.22 million. There was inadequate monitoring by SSG and its outsourced service provider to ensure that grants disbursed for individuals, employers and training providers were valid, correct and in compliance with the grant terms and conditions.

Lapses noted included: (i) grants disbursed for individuals and companies that either did not meet the grant eligibility criteria or were disallowed funding, (ii) grants disbursed for individuals who had attended two or more sessions for different courses at the same time and (iii) inadequate checks for absentee payroll funding.

(2) Lapses in Management of Operations

AGO noted lapses in the management of operations at some public sector entities, including the Ministry of Social and Family Development (MSF) and SSG.

For MSF, AGO found lapses in controls over cash and supermarket vouchers at two Social Service Offices (SSOs). Officers in the SSOs did not carry out required checks on the cash and supermarket vouchers but had signed off the logbooks indicating that they had done so. The checks by the officers were important as they served as independent checks on another SSO officer who had sole custody of the key and passcode to the safe containing the cash and supermarket vouchers.

For SSG, AGO noted that it was lax in its enforcement of outstanding Skills Development Levy (SDL) collections. Based on SSG's records, the estimated outstanding SDL was \$43 million as at April 2022. This amount was owed for the period 2015 to 2020. SSG was tardy in its enforcement actions and did not put in adequate effort to conduct audits of employers which potentially owed significant amounts of SDL. SSG should exercise greater due diligence and take adequate enforcement actions to recover the outstanding SDL in a timely manner. The longer the SDL remains unpaid/underpaid, the lower the likelihood of recovery.

(3) Weaknesses in Procurement and Contract Management

AGO observed weaknesses in procurement and contract management at a few public sector entities, including the Ministry of Home Affairs (MHA), the Ministry of Communications and Information (MCI), and the Public Utilities Board (PUB).

AGO found lapses in the management of contract variations by MHA and its consultants for the main construction contracts under two development projects. The lapses included: (i) inadequate assessment of cost reasonableness of star rate items, (ii) lapses in valuations of contract variations and (iii) no supporting documents to substantiate payments made for variations involving dayworks. These lapses indicated weaknesses in the monitoring of contract variations and inadequate oversight of the consultants by MHA.

AGO audited the Whole-of-Government Period Contract and Framework Agreement (WOG PCFA) on creative services for communications campaigns which was administered by MCI. Under the WOG PCFA, public sector agencies can procure creative services from vendors appointed on the panel and at awarded prices which MCI had evaluated. AGO noted that when MCI called the tender to appoint the panel of vendors, the tender document did not state clearly the unit of measurement for certain items that tenderers were supposed to quote for. This resulted in different vendors using different units of measurement when the public sector agencies subsequently procured the services. AGO also noted that during the tender evaluation, MCI did not ascertain whether the tenderers had quoted on a like-for-like basis for items where the quotes submitted varied significantly.

AGO also noted that MCI, as the sector lead, did not monitor the spread of contracts awarded to vendors on the panel. There were a total of 39 vendors on the panel. As at 31 December 2021, the top vendor (by procurement value) was awarded 38 per cent of total procurement value. The next two highest vendors (by procurement value) were awarded contracts totalling 7 per cent and 6 per cent respectively. It is important to have a good spread of business opportunities to encourage vendors to bid for future tenders. This in turn will ensure that public sector agencies can continue to enjoy competitive prices in the long run.

AGO also carried out test checks on procurement made by PUB under the WOG PCFA. AGO observed (i) lapses in PUB's assessment of cost reasonableness of third-party items, (ii) payments made for third-party items without verifying against supporting invoices and (iii) incorrect application of the WOG PCFA rates, resulting in an overpayment to the vendor.

(4) Possible Irregularities in Records Furnished for Audit

AGO noted possible irregularities in the records furnished for AGO's checks in the audits of MHA, the National Environment Agency (NEA) and SLA.

For MHA, AGO's test checks found possible irregularities in quotations provided for a substantial number of star rate items for two construction contracts.

In the audit of NEA, AGO found possible irregularities in some quotations submitted as part of applications for a grant scheme administered by NEA.

For SLA, AGO found tell-tale signs that cast doubt on the authenticity of quotations submitted by a contractor to substantiate price reasonableness for some of the required services.

Following AGO's observations, the agencies have lodged reports with the relevant authorities.

(5) *COVID-19 Related Procurement and Expenditure*

The COVID-19 global pandemic was unprecedented in scale and speed of spread. The Government had to act decisively and respond swiftly to protect Singapore and Singaporeans from the threat to lives and livelihoods. Within a short period of time, many public sector agencies had to take on new roles and functions in addition to their usual operations. They had to act quickly to ensure that essential services were delivered, new services implemented and critical supplies secured. Procurement decisions had to be made in tandem with the rapidly evolving COVID-19 situation. The uncertain and fluid situation in 2020 and 2021 also posed greater operational risks to public sector agencies.

To help agencies with their COVID-19 related procurement, the Ministry of Finance implemented a number of measures, such as the central activation of Emergency Procurement (EP) procedures at the WOG level in late January 2020. All agencies were also required to submit an Accountability Report, documenting all EP decisions, to their Permanent Secretaries for endorsement.

AGO carried out a thematic audit on selected COVID-19 related procurement and expenditure managed by three agencies, namely HPB, SLA and MOM.

HPB, SLA and MOM incurred a total of \$1.51 billion on COVID-19 expenditure relating to manpower services, accommodation facilities and meal catering for the period 1 January 2020 to 31 March 2021. AGO test-checked a total of 985 samples covering contracts, payments and contract variations under the three agencies. The total amount of expenditure test-checked was \$264.93 million (or 18 per cent out of the \$1.51 billion expenditure incurred during the audit period). Key observations across the four stages of procurement and contract management are summarised below.

Stage 1 - Planning and Establishing Needs

HPB, SLA and MOM generally had processes in place to establish needs when planning for their COVID-19 related procurement. Based on AGO's test checks, approval of requirement for the intended procurement was obtained from the authorised approving officer to ensure that needs were properly established.

Stage 2 - Procurement and Contracting

HPB, SLA and MOM had generally adopted direct contracting for their COVID-19 related procurement with the activation of EP, given the extreme urgency. There were established approving authorities and financial limits to approve contract awards. In general, agreements were entered into with contractors for the required works and services.

However, there were areas where controls could be improved. For SLA and MOM, AGO noted lapses in the evaluation of proposals and assessment of price reasonableness as well as discrepancies and omissions in submissions to the approving authority for contract award. There were also delays in obtaining approvals for contract awards. For all three agencies, there was a need to improve on the documentation of assessments carried out.

Stage 3 - Managing Contracts

SLA and MOM had established approving authorities and financial limits to approve contract variations. Generally, contract variation agreements were entered into with the contractors. For payments, HPB, SLA and MOM generally had processes in place to ensure that payments were supported, approved and paid in a timely manner. There were also established approving authority matrices for the approval of payments.

Nevertheless, AGO noted areas where the controls for SLA and MOM could be improved. AGO found instances where there were delays in obtaining approvals for contract variations and execution of variation agreements. AGO also noted lapses in payment processes such as inadequate checks on the validity of payments, lack of supporting documents for payments and discrepancies in payment claims.

Stage 4 - Closure/Renewal of Contracts

HPB, SLA and MOM generally had processes in place for closure/renewal of contracts. HPB had put in place a set of criteria to assess the suitability of swab personnel for contract extension/renewal and scheme conversion. SLA and MOM had processes in place to monitor the start and end dates of contracts, and to discontinue those contracts when services were no longer needed.

AGO noted that HPB could not locate documents relating to the extension/renewal/conversion of contracts for swab personnel. HPB should also ensure timely deactivation of accounts of terminated personnel in the payment system.

Good Practices

AGO observed a number of good practices that the three agencies had implemented to better manage operations and the uncertainty in demand, as well as to reduce costs.

HPB established the Testing Operations Tasking Group in April 2020 to be overall responsible for the command, control, welfare and discipline of the many teams of swab personnel operating on the ground. HPB also developed a training standards and compliance framework for swab personnel in June 2020. Swab personnel were required to pass specific competency assessments before they were deployed. To manage the large number of swab personnel, HPB implemented an IT system in September 2020 to manage the deployment, work schedules and human resource functions (e.g. leave administration) of swab personnel.

As for SLA, it conducted a re-quote exercise with hotels about five months after it procured the first batch of hotel rooms, to obtain better rates. During the period December 2020 to January 2021, SLA also implemented a retainer basis model where hotels were paid only when they were activated to provide accommodation facilities. SLA also converted some of its Build and Run facilities to a step-down state in January 2021. These measures helped SLA reduce costs.

As the COVID-19 situation stabilised, MOM conducted reviews of its contracts to reduce the scope of services when requirements changed. In addition, after the need for EP had eased off, MOM made an open call in GeBIZ in June 2020 to invite caterers to submit quotations for the supply of meals to Migrant Worker dormitories. Both measures led to a reduction in costs.

Concluding Remarks

From the onset of the COVID-19 pandemic, public sector agencies had to adapt and respond quickly to manage the crisis. The speed, scale and complexity of operations were unprecedented. AGO's thematic audit of COVID-19 related procurement and expenditure at HPB, SLA and MOM found that all three agencies generally had processes in place across the procurement and contract management stages.

As the COVID-19 pandemic transits to a different phase, it is important for the public sector to reflect on lessons learnt so as to improve the procurement process for future emergency situations.

Even as swift action is needed in an emergency, the need for good financial governance is not reduced. There is therefore a need to consider what would be "fit for purpose" governance mechanisms in an emergency, including what constitutes a reasonable level of accountability and oversight.

In this regard, AGO would like to offer the following learning points:

a. Establish a reasonable level of governance and planning arrangements for use in an emergency

The EP which was centrally activated at the WOG level covered the procurement stage of the "procure to pay" lifecycle. It may be useful to look at the entire lifecycle comprising procurement, contract management and payment, and consider "fit for purpose" governance arrangements in an emergency to help agencies manage the entire lifecycle while adhering to the basic principles of Government procurement and financial controls.

Areas that will benefit from more guidance include:

- i. Evaluation of contractors (including price reasonableness of their bids) for goods/services procured through EP;
- ii. Contracting for flexible and scalable quantities as demand is often unpredictable in an emergency;
- iii. Establishing the minimum terms and conditions that should be included in contracts and agreements to safeguard the Government's interest; and

- iv. Establishing the extent of documentation required for key decisions and transactions.

Such arrangements can be established during peacetime for activation during emergencies.

b. Affirm and support the development of critical corporate functions such as procurement, finance and human resource

During the pandemic, the focus of the public sector was on the front-line and operational response. Such front-line and operational functions should be complemented by effective corporate functions which are critical in a crisis. Central agencies may wish to consider how critical support functions such as procurement, finance and human resource can be better organised at the WOG or cluster/agency level, and what detailed guidance to give agencies in these areas.

c. Maintain appropriate records and document key decisions and transactions

The high volume of financial transactions and the need to expedite payments to contractors may cause agencies to accept payment claims without performing adequate checks or to accept claims which are not substantiated by relevant supporting documents. This may increase the risk of paying for goods and services not received or not satisfactorily received.

It will be useful to provide guidance to agencies on the types of supporting documents needed and the extent of checks required. It is also important that there is sufficient documentation on key decision-making processes and transactions (e.g. basis for directly contracting with particular contractor(s), assessment of price reasonableness, and satisfactory receipt of goods and services). This is fundamental to effective governance, accountability and transparency.

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

4 July 2022

PART I

(A)

**AUDIT OF GOVERNMENT FINANCIAL
STATEMENTS**

(B)

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

(C)

**OTHER AUDITS – AUDIT OF
WHOLE-OF-GOVERNMENT CONTRACT
FOR COMMUNICATIONS CAMPAIGNS**

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 2022, upon completion of the audit required under section 8(1) of the Audit Act 1966.

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 and section 18 of the Financial Procedure Act 1966.

3. The Accountant-General is responsible under the Financial Procedure Act 1966 for the supervision and administration of the Government accounting system and is required under the Financial Regulations to prepare and submit to the Minister the statements required under section 18 of the Financial Procedure Act 1966.

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 1966. 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 1966.

8. In accordance with section 8(3) of the Audit Act 1966, the Auditor-General submitted the audit report on the Financial Statements to the President on 27 June 2022. 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 1966.

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.

4. In the financial year 2021/22, AGO carried out selective audits of the following three Government funds:

- a. Community Care Endowment Fund¹;
- b. Goods and Services Tax Voucher Fund²; and
- c. Lifelong Learning Endowment Fund³.

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

Acknowledgements

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

Selected Observations

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

¹ The Community Care Endowment Fund was established under the Community Care Endowment Fund Act 2005.

² The Goods and Services Tax Voucher Fund was established under the Goods and Services Tax Voucher Fund Act 2012.

³ The Lifelong Learning Endowment Fund was established under the Lifelong Learning Endowment Fund Act 2001.

MINISTRY OF DEFENCE

Errors in Payment of Flexible Benefits Allowances

8. The Ministry of Defence (MINDEF) provides flexible employee benefits to eligible personnel in the form of an allowance. There are various tiers of allowance, depending on the person's years in service. AGO performed data analysis on the flexible benefits allowances paid out for financial year 2020/21 (about 26,000 payments totalling \$19.74 million) and test-checked 19 payments. The test checks found overpayments (totalling \$995) in three cases, comprising two cases due to a system logic flaw and one case due to an error in the date of re-employment in the Human Resource (HR) system.

9. Following AGO's audit, MINDEF reviewed the flexible benefits allowances paid out since financial year 2019/20⁴ and found additional cases of overpayments totalling \$27,600. Details are as follows:

- a. 195 personnel were overpaid by \$24,315, due to a system logic flaw which resulted in no pro-ration of allowance for personnel who crossed to a higher tier of allowance within the year.
- b. Four personnel were overpaid by \$2,599 as their dates of re-employment were not updated in the HR system. Consequently, their original service start dates were incorrectly used by the system to compute their allowance.
- c. Three personnel were overpaid by \$686 as a system program did not detect changes to their service periods to re-compute their allowance.

⁴ With effect from financial year 2019/20, the flexible benefits were disbursed to eligible personnel as an allowance on an annual basis. Prior to financial year 2019/20, the flexible benefits were disbursed as credits at the beginning of each financial year, which the eligible personnel would utilise by seeking reimbursements for purchases.

10. Although the total amount of overpayments was not significant, the errors in paragraphs 9a and 9c above resulted from a flaw in the system logic. AGO recommended that MINDEF strengthen its review processes before the implementation of any system changes. As for the errors in paragraph 9b, these were not detected as checks over entry of personnel data such as date of re-employment into the HR system were not consistently and promptly performed. It is important to perform accuracy checks on the entry of personnel data into the HR system as such information would be used in the computation of various benefits and allowances.

11. MINDEF informed AGO that it had since rectified the data errors, fully recovered the overpayments from 193 personnel and commenced recovery of the overpayments from the remaining 12 personnel where it was cost-effective to do so. While testing for different allowance pro-ration scenarios was conducted prior to system implementation, the logic flaw that occurred under very specific scenarios was not detected. Moving forward, MINDEF would define and test system/computation logic scenarios thoroughly before implementing system changes. MINDEF would also enhance its processes to ensure accuracy and timeliness of data inputs for new employment and re-employment cases.

MINISTRY OF FINANCE

GOODS AND SERVICES TAX VOUCHER FUND

12. For the audit of the Goods and Services Tax Voucher (GSTV) Fund, AGO covered the following areas in its test checks:

- a. Financial assistance given under the GSTV Scheme, which comprises GSTV-Cash (cash payouts to individuals), GSTV-Medisave (contributions to individuals' Medisave accounts) and GSTV-U-Save (rebates credited to households' utilities accounts);
- b. Administrative expenses; and
- c. IT application access controls.

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

GSTV-U-Save Rebates Given to Ineligible Households

13. GSTV-U-Save rebates amounting to \$459.01 million were given to 972,363 households in three tranches in April 2020, January 2021 and April 2021. To be eligible for the U-Save rebates, the GSTV Fund Regulations require at least one owner or occupier of the Housing and Development Board (HDB) flat to be a Singapore Citizen.

14. AGO's data analysis identified 5,120 instances where U-Save rebates amounting to \$864,500 could have been given to 3,166 ineligible households. The 3,166 ineligible households comprised:

- a. 3,143 households where the registered Singapore Citizen owners and/or occupiers of the flat had already passed away; and
- b. 23 households where there were no Singapore Citizens among the registered owners and/or occupiers of the flat.

15. AGO noted that these cases arose mostly due to time lag issues in the data used for determining the eligibility for U-Save rebates. MOF informed AGO that it would work with HDB and the Immigration and Checkpoints Authority to ensure that updated living and citizenship status data on the owners and occupiers of the flats are used for eligibility checks on U-Save rebates. MOF would also review the feasibility of recovering the U-Save rebates given to the ineligible households.

MINISTRY OF HOME AFFAIRS

16. For the audit of two development projects under the Ministry of Home Affairs (MHA), AGO covered the following areas in its test checks:

- a. Sourcing and evaluation; and
- b. Contract management.

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

Weaknesses in Management of Contract Variations

17. MHA appointed contractors for construction contracts under two development projects and engaged consultants to manage the main construction contracts on its behalf. AGO's test checks of the main construction contracts for the two development projects (contract value totalling \$333.24 million) found lapses in the management of contract variations for both contracts. AGO's observations included (i) inadequate assessment of cost reasonableness of star rate items⁵; (ii) lapses in valuations of contract variations; and (iii) no supporting documents to substantiate payments made for variations involving dayworks⁶. The lapses indicated weaknesses in the monitoring of contract variations and inadequate oversight of the consultants by MHA. The inadequate scrutiny of contract variations did not provide assurance that MHA had obtained full value for the public funds spent.

⁵ Star rate items refer to items for which rates are not listed in the contract.

⁶ Under the contract, certain works carried out as a result of variation instruction can be executed on a daywork basis, e.g. variation costs will be computed based on relevant manpower rate and time spent on the work.

A. Inadequate Assessment of Cost Reasonableness of Star Rate Items

18. AGO's test checks of 199 star rate items (totalling \$4.63 million) in 11 contract variations under the two construction contracts found that the assessments of cost reasonableness of 198 star rate items totalling \$4.61 million (or 99.6 per cent of value of star rate items test-checked) were not based on independent sources. The quotations used to assess price reasonableness of the star rate items were all provided either by the contractor or its sub-contractors involved in the projects. This was contrary to the guidelines under the Government Instruction Manual on Procurement which stated that if the comparison quotes method was used to assess a star rate item, the consultant was required to obtain one or more quotation(s) from other sources (e.g. rates from past projects) to assess the contractor's quotations.

B. Lapses in Valuations of Contract Variations

19. AGO's test checks of valuations of 39 contract variations (totalling \$9.85 million) under the two construction contracts found 115 instances (in 31 contract variations with a total value of \$5.70 million) where variation works were not properly valued. These included failure to use contract rates, use of incorrect contract rates, errors in measurement of quantities and duplicate payments for variation work items. The estimated total net overpayment amounted to \$298,700.

20. AGO also found 14 instances under the two contracts where the contract sums were not adjusted to account for contract variations. These involved works that were not carried out or not carried out in accordance with contract requirements. The total net overpayment amounted to \$62,300.

C. No Supporting Documents to Substantiate Payments Made for Variations Involving Dayworks

21. For one of the two main construction contracts, AGO test-checked six contract variations (totalling \$3.27 million) involving daywork rates (totalling \$0.67 million or 20 per cent of the total variation amount). AGO found that there were no supporting documents (e.g. timesheets) to substantiate the manpower type and corresponding time spent for most of the variation works in all six variations. Under the contract, the contractor was required to submit such supporting documents before payments were made. In addition, there was a lack of evidence that assessment was done by the consultant to substantiate the payments made. As a result, there was no assurance that MHA did not overpay for these works.

22. MHA informed AGO that it would rectify the lapses and further strengthen its oversight of project consultants and contractors. It would put in place several measures to ensure contracted building works were carried out in accordance with contractual requirements and prevailing regulations. These included the development of a checklist to guide its officers and consultants on the management of star rates, enhanced reporting templates for star rate items and standardised procedures for kick-off meetings to ensure that awarded consultants were aware of its guidelines and procedures for assessing and documenting variations. MHA would incorporate the lessons learnt from the AGO audit in the Home Team's Basic Project Management Course. It would also establish an audit framework to ensure adherence to the enhanced requirements for ongoing construction projects by December 2022. MHA would be recovering the net overpayments from the contractors and issuing warning letters to the consultancy firms.

Possible Irregularities in Quotations for Star Rate Items

23. For the two main construction contracts, AGO's test checks found possible irregularities in quotations provided for a substantial number of star rate items, i.e. 531 (out of 752) star rate items (totalling \$3.14 million or 34 per cent of the total value of star rate items test-checked). As a result, there was inadequate assurance that value for money had been obtained for the star rate items.

24. As AGO had concerns over the authenticity of the quotations provided, AGO recommended that MHA carry out an investigation.

25. MHA informed AGO that it had since lodged police reports. MHA also informed AGO that it would be taking measures to strengthen its processes, such as carrying out sampling checks on star rate items for ongoing construction projects and conducting annual training for its officers.

MINISTRY OF SOCIAL AND FAMILY DEVELOPMENT

COMMUNITY CARE ENDOWMENT FUND

26. For the audit of the Community Care (ComCare) Endowment Fund, AGO covered the following areas in its test checks:

- a. Cash and supermarket vouchers;
- b. Long-Term Assistance Scheme;
- c. Short-to-Medium-Term Assistance Scheme;
- d. Student Care Fee Assistance Scheme; and
- e. IT application controls over Social Service Network (SSNet).

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

Lapses in Controls over Cash and Supermarket Vouchers

27. MSF operates 24 Social Service Offices (SSOs) which administer ComCare financial assistance to needy families and individuals. For families or individuals who need urgent and immediate help, the SSOs disburse cash and supermarket vouchers. AGO carried out test checks on the administration of cash and supermarket vouchers at three SSOs for the period August 2021 to November 2021. During this period, each SSO carried a cash float of between \$1,260 and \$3,360, and supermarket vouchers worth between \$200 and \$1,500 at any one time. Checks were required to be performed by the SSO's witnessing officer each time the safe was opened and closed at the SSO. In addition, the alternate sub-imprest holder was required to conduct weekly checks to ensure that all cash and supermarket vouchers were properly accounted for.

28. AGO found the following control lapses:

- a. At two of the SSOs, officers had signed off on the cash and supermarket voucher logbooks without performing the required checks. AGO's test checks on CCTV footages found that the witnessing officers did not carry out the checks on 10 of the 15 days (or 67 per cent) checked while the alternate sub-impresst holders did not carry out the checks on six of the seven dates (or 86 per cent) as signed off in the logbooks. The CCTV footages showed that there were instances where the officers were not present to witness the opening and closing of the safes and instances where the officers did not count the cash and vouchers to tally the balances with the amounts recorded in the logbooks but yet the logbooks were signed off.
- b. Furthermore, at one of the two SSOs, there was no assurance that the alternate sub-impresst holder's confirmation of checks carried out on 5 out of 12 dates (or 42 per cent) that were signed off in the logbooks and checklists were accurate. The confirmation of checks would have required the alternate sub-impresst holder's physical presence at the SSO. However, the alternate sub-impresst holder was telecommuting and not physically present at the SSO on the five dates.

29. Cash and supermarket vouchers are susceptible to loss and pilferage. The checks by the witnessing officers and alternate sub-impresst holders are important as they serve as independent checks on the custodian (another SSO officer) who has sole custody of the key and passcode to the safe. If the witnessing officers and alternate sub-impresst holders do not carry out the necessary checks, there is a risk of not promptly detecting any loss of cash or supermarket vouchers.

30. Following AGO's observations, MSF carried out checks on the other SSOs not checked by AGO and found similar control lapses at three other SSOs.

31. MSF informed AGO that it would strengthen the controls over cash and supermarket vouchers at the SSOs. These included strengthening the onboarding and training for SSO officers. MSF would increase the frequency of surprise checks by MSF headquarters on SSOs. MSF also informed AGO that it would follow up on AGO's recommendation to implement digital disbursements to replace cash and supermarket vouchers. In addition, MSF would conduct disciplinary inquiries into all officers who were found to have failed in their duties.

Weaknesses in Management of Accounts in IT System

32. The Social Service Net (SSNet) is an integrated case management system used by MSF and its SSOs to administer ComCare assistance schemes. Records on applicants and beneficiaries are maintained in the system. For the financial year 2020/21, about \$225 million in ComCare assistance was approved via SSNet.

33. AGO test-checked the IT application controls over SSNet and found lapses in the management and review of accounts. The Government Instruction Manual on ICT and Smart Systems Management required agencies to disable all accounts on the last day of their authorised use and to remove those accounts and their access rights within the next five working days. AGO noted that MSF did not fully comply with the requirement. There were long delays in the removal of accounts and access rights that were no longer needed. Although there were monthly reviews of user accounts, they were not effective in ensuring that unneeded accounts were removed promptly.

A. Delays in Removing Unneeded Accounts

34. AGO's test checks on 627 SSNet accounts as at 30 September 2021 found delays in removing 376 accounts (or 60 per cent) belonging to users who had left MSF. The delays ranged from 1 day to 1,956 days (or about five years and four months) after taking into account the Government Instruction Manual's requirement for accounts to be removed within the next five working days from the last day of service. It is important to promptly remove the accounts of users who have left service as some of these accounts had been granted access rights to create, edit, or approve ComCare applications. Not promptly removing such accounts and their access rights may result in unauthorised activities such as changes to quantum of assistance given to applicants. Information on applicants and beneficiaries in SSNet could also be compromised.

35. Of the 376 accounts, AGO noted that the "last login date" for 27 accounts was after the user's last day of service. MSF explained that 17 of the accounts were used by new, re-hired or temporary staff for their work, as their accounts were either not created or were in the process of being created. MSF also said that logins for the remaining 10 accounts were unauthorised. Case information had been accessed but no financial transactions had been conducted. MSF would take action against the officers who had performed or allowed the unauthorised logins.

36. In addition, AGO found that 59 agency accounts were not removed from SSNet although they were no longer required since 2016. Those agency accounts were created to facilitate migration from the old system to SSNet in 2016 and had access rights to create and edit ComCare applications. MSF explained that those accounts were disabled but were not removed. However, AGO's view is that there was still a risk of unauthorised access as the access rights of those accounts were not removed. Following AGO's observation, MSF removed those accounts in February 2022.

37. AGO also found that a system administrator account used by MSF's IT vendor had remained active in SSNet as at 30 September 2021 although it was no longer required since December 2020. That administrator account could be used to carry out activities such as updating of assistance rates. Following AGO's observation, MSF removed the administrator account in March 2022.

B. Lapses in Review of Accounts

38. AGO's test checks of eight user accounts in monthly review reports for the period January 2021 to June 2021 found that five of the accounts were removed more than two months after the users had left service. While MSF had a process for monthly reviews, it was not effective in ensuring that unneeded accounts were promptly removed. It is important that staff conducting the monthly reviews be more diligent in their checks.

39. MSF informed AGO that it took a serious view on the lapses highlighted by AGO and had taken immediate steps to rectify them. Those steps included terminating the unneeded accounts that were still active and reminding users of the proper processes for disabling and terminating unneeded accounts. MSF would automate the termination of SSNet accounts on the staff's last day of service by implementing the Whole-of-Government Central Accounts Management (CAM) interface. When implemented, the staff's last day of service as captured in the HR system would interface with CAM for his SSNet account to be terminated. MSF would onboard CAM by end 2022.

PART I C : OTHER AUDITS

AUDIT OF WHOLE-OF-GOVERNMENT PERIOD CONTRACT AND FRAMEWORK AGREEMENT ON CREATIVE SERVICES FOR COMMUNICATIONS CAMPAIGNS

1. Arising from complaints received, AGO audited the Whole-of-Government Period Contract and Framework Agreement¹ (WOG PCFA) on creative services for communications campaigns administered by the Ministry of Communications and Information (MCI). The authority for the audit is provided for in section 5 of the Audit Act 1966.

2. AGO also carried out test checks on procurement made under this WOG PCFA by the Public Utilities Board (PUB) and the National Environment Agency (NEA) during the period October 2018 to March 2021. The authority for the audit is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966.

Acknowledgements

3. AGO would like to thank MCI, PUB and NEA for their co-operation in the audit.

¹ Period contracts are established to supply a list of goods and services at a pre-determined rate for a period of time between the vendors and public sector agencies. 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, public sector agencies can directly issue purchase orders for items off the period contract with any of the appointed vendors without calling open tenders or quotations. On the other hand, framework agreement is a procurement approach used where some element of interactive quotation between the public sector agency and the awarded vendors is necessary. Framework agreements are useful for purchases within a broad scope, where it is not feasible to determine the services upfront.

Background

4. MCI, in its capacity as the sector lead for communications campaigns in the public sector, issued an Invitation to Tender in 2018 for the WOG PCFA. The aim of the WOG PCFA was to facilitate public sector agencies in their procurement of communications campaign services from an appointed panel of vendors and at awarded prices which MCI had evaluated as the sector lead. Tenderers were required to submit their bids by completing a Price Schedule. The Price Schedule comprised two sections, Section A for Overall Campaign Conceptualisation and Service, and Section B for In-House Production such as print advertisement and marketing collaterals. MCI appointed 39 tenderers to the panel of vendors.

5. The WOG PCFA was approved at a procurement value of \$174 million for an initial duration of three years from October 2018 and was subsequently extended by six months via a contract variation.

6. The WOG PCFA is a demand aggregation contract where public sector agencies may tap on the Period Contract by issuing purchase orders (POs) based on the rates awarded by MCI or tap on the Framework Agreement by requesting the appointed vendors to submit quotes for the services required. The total procurement made under the WOG PCFA as at 31 December 2021 was \$322.74 million, nearly twice the approved procurement value (APV) of \$174 million.

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

MINISTRY OF COMMUNICATIONS AND INFORMATION

8. AGO's audit of the procurement and contract management of the WOG PCFA by MCI found the following lapses:

- a. Lack of clarity on units of measurement for tenderers to submit bids;
- b. Inadequate evaluation of tender; and
- c. Approval for contract variation not obtained from appropriate authority.

9. In addition, AGO noted that MCI did not monitor the spread of awards to vendors under the WOG PCFA.

Lack of Clarity on Units of Measurement for Tenderers to Submit Bids

10. AGO's test checks found that MCI's Invitation to Tender did not state the unit of measurement for the service items (e.g. concept development, manpower services such as 'Account Executive' and 'Account Director') listed in Section A of the Price Schedule. MCI informed AGO that the units of measurement for concept development and the manpower services in Section A were 'per concept' and 'per person' respectively.

11. However, AGO's test checks of POs issued under the WOG PCFA by various public sector agencies found that the units of measurement used by some vendors for the service items in Section A of the Price Schedule were 'per lot' or 'per man-hour' instead of 'per concept' or 'per person' as intended by MCI.

12. MCI informed AGO that the format of the Price Schedule for Section A was based on MCI's market study on how vendors quoted their customers for campaign conceptualisation and execution. MCI recognised that there could be different interpretations of the units of measurement when agencies tapped on the WOG PCFA. MCI would ensure clearer communication on the units of measurement for such tenders in future.

Inadequate Evaluation of Tender

13. AGO's test checks also found that the rates submitted by tenderers for the same service items in Section A of the Price Schedule varied significantly. The highest rates were 43 times to 92 times the lowest rates for some service items. For example, AGO noted that a tenderer submitted a bid of \$900 for a service item while another tenderer submitted a bid of \$82,800 (or 92 times) for the same service item. However, during the tender evaluation, MCI did not follow up with the tenderers to ascertain whether they had quoted on a like-for-like basis, and proceeded to award the items and appoint the tenderers to the panel.

14. As public sector agencies would rely on the rates awarded by MCI for procurement under the WOG PCFA, it is important to ensure that rates are evaluated on a like-for-like basis before award.

15. MCI informed AGO that it would ensure that future tender bids were evaluated on a like-for-like basis.

Approval for Contract Variation Not Obtained from Appropriate Authority

16. The overall procurement value approved by the Tender Approving Authority for the WOG PCFA was \$174 million for a period of three years. A contract variation was subsequently made to extend the contract for six months. The total procurement made under the WOG PCFA as at 31 December 2021 was \$322.74 million, nearly twice the APV of \$174 million.

17. AGO's checks found that approval was not obtained from the appropriate authority for the contract variation. AGO noted that MCI did not estimate the increase in APV arising from the contract variation to determine the appropriate approving authority for the contract variation. Instead, MCI obtained approval from an officer who can only approve contract variations which did not involve increase in APV.

18. MCI explained that part of the increase in APV was due to the surge in communications campaigns such as the Merdeka Generation Package (2019 to 2020) and COVID-19 related communications (2020 to 2021) on vaccination, jobs and opportunities, and safe management measures, which could not have been accounted for when the WOG PCFA was initiated in 2018. MCI agreed that it should have taken into account the increase in APV in determining the approving authority for the contract variation. MCI also informed AGO that it would update its Standard Operating Procedures to make this clearer.

No Monitoring of Spread of Awards to Vendors

19. AGO noted that MCI, as the sector lead, did not monitor the spread of contracts awarded to vendors under the WOG PCFA. As at 31 December 2021, the top vendor (by procurement value) was awarded \$124.06 million (or 38 per cent) of the total procurement of \$322.74 million under the WOG PCFA. The next two highest vendors were awarded contracts totalling \$22.90 million (or 7 per cent) and \$20.04 million (or 6 per cent) respectively.

20. For the top six public sector agencies (by procurement value) which tapped on the WOG PCFA, AGO noted that this same top vendor in the panel accounted for 14 per cent to 95 per cent of the awards made by these agencies.

21. One of MCI's objectives for the WOG PCFA was to establish an expanded list of quality vendors to cater for the varying needs and budgets across different public sector agencies. Therefore, it is important to have a good spread of business opportunities to encourage vendors to bid for future tenders. This in turn will ensure that public sector agencies can continue to enjoy competitive prices in the long run.

22. MCI said that the higher proportion of awards to certain vendors reflected the public sector agencies' assessment that those vendors presented the best value proposition for their needs. The high consumption of services from certain vendors also corresponded with the positive feedback from the public sector agencies on the ability of those vendors to perform and deliver the required services. MCI did not observe any irregularities or wrongdoings based on the feedback from public sector agencies.

23. MCI consulted the Ministry of Finance (MOF) on concentration risk. MOF's view is that the inclusion of multiple vendors in demand aggregation contracts is to cater to the wide variety of needs that public sector agencies may have. If the high concentration of awards to a particular vendor on the panel is a result of the vendor being able to provide goods/services at a suitable pricing that best meet public sector agencies' needs, this is not a negative outcome.

24. Nonetheless, MCI agreed that it was important to have a good spread of business opportunities in the creative services industry and to build up experience and expertise of more industry players in government communications. MCI said that it had facilitated this by sharing all vendors' information, such as their portfolios and contacts, with public sector agencies. MCI had also included a Pitching Fee line item in the WOG PCFA, which provided for a public sector agency to invite one or more vendors to pitch their proposals for the agency's project, if desired. That enabled public sector agencies to try out different vendors and assess who is most suitable for their project. MCI would look into how future tenders could be structured to build up players in the creative services industry.

25. MOF has informed AGO that it agreed that it would be useful for sector leads to monitor procurements made under their period contracts and would include this as a good practice.

MINISTRY OF SUSTAINABILITY AND THE ENVIRONMENT

PUBLIC UTILITIES BOARD

Lapses in Procurement Made under Whole-of-Government Period Contract and Framework Agreement for Communications Campaigns

26. AGO carried out test checks on six POs issued by PUB under the WOG PCFA during the period October 2018 to March 2021 and found the following lapses:

- a. Lapses in assessment of cost reasonableness of third-party items for campaigns;
- b. Payments made for third-party items without verifying against supporting invoices; and
- c. Incorrect application of WOG PCFA rates.

A. Lapses in Assessment of Cost Reasonableness of Third-Party Items for Campaigns

27. According to MCI's guidelines for tapping on the WOG PCFA, where third-party services² were required, public sector agencies were to pay back-to-back costs³ for the third-party services after evaluating cost reasonableness of such services and verifying payment claims against third-party invoices.

28. AGO test-checked 129 third-party items (totalling \$1.37 million) in six POs (totalling \$3.33 million) issued by PUB under the WOG PCFA during the period October 2018 to March 2021. These items included video editing services and the engagement of content publishers. AGO found lapses in the assessment of cost reasonableness of 44 third-party items (or 34 per cent) totalling \$1.03 million (or 75 per cent) in five POs. As a result, there was inadequate assurance that value for money had been obtained for these items.

² Third-party services are services sub-contracted by the appointed vendor to a third party and the rates charged by the third party are not covered under the WOG PCFA.

³ Back-to-back costs refer to actual costs charged by the third party.

29. AGO found that there was no assessment of cost reasonableness of 30 third-party items (totalling \$0.25 million) and no documentation on the cost reasonableness assessment performed for another 14 third-party items (totalling \$0.78 million) before payments were made. This was contrary to MCI's guidelines.

30. As the rates for third-party items were not part of the rates under the WOG PCFA which had been evaluated centrally by MCI, PUB should have assessed cost reasonableness to ensure that value for money was obtained for the items.

B. Payments Made for Third-Party Items Without Verifying Against Supporting Invoices

31. AGO's test checks of 26 payments (totalling \$1.37 million) for third-party items under the six POs found seven payments (or 27 per cent) totalling \$0.08 million (or 6 per cent) which were made without first obtaining the third-party invoices. As a result, there was no assurance that PUB had checked the actual expenditure incurred for the third-party items before making payments.

32. AGO noted that the seven payments were made prior to the date of the third-party invoices or prior to the date of receipt of third-party invoices. PUB informed AGO that these payments were based on the amount agreed in the PO or payment schedule between PUB and the appointed vendor.

33. Given that there could be changes subsequent to the issuance of POs, PUB should make payment only after checking against third-party invoices to verify that the amount invoiced by the vendor was indeed the back-to-back costs incurred.

C. Incorrect Application of WOG PCFA Rates

34. AGO's test checks of the six POs also found that PUB had incorrectly applied the WOG PCFA rates for payments for two POs. As a result, PUB could have overpaid its vendor by an estimated \$34,000.

35. PUB informed AGO that it had since included the requirement for the cost reasonableness check to be duly documented, verified and approved by the Quotation Approving Authority in its procurement guidelines. In addition, it had updated its procurement guidelines to formally require sighting of third-party invoices prior to payment. PUB also informed AGO that it had taken action to recover the overpayment from the vendor.

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 2021/22 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 1966, 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 1966.

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 2021/22, AGO carried out selective audits of the following four statutory boards:

- a. Central Provident Fund Board;
- b. Institute of Technical Education;
- c. National Environment Agency; and
- d. SkillsFuture Singapore Agency, including the Skills Development Fund².

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

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.

² The Skills Development Fund was established under the Skills Development Levy Act 1979. The Fund is administered by the SkillsFuture Singapore Agency.

MINISTRY OF EDUCATION

SKILLSFUTURE SINGAPORE AGENCY

10. For the audit of the SkillsFuture Singapore Agency (SSG), AGO covered the following areas in its test checks:

- a. Grants;
- b. Procurement and payment;
- c. Skills Development Levy (SDL) under Skills Development Fund (SDF); and
- d. Application fees for organisation registration and course accreditation under Singapore Workforce Skills Qualifications.

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

Lapses in Management of Grants

11. SSG manages and administers several grant schemes to promote a culture of lifelong learning through the pursuit of skills mastery and to strengthen the ecosystem of quality education and training in Singapore.

12. AGO carried out data analysis and test checks of grant disbursements for the period 1 April 2018 to 30 June 2021. AGO found that there were inadequate monitoring and checks by SSG and its outsourced service provider to ensure that grants disbursed for individuals, employers and training providers were valid, correct and in compliance with the grant terms and conditions.

13. SSG disbursed a total of \$1.93 billion in grants for the period 1 April 2018 to 30 June 2021. AGO found lapses in grants disbursed, with total overpayments estimated at \$4.22 million. The table below summarises the key audit observations, the total amount of grants disbursed with lapses noted and the total estimated overpayment by SSG.

Key Audit Observations	Amount of Grants Disbursed with Lapses Noted³ (\$)	Estimated Overpayment (\$)
Inadequate Monitoring and Lapses on Checks for Grant Eligibility	2,587,800	2,587,800
Inadequate Checks by Service Provider on Grant Claims of Training Providers	953,600	953,600
Grants Disbursed for Individuals and Companies which were Disallowed Funding	269,100	269,100
Grants Disbursed for Individuals with Overlapping Attendance Records for Synchronous Courses	3,290,800	13,300
Inadequate Checks/Supporting Documents for Absentee Payroll Funding	615,100	393,700
Total	7,716,400	4,217,500

14. SSG agreed on the need to improve its grant administration system and processes to prevent lapses. SSG also noted from the AGO audit that SSG’s business rules were not well-defined or correctly configured in certain scenarios, such as individuals attending multiple courses with overlaps in attendance timing, and disbursements made to individuals and companies that were disallowed funding. SSG would embark on an exercise to regularise those rules to ensure consistency and robustness in its grant disbursement.

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

³ Refers to cases identified to have lapses which may or may not result in incorrect amount of grants disbursed.

A. Inadequate Monitoring and Lapses on Checks for Grant Eligibility

16. AGO found that \$2.59 million of grants were disbursed for 1,342 individuals and 282 companies which did not meet the eligibility criteria for various grant schemes administered by SSG. The schemes included the Enhanced Training Support for Small and Medium Enterprises Scheme, Mid-Career Enhanced Subsidy Scheme, SGUnited Skills and SGUnited Mid-Career Pathways – Company Training Programmes. These individuals and companies did not meet eligibility criteria such as age, citizenship, employment size and annual sales turnover. Some of them had also wrongly declared to SSG that they had met the eligibility criteria. The erroneous grant disbursements were mainly due to the lack of independent verification, inadequate monitoring or lapses in checks by SSG and its outsourced service provider.

17. It is important that controls are in place to ensure that grants are given only for individuals and companies which meet the eligibility criteria. This is to ensure that the grant schemes' objectives are met and public funds are used prudently.

18. SSG informed AGO that it would conduct further checks on the cases highlighted by AGO and would initiate recovery of grants where appropriate. SSG would improve its monitoring of its service provider. It would strengthen its pre-disbursement checks and had documented those as written instructions to its service provider. SSG would also continue to move towards IT system-enabled checks on grant eligibility, including data verification at source, to reduce the risk of errors from manual processing.

B. Inadequate Checks by Service Provider on Grant Claims of Training Providers

19. AGO found that there were inadequate checks by SSG's outsourced service provider in ensuring that grants disbursed to training providers were for courses approved by SSG and were correctly computed, and that grant terms and conditions were complied with. AGO's test checks found overpayments totalling \$953,600 for eight grant disbursements (involving 1,494 individuals and a training provider). AGO is of the view that SSG's processes and controls could be enhanced to ensure that disbursements to training providers are for approved courses and correctly computed, and that its service provider exercises greater care in checking the disbursements.

20. SSG informed AGO that it had since initiated follow-up action on the cases highlighted by AGO. That included seeking retrospective approval from its approving authority to provide funding for courses not previously approved by SSG, recovering overpayments from training providers, and tightening the process of checks and verifications by its service provider. It would also adopt IT system-enabled checks for grant claims to reduce the risk of errors from manual processing.

C. Grants Disbursed for Individuals and Companies which were Disallowed Funding

21. AGO found that SSG had disbursed a total of \$269,100 in grants and SkillsFuture Credit (SFC) for 295 individuals and three companies which were disallowed funding or use of SFC by SSG. Among other reasons, these individuals and companies were disallowed such funding due to investigations by Government agencies for suspected fraud, or significant amounts of refund owed to SSG. It is important to put in place adequate controls to ensure that grants are not disbursed for such individuals and companies.

22. SSG said that it would improve the processes and controls on grant disbursements to individuals and companies that were disallowed funding. According to SSG, the errors were mainly due to IT system errors and limitations in manual checks by its service provider. SSG would be making changes to its existing processes and updating its Standard Operating Procedures (SOP) and instructions to its service provider. It would follow up to recover grants which were wrongly disbursed. A new system was also being developed to enable effective management of cases that were disallowed funding. The new system would be integrated with the relevant parts of other SSG systems for grant management and disbursements.

D. Grants Disbursed for Individuals with Overlapping Attendance Records for Synchronous Courses

23. AGO's data analysis on attendance records found 5,887 enrolments where the individual enrolled was found to have attended two or more synchronous course sessions⁴ for different courses at the same time. As at 1 October 2021, a total of \$3.29 million in grants was disbursed for 4,904 of these enrolments.

⁴ Synchronous course sessions refer to sessions that require individuals' presence (physically or virtually) at a particular date and time, as opposed to courses that allow individuals to attend at their own time. Examples include sessions conducted in physical classrooms, assessment, practical, and synchronous e-learning.

24. Of the 4,904 enrolments, the overlapping course sessions for 4,719 (or 96 per cent) enrolments required the individuals to be physically present (i.e. not virtual e-learning) at different venues at the same time. As it was not possible for an individual to be at different physical venues at the same time, these cases indicated a risk of error or abuse.

25. AGO also identified 212 enrolments (totalling \$95,500) of the 4,904 enrolments, where the grant criterion of at least 75 per cent attendance would not have been met had the overlapping course sessions been taken into consideration for attendance computation. SSG's follow-up on 156 of the 212 enrolments confirmed that training providers had submitted incorrect attendance records for 38 enrolments (or 24 per cent). SSG informed AGO that it would recover grants totalling \$13,300 for those enrolments and continue to follow up on the remaining enrolments.

26. SSG also informed AGO that it would investigate and pursue recovery actions for the 4,719 enrolments with overlapping sessions that required the individuals to be physically present. It would continue to monitor possible fraud and abuse cases surfaced via whistleblowing. It would also put in place a tighter e-attendance system.

E. Inadequate Checks/Supporting Documents for Absentee Payroll Funding

27. To help defray manpower costs incurred by employers when they send their employees for training funded by SSG, employers were given absentee payroll grants which were computed based on the employees' salaries declared by the employees. AGO's data analysis found 5,858 grant disbursements where the employees' salaries were significantly over-declared by 792 employers. A total of \$615,100 in absentee payroll grants was disbursed for these cases, of which \$393,700 could be overpayments due to the over-declaration of salaries. AGO noted that SSG did not require employers to provide supporting documents (e.g. payslips) for the salary declaration. It relied on the employers' declarations without performing any check prior to disbursing the grants. Hence, there was no assurance that absentee payroll grants disbursed were supported and correct.

28. SSG said that it would take action against employers who were found to have provided inaccurate salary information for the computation of absentee payroll funding. It would commence further inquiries/investigations for suspected fraud or abuse cases and seek recovery where necessary.

29. SSG said that it had since tightened its absentee payroll funding policy from 1 January 2022. It had applied a fixed absentee payroll hourly rate, with an overall cap on the amount of absentee payroll grant that an employer could receive in a year. The new funding approach would not require employees' salary information to compute absentee payroll grants.

Laxity in Enforcement of Outstanding Skills Development Levy Collections

30. The Skills Development Levy Act 1979 requires all employers to pay SDL on a monthly basis for their local and foreign employees working in Singapore. The SDL collected is channelled to the SDF to support workforce upgrading programmes. The SDL and SDF are administered by SSG. The total amount of SDL collected for the period 2015 to 2020 was \$1.51 billion.

31. AGO's test checks found that SSG was lax in its enforcement of SDL collections. Based on SSG's records, the estimated outstanding SDL was \$43 million as at April 2022. This amount was owed for the period 2015 to 2020. Details of the lapses pertaining to the enforcement of SDL collections are in the following paragraphs.

32. AGO's test checks found that enforcement actions taken by SSG on outstanding SDL collections from private sector employers were inadequate. SSG had a tiered enforcement strategy with actions such as the sending of mailers to employers and the conduct of audits, depending on the estimated outstanding amounts.

33. AGO noted that the sending of mailers was not effective in collecting the SDL owed. The amount of SDL payable was not specified in the mailers to employers. SSG also left it to employers to make payment if they had not paid or had underpaid the SDL. For employers which had outstanding SDL above a certain amount and did not respond to the mailers, SSG's SOP required follow-up actions such as reminder letters and calls. However, AGO's test checks of nine private sector employers with estimated outstanding SDL totalling \$617,600 (as at April 2022) for the period January 2016 to August 2021 found that SSG was tardy in its enforcement actions. There were long gaps (as long as 17 months) between mailers, reminder letters and follow-up calls when the duration between each action should have been 35 days based on SSG's SOP.

34. AGO also noted that SSG did not put in adequate effort to conduct audits of employers which potentially owed significant amounts of SDL. SSG was supposed to select new audit cases on a weekly basis. However, for the entire period of November 2016 to March 2020, SSG only selected five employers for audit. According to SSG, this was because it wanted to focus on completing its audit backlog of 55 employers. SSG also said that its audits would typically check the SDL owed by the employer for a one-year period and not the full amount owed for the other periods. If there was underpayment noted from the audit, SSG would request the employer to pay the difference. The employer would also be required to check its SDL payments for the other periods and pay the amount owed. As at January 2022, SSG had completed the audit of 37 of the 60 employers and collected a total of \$1.11 million. As for the remaining employers, they were eventually not audited due to various reasons such as being deregistered or becoming insolvent.

35. AGO is of the view that SSG should exercise greater due diligence and take adequate enforcement actions to recover the outstanding SDL in a timely manner. Otherwise, the longer the SDL remains unpaid/underpaid, the lower the likelihood of recovery.

36. In addition, AGO noted that SSG did not include public sector employers in its enforcement actions. This practice started in 2013 when the administration of SDF was under the then Singapore Workforce Development Agency. SSG continued with the practice when it was established on 3 October 2016 and took over the administration of SDF. According to SSG, its focus was on private sector employers which it had assessed to be of higher risk. As at April 2022, the total outstanding SDL for public sector employers for the period 2015 to 2020 was estimated at \$3 million. SSG informed AGO that it had since removed the previous practice of excluding public sector employers and had tightened enforcement on them. As at mid-June 2022, a significant amount of the outstanding SDL had been paid, with the rest of the public sector employers committing to pay by end June 2022.

37. SSG agreed with AGO that more needed to be done to follow up on employers with outstanding SDL payments. It had undertaken a comprehensive review on the enforcement of SDL collections. The review included proposals to amend the Skills Development Levy Act 1979 to give SSG more powers to carry out enforcement on SDL collection and implementing a new IT system in 2023 with features such as ageing reports and alerts to enhance enforcement operations. In particular, SSG had also prioritised the follow-up with employers whose estimated underpayments were significant enough to warrant a full multi-year audit of the employers' payroll to validate the amount owed for the relevant periods.

MINISTRY OF SUSTAINABILITY AND THE ENVIRONMENT

NATIONAL ENVIRONMENT AGENCY

38. For the audit of the National Environment Agency (NEA), AGO covered the following areas in its test checks:

- a. Revenue and collections;
- b. Procurement and payment;
- c. Contract management; and
- d. Grants.

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

Vehicles Exceeding Maximum Laden Weight Not Reported to Relevant Authority

39. To address concerns over operational and traffic safety at incineration plants, NEA had in 2012 agreed with the Land Transport Authority of Singapore (LTA) that it would report vehicles which exceeded their maximum laden weight by a certain threshold to LTA for enforcement action.

40. AGO test-checked 259,208 waste disposal trips at four incineration plants for six months between 2018 and 2021. AGO found 2,795 trips where the vehicles exceeded their maximum laden weight by the specified threshold but were not reported to LTA for enforcement action. The 2,795 trips comprised 687 trips at two incineration plants operated by NEA and 2,108 trips at two incineration plants operated by companies under service agreements with NEA. In addition to safety concerns at the incineration plants, there could be potential fines not imposed on vehicles that had breached Road Traffic Rules by carrying loads in excess of their maximum laden weight.

41. NEA informed AGO that it would improve its detection of overladen vehicles at the incineration plants and review the reporting procedure with LTA to facilitate enforcement action by LTA.

Possible Irregularities in Quotations Submitted for Grant Applications

42. Arising from a complaint alleging possible irregularities in applications for a grant scheme administered by NEA, AGO carried out test checks on grant applications approved under the scheme between September 2018 and September 2021. A total of 364 applications were approved during this period, with grants disbursed amounting to \$5.62 million.

43. AGO's test checks found possible irregularities in 61 of the 364 grant applications. The total amount of grants disbursed for the 61 applications amounted to \$0.34 million.

44. The grant scheme aims to raise operational efficiency and productivity of the environmental services industry through technology adoption. The scheme provides co-funding support up to a certain percentage of qualifying costs, with a total grant cap per company. To apply for the grant, applicants are required to identify the equipment or digital solution that they intended to procure. Among other things, applicants are required to submit a few quotations for the identified equipment or solution to demonstrate cost reasonableness.

45. AGO's test checks found possible irregularities in 118 of the 183 quotations (or 64 per cent) submitted for the 61 grant applications. As AGO had concerns over the authenticity of these quotations, AGO recommended that NEA look into the matter and make a police report if necessary.

46. NEA informed AGO that it had since lodged a police report. NEA also informed AGO that it would enhance its checks on grant applications and train its officers to detect tell-tale signs of questionable applications and quotations.

PART III

THEMATIC AUDIT – COVID-19 RELATED PROCUREMENT AND EXPENDITURE

PART III : THEMATIC AUDIT

1. In the financial year 2021/22, AGO conducted a thematic audit on selected Coronavirus disease 2019 (COVID-19) related procurement and expenditure managed by the Health Promotion Board (HPB), the Singapore Land Authority (SLA) and the Ministry of Manpower (MOM).

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 1966. For statutory boards, the authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966.

Acknowledgements

4. AGO would like to thank HPB, SLA and MOM for their co-operation in the audit.

Background

5. The COVID-19 global pandemic was unprecedented in scale and speed of spread. The Government had to act decisively and respond swiftly to protect Singapore and Singaporeans from the threat to lives and livelihoods. Within a short period of time, many government agencies had to take on new roles and functions in addition to their usual operations.

6. To help agencies with their COVID-19 related procurement, the Ministry of Finance (MOF) implemented the following key measures at the Whole-of-Government (WOG) level:

- a. MOF centrally activated Emergency Procurement (EP) procedures at the WOG level in late January 2020. Compared to normal procurement, EP procedures allowed for shorter tender and quotation opening periods, higher procurement limits for small value purchases and quotations, as well as expedited approval process. As public funds would be spent, public sector agencies were still required to conduct proper evaluation before award. Agencies were required to assess price reasonableness to the extent possible for EP, taking into account the unique market conditions and time constraints. MOF subsequently deactivated central EP in late August 2020 as the time pressure on procurement of COVID-19 related supplies and services had eased off for most agencies. Some agencies extended EP for their agencies beyond August 2020, given their circumstances.
- b. In July 2020, MOF issued an advisory requiring all agencies to prepare an Accountability Report to document all EP decisions. The Accountability Report must be submitted to and endorsed by the Permanent Secretary of the Ministry (or parent Ministry for statutory boards) in person.
- c. MOF also issued two advisories:
 - i. In April 2020, to guide agencies in managing existing contracts and suppliers that were impacted by the suspension of public services due to the Government's Circuit Breaker measures; and
 - ii. In July 2020, to remind agencies to document their COVID-19 related EPs in a timely manner.

7. As for public sector agencies, they had to act quickly to ensure essential services were delivered (including new services that were implemented because of the pandemic) and to ensure that critical supplies were secured and stockpiled. Procurement decisions had to be made in tandem with the rapidly evolving COVID-19 situation and it was unclear how long the pandemic would last. Many agencies made use of the EP arrangements and used the Direct Contracting mode of procurement for services and supplies, including those of high value. The uncertain and fluid situation in 2020 and 2021 also posed greater operational risks to public sector agencies.

Scope of Audit

8. The thematic audit focused on COVID-19 related procurement and expenditure of three agencies, i.e. HPB, SLA and MOM during the period 1 January 2020 to 31 March 2021. 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 COVID-19 related procurement were properly carried out.
- b. Stage 2: Procurement and Contracting
 - whether applicable procurement procedures were followed;
 - whether there were processes and controls in place to ensure that appropriate sourcing methods were used, and that specifications, conditions of contract and evaluation criteria were appropriately determined;
 - whether procurement was properly evaluated and approved; and
 - whether contracts 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 was properly monitored;
 - whether purchase/work orders and variations 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 the review of needs, refund of any security deposit/performance bond due to the contractors) and proper handing over at the end of the contracts.

9. The audit examined whether there was a proper framework for COVID-19 related procurement and expenditure, 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 that were managed by outsourced agents, the audit focus was on the roles and responsibilities of HPB, SLA and MOM in their overall management of the contracts and the outsourced agents.

Summary

10. HPB, SLA and MOM incurred a total of \$1.51 billion on COVID-19 expenditure relating to manpower services, accommodation facilities and meal catering for the period 1 January 2020 to 31 March 2021. The breakdown is shown in the table below.

Services	Total Expenditure from 1 January 2020 to 31 March 2021 (\$ million)
Health Promotion Board	
Manpower Services	93.11
Singapore Land Authority	
Accommodation Facilities	1,004.95
Ministry of Manpower	
Manpower Services	109.79
Meal Catering	301.10
Total	410.89
Grand Total	1,508.95

11. AGO's test checks covered the above COVID-19 related procurement and expenditure under HPB, SLA and MOM. AGO test-checked a total of 985 samples covering contracts, payments and contract variations under the three agencies. The total amount of expenditure test-checked was \$264.93 million (or 18 per cent out of the \$1.51 billion expenditure incurred during the audit period).

12. AGO noted that the three agencies generally had in place processes and controls across the four stages of procurement and contract management. In addition, AGO noted that these agencies had implemented several good practices to facilitate timely response to the emergency situation and to reduce costs for the Government. Nevertheless, AGO noted areas where improvements could be made.

13. The key observations are summarised by the stages below:

Stage 1 - Planning and Establishing Needs

14. AGO observed that HPB, SLA and MOM generally had processes in place to establish needs when planning for their COVID-19 related procurement. Based on AGO's test checks, approval of requirement for the intended procurement was obtained from the authorised approving officer to ensure that needs were properly established.

Stage 2 - Procurement and Contracting

15. AGO noted that HPB, SLA and MOM had generally adopted direct contracting for their COVID-19 related procurement with the activation of EP, given the extreme urgency and unprecedented situation. There were established approving authorities and financial limits to approve contract awards. In general, agreements were entered into with the contractors for the required works and services.

16. However, there were areas where controls could be improved. For SLA and MOM, AGO noted lapses in the evaluation of contractors' proposals and assessment of price reasonableness, and discrepancies and omissions in submissions to the approving authority for contract award. There were also delays in obtaining approvals for contract awards. Both agencies should also ensure that key terms and conditions were included in the contracts to better safeguard the Government's interest. For all three agencies audited, there was a need to improve on the documentation of assessments carried out (e.g. on price reasonableness) for proper governance and accountability. For HPB in particular, AGO noted many instances where documents relating to the evaluation and appointment of swab personnel (such as assessment of suitability and contract offers/acceptances) could not be located for the audit.

Stage 3 - Managing Contracts

17. AGO noted that SLA and MOM had established approving authorities and financial limits to approve contract variations. Generally, contract variation agreements were entered into with the contractors. For payments, HPB, SLA and MOM generally had processes in place to ensure that payments were supported, approved and paid in a timely manner. There were also established approving authority matrices for the approval of payments.

18. Nevertheless, AGO noted areas where the controls for both SLA and MOM could be improved. AGO found instances where there were delays in obtaining approvals for contract variations and execution of variation agreements. AGO also noted instances where payment controls should be improved. There were lapses in payment processes such as inadequate checks on validity of payments, lack of supporting documents for payments and discrepancies in payment claims.

Stage 4 - Closure/Renewal of Contracts

19. HPB, SLA and MOM generally had processes in place for closure/renewal of contracts. SLA and MOM had processes in place to monitor the start and end dates of contracts, and to discontinue those contracts when services were no longer needed. HPB had put in place a set of internal criteria to assess the suitability of swab personnel for contract extension/renewal and scheme conversion.

20. Nevertheless, HPB should improve on its administration of contract extension/renewal and scheme conversion of swab personnel. AGO noted that documents relating to the extension/renewal/conversion of contracts (such as assessment, approval and contract offers/acceptances) could not be located for the audit. HPB should also improve controls to mitigate the risk of erroneous payments, including the timely deactivation of terminated personnel's accounts in the payment system.

Possible Irregularities Relating to Some Contracts

21. During the audit of SLA, AGO noted tell-tale signs that cast doubt on the authenticity of some documents provided by a contractor to substantiate the price reasonableness for some of the required services. For MOM, AGO also noted discrepancies in the extension of one of the contracts. SLA and MOM informed AGO that reports had been lodged with the relevant authorities regarding the possible irregularities.

Key Learning Points

22. Learning from the COVID-19 experience, the public sector may wish to reflect on appropriate governance arrangements in an emergency. Even as swift action is needed in an emergency, the need for good financial governance is not reduced. There is a need to consider what would be “fit for purpose” governance mechanisms in an emergency, including what constitutes a reasonable level of accountability and oversight. Such arrangements can be developed in peacetime and activated in times of emergency.

23. In this regard, AGO would like to offer the following key learning points:

a. Establish a reasonable level of governance and planning arrangements for use in an emergency

The EP which was centrally activated at the WOG level covered the procurement stage of the “procure to pay” lifecycle. It may be useful to look at the entire lifecycle comprising procurement, contract management and payment, and consider “fit for purpose” governance arrangements in an emergency to help agencies manage the entire lifecycle while adhering to the basic principles of Government procurement and financial controls.

Areas that will benefit from more guidance include:

- i. Evaluation of contractors (including assessment of price reasonableness of bids) for goods/services procured through EP;
- ii. Contracting for flexible and scalable quantities as demand is often unpredictable in an emergency;
- iii. Establishing the minimum terms and conditions that should be included in contracts and agreements to safeguard the Government’s interest; and
- iv. Establishing the extent of documentation required for key decisions and transactions.

Such arrangements can be established during peacetime for activation during emergencies. Agencies will then be better prepared in times of crisis. At the same time, this will provide assurance to the public that procurement outcomes continue to be fair even when procurement rules are relaxed during an emergency.

b. Affirm and support the development of critical corporate functions such as procurement, finance and human resource

During the pandemic, the focus of the public sector was on the front-line and operational response. Such front-line and operational functions should be complemented by effective corporate functions which are critical in a crisis. This would include corporate functions such as procurement, finance and human resource. Central agencies may wish to consider how such critical support functions can be better organised at the WOG or cluster/agency level, and what detailed guidance to give agencies in these areas.

c. Maintain appropriate records and document key decisions and transactions

The high volume of financial transactions and the need to expedite payments to contractors may cause agencies to accept payment claims without performing adequate checks or to accept claims which are not substantiated by relevant supporting documents. This may increase the risk of paying for goods and services not received or not satisfactorily received.

It will be useful to provide guidance to agencies on the types of supporting documents needed and the extent of checks required. Checklists on the key steps to follow can be prepared for use during an emergency.

It is also important that there is sufficient documentation on key decision-making processes and transactions (e.g. basis for directly contracting with particular contractor(s), assessment of price reasonableness, and satisfactory receipt of goods and services). This is fundamental to effective governance, accountability and transparency.

24. Details of the key observations for HPB, SLA and MOM, including good practices implemented, are reflected in the paragraphs that follow.

MINISTRY OF HEALTH

HEALTH PROMOTION BOARD

25. HPB was appointed by the Ministry of Health (MOH) in April 2020 as the national agency to conduct COVID-19 testing. HPB had to rapidly set up testing sites and recruit manpower to conduct testing in migrant worker dormitories, community testing centres and regional swab centres. HPB was initially tasked to undertake 40,000 swabs a day within the first three months and then to scale this up to 100,000 swabs a day after three months. The swab testing capacity was subsequently scaled back to 57,000 swabs a day. HPB set up and managed swab centres, and hired and trained personnel to conduct swab operations. It started with 12 sites and 650 swab personnel in May 2020 and this was quickly increased to 60 sites and 5,100 swab personnel by July 2020.

26. During the initial phase, HPB hired all swab personnel under Contract of Service (COS) arrangements. Personnel hired under COS were considered as HPB employees and were eligible for employee benefits such as medical benefits, leave provisions, etc. Subsequently from June 2020, two categories of personnel (swab assistants and operations administrators) were hired under Contract for Service (CFS) arrangements instead. Personnel hired under CFS were independent contractors who were individually engaged by HPB to provide specified services for a fee.

27. The thematic audit of HPB focused on the COVID-19 related procurement and expenditure relating to the engagement of manpower services for swab operations for the period 1 January 2020 to 31 March 2021. HPB incurred a total expenditure of \$93.11 million on COVID-19 related manpower services during this period.

28. AGO test-checked 384 samples covering contract awards and contract extensions/renewals for swab personnel, scheme conversions (i.e. from COS to CFS or vice versa) and payments made to swab personnel during the audit period.

29. AGO found that HPB had, in general, put in place processes and controls across the following four stages:

Stage 1: Planning and Establishing Needs

Stage 2: Procurement and Contracting

Stage 3: Managing Contracts

Stage 4: Closure/Renewal of Contracts

30. HPB had processes in place to assess, plan and determine the need for engaging manpower services for swab operations based on MOH's forecast of demand for testing services. Relevant requirements, conditions of contracts and payment rates were clearly stipulated when sourcing for manpower. HPB would enter into a formal contract with each of the personnel engaged. Approving authorities for the procurement and the contracts were also established. HPB had also put in place procedures requiring payments to COS and CFS swab personnel to be properly supported, approved and paid in an accurate and timely manner.

31. AGO also noted that HPB had implemented several good practices to better manage operations and costs:

- a. HPB established the Testing Operations Tasking Group (TOTG) in April 2020 to start up operations and engage swab personnel to provide nationwide swabbing and testing. TOTG was responsible for the command, control, welfare and discipline of the many teams of swab personnel operating on the ground.
- b. HPB established a training standards and compliance framework in June 2020. Swab personnel were required to pass specific competency assessments before they were deployed. HPB also put in place ongoing performance monitoring and assessment to ensure that the technical skills (e.g. swabbing techniques) of swab personnel were maintained and HPB's policies (e.g. infection prevention control) were complied with.

- c. To manage the large number of swab personnel, HPB implemented an IT system in September 2020 to manage the deployment, work schedules and human resource functions (e.g. leave administration) of swab personnel. The system also facilitated communication among TOTG headquarter staff and personnel on the ground.

32. Nevertheless, HPB could strengthen its controls and processes as follows:

- a. Ensure that proper documentation is maintained for the appointment, contract extension/renewal and scheme conversion of swab personnel.
- b. Maintain adequate oversight of functions performed by external partners to ensure that services performed are in accordance with HPB's requirements. The roles, responsibilities and deliverables expected of the external partners should also be explicitly documented in a written letter of understanding or agreement.
- c. Improve controls to mitigate the risk of erroneous payments being made after contracts are terminated, including timely deactivation of terminated personnel's accounts in the system.

33. The key observations are in the following paragraphs.

Ensure Proper Documentation Maintained

A. Evaluation and Appointment of Personnel

34. HPB worked with a few external partners to recruit, evaluate and issue letters of appointment to swab personnel on HPB's behalf. AGO's test checks of 134 swab personnel engaged by HPB (contract value totalling \$2.73 million) found that job applications and evaluation documentation for all 134 cases could not be located for the audit. For 131 of the 134 personnel, the contract offer and/or the personnel's acceptance of offer also could not be located. In addition, AGO's review of available records found that eight personnel were appointed despite not meeting one shortlisting criterion. As a result, there was inadequate assurance that the external partners had evaluated and appointed the swab personnel in accordance with HPB's requirements.

35. AGO noted that the roles, responsibilities¹ and deliverables of the external partners were not explicitly documented in any written letter of understanding or agreement. Even though the external partners had stepped forward to assist HPB and some did not charge any fees, AGO's view is that it is still important for HPB to clearly document what each party was responsible for. HPB had also not exercised adequate oversight of these partners to ensure that services performed were in accordance with its requirements. HPB was not aware of the missing documents mentioned above until AGO requested for them during the audit.

36. HPB explained that the high volume of work and frequent staff turnover resulted in gaps in record-keeping and documentation. Given the urgent need to ramp up testing capacity, formal written agreements between parties were not prioritised during the emergency. HPB informed AGO that since 1 September 2021, it had transitioned to acquiring manpower services from commercial manpower agencies. With the new arrangement, HPB would no longer enter into individual contracts with swab personnel. HPB also informed AGO that it would monitor outsourced services to prevent similar issues from occurring.

B. Extension/Renewal of Contracts and Scheme Conversions

37. AGO's test checks of contracts extended/renewed found that for 123 swab personnel (contract value totalling \$1.72 million), HPB could not locate documents to show that it had assessed the personnel's suitability and obtained approval to extend/renew the contracts. For 48 of these personnel, there were also no records available to show HPB's offer and/or the personnel's acceptance of the contract extension/renewal.

38. In addition, AGO found that there was no documentation on the suitability assessment and approval for the scheme conversion for all 20 swab personnel (contract value totalling \$0.21 million) test-checked. For nine of them, HPB's offer and/or the personnel's acceptance of the scheme conversion also could not be found.

39. Without the necessary documentation, there was inadequate assurance that the suitability of personnel for contract extension/renewal and scheme conversion had been adequately assessed and approved by the appropriate authorities.

¹ Including record-keeping.

40. HPB explained that it was unable to locate the required documents mainly due to shortcomings in the filing of documents and in the supervision of staff involved. With the move to acquiring manpower services from commercial manpower agencies, the management of contracts with personnel (including monitoring of acceptance or rejection of extended/renewed contracts) would be handled by the manpower agencies. To ensure that the evaluation and approval of extension/renewal of swab personnel would be properly carried out and documented, HPB had put in place a Standard Operating Procedure (SOP) which would require HPB's approval for contract extension/renewal before the cases were handed to the manpower agencies for administrative processing. HPB would also strengthen the system of filing and sharing of documents.

Improve Controls over Payments

41. AGO's data analysis of payments made to swab personnel found that 51 personnel continued to receive payments for one to six months after their contracts had terminated². This resulted in overpayments totalling \$0.58 million. For 30 of these cases, AGO noted that HPB had only initiated recovery actions 3 to 15 months after the last month of overpayment. The delay increased the risk that HPB might not be able to recover some of the overpayments.

42. According to HPB, its human resource, finance, and manpower planning and deployment teams jointly conducted a review in January 2021 to identify, detect and recover salary overpayments. The review was conducted before AGO's audit. HPB found 868 cases (including the 51 cases noted in AGO's audit) with overpayments totalling \$1.60 million. Of the 868 cases, 603 cases (totalling \$0.88 million) had been fully recovered, 54 cases (totalling \$0.24 million) were on instalment repayment plan and the remaining 211 cases (totalling \$0.48 million) were still outstanding.

² Based on salary payment data, there were 1,287 terminated personnel under the COS scheme and 599 terminated personnel under the CFS scheme for the period 1 January 2020 to 31 March 2021. A contract is terminated upon contract expiry or resignation.

43. HPB said that the overpayments were mainly due to delays in the keying in of termination dates in the human resource system and errors encountered during the migration of termination records to a new system. There were also a number of system issues in the new system which had since been resolved. HPB also informed AGO that it had enhanced supervisory oversight of human resource operational processes.

Ensure Timely Deactivation of Accounts of Terminated Personnel

44. From test checks of 13 CFS swab personnel whose contracts were terminated during the audit period, AGO noted delays of between four months and a year in the deactivation of 11 swab personnel's accounts in the payment system. While AGO's test checks did not find erroneous payments made to these 11 personnel after the termination of their contracts, AGO noted that payments could still be made to personnel with active accounts. Delays in deactivating these accounts could expose HPB to the risk of erroneous payments.

45. HPB explained that the staff who were in charge of administering the accounts were unfamiliar with the deactivation of accounts as the system was new. Even though the accounts had not been deactivated, HPB explained that it had control measures in place to ensure payments were subjected to the necessary checks (three level of checks by Senior Manager, Assistant Director and finally Deputy Director of Manpower). HPB also informed AGO that it would ensure that lessons learnt were reflected in its SOPs to improve preparedness for future emergencies.

MINISTRY OF LAW

SINGAPORE LAND AUTHORITY

46. The Singapore Land Authority (SLA)'s key role³ in the fight against the COVID-19 pandemic was to procure, prepare, administer and manage premises to be used mainly as quarantine, isolation, recovery or temporary dormitory facilities for individuals affected by COVID-19. SLA had to rapidly shift from its business-as-usual operations to take on this additional task during the crisis, with no increase in headcount. As the number of COVID-19 cases rose, the stock of accommodation facilities needed also increased. There were two main types of accommodation facilities procured and managed by SLA during this period, namely hotels (including hostels and serviced apartments)⁴ and Build and Run (B&R) facilities⁵.

47. The thematic audit of SLA focused on COVID-19 related procurement and expenditure on accommodation facilities during the period 1 January 2020 to 31 March 2021. A total of \$1 billion was spent on accommodation facilities. According to SLA, there were around 229 contracts awarded and 470 purchase orders issued for the COVID-19 related procurement during this period.

48. AGO test-checked a total of 205 samples covering contracts awarded, contract variations, payments and closure/renewal of contracts during the audit period.

³ SLA's roles and responsibilities were set out in a Memorandum of Understanding signed with the Ministry of National Development (MND). All costs incurred by SLA for this purpose would be reimbursed by the Government through MND.

⁴ These were contracted to meet the immediate need to house individuals affected by COVID-19 and to provide accommodation, meals, laundry, and other related services.

⁵ These were vacant State or private properties converted into temporary accommodation facilities for individuals affected by COVID-19 and were managed by managing agents. The scope of works and services included preparation works (e.g. building works), maintenance works (e.g. cleaning, grass-cutting and landscaping), provision of accommodation, meals, laundry, and other related services.

49. AGO found that SLA had, in general, put in place processes and controls across the following four stages:

Stage 1: Planning and Establishing Needs

Stage 2: Procurement and Contracting

Stage 3: Managing Contracts

Stage 4: Closure/Renewal of Contracts

50. SLA generally had processes in place to plan and determine the need for the procurement of accommodation facilities. SLA had also established approving authorities and financial limits to approve procurement requirements, contract awards and contract variations. Agreements were executed with contractors for the goods and services required. For payments, SLA generally had processes in place to ensure that payments were verified, approved and paid in a timely manner. These included having an approving authority matrix for approval of payments tiered by amount, and the segregation of preparer, verifier and approver roles. For closure/renewal of the contracts, SLA maintained a list of the contracts' validity periods and expiry dates for internal tracking. SLA also had a Financial Regulations Manual which provided guidance to officers involved in the procurement process.

51. AGO noted that SLA had implemented the following good practices to better manage the uncertainty in demand, reduce costs and maintain the integrity of the procurement process.

- a. SLA procured the first batch of hotel rooms in March 2020. Subsequently, in August 2020, SLA conducted a re-quote exercise⁶ asking the hotels to review their rates for rooms/meals/laundry. Arising from this re-quote exercise, AGO noted from contracts test-checked that SLA obtained contract rates ranging from 6 per cent to 50 per cent lower than rates in the initial contracts. During the period December 2020 to January 2021, SLA also implemented a retainer basis model to contract with hotels. SLA awarded 32 contracts (approved procurement value (APV) totalling \$328.25 million) on a retainer basis where hotels would be paid only when they were activated to provide accommodation facilities. The retainer basis model helped SLA reduce costs by reducing the overall room capacity procured while maintaining a reserve pool of hotel rooms.
- b. For B&R facilities managed by managing agents, SLA similarly reduced its costs after it converted some of the facilities to a stepped-down⁷ state in January 2021. For contracts with sites that were stepped down which were test-checked by AGO, the monthly management fees were reduced by between 28 per cent and 74 per cent.
- c. SLA had put in place structured processes for checks on conflict of interest and contractor debarment even though it was working under compressed timelines. Officers involved in the evaluation and approval of contract award were required to submit declarations on conflict of interest. The checks and declarations were documented in the submissions to the approving authorities.
- d. Lastly, SLA engaged a commercial audit firm in 2020 to carry out an audit on its procurement and payment processes for the period February 2020 to November 2020, including those for COVID-19 accommodation facilities. The audit provided an opportunity for SLA to review whether key controls were in place and to take corrective actions based on the audit firm's recommendations.

⁶ This was requested by MND as part of forward planning for the COVID-19 related accommodation facilities.

⁷ For stepped-down sites, the premises would be operated with reduced manpower and operational demands. The managing agent would be kept on board and the site could be reactivated for use as an active facility at any time with a two-week notice.

52. Nevertheless, SLA could strengthen its controls and processes as follows:
- a. Ensure adequate evaluation of proposals and assessment of price reasonableness.
 - b. Improve the contracting and contract management process, i.e. ensure adequate terms and conditions are provided for in the contracts to better safeguard SLA's interests, and ensure timely approval of contract awards/variations and execution of agreements.
 - c. Maintain adequate oversight over contracts for B&R sites to ensure that the contractors comply with contract requirements.
 - d. Improve management of payments, i.e. conduct adequate checks to ensure that payments are properly substantiated and are made for goods/services satisfactorily received.

53. From test checks, AGO found tell-tale signs that cast doubt on the authenticity of quotations submitted by a contractor to substantiate price reasonableness for some of the required services. As AGO had concerns on the authenticity of some of the documents submitted by the contractor, AGO recommended that SLA look into the matter. SLA had since lodged a police report.

54. The key observations are presented in the paragraphs that follow.

Ensure Adequate Evaluation and Price Reasonableness Assessment

55. AGO's test checks of 26 direct contracts awarded (APV totalling \$530.35 million) found lapses in SLA's evaluation of six contracts⁸ (totalling \$147.19 million) involving five B&R sites and one hotel. As a result, there was inadequate assurance that the contractor could meet SLA's requirements or that SLA had obtained value for money for the procurement. The lapses are as follows:

⁸ Some contracts had more than one lapse.

- a. For four direct contracts (which were awarded to the same contractor), there were no details in the tender submission report to substantiate SLA's assessment that the contractor had the necessary experience and expertise to prepare and manage B&R sites to be used as accommodation facilities.
- b. For all six contracts, there was inadequate assessment of the reasonableness of prices quoted by the contractors. For one contract, SLA had relied on the contractor to provide quotations from other vendors for SLA to assess the price reasonableness of the contractor's quotation. This was not appropriate as the contractor would have a vested interest to show that its prices were the lowest. For the other contracts, there was either inadequate evidence of the price reasonableness assessment or SLA had relied on the information/clarification provided by the contractors without performing independent checks (e.g. asking for supporting documents). For four of the contracts, AGO's test checks found that the prices quoted by the contractor for four line items (e.g. Wi-Fi and utilities) were significantly higher than other comparable sources.
- c. For three contracts, SLA did not detect or follow up on possible overlaps in work items or inconsistencies in work scope indicated in the quotations, resulting in possible overpayments estimated at \$0.35 million.

56. SLA explained that there were challenges in sourcing for manpower and materials then and it had limited expertise and knowledge relating to the retrofitting of B&R sites. The selection of the B&R contractors was based on price reasonableness of the overall quotation and not based on assessment of each individual line item. The pressing need was to have the B&R sites fully operational in time to meet urgent operational requirements. Nonetheless, AGO noted that for the cases highlighted above, SLA's assessment of price reasonableness was based on individual line items. In addition, SLA's assessment was inadequate as it had relied on the information/clarifications provided by the contractors without independent checks. While AGO understands the time pressures SLA faced, agencies should assess price reasonableness to the extent possible for EP. SLA could have performed test checks on the price reasonableness of major items, and not necessarily all price items, by independently obtaining quotations or comparing with prices for other comparable B&R sites to strengthen its assessment of quotations.

Improve Contracting and Contract Management Process

A. Inadequate Clauses in Contractual Agreements to Safeguard SLA's Interests

57. For all 21 contracts with hotels test-checked (APV totalling \$401.35 million), AGO noted that there were no provisions in the contractual agreements to allow SLA or its appointed agent(s) to conduct audits, inspections or checks on the hotels to assess whether works and services were carried out in accordance with requirements and whether payment claims were properly supported and made. As almost a billion dollars was spent on hotel facilities during the period 1 January 2020 to 31 March 2021, it is important that the contractual agreements contain adequate provisions for SLA to conduct such checks on the hotels where needed. This is to safeguard SLA's interest.

58. SLA informed AGO that the Hotels Act 1954, which governs the licensing and control of hotels and lodging houses operations, provides for any person duly authorised by the Chairman of the Hotels Licensing Board to enter and inspect any premises used as a hotel. SLA noted that a few other public sector agencies had also conducted relevant COVID-19 related checks on the hotels based on evolving operating needs. In addition, under its contracts with the hotels, there were requirements for the hotels to submit relevant supporting documents (e.g. invoices from third-party suppliers) and provisions on invoice verification by SLA before payment.

59. However, AGO noted that the purpose of the Hotels Act 1954 is for the Government to regulate and license hotels and is not directly relevant to the contractual agreements between SLA and the hotels. Similarly, the checks carried out by the other public sector agencies mentioned by SLA pertained mainly to safe management measures and infection prevention/control requirements. These checks were also not directly related to the contractual agreements between SLA and the hotels regarding payment claims. While there were contractual requirements for submission of payment supporting documents, it would still be important for SLA to have an avenue to conduct test checks on the records maintained by the hotels at their premises where necessary, to ensure that the payment claims were valid and that the requirements stipulated in the agreements were complied with.

B. Lapses in Approval of Contract Awards/Variations and Execution of Agreements

60. AGO's test checks of 26 direct contracts awarded (APV totalling \$530.35 million) and 53 contract variations (totalling \$250.53 million) found delays and incorrect/incomplete information relating to the approvals of 14 contract awards (totalling \$292.26 million) and 30 contract variations (totalling \$148.80 million)⁹. The details are as follows:

- a. For seven contract awards and 26 contract variations, the approvals were obtained from the approving authority only after the agreements were entered into, with delays of up to 2.6 months.
- b. For one contract award and 22 contract variations, the contractor was informed of contract changes/renewal/extension before approvals were obtained from the approving authority. The delays in obtaining approvals were up to almost one month.
- c. For 11 contract awards and nine contract variations, incorrect or incomplete information (e.g. number of rooms, rates for room/meal/laundry or APV) was provided in the submissions to the approving authority.

61. AGO further noted that for 42 contract variations (totalling \$234.79 million), the agreements were executed only after the effective dates of the contract variations, with delays of up to 5.1 months.

62. Retrospective approval weakens the controls put in place to ensure that contracts are subject to scrutiny by the appropriate approving authority. It is also important to ensure that the approving authority is provided with correct and complete information to make informed decisions. Agreements should also be executed before the commencement of works/services to ensure that SLA's interests are safeguarded in the event of disputes with contractors.

⁹ Some contract awards and contract variations had more than one lapse.

63. SLA informed AGO that due to the heavy workload, tight timelines, manpower constraints and a pressing need to meet the operational requirements during the COVID-19 pandemic, SLA staff were not always able to present fully updated information in the submissions to approving authorities in a timely manner. Where formal approvals could not be obtained in time, SLA had verified that all the agreements entered into were for necessary buys and of appropriate scope. SLA staff had also obtained verbal clearance from MND officers on the contract award/variations before proceeding to inform the contractors to proceed. SLA would endeavour to make improvements to its procurement process taking into consideration AGO's recommendations.

Maintain Adequate Oversight of Contracts for Build and Run Sites

64. AGO test-checked five B&R direct contracts awarded (APV totalling \$128.99 million) and noted inadequate oversight by SLA for four contracts (totalling \$98.45 million). SLA did not ensure that the main contractor had complied with the agreement to ensure that only accredited sub-contractors were engaged. SLA only checked on the accreditation status of the sub-contractors after AGO's audit queries, or long after the contract had commenced, and in some instances only after the contracts had ended. There was also a lack of follow-up by SLA when the sub-contractors that performed the services were different from what the main contractor had originally informed SLA. Without adequate oversight, there was inadequate assurance that the contractors had fully complied with the agreements and had delivered the required works and services satisfactorily.

65. SLA informed AGO that its staff had carried out monthly site inspections of B&R facilities to ensure that the sub-contractors had done their work on site in a satisfactory manner. SLA would proactively monitor the main contractor's compliance with the contract requirements.

Improve Management of Payments

66. AGO test-checked 126 payments (totalling \$101.64 million) made by SLA relating to accommodation facilities and found 105 payments (totalling \$92.73 million)¹⁰ with inadequate verification for payments and inadequate supporting documents. As a result, there was inadequate assurance that proper checks had been performed by SLA to ensure that payments made were valid, accurate and substantiated. Details are as follows:

- a. For 87 payments (totalling \$73.19 million) relating to hotels, there was no documentary evidence that the supporting documents for payment claims had been verified against occupancy records although the submissions to the Payment Approving Officer indicated that verification had been performed. AGO's test checks of 24 payment claims found 52 instances of payments made for individuals with invalid foreign identification numbers and duplicate claims. The total amount of possible overpayments to the hotels was estimated at \$22,000.
- b. For 66 payments (totalling \$60.83 million) relating to both hotels and B&R contracts, there were no supporting documents or inadequate supporting documents to substantiate the payment claims and/or discrepancies (e.g. claims exceeding stipulated cap) for 111 works/reimbursable items (totalling \$13.76 million). As a result, there was possible net overpayment of \$35,500.

67. SLA informed AGO that it would follow up to verify the list of payment discrepancies highlighted by AGO.

¹⁰ Some payments had more than one lapse.

Possible Irregularities in Quotations Received

68. In the course of the test checks of two direct contracts awarded to one contractor, AGO found tell-tale signs that cast doubt on the authenticity of quotations submitted by the contractor to substantiate price reasonableness for some of the required services. As AGO had concerns on the authenticity of some of the documents submitted by the contractor, AGO recommended that SLA look into the matter.

69. SLA informed AGO that it had since lodged a police report.

MINISTRY OF MANPOWER

70. MOM's key role during the COVID-19 pandemic was to manage the COVID-19 outbreak in migrant worker (MW) dormitories. Prior to the pandemic, dormitories were operated by the private sector, with MOM as the regulator. Shortly after the first two COVID-19 cases were reported in MW dormitories, clusters began to form rapidly across more dormitories. MOM had to step in quickly to contain the outbreak, by supporting the management of dormitories and taking care of the well-being of migrant workers. The key tasks undertaken by MOM included procuring manpower services such as security services, dormitory inspections, managing agent (MA) services to operate medical outposts¹¹, Stay Home Notice video call operators and safe distancing ambassadors. MOM was also tasked to cater meals for more than 200,000 workers who were isolated in their dormitories during the period of movement restrictions.

71. The thematic audit of MOM focused on the COVID-19 related procurement and expenditure for manpower services and meal catering during the period 1 January 2020 to 31 March 2021. The breakdown of the expenditure is as follows:

¹¹ Medical outposts are situated near the MW dormitories to provide workers with easy access to timely medical consultation and swab testing services during the COVID-19 pandemic.

Services	Total Expenditure (\$ million)
Manpower Services	109.79
Meal Catering	301.10
Total	410.89

72. According to MOM, it entered into nearly 30 contracts to procure manpower services. MOM also procured more than 70 million meals over four months under 400 contracts for 43 dormitories (housing 1,000 to over 20,000 residents each).

73. AGO test-checked a total of 146 samples for manpower services and 250 samples for meal catering, covering contracts awarded, contract variations, payments and closure/renewal of contracts during the audit period.

74. AGO found that MOM had, in general, put in place processes and controls across the following four stages:

Stage 1: Planning and Establishing Needs

Stage 2: Procurement and Contracting

Stage 3: Managing Contracts

Stage 4: Closure/Renewal of Contracts

75. MOM generally had processes in place to establish needs when planning for its COVID-19 procurement. MOM had established approving authorities and financial limits to approve procurement requirements, contract awards and contract variations. Agreements were executed with contractors for the required goods and services. For payments, MOM generally had processes in place to ensure that payments were supported, approved and paid in a timely manner. MOM had also put in place an approving authority matrix for the certification of payments. For closure/renewal of contracts, processes were in place to monitor the start and end dates of contracts, and to discontinue contracts when services were no longer needed. To guide its officers, MOM had put in place workflows on EP.

76. AGO noted that MOM had implemented several good practices to better manage its response to the emergency situation and to reduce costs:

- a. MOM had set up a dedicated division known as the Assurance, Care & Engagement (ACE) Group in August 2020 to manage the COVID-19 situation at MW dormitories. Since its formation, the ACE Group has been working with dormitory operators to put in place safe management measures and oversee the progressive resumption of work for MWs.
- b. As the COVID-19 situation stabilised, MOM conducted reviews of contracts to reduce the scope of services when requirements changed. This had resulted in reduced costs, e.g. savings of \$4.63 million for dormitory inspections and \$2.19 million for safe distancing ambassadors at MW recreation centres.
- c. For the setting up and management of medical outposts, MOM had put in place a structured process to diversify concentration risks by engaging more than one MA – a total of three MAs was appointed for four regions.
- d. For meal catering to MWs, MOM had set an internal daily cap on meal spending to ensure prudent use of public moneys. This cap was determined by taking reference from quotations from existing meal catering contracts and past caterers engaged. This cap was then used to assess the reasonableness of prices charged by caterers.

In addition, after the need for EP had eased off, MOM made an open call in GeBIZ in June 2020 to invite caterers to submit quotations for supplying meals to MW dormitories. According to MOM, this had resulted in estimated cost savings of \$290,000 per day.

- e. MOM would also put in place simplified conditions of contract to be adopted for future emergencies to allow officers to execute contracts quickly while ensuring that the Government's interest is adequately protected.

77. Nevertheless, MOM could strengthen its controls and processes as follows:
- a. Improve the management of procurement of MA services for medical outposts. AGO found lapses in several areas such as sourcing, evaluation of proposals, and contract management.
 - b. Improve the evaluation of procurement, i.e. ensure that the basis and justification for award and price reasonableness assessment (to the extent possible) are included in the evaluation submission and evaluation is conducted according to evaluation criteria.
 - c. Improve the contracting and contract management process, i.e. ensure adequate terms and conditions are provided for in the contracts to safeguard the Government's interest, ensure timely approval of contract awards, variations and execution of agreements, and ensure contracts are entered into by authorised officers.
 - d. Improve the management of payments, i.e. conduct adequate checks to ensure that payments are properly substantiated and are made for goods/services satisfactorily received.

78. For one contract extension, AGO noted discrepancies and omissions in the submission to the approving authority, which raised the concern that this contract extension might not have been properly handled. AGO noted that MOM had since reported this case to the relevant authority.

79. The key observations are in the following paragraphs.

Improve Management of Procurement of Managing Agent Services for Medical Outposts

80. AGO found lapses during the procurement process for four direct contracts¹² (APV totalling \$10.89 million) to procure MA services to set up medical outposts. The lapses are as follows:

A. Lack of Documentation on Selection of Contractors

81. For three direct contracts (APV totalling \$7.91 million), there was no documentation of the basis of sourcing to show how MOM had identified the potential contractors or why they were selected. This information was also not included in the submissions for approval of contract award. While AGO understands the challenges faced by MOM in procuring services expeditiously within tight timelines, there should be proper documentation on why only certain contractors were approached. This is for transparency and fairness.

B. Evaluation Criterion Not Established Before Close of Quotations

82. In the evaluation of proposals for three direct contracts (APV totalling \$8.68 million), AGO noted that one evaluation criterion on track record and the scoring weightage were not established upfront before MOM invited six contractors to submit quotations. Furthermore, the contractors were neither informed that track record would be taken into account in the evaluation nor asked to provide information on track record. Two of the contracts were eventually awarded to incumbents which were given the highest scores for track record, of which one had quoted the highest price. Three other contractors (one of which had quoted the second lowest price) were not awarded the contracts because they did not provide information on their track records and were thus given the lowest scores for the criterion on track record.

83. By including track record as an evaluation criterion and determining the scoring weightage only after the quotation exercise had closed, MOM may be perceived to be favouring the incumbents as they would have an advantage in terms of track record. Notwithstanding that this procurement was done under EP rules, MOM should be fair to all contractors by informing them of all the evaluation criteria and asking them to provide the necessary documentation for its evaluation.

¹² Some of the contracts have more than one lapse.

C. Prices Revised or Provided by Contractors After Close of Quotations

84. AGO also noted that after the close of the above quotation exercise, four contractors revised their prices for certain items and/or provided the prices of optional items which they did not include in their original quotations. The submission to the approving authority for contract award did not mention that the prices were revised or provided after the close of the quotation exercise, and the reasons for accepting the revised prices. Hence, there was inadequate assurance that the evaluation and award process was transparent and fair.

D. Multiple Contract Variations Executed to Extend Contracts with Incumbents

85. For the three direct contracts mentioned in paragraph 81, a total of 16 contract variations had been executed as of March 2022 to increase the original contract value of \$7.91 million by \$11.03 million and to extend the contracts with the incumbent MAs by almost two years. AGO is of the view that instead of extending the contracts, MOM could have called open tenders for the services after central EP had been stood down by MOF. This would have provided an opportunity for MOM to obtain possible cost savings from greater price competition.

86. MOM explained that the gaps in the procurement and contracting of manpower services occurred under pressing crisis conditions and manpower supply constraints. As resources were stretched, procurement decisions were devolved to officers who were inexperienced and unfamiliar with the administrative procedures, including requirements on documentation of decisions, evaluations and risk assessments. MOM also explained that it did not call open tender earlier for some of the services as the COVID-19 situation was still rapidly changing, with no certainty of how the pandemic would evolve and how long it would last. This made it difficult for MOM to commit to specific requirements and contract durations to reap the full benefits of open tenders. It also needed time to review and prepare tender documents as the contracts were numerous and complex. MOM started planning for open tenders in December 2020, as soon as it had the manpower to do so.

87. MOM informed AGO that in preparation for the next crisis, it had identified a group of officers to be trained in EP procedures. This group would augment MOM's procurement resources for the end-to-end process from sourcing to payment. To provide guidance to officers, MOM would also establish a clear SOP on EP that was practical, appropriate for the urgent crisis context, and which was aligned to Government procurement principles.

Improve Evaluation of Procurement

A. Improve Evaluation of Procurement Made under EP

88. AGO's test checks of 10 direct contracts for manpower services (APV totalling \$122.84 million) made under EP found five cases (totalling \$21.17 million) where the evaluation submissions to the approving authorities for contract award were incomplete. Key information on the evaluation such as basis of recommendation, assessment of whether the contractor could meet the requirements and assessment of price reasonableness were not provided in the submissions. As not all relevant information had been provided to the approving authorities, there was no assurance that the evaluations of these direct contracts had been subject to proper scrutiny by the approving authority.

89. For five direct contracts¹³ (APV totalling \$47.39 million) made under EP for the procurement of manpower services, AGO also noted that MOM either did not carry out any price reasonableness assessment of the single quotation received or did not document the assessment in the submission for approval of contract award. There was therefore inadequate assurance that value for money was obtained for these procurements.

90. MOM explained that price reasonableness assessment was not done due to the urgency to procure the services or inability to find other contractors who were able to provide the required manpower services. As agencies should assess price reasonableness to the extent possible for EP, AGO is of the view that MOM could have compared prices against previous contracts or contracts in GeBIZ for similar services. In the event that MOM could not find suitable comparisons, this should be documented in the approval submissions so that the approving authority could make an informed decision.

91. MOM informed AGO that it would include key information fields on the price reasonableness assessment and basis of award, in the template for approval submission in the new EP SOP.

¹³ Two of the five contracts were also mentioned at paragraph 88.

B. Conduct Evaluation According to Evaluation Criteria

92. AGO's test checks of 17 meal catering contracts (APV totalling \$30.27 million) awarded following an open call in GeBIZ noted lapses in the evaluation of 10 contracts (totalling \$19.46 million). Of the 10 contracts, eight were awarded to incumbents which had been catering meals to the dormitories prior to the open call. AGO noted that while there were other caterers with the same or higher overall evaluation score as the awarded caterers, no reasons were given in the evaluation report on why these other caterers were not recommended for award. For seven contracts, the awarded caterers had quoted the highest price compared to those caterers with the same or higher overall score. For one of the contracts (\$0.96 million), the evaluation committee had also incorrectly given a higher score to the awarded incumbent for the criterion on price. The award outcome could have been different if not for this error.

93. In addition, AGO noted that important information such as details of the scoring of the caterers and justifications for recommending the caterers were not provided to the approving authority when seeking approval for the award of contracts.

94. As a result, there was inadequate assurance that the evaluation of these direct contracts had been properly performed based on the procurement principles of fairness, transparency and value for money, and subject to proper scrutiny by the approving authority.

95. MOM explained that the contracts were awarded to the incumbent caterers as it was important for the caterers to be able to handle the catering demands of migrant workers in the dormitories to minimise operational risk during the COVID-19 crisis. However, AGO noted that the experience of the incumbent caterers for the respective dormitories had already been considered under another evaluation criterion where the incumbents were given full points and the other caterers were given zero points. As the overall score had already factored in this criterion, MOM may be perceived as giving added advantage to the incumbents, compared to other caterers with the same or higher overall score.

96. MOM informed AGO that in preparation for the next crisis, it had identified a group of officers to be trained in EP procedures. This group would augment MOM's procurement resources for the end-to-end process from sourcing to payment. MOM would also establish a clear EP SOP to provide guidance to its officers during emergency situations.

Improve Contracting and Contract Management Process

A. Ensure Key Terms and Conditions are Provided for in Contracts to Safeguard Government's Interest

97. AGO noted four direct contracts (APV of \$45.28 million) for manpower services where MOM did not ensure that the Government's interest was adequately safeguarded:

- a. For two of the contracts, MOM did not put in place any conditions of contract (COC). There was also no evidence that MOM had assessed the risks/mitigating measures needed before agreeing to the contractors' condition that the agreement should not include any liquidated damages clause.
- b. For another two contracts where the contractors had subcontracted out the services, MOM was not informed of the subcontracting arrangements and there was no evidence of assessment of the subcontracting risks even when MOM became aware of the subcontracting. For one contract, there was no COC relating to subcontracting, while for the other contract, MOM had not ensured that the contractor had complied with the requirement to seek MOM's consent prior to any subcontracting.

98. It is important for MOM to ensure sufficient safeguards in its contracts so that it has recourse in the event that the contractors fail to deliver the required services.

99. MOM acknowledged that the standard COC was not included in three of the four contracts. MOM explained that the standard COC used during peacetime was a lengthy document that required further assessment and customisation for the contracts. The COC was omitted as MOM had an extremely short turnaround time. After the initial crisis period, MOM subsequently prepared a simple set of COC that was used for its procurement in July 2020. MOM would include a set of COC in its new EP SOP. Subcontracting arrangements would also be included in the COC and the EP SOP.

B. Delays in Approvals of Contract Awards/Variations and Execution of Agreements

100. AGO found the following delays in obtaining approvals for contract awards and contract variations, as well as the execution of agreements with contractors:

- a. Test checks of 10 direct contracts for manpower services (APV totalling \$122.84 million) found five contracts (totalling \$15.14 million) where services had commenced before approvals of the awards or before the execution of the agreements, with delays of up to 1.4 months.
- b. Test checks of 24 contract variations (totalling \$51.83 million) found 10 variations (totalling \$21.84 million) where services had commenced before approvals were obtained or before the variation agreements were executed, with delays of up to two months.

101. While AGO understands the need to procure services quickly in an emergency situation, it is still important that approvals are obtained and agreements are properly executed before services commence. Retrospective approval weakens the controls put in place to ensure that contracts are subject to proper scrutiny by the approving authority and undermines the role of the approving authority. For emergency situations, in-principle approval could be obtained from the approving authority first, followed by formal approval as soon as the details are finalised.

102. MOM informed AGO that it had included the guideline on seeking in-principle approval in the new EP SOP to guide officers during emergency situations. As part of preparations for the next crisis, MOM would place on standby resources that could be called upon readily to augment the procurement team, to meet urgent operational needs and maintain oversight to ensure approvals were obtained in a timely manner.

C. Contracts Not Entered into by Authorised Officers

103. AGO's test checks of 115 meal catering contracts (totalling \$168.45 million) found that 109 (or 95 per cent) of them (totalling \$167.28 million) were entered into by officers not authorised under the Government Contracts Act 1966. The contract values ranged from \$54,795 to \$6.11 million.

104. AGO noted that 107 of the contracts (totalling \$163.80 million) were entered into by officers whose authorised financial limits specified under the law were below the contract value. The remaining two contracts (totalling \$3.48 million) were entered into by an officer who was not authorised under the law to sign contracts. A contract entered into by an unauthorised officer may adversely affect MOM's ability to enforce the contract in the event of disputes.

105. MOM acknowledged the oversight in not gazetting and ensuring that officers were fully authorised before they entered into the catering contracts. MOM explained that the lapse occurred because the officers had to be activated and deployed within short notice. MOM added that while the contract signatories were not formally authorised, approval for the contracts was sought and given by the appropriate authority. All contracts had since been endorsed by authorised officers according to the Government Contracts Act 1966. MOM also informed AGO that it would be looking into arrangements to gazette officers in a timely manner during an emergency situation.

Improve Management of Payments

A. Inadequate Checks to Ensure Payments Were Properly Made

106. AGO test-checked 108 payments (totalling \$87.70 million) for manpower services and found 53 payments¹⁴ (totalling \$72.78 million) where there were inadequate checks before payments were made.

- a. Three payments with 126 instances of discrepancies amounting to \$222,600 in the supporting attendance reports of security personnel deployed. Examples of discrepancies included instances of the same security personnel being deployed to two different sites for the same shift, duplicate records of the same security personnel being deployed for the same shift, and the same security personnel being deployed to work two consecutive 12-hour shifts.

¹⁴ Some of the payments had more than one lapse.

- b. 14 payments where there were many instances of manpower supplied for safe distancing ambassadors and dormitory inspections that was less than that specified in the contractual requirements in terms of headcount and/or working hours, resulting in overpayment of \$95,900.
- c. 20 payments (amounting to \$1.86 million) where there was lack of supporting documents or lack of evidence of checks to verify that the services had been rendered before payments were made.
- d. 19 payments with errors in rates used, headcount or manpower type, resulting in overpayment and underpayment of \$15,100 and \$30,800 respectively. MOM performed further checks after AGO highlighted the lapses and found additional overpayment and underpayment of \$23,600 and \$2,600 respectively.

107. MOM acknowledged that the controls over payment checks could have been tightened. MOM explained that given time pressure and manpower constraints, MOM had monitored the contractors' fulfilment of manpower requirements through exception reporting and sampling checks on billing accuracy. MOM said that it had started post-disbursement checks as soon as it could in the first quarter of 2021 and had conducted checks on more than 85 per cent of the EP contracts (including whether invoice details were supported by documents, and whether invoice amounts were within the contract sums). The discrepancies identified were rectified as much as possible. MOM had since recovered most of the overpayments and made good the underpayments.

108. MOM informed AGO that it had also strengthened the payment verification process for the current manpower services contracts by having regular reports of manpower deployment status from the ground and regular reconciling of deployment/attendance records with the contractor's records. MOM would continue to look at ways to strengthen the verification process such as exploring technological solutions and enhancing the competency of officers required to perform verification and payment certification duties.

B. Lapses in Payment Procedures for Meal Catering

109. AGO test-checked 135 payments (totalling \$75.20 million) for meals catered to MW dormitories and found lapses in payment procedures involving 30 payments as follows:

- a. 15 payments for meals (estimated at \$23.93 million) that were not supported by delivery orders signed off by MOM officers to acknowledge the delivery of meals to the dormitories.
- b. Eight payments where there was no follow-up on instances where the quantity of meals delivered differed significantly from the estimated quantity in the agreements¹⁵. AGO noted that for 45 days (value of meals totalling \$4.68 million), the differences in quantities delivered to the dormitories ranged from 10 per cent to 45 per cent and MOM could not explain the differences. As a result, there was inadequate assurance that the quantities of meals paid were based on meals actually delivered.
- c. Seven payments where the quantities billed in the invoices were different from that in the delivery orders. AGO found that there were overpayment and underpayment amounting to \$15,769 and \$17,209 respectively.

110. MOM explained that it had limited resources to perform complete payment checks for meal catering as it faced severe manpower constraints during its COVID-19 operations. MOM added that it started post-disbursement checks as soon as it could in the first quarter of 2021 when there was the manpower to do so. MOM informed AGO that it had since recovered the overpayments and made good the underpayments. MOM added that as preparation for the next crisis, it had identified a group of officers to be trained in the EP procedures which would augment MOM's procurement resources for the end-to-end process from sourcing to payment during emergency situations. MOM would also establish a clear EP SOP to provide guidance to its officers.

¹⁵ The agreements with caterers stated estimated quantities of meals to be provided. The exact number of meals would be confirmed by the dormitory manager and MOM's team based at the dormitories.

Discrepancies and Omissions Relating to Extension of Contract

111. AGO noted discrepancies and omissions in the submission to the Tenders Board to seek its approval for the extension of a contract for manpower services (value of approximately \$2 million). A senior approving authority in MOM had earlier approved a proposal not to extend the contract with the incumbent contractor as other contractors had submitted lower quotes. However, MOM officers subsequently put up a submission to the Tenders Board to seek approval to extend the contract with the incumbent contractor where the submission showed that the incumbent's quote was the lowest compared to the other contractors. AGO noted that information on when the revised lower quote was submitted by the incumbent contractor, reasons for the revision in quote, and why MOM officers accepted the revised lower quote was not included in the submission to the Tenders Board. Information on the senior approving authority's earlier decision not to extend the contract with the incumbent contractor was also omitted from the tender submission. There was therefore inadequate assurance that the extension of contract with the incumbent contractor had been properly handled and approved.

112. MOM informed AGO that it had since reported the case to the relevant authority.

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 2021/22 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 1966.

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 2021/22; and
- b. ASEAN Cultural Fund (Singapore) for the financial year 2021.

4. The Auditor-General audits the accounts of the Financial Sector Development Fund in accordance with the Monetary Authority of Singapore Act 1970.

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, it is the duty of the Auditor-General to audit and report on the accounts of all departments and offices of the Government, Parliament, the Supreme Court and all subordinate courts, the Public Service Commission, the Judicial Service Commission and the Legal Service Commission. Under Article 148F(4), the Auditor-General 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 1966¹, the Auditor-General must 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, all subordinate courts and Parliament. The Auditor-General must 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 Act 1966².

4. The Auditor-General is authorised under section 8(7) of the Audit Act 1966³ 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 1966 states that “The Auditor-General may, in any report submitted in accordance with 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 1966 which is read with section 18 of the Financial Procedure Act 1966.

6. Section 8(3) of the Audit Act 1966 states that “Subject to subsection (4), every report relating to the statement prepared in accordance with subsection (1) must be submitted by the Auditor-General to the President who must present the report and statement to Parliament within 30 days of their receipt by him or her, 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 must, under section 5(1) of the Audit Act 1966, make any examination that he considers 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 1966 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 1966 states that “Nothing in subsection (3) requires 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 1966 would require checks to ensure compliance with, inter alia, provisions of the Financial Procedure Act 1966 including the Financial Regulations. 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 1966, the Auditor-General must 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. Any 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 Act 1966⁸.

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 1966. For statutory boards, the authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966.

Other Audits

14. Under section 4(1)(b) of the Audit Act 1966, if it is not so provided by any written law, the Auditor-General must, 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 1966 states that “Despite any written law relating to the accounts and audit of any public authority, the Minister may, if the Minister is satisfied that the public interest so requires, direct that the accounts of the authority must be audited by the Auditor-General.”

Powers of Auditor-General

15. Section 6 of the Audit Act 1966 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 2004;
- (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 2004;
- (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 2004;
- (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 2004 [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.

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 2004, 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.

