



REPUBLIC OF SINGAPORE

**REPORT**  
OF THE  
**AUDITOR-GENERAL**  
FOR THE FINANCIAL YEAR  
**2008/09**



1 July 2009

Mr S R Nathan  
President  
Singapore

Dear Mr President

In accordance with the provisions of the Audit Act (Cap. 17, 1999 Revised Edition), I am pleased to submit my Report on the audits carried out for the financial year 2008/09.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lim Soo Ping'. The signature is stylized and fluid, with a horizontal line underneath the name.

Lim Soo Ping  
Auditor-General

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REPUBLIC OF SINGAPORE

**REPORT**  
OF THE  
**AUDITOR-GENERAL**  
FOR THE FINANCIAL YEAR  
**2008/09**

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**MISSION**  
**OF THE**  
**AUDITOR-GENERAL'S OFFICE**

To audit and report to the President and Parliament on the proper accounting of public moneys and the economic, efficient and effective use of public resources to enhance public accountability.

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# **AUDITOR-GENERAL'S OVERVIEW**

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## **AUDITOR-GENERAL'S OVERVIEW**

I am pleased to present my Report on the audits carried out by the Auditor-General's Office (AGO) for the financial year 2008/09. The audits were performed pursuant to the Constitution of the Republic of Singapore, the Audit Act and other relevant Acts. Appendix I describes the duties and powers of the Auditor-General.

### **AGO's Audits**

The audits conducted, namely financial statements audits, compliance audits and performance (value for money) audits, help to provide assurance to the President, Parliament and the public on the proper accounting, management and use of public funds and other resources. This strengthens public accountability of government bodies as custodians and stewards of public resources.

AGO's audits are carried out on a test check basis and therefore would not reveal all errors and irregularities. However, they should enable me to detect the occasional lapses in the accounting, management and use of public funds and other resources.

Audit findings are conveyed by AGO to the organisations audited by way of "management letters". In the case of statutory boards, the management letters are also sent to their respective supervising ministries.

### **Report of the Auditor-General**

The audit findings in the Report of the Auditor-General are generally the more significant ones in terms of monetary value, frequency of occurrence, impact on accounting, or learning points for public sector management. Also included are audit findings involving small monetary values. Small lapses should not be regarded as isolated or trivial as they often point to weaknesses in internal control. If not addressed, the weaknesses could be exploited leading to real or larger losses.

The Report of the Auditor-General is presented to the President and tabled in Parliament. The Public Accounts Committee deliberates on the Report and, where necessary, requires particular ministries to account for the lapses reported. I attend the meetings of the Committee to provide clarification and views on matters discussed.

## **Audits for Financial Year 2008/09**

For the financial year 2008/09, AGO audited all Government ministries, organs of state and 18 statutory boards (selected on a rotational basis). In addition, it audited five Government-owned companies and three other accounts, and investigated into nine complaints received from the public on matters concerning the management and use of public funds and other resources.

Part I of this Report is on the audit of the Government Financial Statements and presents selected observations from the audit of ministries and organs of state.

Part II is on the audit of statutory boards and presents selected observations from these audits.

Part III covers the audit of Government-owned companies and other accounts.

## **Areas of Concern**

A significant proportion of AGO's audit findings is in procurement and contract management. Every year we see instances of lack of financial prudence in procurement and poor management of contracts and agreements resulting in higher expenditure for goods and services, underperformance not detected, penalties for non-performance not imposed, revenues due not collected, and little or no assurance of value for money in projects carried out.

I attribute this state of affairs to three main factors.

### ***1. Laxity in Procurement and Contract Management***

The first factor has to do with public officers overseeing or managing procurement and contracts being inclined towards administrative convenience with financial prudence taking a back seat.

Also when consultancy advice is sought, some agencies are too ready to accept recommendations at face value without sufficiently considering the financial perspective. A small dose of scepticism is always helpful.

In some cases, officers are simply lax in enforcing contractual rights and do not impose penalties or liquidated damages for non-performance, or claim revenue that is due. Management should monitor contract performance closely especially if large amounts of money are involved.

As custodians and stewards of public funds, all public agencies and their officers need to be astute buyers of goods and services.

## ***2. Lack of Rigour in Scrutiny by Approving Authorities***

Secondly, tender boards and other approving authorities sometimes put too much trust in the proposals and recommendations submitted to them. They assume that the officers making the submissions have thoroughly considered all factors, including economy in the use of public funds, and fairness and transparency in the procurement process.

Approving authorities are gatekeepers in the Government's financial control system. Their duty is to ensure that due diligence has been carried out before public funds are committed or paid out. Many lapses can be avoided if the approving authorities are more rigorous in their scrutiny and ask the pertinent, if inconvenient, questions.

## ***3. Light Touch in Ministry-Statutory Board Dealings***

The third factor concerns the financial relationship between ministries and statutory boards relating to provision of services under contract or agreement. We have observed instances where such contracts and agreements were managed perfunctorily resulting in a lack of scrutiny of performance and unnecessary or undue payments.

For proper accountability, the management of a contract or agreement between a ministry and a statutory board should not be with too light a touch.

### **Accountability of Statutory Boards**

In my Report last year, I mentioned a gap in the accountability of statutory boards. The Acts of a few statutory boards do not have the enabling provision giving AGO the legal mandate to audit them. In this regard, the Public Accounts Committee had recommended that AGO carry out a review to see how it could "widen and deepen" its audit of statutory boards to make its audit more effective, and to study the best practices of other national audit institutions.

AGO has since completed the review. I am grateful to the Public Accounts Committee for its views and inputs.

On 16 June 2009, I submitted my report on the review with recommendations to the Prime Minister for his consideration.

## **Acknowledgement**

I acknowledge with thanks the co-operation given to my audit teams by ministries, organs of state, statutory boards and other entities.

I also thank my staff for their professionalism, diligence and dedication to duty.

Lim Soo Ping  
Auditor-General  
Singapore  
1 July 2009

**PART I**

**(A)**

**AUDIT OF GOVERNMENT FINANCIAL  
STATEMENTS**

**(B)**

**SELECTED AUDIT OBSERVATIONS  
ON GOVERNMENT MINISTRIES AND  
ORGANS OF STATE**



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## **PART I A : AUDIT OF GOVERNMENT FINANCIAL STATEMENTS**

1. The Financial Statements of the Government of Singapore for the financial year ended 31 March 2009 prepared by the Minister for Finance under Article 147(5) of the Constitution of the Republic of Singapore (1999 Revised Edition) and section 18 of the Financial Procedure Act (Cap. 109, 1992 Revised Edition) were submitted to the Auditor-General for audit under section 8(1) of the Audit Act (Cap. 17, 1999 Revised Edition).

2. The audit has been completed and the Auditor-General issued his audit report on the Financial Statements to the Minister for Finance on 29 June 2009. In accordance with section 8(3) of the Audit Act, the Auditor-General submitted the audit report to the President on 30 June 2009.

3. 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. In accordance with section 8(3) of the Audit Act, the President would present to Parliament these audited Financial Statements with the audit report thereon.

4. The Auditor-General's Office would like to thank the Accountant-General's Department for its co-operation and timely submission of the Government Financial Statements for audit. This has enabled the audit to be completed within three months of the close of the financial year.

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## **PART I B : SELECTED AUDIT OBSERVATIONS ON GOVERNMENT MINISTRIES AND ORGANS OF STATE**

1. Selected observations arising from the audits of Government ministries and organs of state are summarised in the paragraphs below.

### **MINISTRY OF DEFENCE**

#### **Wrongful Certification Resulting in Advance Payment**

2. In October 2007, the Ministry of Defence (MINDEF) signed a consultancy contract with the Defence Science and Technology Agency (DSTA) for the evaluation and recommendation of IT solutions to MINDEF. The contract required a Study Report to be submitted in March 2008.

3. AGO noted that a MINDEF officer had certified on a “Certificate of Acceptance” that “MINDEF acknowledges the delivery of Study Report ... on 14 Mar 2008. Project has been completed”. On the basis of this certification, the entire contract price of \$289,499.88 was paid to DSTA. However, AGO noted that the project was not completed and that the “Study Report” the officer received was only a draft. Key sections in the draft were left blank, namely “Analysis”, “Recommendations” and “Conclusion”.

4. MINDEF explained that the officer concerned had satisfied himself that the technical work had been completed and “technical reports” had been delivered by DSTA. AGO noted that the “technical reports” referred to in MINDEF’s explanation are of limited value as none of them provided analysis and recommendations. Based on contract requirements, the ultimate value of the project hinges on DSTA’s analysis of the relative merits of systems and specific recommendations to enable MINDEF to decide on the choice of computer system.

5. The completed Study Report was eventually received by MINDEF in August 2008, five months after payment was made and which was also five months after the due date for the Report stated in the contract.

6. The wrongful certification resulted in an advance payment. This is a serious matter as it is tantamount to circumvention of financial controls in the Financial Regulations (Cap. 109, Rg 1) and the General Orders of MINDEF with regard to advance payment.

### **Improper Disbursement of Grant**

7. MINDEF had been giving annual grants (of \$2.12 million) to the National Service Resort and Country Club (NSRCC) since 2002 to subsidise land rental paid by NSRCC. In October 2008, at the request of NSRCC, MINDEF paid a lump sum grant of \$25.33 million to NSRCC to enable it to pay upfront for the use of land for the next 15 years.

8. AGO observed the following lapses:

- (a) MINDEF disbursed \$0.73 million more than the amount approved;
- (b) The authority which approved this one-time lump sum grant exceeded its approval limit which was \$7.50 million; and
- (c) Such lump sum grant for subsidising land costs is specifically disallowed under a directive issued by the Ministry of Finance (MOF).

9. MINDEF had taken note of the above observations. On observation (c), MINDEF sought the views of MOF and subsequently MOF replied that it had “no objection” to the lump sum grant.

## **MINISTRY OF EDUCATION**

### **Paying More than Necessary on School Cleaning Contracts**

10. Arising from a complaint, AGO investigated into the school cleaning contracts that were awarded through open tender by the Ministry of Education to eight contractors. The two-year contracts were awarded in July 2006. The Ministry exercised the option to extend the contracts for one year in 2008. The total value of the contracts for the three years was about \$158 million.

11. AGO found that in the tender evaluation in 2006, the Ministry rejected the lowest 11 bids en bloc because they were below the “market norm” for school cleaning services. The “market norm” which was determined by the Ministry took into account cleaner’s wages, CPF contributions, overheads and profits. The Ministry deemed the 11 bids, being below the “market norm”, to be “unrealistically low” and that if awarded the cleaning contracts, the tenderers were unlikely to invest adequately in manpower and other resources to provide reasonably good cleaning services.

12. However, being below “market norm” per se does not necessarily mean that the tenderers are unlikely to provide reasonably good cleaning services especially when the bids are only 5 to 9 per cent below the “market norm”. The lowest 11 bids should not have been rejected en bloc. Instead, each of the tenderers should have been evaluated on his ability to fulfil the contract. In this regard, AGO noted that four of them were past school cleaning contractors and their services had been assessed by the Ministry to be satisfactory. This indicates that a number, if not all, of the lowest 11 bids could have been accepted for award of contracts.

13. The Ministry could have saved between \$1 million and \$15 million if one or more of the lowest 11 bids had been accepted.

14. The tender evaluation method used by the Ministry is not in line with the principles of fair competition and economy in the use of public funds.

## **MINISTRY OF FOREIGN AFFAIRS**

### **Lapses in Procurement**

15. An overseas mission engaged a real estate company at a cost of \$91,000 (Singapore currency equivalent) to handle the sale of a property. AGO observed a number of lapses in the procurement process, for example:

- (a) A tender was not called, but instead, quotations were called verbally, contrary to Government instructions for purchases above \$70,000. There was no record that at least three companies were invited to quote;
- (b) The evaluation report recommending the award of the contract did not contain the full facts of the case. The two quotations received each comprised three price components, one of which was the estimated marketing cost. The evaluation report did not disclose the amount of marketing costs estimated by each bidder. The price comparison in the evaluation report also did not include this component; and
- (c) After approval for award of contract was obtained, a revised quotation was accepted from the selected company. There was no record that the other company had the same opportunity to revise its quotation.

16. The Ministry of Foreign Affairs explained that the use of quotation instead of tender was because of misinterpretation of the procurement guidelines. The Ministry assured AGO that the procurement principles and documentation requirements would be complied with in future.

### **Other Lapses**

17. Test checks of four overseas missions revealed instances of control weaknesses, irregularities and non-compliances with the Government Instruction Manuals and the Ministry's manuals and guides. The average number of audit observations for the four missions was 30.

18. The common lapses included surprise checks not carried out on financial records such as cash books and receipts (in three missions) and 18 instances of officers approving their own claims or expenditures (in three missions).

19. The Ministry informed AGO that it had since initiated or taken actions to rectify the errors and to tighten the controls.

## **MINISTRY OF HEALTH**

### **Inadequate Key Performance Indicators in Budget Book**

20. The mission of the Ministry of Health is to “promote good health and reduce illness, ensure that Singaporeans have access to good and affordable healthcare that is appropriate to needs, and to pursue medical excellence”.

21. The Ministry published seven “Desired Outcomes” and 15 Key Performance Indicators (KPIs) in the Budget Book submitted to Parliament for the financial year 2009/10. Such performance reporting, required by the Ministry of Finance, helps ensure that a ministry is held properly accountable to Parliament and the public for its performance. AGO observed that improvements were possible for the Ministry's published KPIs:

- (a) KPIs were not published for all “Desired Outcomes” of the Ministry although it monitors these outcomes internally. Without published KPIs, Parliament and the public would not know the progress of the Ministry in achieving its mission. The “Desired Outcomes” and the number of corresponding KPIs published in the Budget Book are as follows:

	<b>Desired Outcome Published</b>	<b>Number of KPIs Published</b>
(i)	Singaporeans who enjoy good health / Healthy Singaporeans	4
(ii)	Cost-effective and affordable healthcare	4
(iii)	Adequate provision of basic healthcare services	4
(iv)	Low incidence of illness, disability and death resulting from major communicable and chronic diseases / Good management of major chronic diseases	3
(v)	Low infant and maternal mortality	0
(vi)	Good healthcare services for the elderly	0
(vii)	High quality of healthcare professionals and institutions	0

- (b) For the Desired Outcome (i), the published KPIs in the Budget Book did not include the “Whole-of-Government” indicator “Health-adjusted life expectancy” (HALE)<sup>1</sup>, which is required by the Ministry of Finance<sup>2</sup>.
- (c) With regard to the four published KPIs for the Desired Outcome (ii) “cost-effective and affordable healthcare”, none of them measures the component on “cost-effective” healthcare. Instead, they all relate to the second component on “affordable” healthcare.

1 Health-adjusted life expectancy (HALE) is defined as the average number of years that a person can expect to live in “full health”. Years lived in less than full health due to disease and/or injury are included in the calculation of HALE, but at a reduced weightage.

2 The Ministry of Finance requires that published KPIs in the Budget Book be “aligned to” the “Whole-of-Government” indicators maintained by ministries.



- (d) In respect of the Desired Outcome (iii) “adequate provision of basic healthcare services”, two of the four published KPIs measure service level, namely, waiting time of patients at polyclinics for registration and for consultation. AGO is of the view that KPI on waiting time is not complete without including waiting time for collection of medication.

22. The Ministry informed AGO that its published KPIs represent only a subset of all indicators monitored internally. It is currently reviewing its published KPIs. With regard to the HALE indicator, the Ministry would publish it in the Budget Book for the next financial year. As for the KPIs on the waiting time at polyclinics, the Ministry agreed that it would be useful to monitor the waiting time “for other key processes ... where it is practical and cost-effective to do so”.

## **MINISTRY OF NATIONAL DEVELOPMENT**

### **Inadequate Monitoring of Revenue Collection**

23. The Ministry of National Development appoints its statutory boards as agents to collect revenue from licensees and operators of facilities and amenities on land allocated to the Ministry. Under the Government Instruction Manuals (IMs), a ministry is required to monitor the work of its agents to ensure that it is properly done to safeguard Government’s interest.

24. AGO test checks on the work of one agent revealed a number of lapses which were not detected by the Ministry. For example:

- (a) The agent waived liquidated damages that were imposed on three licensees of aggregate terminals (landing site facilities for construction materials), totalling \$2.08 million, without obtaining approval of the Ministry. Under the IM, the approval of the Permanent Secretary is required; and
- (b) There were errors in the master list of tenancies submitted monthly by the agent. These include omission of rental amounts and wrong recording of rental periods, rental and deposits collected. The lack of scrutiny of the master list could be exploited leading to under-collection of revenue and deposits.

25. The Ministry informed AGO that “the errors in the master list of tenancies did not result in any under or over collection of revenue due to Government”. The Ministry also informed AGO that it would remind its agent to obtain approval from the Ministry for waiver of liquidated damages and action would be taken to prevent a recurrence of the lapses, including checking the master list of tenancies received.

## **PRIME MINISTER’S OFFICE**

### **PUBLIC SERVICE DIVISION**

#### **Serious Lapse in Procurement**

26. In January 2008, the Public Service Division (PSD) called an open tender for the design and production of “collateral sets” (souvenirs) for Public Service Week and awarded the contract to the third lowest bidder at \$455,400. AGO observed a serious lapse in the procurement.

27. As early as eight days before submission of the tender evaluation report to the Tender Board for consideration, and 13 days before the Tender Board’s decision, the evaluation team informed a bidder (the third lowest) that it was awarded the contract. Two days later, the team proceeded to discuss implementation details with the bidder.

28. By their actions, the officers concerned committed the Government to a \$455,400 contract without the requisite approval. This is tantamount to treating the Tender Board as a rubber stamp.

29. PSD agreed that the lapse was serious and would remind its officers to notify vendors (of award of contract) only after receiving the Tender Board’s approval.

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**PART II**

**(A)**

**AUDIT OF STATUTORY BOARDS**

**(B)**

**SELECTED AUDIT OBSERVATIONS  
ON STATUTORY BOARDS**

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## PART II A : AUDIT OF STATUTORY BOARDS

1. AGO audits statutory boards whose Acts provide for the Auditor-General to audit their accounts. The Monetary Authority of Singapore is audited by AGO annually as its Act does not provide for any other auditor to audit its accounts. AGO audits the other statutory boards on a rotational basis.

2. The Acts of most statutory boards require their accounts to be audited by the Auditor-General or another auditor. When the Auditor-General is not the auditor, the Minister will appoint an auditor in consultation with the Auditor-General. In advising on the appointment, the Auditor-General would take into account the criteria listed in Appendix II.

3. AGO carried out financial statements audits on the following four statutory boards for the financial year 2008/09:

- (i) Accounting and Corporate Regulatory Authority
- (ii) Inland Revenue Authority of Singapore
- (iii) Monetary Authority of Singapore
- (iv) Singapore Totalisator Board

All the statutory boards listed above received unqualified audit opinions on their financial statements.

4. AGO carried out performance audits<sup>1</sup> on the following 14 statutory boards:

- (i) Civil Service College
- (ii) Competition Commission of Singapore
- (iii) Health Promotion Board
- (iv) Health Sciences Authority

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<sup>1</sup> A performance audit involves examining whether programmes and activities have been conducted in an efficient and effective way, without wastage or extravagance.

- (v) Housing and Development Board
- (vi) Institute of Technical Education
- (vii) Media Development Authority
- (viii) Nanyang Polytechnic
- (ix) National Environment Agency
- (x) Singapore Examinations and Assessment Board
- (xi) Singapore Polytechnic
- (xii) Standards, Productivity and Innovation Board
- (xiii) Temasek Polytechnic
- (xiv) Urban Redevelopment Authority

5. In addition, AGO carried out ad hoc checks on other statutory boards arising from matters that came to AGO's attention, for example, from a current or past audit or a complaint.

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

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## **PART II B : SELECTED AUDIT OBSERVATIONS ON STATUTORY BOARDS**

1. Selected observations arising from the audits of the statutory boards (see Part II A) are summarised in the paragraphs below.

### **MINISTRY OF EDUCATION**

#### **INSTITUTE OF TECHNICAL EDUCATION**

2. The Institute of Technical Education (ITE) provides pre-employment training to secondary school leavers and continuing education and training to working adults. Since its establishment in 1992, ITE has made great strides in its mission to be a global leader in technical education. It has become a well-recognised training institution, garnering a number of local and international awards.

3. AGO carried out an audit of selected aspects of ITE's operations and observed some areas which needed improvement.

#### **Shortcomings in Management of Integrated Estate Management Services Contract**

4. In 2006, ITE entered into a three-year contract for integrated estate management services at a cost of \$5.26 million. Under the contract, the contractor carries out routine and ad hoc repair and maintenance works for most of the ITE campuses. AGO found the following shortcomings in the management of the contract:

(i) *Performance Not Monitored and Financial Penalties Not Imposed*

5. According to the contract, there are two levels of performance measurement of the contractor:

(a) Performance targets to measure the overall performance of the contractor; payments can be withheld when the targets are not met, and



(b) Service standards to measure performance of specific jobs, for example, response time to job requests; liquidated damages (LD) can be imposed if the standards are not met.

6. AGO noted that ITE did not have a practice of monitoring whether performance targets were met. Therefore, ITE was not in a position to impose financial penalties where necessary.

7. AGO also noted a number of instances of service standards not being met which came to ITE's attention, including some from user complaints. The cases include delays in completion of work and unsatisfactory landscaping works. ITE did not impose LD on the contractor even when the underperformance had persisted for more than a year.

8. ITE agreed that the level of achievement of performance targets specified in the contract should be assessed. In relation to LD not being imposed, ITE explained that despite the initial teething problems, the contractor had responded positively to ITE's feedback and showed some improvement in delivering its contractual obligations. Hence, a conscious decision was made not to impose LD. For future cases, ITE would formalise the process for seeking approval for waiver of LD.

(ii) Conflicting Roles of Contractor

9. According to ITE, its intention for the integrated contract was to have one contractor responsible for the whole package of estate management services, including "active policing of operations" and overall monitoring to ensure delivery in accordance with contract specifications and meeting of service standards. Previously, ITE had entered into many different service contracts and ITE staff would check the contractors' performance to ensure satisfactory delivery of services. The new arrangement had enabled ITE to phase out 29 estate management posts.

10. In AGO's view, it is not in ITE's best interest to require the contractor to carry out the repair and maintenance works and at the same time rely on him to ensure fulfilment of the contract requirements, without an adequate level of independent check. This is because the two roles are in conflict i.e. to carry out the works, and also to check and report on the work performance to ITE. In this regard, AGO noted that there were instances where the contractor reported outstanding works as completed, or failed to report cases where service standards were not met. ITE should ensure adequate independent oversight over the delivery of services under the integrated contract.

11. ITE informed AGO that it would review and improve on the management of the contract “to have a clearer delineation of duties and monitoring to achieve the desired outcomes”.

### **Underutilisation of IT System**

12. In 2007, ITE implemented the Information and Document Management System (eDoc) at a cost of \$1.39 million. One of the justifications for the project was to provide a “consolidated central directory ... to enable all staff to harness collective knowledge in ITE”.

13. Two years after the implementation of the system, AGO noted that only 28.0 per cent of the target users used the system. The objective of reaching all staff was not achieved and therefore, the full benefit of the system was not reaped.

14. ITE informed AGO that it was “forming a committee to work on the full deployment of the eDoc system in FY09”.

### **No Evaluation to Justify Hostel Project**

15. ITE, in 2006, converted a number of multi-purpose rooms in one of its campuses into 12 hostel rooms at a cost of \$1.25 million for overseas exchange students under a student Global Education Programme introduced in 2005. Despite the high cost of the project, the decision to proceed was not supported by a justification or an evaluation of alternative accommodation for the exchange students.

16. AGO also noted that the occupancy rate for the 12 hostel rooms was low, at 25.8 per cent in 2007 and 28.1 per cent in 2008. Having constructed the hostel rooms, ITE should look into ways to maximise their usage.

17. ITE acknowledged that a proper study and evaluation should have been conducted and informed AGO that it would review and take steps to improve the utilisation of the hostel rooms.

### **Weak Justifications for Waivers of Competition**

18. AGO noted that, in the last three years, ITE awarded 26 tenders (or 16.9 per cent of tenders) through waiver of competition. The reasons for waiver of competition for four purchases (total value of \$570,000) were not compelling, for example:

- (a) Preference for the supplier who had provided good and prompt service and competitive rebates under a previous contract;
- (b) “Need” to use the same survey company as in previous surveys to ensure consistency in survey methodology and target groups surveyed; and
- (c) Preference for a particular brand and model of vehicle.

19. ITE’s requirements should have been expressed as functional specifications for an open tender or in the tender evaluation criteria. This is to achieve transparency, value for money, and open and fair competition in the procurement.

20. ITE informed AGO that it would include such requirements in the tender specifications or evaluation criteria, and invite open tenders in the future.

### **Changes to Scope of Work Before Award of Tender**

21. In 2005, ITE called an open tender for the design and construction of four large advertisement panels and two permanent structures for displaying banners at one of its campuses. After the tender closed, ITE decided to reduce the size of the panels and its number from four to two. This change was communicated to only one of the three tenderers who met the tender evaluation criteria. The tender was awarded to this tenderer at the tendered price of \$79,500.

22. Changing the requirements before award of tender, communicating this to only one tenderer and then offering him the contract is unfair to the others. In this case, as the change in requirements would likely have led to lower tender prices, ITE should have called a fresh tender. This is to achieve transparency, value for money, and open and fair competition in the procurement.

23. ITE informed AGO that it would “initiate a fresh tender in future should there be significant changes to the requirements and specifications in the tender before award”.

## SINGAPORE POLYTECHNIC

### Improvements in Corporate Governance

24. In 2005, the Board of Governors of the Singapore Polytechnic (SP), in a move to enhance corporate governance in the Polytechnic, commissioned its Internal Audit Department “to study the best practices in the Singapore Code of Corporate Governance and see how these could be adopted for SP’s governance”. On completion of the study, the Internal Audit Department put up its recommendations, and these were accepted by the Board of Governors and implemented. In its audit of the Polytechnic, AGO recommended a few other improvements in corporate governance practices. These were promptly accepted and implemented by the Polytechnic.

## MINISTRY OF FINANCE

### INLAND REVENUE AUTHORITY OF SINGAPORE

#### Paying More than Necessary for Project Management

25. In 2006, the Inland Revenue Authority of Singapore (IRAS) awarded a consultancy contract with a component for project management services required for the project to reconfigure facilities at IRAS’ Revenue House. AGO found that IRAS substantially increased the scope of this contract without invoking a provision in the contract which allowed fees to be lowered through negotiation. Consequently, IRAS incurred a higher expenditure than necessary.

26. The project management fee quoted by the consultant in the tender was 4 per cent of the estimated project value of \$3.1 million (i.e. a fee of \$124,000), based on the following scale of fees he offered:

<b>Project Value</b>	<b>Project Management Fee (%)</b>	<b>Actual Fee (Maximum)</b>
Up to \$1 million	5.0%	Up to \$50,000
Up to \$2 million	4.5%	Up to \$90,000
Up to \$5 million	4.0%	Up to \$200,000
Above \$5 million	3.5%	Negotiable

27. In March 2007, IRAS increased the scope of the project from reconfiguration to upgrading of facilities to improve space utilisation and amenities for staff. The revised project value was \$28.3 million, a nine-fold increase. Accordingly, IRAS increased the scope of the project management contract. However, it applied the 3.5 per cent rate to the project value of \$28.3 million. The new fee was \$990,500. IRAS did not negotiate with the consultant for a lower fee rate as provided for in the contract where the value of the project to be managed exceeds \$5 million.

28. By not negotiating for a lower fee rate, IRAS was unnecessarily paying more for the project management services. Every 1 per cent rate reduction in fees would have meant savings of over \$280,000 for IRAS.

29. IRAS informed AGO that it was an oversight on its part to have accepted the 3.5 per cent fee rate without negotiation.

### **Weaknesses in Processing of Performance Bonuses**

30. AGO observed weaknesses in the processing of performance bonuses by IRAS which led to a number of errors in payment to its staff in July 2008.

31. Checks were required on the records entered into the system before payments were processed. Through these checks, IRAS detected many computational and system uploading errors. These were rectified before payment. However, before these checks were completed for the records of all staff, IRAS decided to proceed with the performance bonus payment. As a result, the following errors were detected only after payment:

- (a) Four cases of wrong payment ranging from underpayment of \$1,322.52 to overpayment of \$6,592.94 (detected by IRAS);
- (b) One case of payment not made to an eligible retired staff (reported by the person);
- (c) One case of double payment; payment already made by the ministry to which the staff was seconded (reported by the person); and
- (d) Eight cases of wrong payment ranging from underpayment of \$1,710.00 to overpayment of \$16,800.00 (detected by AGO).

32. IRAS explained that it had proceeded to process and make payment in order to meet its payroll deadline. It did so while concurrently completing the checks for the records of all staff as errors found would be rectified in the next payroll cycle. IRAS informed AGO that it had since completed the checks and rectified the errors.

## **MINISTRY OF INFORMATION, COMMUNICATIONS AND THE ARTS**

### **MEDIA DEVELOPMENT AUTHORITY**

33. The Media Development Authority (MDA) has the dual role of:

- (A) Regulating media services and public service broadcast (PSB) programming; and
- (B) Promoting growth of the media industry in Singapore.

Since its establishment on 1 January 2003, it has made significant achievements in promoting the media industry thereby contributing to the economy and job creation.

34. The audit observations raised by AGO in its audit are as follows:

#### **(A) Regulating Media Services and PSB Programming**

##### **Undue Delay in Refunding \$6.06 Million in RTV Licence Fees**

35. As at 31 March 2008, MDA accumulated \$6.06 million (or 684,552 cases) in overpaid or unused balance<sup>1</sup> of radio and TV licence (RTV) fees that had not been refunded. At the time of audit in November 2008, MDA was processing refunds that arose in 2005.

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1 Unused balance refers to fees paid in respect of the remaining licence period not utilised due to cancellation of licence.

36. MDA explained that there were several reasons for the overpayment of licence fees. One reason was that its collection agents did not have the facility to check payment status and reject repeat payments. Overpayment could also occur because of the time lag between payment to an agent and update of payment status in MDA's system, resulting in a late payment advice being wrongly sent out.

37. MDA informed AGO that it had put in place an action plan to clear the backlog of refunds.

### **Under-collection of \$0.84 Million in Broadcasting Licence Fees**

38. MDA had under-collected \$844,600 in licence fees from a broadcaster for the financial years 2006/07 and 2007/08. This arose because MDA did not apply the minimum charge as provided for in the broadcasting licence conditions.

39. MDA informed AGO that it would recover the fees under-collected.

### **Compliance with Broadcasting Licence Conditions Not Monitored**

40. MDA did not have a comprehensive system for monitoring and enforcement to ensure compliance with broadcasting licence conditions.

41. AGO noted that MDA renewed the licences of two broadcasters even though they had not fulfilled a number of licence conditions. In the first case, for three years, a broadcaster did not submit its annual audited statements as required to enable MDA to adjust the estimated annual licence fees collected. In another case, a broadcaster continued to broadcast for nine months after the expiry of its licence.

42. There was also a case where a broadcaster's performance bond had expired for more than a year. The purpose of the performance bond is to safeguard MDA against any loss, damages, expenses or costs as a result of failure by the broadcaster in fulfilling its obligations under the licence conditions. MDA followed up on the matter upon AGO's observation.

43. MDA informed AGO that it would review its system, including the need to impose penalties to ensure compliance with licence conditions.

## **Paying More than Necessary for Outsourcing of Enforcement Functions**

44. MDA is responsible for enforcement functions under the Broadcasting Act (Cap. 28), Films Act (Cap. 107), Undesirable Publications Act (Cap. 338) and the Newspaper and Printing Presses Act (Cap. 206). These functions were outsourced to an agent through open tender and the contract (valued at \$933,312) was for two years from February 2007.

45. AGO observed three lapses as follows:

(i) *Not Seeking Price Reduction for Reduced Work Scope*

After entering into the contract, MDA received legal advice that under the law, MDA could not outsource enforcement functions except for those under the Broadcasting Act. The scope of the contract had to be significantly reduced. However, MDA did not seek a revision in the contract price despite advice by its legal counsel that it should do so.

When the contract expired and MDA exercised the option to renew the contract for two years, MDA still did not seek a price reduction.

(ii) *Lowering Performance Targets*

The aim of enforcement action is to get owners/occupants of unlicensed premises with broadcast receivers to take up licences. In the first year of the contract, MDA lowered the performance targets to be met by the agent.

The tender specifications required 200,000 households to be inspected in the first year. This was reduced to 80,000 in the contract document. Similarly, the target number of new RTV licences issued as a result of enforcement action was reduced by half from 100,000 to 50,000.

Subsequently, at the agent's request, MDA lowered the targets further to 71,000 households to be inspected and 44,000 new RTV licences taken up.

These changes were made without price adjustments.



(iii) Penalty Not Imposed for Underperformance

The agent underperformed in the second year as only 54,589 new licences were issued compared to the target of 70,000 licences. However, MDA did not impose the penalty (amounting to \$308,220) provided for in the contract.

46. These lapses resulted in a higher than necessary expenditure for the enforcement services, reflecting a lack of financial prudence in the management of the contract.

47. MDA acknowledged the oversight and gaps which were identified by AGO and would address these shortcomings.

**Shortcomings in Management of Public Service Broadcast Programmes**

48. Public Service Broadcast (PSB) programmes play an important role in communicating national and social messages. These programmes cover genres such as current affairs, culture, information, local sports, minority language programmes and children's programmes which may not be commercially viable. MDA has identified the following as characteristics of PSB programmes:

- (a) Promotion of social values, including family, community, youth, sports, active ageing and volunteerism;
- (b) Celebration of Singapore's culture and heritage, including the arts, design and cross-cultural appreciation;
- (c) Promotion of racial and religious harmony, including minority programming and minority representation in other programming; and
- (d) Promotion of the Singapore spirit, including Singaporean identity and Singaporean's responsibilities as global citizens.

49. To regulate and encourage public service broadcasting, MDA:

- (a) requires MediaCorp, the national broadcaster, to produce a specified minimum hours of PSB programmes at its own cost; and
- (b) pays MediaCorp for additional hours of PSB programmes ("Funded PSB programmes").

50. Funded PSB programmes are paid for from RTV licence fees. According to the Ministry of Information, Communications and the Arts, MDA's supervising ministry, 67 per cent of RTV licence fees collected are used for PSB. The full breakdown is as follows:

- Public Service Broadcast (67%)
- Expenses related to RTV licence fee collection (11%)
- Industry development expenses (15%)
- MDA reserves for future PSB and content development funding (7%)

51. AGO noted the following shortcomings in the management of PSB programmes:

(i) *Lack of Rigour in Approving Funded PSB Programmes*

For PSB programmes paid for by MDA (amounting to \$80.82 million in the financial year 2007/08), it is important for MDA to ensure that the programmes warrant public funding.

AGO observed that programme proposals submitted by MediaCorp were approved by MDA's "channel managers". MDA should have a more rigorous process (with management involvement) to ensure that the programmes clearly manifest the PSB characteristics identified by MDA and are not those which should be produced on a commercial basis.

There was also no formal acceptance of new PSB programmes before launch to ensure that they were consistent with the proposals approved by MDA.

MDA noted AGO's observations and recommendations.

(ii) *Inadequate Key Performance Indicator*

MDA uses an "Appreciation Index" as a key performance indicator to assess the quality of PSB programmes. This Index is derived from a survey of TV viewers who rate programmes in terms of level of "enjoyment, informative value and relevance". In AGO's view, the survey is inadequate as it does not assess whether or to what extent the PSB programmes meet the characteristics identified by MDA.

MDA informed AGO that it had taken steps to enhance the current survey to add more components to the Appreciation Index.

**(B) Promoting Growth of Media Industry**

**Lapses in Administration of Co-Investment Scheme**

52. MDA's "Media 21 Blueprint" envisions Singapore as a Global Media City, where media services and projects are created, developed, traded and distributed to international markets. In 2003, \$165 million was committed to fund various industry development programmes over five years.

53. One of the schemes under "Media 21 Blueprint" is the Scheme for Co-Investment in Exportable Content (SCREEN) whereby MDA co-invests in production of films which have potential for global reach. In return, MDA shares the rights and revenue from the projects. As at 31 March 2009, MDA had disbursed a total of \$45.57 million for 157 projects.

54. AGO test checks on the administration of SCREEN revealed the following lapses:

(i) Revenue Estimated at \$9.89 Million Not Collected

AGO test checks revealed that revenue due from 46 completed projects had not been collected.

Under the agreements signed with the respective production companies, MDA would bill the companies upon receipt of their sales reports. At the time of audit in March 2009, MDA did not receive the sales reports in respect of 45 films that had been released for public screening between three months and four and a half years earlier. As a result, the revenue due (estimated at \$9.43 million) was not collected.

In another case, a production company sold a film it produced but three and a half years after the sale, MDA had still not received its share (amounting to \$0.46 million) of the sales proceeds. The last action taken by MDA was in July 2005 when it wrote to the company asking for payment. Following AGO's query, MDA made another attempt to recover the revenue but was unsuccessful.

MDA informed AGO that it would review all SCREEN projects to ascertain its share of revenue for recovery action. It was also implementing a system to track revenue due. The first phase would be rolled out in July 2009.

(ii) No Post-project Reviews

Two criteria for the selection of projects for funding under SCREEN are (a) the expected number of local jobs created, and (b) the “budget spent on Singaporeans or Singapore permanent residents (PRs)”. These criteria are established by MDA to help ensure that funding is given to projects with the potential to meet the objectives of SCREEN.

AGO noted that no post-project reviews were conducted to ascertain whether SCREEN objectives were achieved by each production. The only reports required by MDA were financial statements which do not show the number of local jobs created or the amount of money spent on Singaporeans and PRs.

MDA agreed with AGO’s recommendation to conduct post-project reviews to ascertain whether SCREEN objectives are met.

### **Lapses in Administration of Microfunding Scheme**

55. In 2007, MDA received \$40 million from the National Research Foundation (NRF) for the Microfunding Scheme to grow the interactive and digital media sector over a five-year period. As at March 2009, \$4.83 million had been spent. AGO test checks revealed several shortcomings in the administration of the Scheme:

(i) Grants Given to Four Ineligible Companies

Under the Scheme, MDA appoints “mentors” to identify and recommend start-up companies for a grant of up to \$50,000 each. The guideline for the Scheme does not allow funding for start-up companies that are set up and owned by their mentors. AGO noted that four start-up companies which received grants were founded and co-owned by their mentors.

MDA informed AGO that in future it would not approve funding for a start-up company in which its mentor has direct ownership.

(ii) *Conflict of Interests in Evaluation of Applications for Funding*

To qualify for the Scheme, a start-up company which has been identified and recommended by a mentor has to be evaluated and supported by three experts from a panel appointed by MDA. AGO test checks revealed 10 approved cases where one of the three required evaluations was from a particular expert who was not independent. In one case, this expert was a shareholder of the company he evaluated. In the other nine cases, he was a business partner of the mentor to the nine companies.

MDA agreed with AGO that an expert must not have vested interest in the start-up company he evaluates or have business dealings with the company's mentor.

(iii) *Lack of Rigour and Vigilance in Approval for Funding*

AGO test checks found 13 cases where funding was approved by MDA based on the support of only two instead of the requisite three experts. In three other cases, one of the experts either abstained or gave support with conditions attached, but these conditions were not addressed before approval was given. The grants awarded to these 16 cases totalled \$800,000.

MDA informed AGO that it would tighten its approval process for future applications.

(iv) *Laxity in Giving Out Advances to Mentors*

Grants are disbursed to start-up companies through their respective mentors. For this purpose, MDA makes quarterly advances to the mentors based on the amounts that the mentors expect to disburse in the quarter ahead. MDA allows mentors to obtain advances for start-up companies yet to be approved for funding.

In February 2009, a mentor sought and received an advance for disbursement in the quarter ending 31 May 2009. At the time of his request, he was mentor to seven start-up companies, with two companies pending approval for funding under the Scheme. His request had also included advances for 11 unnamed start-up companies expected to be approved in the quarter.

AGO noted that only three start-up companies were admitted to the Scheme during the quarter. This means that the mentor obtained unnecessary advances for 10 unnamed companies, indicating laxity in the way advances were given out to mentors.

MDA informed AGO that it would introduce criteria for advances to mentors to ensure that a mentor's projection of fund requirement for the quarter ahead is reasonable.

## **MINISTRY OF NATIONAL DEVELOPMENT**

### **AGRI-FOOD AND VETERINARY AUTHORITY**

#### **Underutilisation of Facilities at Fishery Ports**

56. AGO's audit of the Agri-Food and Veterinary Authority (AVA) in 2008 revealed that the facilities at AVA's two fishery ports were underutilised. AGO recommended that AVA review the layout and operations of the ports so as to ensure cost effectiveness of land use; there was potential for savings, for example, by releasing excess capacity for alternative uses.

57. The two fishery ports, Jurong Fishery Port (JFP) and Senoko Fishery Port (SFP), also serve as wholesale distribution centres for fish from fishing vessels. The ports occupy 51,420 square metres and 34,540 square metres of land (this is equivalent to seven and four football fields) respectively.

58. There has been a steady decline in the usage of the facilities at JFP and SFP over the years. For example, the occupancy rate for the wholesale facilities at one port was only 68 per cent.

59. Following AGO's recommendation, AVA informed AGO that it would explore means to optimise the usage of the facilities.

## **HOUSING AND DEVELOPMENT BOARD**

### **Delay in Returning Residential Properties and Land to Government**

60. AGO observed that the Housing and Development Board (HDB) took a long time in returning a number of residential properties and a large piece of land to the Singapore Land Authority (SLA), the Government's agent for the administration and management of State properties. These properties and land were not required for public housing.

#### *46 Residential Properties*

61. In 1994, upon AGO's recommendation, HDB agreed to return to SLA residential properties which were not related to its public housing programmes. The properties comprised 20 bungalows, 16 semi-detached houses, four terraces and six apartments at Kay Siang Road, Ridout Road and Hume Heights. However, AGO noted that as at September 2008, all these properties which were let out to the public, had yet to be returned to SLA.

62. HDB commenced discussions with SLA on the return of the properties in 1995. As both parties were unable to come to an agreement on the transfer price, in 1997, HDB decided to defer the return pending a study on its corporate restructuring. The study was completed around 2003. However, HDB did not resume the process of returning the properties to SLA.

63. In October 2007, SLA initiated discussions with HDB on the return of the properties to the Government.

64. HDB and SLA have agreed on the return in phases beginning in the financial year 2009/10.

#### *Land at Bukit Batok*

65. HDB operated a brickworks on 22.7 hectares of land (equivalent to 31 football fields) at Bukit Batok. The brickworks ceased operations in 1998. As there were no development plans for the land and the SLA's policy before 2005 was not to accept return of land unless there was a user identified, HDB continued to hold on to the vacant land and used a portion of it to store building and construction materials. As at September 2008, 22.6 per cent of the land was used.

66. In November 2005, following a change in SLA's policy on the conditions for land return, HDB decided to return the land to the Government. It then took HDB 19 months for site clearance and paper work to transfer responsibility for the land from one HDB department to another. Thereafter, there was a further eight-month delay before HDB wrote to SLA in March 2008 to return the land.

67. HDB informed AGO that it aimed to complete the return of the land by 2010.

## **URBAN REDEVELOPMENT AUTHORITY**

### **Tardiness in Implementing Pilot Project Approved by Board**

68. The Urban Redevelopment Authority (URA) has been exploring alternatives to coupon parking since the 1990s. In 2003, it concluded from a study that electronic parking is viable for some of its car parks, and provides more convenience to motorists as they "need not estimate parking time and risk being fined". In July 2003, the URA's Board approved implementation of an electronic parking system (EPS) in two car parks on a pilot basis. To date, six years later, the pilot project has not been implemented.

69. At that time, URA deferred the pilot project for a year because of concerns over teething problems encountered by the Housing Development Board (HDB) in its pilot implementation of EPS. To overcome these problems, URA decided to outsource the project to private operators. However, in 2004, because of financial implications, URA further deferred the pilot project pending the completion of a study to outsource enforcement patrol to the private sector. URA also informed AGO that another reason was that URA was carrying out a study of the mobile phone parking system.

70. The outsourcing of enforcement patrol was completed in 2005 while the mobile phone parking study was completed in 2007. However, URA still did not proceed with the pilot project.

71. URA should not further delay implementing the EPS pilot project, considering the potential benefits for the motoring public in terms of convenience. Furthermore, many car parks such as those under HDB, the Jurong Town Corporation and commercial establishments have EPS in place.

72. URA informed AGO that it "had re-started looking at implementing EPS parking in some of our car parks in 2008" and is "looking at implementing a pilot project in 2009".



## MINISTRY OF TRADE AND INDUSTRY

### STANDARDS, PRODUCTIVITY AND INNOVATION BOARD

#### Uneconomical Use of Public Funds on Office Space

73. The Standards, Productivity and Innovation Board (SPRING) incurred unnecessary costs of \$1,970,374 in rental and renovation of offices for the period from April 2007 to June 2010 as follows:

Location of Offices	Rental	Renovation Cost	Total
Biopolis	\$94,526 (April 2007 to August 2008)	-	\$94,526
Fusionopolis	\$488,000 (spent from June 2008 to June 2009) \$488,000 (committed for July 2009 to June 2010)	\$899,848	\$1,875,848
<b>Total</b>	\$1,070,526	\$899,848	\$1,970,374

74. SPRING renovated a floor of SPRING Building (at Bukit Merah) in early 2007 comprising offices for its Chairman and executive management team and a boardroom. However, the newly renovated Chairman's office was left unoccupied since April 2007 as the Chairman worked from the office he was using in his previous appointment<sup>1</sup> at Biopolis. SPRING paid rental of \$94,526 for 17 months for the Biopolis office.

75. In June 2008, when the Biopolis office had to be vacated, SPRING leased a floor of a building at Fusionopolis for Chairman's office, "satellite" offices for the Chief Executive and the Deputy Chief Executive, a boardroom and office for its Technology Innovation Division (TID). The lease, amounting to \$976,000, was for two years and renovations cost \$899,848. The Chairman and TID relocated there in September 2008 and would move again with the rest of SPRING to another building (currently under construction) at Fusionopolis at the end of the two-year lease.

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1 SPRING Chairman was previously Chairman of A\*STAR, a position he relinquished when he took office as SPRING's Chairman on 1 April 2007.

76. SPRING has not been economical in the use of public funds on office space. Despite the availability of office space in SPRING Building and its planned relocation in two years' time, SPRING proceeded to spend \$1,875,848 in rental and renovation at Fusionopolis. At Fusionopolis, TID also occupied three times the space it previously occupied at SPRING Building although there was no increase in headcount.

77. SPRING informed AGO that after relocating staff to Fusionopolis in 2008, it reduced the space it occupied in SPRING Building. On moving to its new premises in 2010, SPRING would keep within the Ministry of Finance's guidelines on space norms for public sector offices.

## **OTHER OBSERVATIONS**

### **Weakness in Agreements for Administration of Student Loans**

78. AGO noted that four polytechnics appointed a bank to manage their respective Tuition Fee Loan Scheme for students. Under separate agreements between each polytechnic and the bank, the bank is required, among other services, to recover all monies due from the students. For these services, the polytechnics would pay the bank an annual fee of 1.8 per cent of the total loan balance. The loan principal is provided by the Ministry of Education (MOE), which also absorbs any loss from loan defaults.

79. Total loans due for repayment (whether by instalment or lump sum) as at 31 December 2008 stood at \$5.69 million, of which 175 loans amounting to \$448,632.01 were in default for between 6 and 98 months:

<b>Default Period</b>	6 months to < 1 year	1 to < 3 years	3 to < 8 years	≥ 8 years
<b>Number of Loans</b>	61	106	7	1

80. The basis of computing the fee to be paid to the bank has the effect of discouraging the bank from putting in its best efforts to recover monies due or to seek write-off for uncollectible loans as doing so would reduce its fee.

81. One of the polytechnics had since indicated that, as similar agreements are used by the other polytechnics, it would follow up with them and MOE to review the agreements.

## **No Assurance of Best Value for Car Park Operations**

82. In the course of the audit of the Urban Redevelopment Authority (URA), AGO observed that since 1974, the Singapore Sports Council (SSC) had appointed URA as the managing agent for all its public car parks<sup>1</sup>. SSC had not reviewed whether continuing the arrangement with URA was the most economic way for the management of its car parks. Such a review would be in line with a directive issued by the Ministry of Finance (MOF) in 2006.

83. The MOF directive requires that “non-core functions must be best-sourced to establish the most economic way for performing them”. As car park operation is not a core function of SSC, competitive bidding should be considered to ensure value for money. In this regard, AGO noted that other statutory boards with car parks previously managed by URA, for example, the Jurong Town Corporation, had outsourced the management of their car parks to the private sector through competitive bidding.

84. SSC informed AGO that it would review its current arrangement with URA and consider best sourcing to establish the most cost-effective way to operate its car parks.

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1 As at 31 July 2008, SSC had 41 car parks at its sport complexes located in various parts of Singapore with a total of 9,414 lots for motorcars, 831 lots for motorcycles, and 318 lots for heavy vehicles.

## **PART III**

# **AUDIT OF GOVERNMENT-OWNED COMPANIES AND OTHER ACCOUNTS**

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## **PART III : AUDIT OF GOVERNMENT-OWNED COMPANIES AND OTHER ACCOUNTS**

### **Government-owned Companies**

1. The accounts of the following five Government-owned companies for the financial year 2008/09 were audited by the Auditor-General under section 4(1)(b) of the Audit Act (Cap. 17, 1999 Revised Edition):

- (i) GIC Asset Management Private Limited
- (ii) GIC Real Estate Private Limited
- (iii) GIC Special Investments Private Limited
- (iv) Government of Singapore Investment Corporation Private Limited
- (v) MND Holdings (Private) Limited

2. Unqualified audit opinions were issued on these accounts.

### **Other Accounts**

3. At the request of the President, the Auditor-General audited the accounts of the President's Challenge 2007 under section 4(1)(b) of the Audit Act.

4. The Workers' Fund accounts are audited annually by the Auditor-General as provided for under the Work Injury Compensation (Workers' Fund) Regulations (Cap. 354, Rg 2).

5. The above audits have been completed and unqualified audit opinions were issued.

6. The ASEAN Cultural Fund (Singapore) is audited annually by AGO as required under an ASEAN agreement. The audit for the financial year ended 31 May 2008 was completed on 30 July 2008 and the audit for the current financial year is in progress.

## **Acknowledgement**

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

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## **APPENDICES**



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## **APPENDIX I : DUTIES AND POWERS OF AUDITOR-GENERAL**

### **Duties of Auditor-General**

1. Under Article 148F(3) of the Constitution of the Republic of Singapore (1999 Revised Edition), it is the duty of the Auditor-General to audit and report on the accounts of all the departments and offices of the Government, the Public Service Commission, the Legal Service Commission, the Supreme Court, all subordinate courts and Parliament. Under Article 148F(4), he shall perform such other duties and exercise such other powers in relation to the accounts of the Government and accounts of other public authorities and other bodies administering public funds as may be prescribed by or under any written law (for example, the Acts of statutory boards).
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. Where it is not provided for under any written law, the Auditor-General may, with the consent of the Minister for Finance if so requested by a public authority or body administering public funds, audit the accounts of such public authority or body. This is provided for under section 4(1)(b) of the Audit Act (Cap. 17, 1999 Revised Edition).
4. In discharging his duties, the Auditor-General is required under section 5 of the Audit Act to make such examination as he may consider necessary to ascertain whether all reasonable steps have been taken:
  - (a) to safeguard the collection and custody of public moneys or other moneys subject to his audit;
  - (b) to ensure that issues and payments of moneys subject to his audit were made in accordance with proper authority and payments were properly chargeable and are supported by sufficient vouchers or proof of payment; and
  - (c) to ensure that the provisions of the Constitution and of the Financial Procedure Act (Cap. 109, 1992 Revised Edition) and any other written law relating to moneys or stores subject to his audit have been in all respects complied with.

## **APPENDIX I — *continued***

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

6. The duties of the Auditor-General are discharged through conducting audits which include examining controls of selected financial systems, test-checking accounting and other records, and reviewing the effectiveness and efficiency of selected programmes and activities.

### **Powers of Auditor-General**

7. The Audit Act provides powers to the Auditor-General for the performance of his duties under the Constitution and the Audit Act. Section 6 of the Act states that the Auditor-General may call upon any person for any explanation and information which he requires in order to enable him to discharge his duties. He shall also have access to all records and documents subject to his audit. Any person called upon to provide explanation or information shall be legally bound to furnish such explanation or information as the case may be.

8. Under section 6 of the Audit Act, the Auditor-General can also authorise any person to conduct any inquiry, examination or audit on his behalf, and to report the results to him.

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## **APPENDIX II : CRITERIA FOR APPOINTMENT OF AUDITORS**

1. The Acts of most statutory boards require their accounts to be audited by the Auditor-General or another auditor. When the Auditor-General is not the auditor, the Minister will appoint an auditor in consultation with the Auditor-General.
2. In giving his views to the Minister, the Auditor-General uses the five criteria below.

### **CRITERIA FOR APPOINTMENT OF AUDITORS**

- (i) The proposed person, accounting corporation, accounting firm or accounting limited liability partnership (LLP) is not precluded by the Companies Act (Cap. 50, 2006 Revised Edition) from acting as auditor of a company.
- (ii) The proposed person, or all the directors/partners of the accounting corporation, accounting firm or accounting LLP have not been suspended from practice or have not been de-registered, during the last five years, under section 38, 52 or 53 of the Accountants Act (Cap. 2, 2005 Revised Edition) or the equivalent sections of the predecessor Act.
- (iii) The proposed person, or all the directors/partners of the accounting corporation, accounting firm or accounting LLP have not been inflicted with a penalty, fine or censure, during the last three years, under section 52 or 53 of the Accountants Act or the equivalent sections of the predecessor Act.
- (iv) The proposed person, or all the directors/partners of the accounting corporation, accounting firm or accounting LLP 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.
- (v) The proposed person, accounting corporation, accounting firm or accounting LLP has not already been the auditor of the statutory board concerned for the past five consecutive years.

## APPENDIX II — *continued*

Application Notes:

(a) Where, on the same matter, the person, accounting corporation, accounting firm or accounting LLP is disciplined under section 38, 52 or 53 of the Accountants Act [criteria (ii) and (iii)] and also found by a Court to have been professionally negligent or to have failed to exercise due care in an audit [criterion (iv)], the five-year debarment period will take effect from the date of disciplinary action imposed under the Act or the date of the Court verdict, whichever is earlier.

(b) Where an accounting corporation, accounting firm or accounting LLP does not meet criterion (ii), (iii) or (iv), the accounting corporation, accounting firm or accounting LLP will not be debarred if the director or partner concerned will not be involved in the proposed audit engagement.

3. Criteria (i) to (iv) give the assurance that the person, the accounting corporation, accounting firm or accounting LLP and its directors/partners, are suitably qualified and have a clean record for a sustained period, with regard to disciplinary action meted out by the Public Accountants Oversight Committee<sup>1</sup> or adverse judgment by a Court. Criterion (v) provides for the rotation of auditors. The two application notes (a) and (b) ensure that there will be no double penalty for the same case of professional misconduct and that only the directors/partners concerned are debarred, not the whole corporation, firm or LLP.

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

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<sup>1</sup> Under the Accountants Act, the Public Accountants Oversight Committee assists the Accounting and Corporate Regulatory Authority in the control and regulation of professional conduct of public accountants, accounting corporations, accounting firms and accounting 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.

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